

5. Technical Budgeting Error

We recommend that \$20,000 requested for operating expenses and equipment in connection with the reestablishment of three clerical positions be deleted, to correct for double-budgeting. (Reduce Item 7980-001-951 by \$20,000.)

The Budget proposes \$87,000 for salaries and general operating expenses associated with the reestablishment of three clerical positions in the loan unit. This amount includes funding for operating expenses and equipment which is already included in the base support level for the commission. Of the amount requested, \$20,000 is associated with these costs and therefore should be deleted.

OFFICE OF CRIMINAL JUSTICE PLANNING
Item 8100 from the General

Fund and various funds

Budget p. GG 1

Requested 1986-87	\$41,199,000
Estimated 1985-86	37,822,000
Actual 1984-85	26,613,000
Requested increase \$3,377,000 (+8.9 percent)	
Total recommended reduction	\$1,066,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8100-001-001—Support	General	\$4,583,000
8100-001-241—Support	Local Public Prosecutors and Public Defenders Training	81,000
8100-001-524—Support	Victim/Witness Assistance	1,437,000
8100-001-890—Support	Federal Trust	(384,000)
Chapter 637/85—Support, Juvenile Sex Offenders	General	25,000
Chapter 1443/85—Support, Victims Legal Resource Center	General	10,000
Chapter 1445/85—Support, Homeless Youth Act	General	24,000
8100-001-890—State Operations	Federal Trust	(1,500,000)
8100-101-001—Local assistance	General	20,148,000
8100-101-241—Local assistance	Local Public Prosecutors and Public Defenders Training	694,000
8100-101-425—Local assistance	Victim/Witness Assistance	10,781,000
8100-101-890—Local assistance	Federal Trust	(13,066,000)
Chapter 423/85—Local assistance, Narcotics Task Force	General	\$2,000,000
Chapter 637/85—Local assistance, Juvenile Sex Offenders	General	225,000
Chapter 1443/85—Local assistance, Victims' Legal Resource Center	General	90,000
Chapter 1445/85—Local assistance, Homeless Youth Act	General	690,000
Reimbursements		411,000
Totals		\$41,199,000

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	<i>Analysis page</i>
1. <i>Program Consultants. Reduce Item 8100-001-001 by \$111,000 and Item 8100-001-425 by \$69,000. Recommend reduction of four outside program consultants because OCJP could not explain the need for the expenditure.</i>	1534
2. <i>State Funds to Administer Federal Grants. Recommend state expenditures for administering federal programs be made contingent upon the receipt of the grant funds.</i>	1534
3. <i>Alternate Funding Source. Increase Item 8100-001-425 by \$145,000 and Item 8100-101-425 by \$1,500,000. Reduce Item 8100-001-001 by \$145,000 and Item 8100-101-001 by \$1,500,000. Recommend that the Domestic Violence Program be financed from the Victim/Witness Assistance Fund, rather than from the General Fund.</i>	1535
4. <i>Gang Violence Suppression Program. Reduce Item 8100-101-001 by \$500,000. Recommend reduction to continue the Legislature's policy of requiring federal funding for 25 percent of this program.</i>	1536
5. <i>Budget Bill Language. Recommend disapproval of proposed language that would allow the Department of Finance to adjust various statutory limits on administrative expenditures. Further recommend that the OCJP report on its compliance with those limits.</i>	1538
6. <i>Medical Training Program. Reduce Item 8100-001-001 by \$93,000. Recommend elimination of proposed health care practitioner training program because data supporting the need for the training is lacking.</i>	1539
7. <i>Consulting Services. Reduce Item 8100-001-001 by \$293,000. Recommend elimination of \$293,000 proposed for outside consulting services, pending receipt of additional information.</i>	1539

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). The office 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 three program areas—(1) administration, (2) state and private agency awards, which allocates federal grants to state and private agencies, and (3) local project awards, which allocates state and federal grants to local governments. In the current year, OCJP has an authorized staff of 71.1 personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The proposed expenditure program for the Office of Criminal Justice Planning in 1986–87 is \$56,149,000, consisting of \$27,795,000 from the General Fund, \$12,218,000 from the Victim/Witness Assistance Fund, \$775,000 from the Local Public Prosecutors and Public Defenders Training Fund, \$14,950,000 in federal funds, and \$411,000 in reimbursements.

Table 1 summarizes OCJP expenditure levels for the prior, current, and budget years. The table shows that General Fund expenditures are proposed to increase by \$2,883,000, or 12 percent, over estimated General Fund expenditures in 1985-86. The proposed increase in expenditures from all funds is \$12,054,000, or 27 percent.

Table 1
Office of Criminal Justice Planning
Budget Summary
1984-85 Through 1986-87
(dollars in thousands)

Program	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Percent Change From 1985-86
1. Administration (Distributed)	(\$1,532)	(\$2,335)	(\$2,620)	(12.2%)
2. State and Private Agency Awards....	739	1,500	1,500	—
3. Local Project Awards	31,155	42,595	54,649	28.3
Totals	\$31,894	\$44,095	\$56,149	27.3%
Personnel Years.....	62.7	71.1	80.4	13.1%
Funding Source				
1. General Fund	\$14,194	\$24,912	\$27,795	11.6%
2. Local Public Prosecutors and Public Defenders Training Fund	812	752	775	3.1
3. Victim/Witness Assistance Fund	11,312	11,541	12,218	5.9
4. Federal Trust Fund.....	3,281	6,273	14,950	138.3
5. Reimbursements	295	617	411	-33.4

Table 2
Office of Criminal Justice Planning
Proposed 1986-87 Budget Changes
(dollars in thousands)

	General Fund	Local Public Prosecutors and Public Defenders Training Fund	Victim Witness Assistance Fund	Federal Trust Fund	Reimburse- ment	Total
1985-86 Expenditures (Revised)	\$24,912	\$752	\$11,541	\$6,273	\$617	\$44,095
Proposed Changes						
A. Workload Changes						
1. Grants Control Policy Division.....	34	—	10	—	—	44
2. Clerical Overtime	7	—	—	—	—	7
3. Medical Protocol Training	—	—	93	—	—	93
4. Legal Counsel	84	—	—	—	—	84
B. Cost Adjustments						
1. Employee Compensation	120	4	33	2	—	159
2. One-Time Reductions	-2,182	—	—	—	-298	-2,480
3. Full-Year Cost Adjustment	2,100	—	—	—	—	2,100
4. CALSTARS Implementation	34	1	8	9	—	52
5. Missing Children Study	20	—	—	—	—	20
6. Pro Rata Adjustment	—	4	42	—	—	46
7. SWCAP Adjustment	—	—	—	-20	—	-20
C. Program Adjustment						
1. Career Criminal Apprehension Pro- gram (C-CAP) Training.....	—	—	—	—	44	44
2. Federal Block Grant Implementation	445	—	280	8,686	48	9,459
3. Local Assistance COLA	221	14	211	—	—	446
4. Gang Violence Suppression Program Expansion	2,000	—	—	—	—	2,000
1986-87 Expenditures (Proposed)	\$27,795	\$775	\$12,218	\$14,950	\$411	\$56,149
Change from 1985-86						
Amount	\$2,883	\$23	\$677	\$8,677	-\$206	\$12,054
Percent.....	11.6%	3.1%	5.9%	138.3%	-33.4%	27.3%

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

Table 2 identifies, by funding source, the changes in expenditure levels proposed for 1986-87.

ANALYSIS AND RECOMMENDATIONS**New Federal Block Grant Programs**

The budget proposes an augmentation of \$8,686,000 from the Federal Trust Fund to provide funding for two new federal block grant programs. These programs are authorized by two federal laws—the Justice Assistance Act of 1984 (JAA) and the Victims of Crime Act of 1984 (VOCA).

The budget includes \$4,733,000 for the JAA. These funds may be used for grants to state departments and local governments for programs that emphasize the serious and violent offenders, such as projects dealing with apprehending and prosecuting career criminals and gang violence suppression projects. The budget also includes \$3,953,000 for VOCA. These funds may be used to provide direct services to victims of crimes, with priority given to sexual assault, spousal abuse, and child abuse victims.

Both of the federal acts prohibit the use of federal funds for administration of the block grants. For that reason, the budget requests an increase in state funds of \$773,000, which will be used to support 8.9 new positions (and related expenses) needed to administer the grants. Funding for this proposal consists of \$445,000 from the General Fund, \$280,000 from the Victim/Witness Assistance Fund and \$48,000 from reimbursements.

No Justification for Program Consultants

We recommend that the Legislature delete \$180,000 (\$111,000 from the General Fund and \$69,000 from the Victim/Witness Assistance Fund) requested for four outside program consultants, because OCJP has not been able to explain the need for this expenditure. (Reduce Item 8100-001-001 by \$111,000 and Item 8100-001-425 by \$69,000).

The \$773,000 requested for administration of the new block grant programs includes \$180,000 to provide for four outside program consultants.

The Budget Change Proposal submitted to justify the proposal has extensive workload information relating to the proposed new administrative positions that OCJP requests. No information, however, was included to explain or justify the need for the consultants.

On January 10, 1986, we requested OCJP to provide workload justification for the consultants. At the time this analysis was prepared, no information had been provided. Until OCJP can demonstrate a need for these consultants, we cannot recommend approval of the request.

Accordingly, we recommend that the Legislature delete the funds budgeted for consultants, for a savings of \$180,000 (\$111,000 from the General Fund and \$69,000 from the Victim/Witness Assistance Fund).

State Expenditures Should Be Contingent on Receipt of Federal Funds

We recommend that the Legislature adopt Budget Bill language making state funding for administration of two federal block grant programs contingent upon the actual allocation of the federal grant funds to California. We further recommend that if the amount of federal funds received is less than the amount anticipated, state funds available for program administration be reduced proportionately.

Although it is clear that a budget increase for program administration will be needed if the state participates in the two new federal grant programs, the amounts that the state will receive under these programs is anything but clear. If all of the federal funds anticipated by the budget do not materialize, the amount budgeted for administration might be more than what is needed.

To ensure that state administrative expenditures do not exceed the amount actually needed to administer the grants, we recommend that the Legislature adopt Budget Bill language making these expenditures contingent upon the actual allocation of federal grant funds to the state. This language should specify that if federal allocations are less than what is budgeted, the state funding for administration would be reduced proportionately. To avoid a situation in which the OCJP would have to reduce its spending for administration if federal allocations are only slightly below the budgeted amounts, the language should take effect when federal allocations fall at least 10 percent below the amounts budgeted.

Alternate Funding for the Domestic Violence Program

We recommend that the Legislature finance the Domestic Violence Program from the Victim/Witness Assistance Fund, rather than from the General Fund, for a General Fund savings of \$1,645,000 (Increase Item 8100-001-425 by \$145,000 and Item 8100-101-425 by \$1,500,000. Reduce Item 8100-001-001 by \$145,000 and Item 8100-101-001 by \$1,500,000.)

Chapter 705, Statutes of 1985, established a new Comprehensive State-wide Domestic Violence Program in the Office of Criminal Justice Planning to provide training, technical assistance, and grants to local domestic violence centers. At the time the grant program was established, domestic violence centers received funding primarily from revenues collected by the counties from a surcharge on marriage license fees as well as from private contributions. The OCJP estimates that about \$3.4 million is collected annually from marriage license fees. Currently there are 94 domestic violence centers providing victim services and shelter in California.

In the Budget Act of 1985, the Legislature appropriated \$1,638,000 from the General Fund to OCJP in order to finance grants and the administration of this program. The budget requests \$1,645,000 to continue funding the program from the General Fund at approximately the same level as in the current year.

Our analysis indicates that the Victim/Witness Assistance Fund, rather than the General Fund, could be used to fully support the program at the proposed funding level in 1986-87.

The Victim/Witness Assistance Fund was established by Ch 1312/83. It receives monthly allocations from the Assessment Fund equal to 10 percent of the revenues collected by the courts from penalty assessments levied on criminal and traffic fines. Balances in the Victim/Witness Assistance Fund are available for appropriation by the Legislature to the OCJP for grants to support local Victim/Witness Assistance programs and various sexual assault victim services and prevention programs.

Our review indicates that there is a sizeable unused balance available in the Victim/Witness Assistance Fund. The Governor's Budget shows that there will be a surplus in the fund of \$3,085,000 on June 30, 1987, the end of the budget year.

Use of the Victim/Witness Assistance Fund to support the domestic

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

violence centers would be consistent with the existing purposes for which this fund is used, since services to domestic violence victims have been financed through previous grants from the Victim/Witness Assistance Fund. For instance, a grant of \$80,000 to the San Benito County District Attorney's office provided for a domestic intervention worker to work on an on-call basis with all local law enforcement agencies in domestic violence cases. Further, the domestic violence centers provide many of the same services to victims that are provided by the victim/witness assistance centers which currently are financed from the Victim/Witness Assistance Fund.

Accordingly, we recommend that the amount proposed in 1986-87 from the General Fund for the domestic violence program be replaced with an appropriation from the Victim/Witness Assistance Fund, for a savings of \$1,645,000 to the General Fund. This would make additional General Fund monies available to the Legislature for reallocation to other high-priority programs.

The statutes specify that money appropriated from the Victim/Witness Assistance Fund to the OCJP shall be used exclusively for the support of the victim/witness assistance centers and specified assault victims services and prevention programs. Because the domestic violence program is not specifically identified in those statutes, we recommend that the Legislature add the following language to the Budget Bill:

Item 8100-001-425:

"Notwithstanding any other provision of law to the contrary, of the amount appropriated in this item, \$145,000 is for the purposes of Chapter 705, Statutes of 1985."

Item 8100-101-425:

"Notwithstanding any other provision of law to the contrary, of the amount appropriated in this item, \$1,500,000 is for the purposes of Chapter 705, Statutes of 1985."

Expansion of the Gang Violence Suppression Program

We recommend that the Legislature reduce the General Fund appropriation for the Gang Violence Suppression Program by \$500,000 in order to continue the Legislature's policy of financing 25 percent of the program using federal funds. (Reduce Item 8100-101-001 by \$500,000.)

Background. The Gang Violence Suppression Program was established by Chapter 1030, Statutes of 1981, to provide financial and technical assistance to district attorneys so that they can concentrate prosecution efforts and resources on persons involved in gang-related violent crime. The act specified that the program would be operative only if federal funds were made available for its implementation. The state implemented the program in April 1982 using federal Juvenile Justice and Delinquency Prevention funds. A total of \$1,037,000 in federal funds was committed to the program in 1982-83.

The program received initial funding from state sources in the 1983 Budget Act. During the budget review process, the Department of Finance submitted a budget amendment letter to the Legislature requesting a General Fund appropriation of \$1 million for the program. The Legislature, however, approved an appropriation of \$750,000 from the General Fund, and specified that the funds would be available for expenditure only if the OCJP allocated an additional \$250,000 from federal funds

as a 25 percent match. The OCJP subsequently used \$250,000 in federal juvenile justice funds as matching funds.

Chapter 1093, Statutes of 1982, expanded the program by authorizing grants to local law enforcement agencies, probation departments and community-based organizations. In recognition of the program's expanded scope, funding was doubled—to \$2 million—in 1985–86. The Legislature appropriated \$1.5 million of this amount from the General Fund, and again required the OCJP to provide for a 25 percent match (\$500,000) using federal funds. The OCJP utilized \$500,000 in federal juvenile justice funds to provide the required federal match.

Budget Proposal. The budget proposes two augmentations for the program in 1986–87. First, it proposes an inflationary adjustment of \$40,000, including \$30,000 from the General Fund and \$10,000 from federal funds. In addition, the budget proposes to expand the level of funding in 1986–87 by \$2,000,000 from the General Fund. It does not propose to require a 25 percent federal match for the new state money.

With the proposed augmentations, the total budget for the program in 1986–87 will be \$4,040,000, consisting of \$3,530,000 from the General Fund and \$510,000 from federal funds. The \$510,000 federal share represents only 12.6 percent of the total program—significantly less than the 25 percent required by the Legislature in prior years. The budget also proposes a modification to the Budget Bill language that previously required a 25 percent match from federal funds. The modification would require the allocation of federal matching dollars “to the extent available.”

The Legislature's policy of requiring a 25 percent federal match for the Gang Violence Suppression Program should be applied to the additional funding requested, for the following reasons:

1. ***It is consistent with legislative intent.*** The statute establishing the Gang Violence program indicates that funds appropriated for the program should be coordinated with federal funds to the greatest extent feasible.

2. ***Federal funds are available to provide the match.*** According to the budget, an estimated \$3,490,000 in Juvenile Justice and Delinquency Prevention funds will be available in 1986–87. These funds could be used to match the additional appropriation from the state General Fund. In addition, the budget anticipates that California will receive \$4,733,000 in federal Justice Assistance Act funds during 1986–87. These funds can also be used for gang violence suppression projects, and in fact OCJP expects to spend over \$800,000 of this amount for new gang violence projects.

3. ***It encourages the OCJP to use federal grant funds for programs which the Legislature has established.*** Given the high priority placed on this program by OCJP, we would expect that such funds would be provided so that no reduction in planned program activity would occur.

In sum, we recommend that the Legislature delete \$500,000 budgeted from the General Fund for the Gang Violence Suppression program in order to continue the 25 percent matching requirement. This would make more General Fund money available to the Legislature to support high priority programs in the criminal justice or other areas.

We further recommend that the Legislature alter the Budget Bill language proposed by the Department of Finance in order to prevent the administration from providing less than the required 25 percent federal match merely by determining that federal funds are not available for that purpose.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**Proposed Budget Language Is Contrary to Legislative Policy**

We recommend that the Legislature eliminate Budget Bill language proposed in various items that would allow the administrative costs of various grant programs to exceed statutory limits.

We further recommend that prior to the budget hearings, the Office of Criminal Justice Planning report to the fiscal committees on the extent to which it has complied with the statutory limits on administrative expenditures for its grant programs.

The OCJP administers a number of programs that provide grants to local agencies. The statutes that authorize those programs contain a variety of controls and restrictions on the expenditure of funds for each program, including limits on administrative costs. For example, the statutes limit administrative expenses to 10 percent of the funding provided for the Crime Resistance Program, 7.5 percent of the funding provided for the Career Criminal Apprehension Program, and 5 percent of the amounts available for the Suppression of Drugs in Schools Program.

The administration has added Budget Bill language to each of OCJP's support appropriations so that these statutory restrictions may be overridden by the amount of any salary or price increase allocated for administration by the Department of Finance. The OCJP advises that the language overcomes a technical problem in which statutory limits on administrative costs preclude adding annual price or salary increases to the amounts available for program administration.

The proposed language does more than provide a solution for a technical problem. The language would have no effect on expenditures for administration if such costs are below the statutory ceilings. Once the limit is reached, however, the proposed language would allow annual increases in the share of program funds that could be used for administration. This is exactly what the statutory limits imposed by the Legislature were intended to prevent.

Under the current statutory limits, if the Legislature approves a cost-of-living adjustment to these grant programs, the OCJP is authorized to increase its administrative costs by the same percentage. Under the administration's proposal, however, OCJP could increase its share of total program funds to pay for salary and price increases, leaving local projects with less money to absorb their own price increases.

We are unable to determine whether or not OCJP has complied with the statutory limits on administrative expenditures in recent years. This is because the budget does not report, and OCJP has been unable to provide, detailed budget information on administrative expenditures for the Crime Resistance Program, the Career Criminal Apprehension Program or the Suppression of Drugs in Schools Program. The OCJP advises that its new accounting system (CALSTARS) will not be able to provide this information for another year or two. Therefore, we cannot determine if administrative costs for these programs are below, at, or above the ceilings established by the Legislature.

In our view, giving the administration blanket authority to exceed statutory spending limits is particularly inappropriate, given the lack of data on administrative expenses.

If OCJP determines that it cannot provide the necessary administrative support for particular programs, it should request that the Legislature

address the problems on a case-by-case basis through the annual budget process. Until such a case has been made, we recommend that the Legislature maintain the existing statutory limits on administrative expenditures and delete the proposed Budget Bill language. We further recommend that, prior to the budget hearings, the OCJP report to the fiscal committees on the extent of its compliance with the statutory limits imposed on administrative costs.

Justification for Training Program Is Not Sufficient

We recommend that the Legislature eliminate funds budgeted for a new health care practitioner training program because there is no data to support the need for such training, for a General Fund savings of \$93,000. (Reduce Item 8100-001-001 by \$93,000.)

The budget proposes an augmentation of \$93,000 from the General Fund for an outside consultant and related expenses to develop and implement a training program for physicians and nurses who work in acute care facilities. The purpose of the program is to ensure that acute care providers are adequately trained on the use of the state protocol and guidelines for treating sexual assault victims and preserving evidence.

The budget proposal would provide for the training of 800 physicians and nurses during four 3-day sessions. Those completing the training would receive continuing education credits. The OCJP suggests that this training is mandated by Chapter 812, Statutes of 1985, which requires all acute care facilities to have staff trained in the use of the protocol.

Our analysis indicates that the need for this training has not been established. First, our review indicates that this training is *not* mandated by Chapter 812. This measure merely eliminates duplicative provisions of law which required *both* the OCJP and the Department of Health Services to develop the protocol and guidelines. The measure also requires all general acute care hospitals, whether public or private, to either (1) have trained personnel on duty who could comply with the protocol and guidelines or (2) adopt a policy of referral to hospitals that do comply such as county hospitals. (All county hospitals have been required to comply with the state guidelines since before the enactment of Chapter 812.)

Second, when Chapter 812 was before the Legislature, the OCJP, as the sponsor of the bill, advised the Legislature that the bill had minor *absorbable* costs. In addition, the Department of Finance advised the Legislature that the bill did not contain a reimbursable mandate because no new duties would be imposed on the counties.

Third, the information provided by OCJP in support of its proposal did not show that existing health care practitioners are not adequately trained or would be unable to comply with OCJP's written guidelines without the proposed training.

For these reasons, we recommend that the Legislature delete the proposed training consultant and related expenses, for a savings of \$93,000 to the General Fund.

No Detail Available on Consulting Services Budget

We recommend that the Legislature eliminate \$293,000 requested from the General Fund for consulting and professional services, pending receipt of a schedule that details the proposed expenditures. (Reduce Item 8100-001-001 by \$293,000.)

The budget requests \$1,308,000 for outside consultants in 1986-87. This is \$891,000, or 214 percent, *more* than the \$417,000 actually spent for this purpose in 1984-85.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

In its various budget change proposals for 1986–87, the OCJP provided information detailing how it intends to spend \$393,000 of the \$1,308,000. No such information was provided on how OCJP intends to spend the remaining \$915,000.

In order to determine the reason for the substantial increase in the amount proposed for consulting services, we requested, on January 10, 1986, an explanation for the increase and a schedule detailing the proposed expenditures. At the time this analysis was prepared, OCJP had not provided the requested information.

Based on our review of the materials submitted by the OCJP in support of its 1984–85 and 1985–86 budget, we found that about \$622,000 of the amount requested is related to proposals that were approved by the Legislature in the budget process or through legislation. We are unable to determine the need for the balance of the request—\$293,000. Accordingly, we recommend that the Legislature delete this amount. If the OCJP is able to justify any portion of these funds, we will revise our recommendation accordingly.

Vertical Defense Program*We recommend approval.*

Last year, the Legislature augmented by \$775,000 the General Fund appropriation which provides assistance to counties for the defense of indigents (Item 8160-111-001). The purpose of the augmentation was to provide funding to local public defender offices so that these offices could establish programs offering vertical defense in those areas where the OCJP provides grants to public prosecutors for vertical prosecution programs. (Vertical prosecution programs provide for one prosecutor to follow a particular case to its conclusion.) Language in the 1985 Budget Act requires the OCJP to administer the appropriation and establish standards for allocating the funds. The Legislature limited OCJP's expenditures for administration to 7 percent of the appropriation.

The budget shows that the \$775,000 has been transferred to the OCJP in the current year, and the budget proposes to continue this level of funding in the budget year. This amount consists of \$721,000 for grants and \$54,000, or 7 percent, of the total appropriation, for administration.

The OCJP advises that it has appointed an advisory committee to provide input and is in the process of preparing the guidelines for the program. It anticipates that final contracts for the grants funded in the current year will be negotiated in late April or early May.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

Item 8120 from the Peace Officers' Training Fund

Budget p. GG 8

Requested 1986-87	\$37,928,000
Estimated 1985-86.....	43,625,000
Actual 1984-85	33,734,000
Requested decrease \$5,697,000 (-13.1 percent)	
Total recommended reduction	None
Recommendation pending	550,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8120-001-268—Support	Peace Officers' Training	\$6,861,000
8120-011-268—Support, Contractual Services	Peace Officers' Training	1,908,000
8120-101-268—Local Assistance	Peace Officers' Training	29,159,000
Total		<u>\$37,928,000</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Management Information System. Withhold recommendation on \$550,000 requested from the General Fund for computer acquisition, pending receipt of a consultant's feasibility study report and preliminary approval from the Statewide Office of Information Technology.

1544

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. It does so by establishing minimum recruitment and training standards, and by providing management consulting. Through a local assistance program, the commission reimburses agencies for the costs they incur when their employees participate in POST training courses.

The commission has 88.4 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$37,928,000 from the Peace Officers' Training Fund (POTF) for support of the commission and assistance to local law enforcement agencies in 1986-87. This amount is \$5,697,000, or 13.1 percent, less than estimated current-year expenditures from the POTF.

Table 1 provides a summary of the commission's total expenditures and staffing levels, by program, for the past, current, and budget years.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued

Table 1
Commission on Peace Officer Standards and Training
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

<i>Program</i>	<i>Actual 1984-85</i>	<i>Est. 1985-86</i>	<i>Prop. 1986-87</i>	<i>Percent Change from 1985-86</i>
Standards	\$2,089	\$2,995	\$2,916	-2.6%
Training	3,710	5,224	5,582	6.9
Peace Officer Training Reimbursement	27,935	35,406	29,430	-16.9
Administration (distributed)	(2,153)	(2,920)	(3,281)	12.4
<i>Funding Source</i>				
<i>Peace Officers' Training Fund</i>	\$33,594	\$43,625	\$37,928	-13.1%
<i>Reimbursements</i>	140	—	—	—
<i>Totals</i>	\$33,734	\$43,625	\$37,928	-13.1%
<i>Personnel-Years</i>				
Standards	22.2	22.0	22.1	0.5%
Training	24.8	25.0	25.4	1.6
Administration	34.6	37.6	37.7	0.3
<i>Totals</i>	81.6	84.6	85.2	0.7%

The changes proposed in the budget for both state operations and local assistance in 1986-87 are displayed in Table 2. *Cost adjustments* to the commission's support budget result in a net decrease of \$403,000, primarily because of one-time expenditures in the current year. Proposed program changes result in a net increase of \$662,000 in 1986-87. In addition, local assistance expenditures for law enforcement training will *decrease* by \$5,956,000, or 17 percent, in the budget year. The reasons for this significant decline are discussed later in this analysis.

Table 2
Commission on Peace Officer Standards and Training
Proposed 1986-87 Budget Changes
(dollars in thousands)

	<i>State Operations</i>	<i>Local Assistance</i>	<i>Total</i>
1985-86 Expenditures (Revised)	\$8,510	\$35,115	\$43,625
Proposed Changes			
A. Cost Adjustments:			
1. Employee compensation adjustments	210	—	210
2. Merit salary adjustment	(31)	—	(31)
3. One-time costs	-663	—	-663
4. Pro rata adjustment	50	—	50
B. Program Changes			
1. Management information system	550	—	550
2. Training reimbursement	—	-5,956	-5,956
3. Automated item banking and test generation system	-21	—	-21
4. Contract services for test items	100	—	100
5. Basic course waiver processing	33	—	33
1986-87 Expenditures (Proposed)	\$8,769	\$29,159	\$37,928
Change from 1985-86			
Amount	\$259	-\$5,956	-\$5,697
Percent	3.0%	-17.0%	-13.1%

The budget does not include additional funding for Merit Salary Adjustments. The commission indicates that it will have to absorb \$31,000 in such costs.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following program changes which are not discussed elsewhere in this analysis:

- One additional limited-term staff services analyst position at a cost of \$33,000 to process additional applications from law enforcement personnel who seek to waive POST's basic certification and training requirements.
- A request for \$100,000 to contract for the development of additional test questions which are used by local law enforcement academies to assess student performance. These questions will be included in an automated test question system currently being developed by the commission.
- The redirection of \$21,000 budgeted in the current year for one-time automation expenditures to provide a half-time office technician position to support the automated test question project.

Less Training Money for Local Law Enforcement

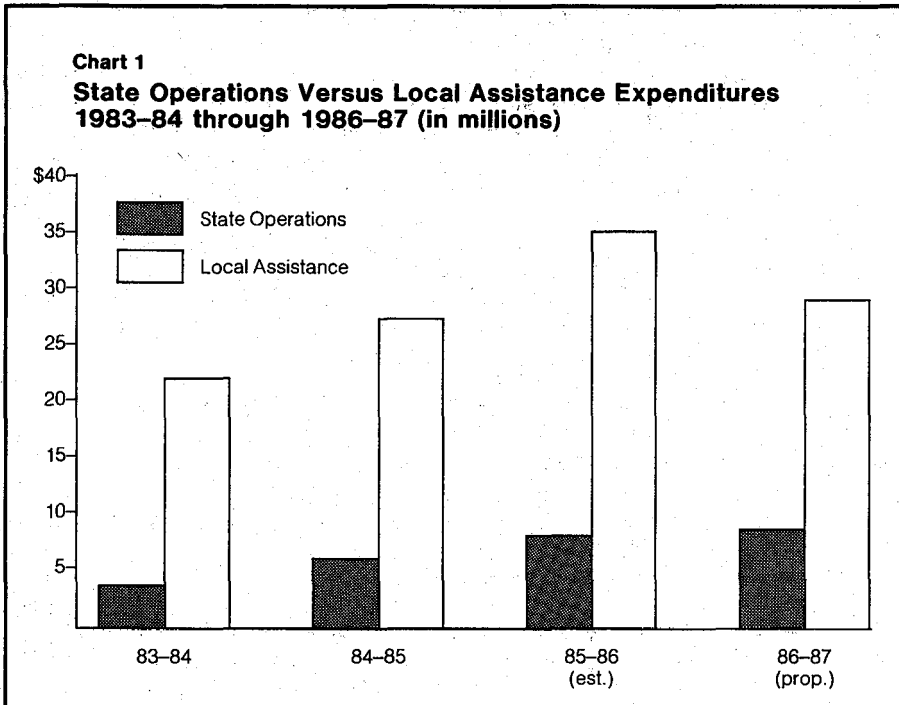
The budget proposes a total of \$29,159,000 to reimburse local governments for peace officer training costs, including per diem, travel, tuition, and participants' salaries. This amount is \$5,956,000, or 17 percent *less* than estimated training reimbursements in the current year. The commission indicates that the reduced amount will permit reimbursement for approximately 60 percent of training participants' salaries, and full reimbursement for various other allowable costs in the budget year. This is in contrast to the current-year reimbursement rates of 90 percent for salaries and 100 percent for other costs.

The decline in the amount budgeted for training reimbursements does not reflect a reduction in *revenue* to the Peace Officers' Training Fund. In fact, the budget indicates that in 1986-87, total revenues to the fund will grow by \$2,363,000, or 6.5 percent.

Instead, the decline in training reimbursements reflects the fact that during the current year, the commission used a large amount of one-time money in its reserve for economic uncertainties to finance a major increase in both state operations and local assistance. As a consequence of these increases, the Governor's Budget indicates that the reserve for economic uncertainties in the POTF will drop from \$7,430,000 at the end of 1984-85 to \$123,000 at the end of 1985-86—a decrease of about 98 percent. Thus, the commission will enter 1986-87 with a much higher level of expenditures and a much smaller—almost non-existent—reserve available to finance unforeseen expenditures.

Chart 1 illustrates the change in POST expenditures during the period 1983-84 through 1986-87.

With less money available for expenditure in 1986-87, the commission must reduce expenditures from the POTF. The budget proposes to make this reduction in local assistance expenditures, which would go down by \$5.9 million. No reduction is proposed in the commission's state operations budget for 1986-87. In fact, the budget proposes to *increase* expenditures for state operations by \$259,000, or 3 percent, above such expenditures in 1985-86. These trends are characteristic of what has been occurring for several years. As Chart 1 shows, state operations expenditures have increased by \$4,501,000, or 112 percent, since 1983-84, while local assistance expenditures have grown by \$17,402,000, or 66 percent.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued

The commission indicates that it is unclear whether the decline in local training reimbursements proposed for 1986-87 will affect the ability of local governments to participate in POST training courses.

Legislature Awaits Consultant Report on POST Computer Needs

We withhold recommendation on \$550,000 requested from the Peace Officers' Training Fund, pending receipt of a consultant's feasibility study report on the information needs of the commission (Item 8120-001-268).

The commission requests \$550,000 from the Peace Officers' Training Fund to purchase computer hardware and software for a new management information system. The Budget Bill contains language specifying that allocation of these funds is contingent on Department of Finance approval of a feasibility study report (FSR).

Background. The contract for the commission's existing computer system expires in June 1986. When planning for a new system began two years ago, the commission proposed to expand and upgrade its existing computer facilities. This proposal was rejected by the Office of Information Technology (OIT), on the basis that the existing system was obsolete, and that the commission's approach would provide only a short-term solution to POST's information system needs.

In response to the OIT's recommendation, the commission retained a consultant at a cost of about \$10,000, to study and evaluate its long-range computer system requirements. The consultant recommended comple-

tion of an FSR in order to determine the most appropriate computer system to achieve the following objectives:

- Establishment of a computer network that would allow local law enforcement agencies to exchange information with POST.
- Development of a comprehensive management information system for utilizing computer-generated information in planning, policy setting and decisionmaking.
- Preparation of physical facilities, security, hardware/software, and training plans.

LAO Recommendation. In the 1985 Budget Act, the Legislature provided \$110,000 to the commission to retain a second consultant to prepare the FSR. The FSR, however, will not be available for review until April 1986.

In order to permit adequate legislative review of this proposal, commission staff indicate that a draft copy of the FSR will be sent to OIT for a preliminary review in early March 1986. A copy of the draft FSR, together with OIT's preliminary comments will then be forwarded to the Legislature in mid-March. This should provide sufficient time to review the consultant's recommendations prior to budget hearings.

Until the FSR and the preliminary OIT assessment is available for review, however, we cannot evaluate the adequacy of the commission's proposal nor recommend approval of the requested appropriation and accompanying Budget Bill language. Consequently, we withhold recommendation on the \$550,000 requested for a new management information system, pending receipt and review of the consultant's feasibility study report and OIT's preliminary assessment of the proposal.

STATE PUBLIC DEFENDER

Item 8140 from the General
Fund

Budget p. GG 12

Requested 1986-87	\$6,763,000
Estimated 1985-86.....	5,751,000
Actual 1984-85	4,778,000
Requested increase \$1,012,000 (+17.6 percent)	
Total recommended reduction	None
Recommendation pending	\$244,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Office Automation. Withhold recommendation on \$244,000 proposed for an office automation system expansion, pending the receipt of a pilot project evaluation report approved by the Office of Information Technology.

1547

STATE PUBLIC DEFENDER—Continued**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 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 from private counsel, to the extent that resources are available. The SPD has offices in Los Angeles, Sacramento, and San Francisco. The SPD has an estimated 82.7 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$6,637,000 from the General Fund for support of the State Public Defender (SPD) in 1986-87. This is \$1,008,000, or about 18 percent, more than estimated current-year General Fund expenditures.

Expenditures by the SPD from all fund sources, including reimbursements, are proposed at \$6,763,000 in the budget year. This is an increase of \$1,012,000 or about 18 percent, above estimated current year expenditures.

The proposed net increase in total expenditures reflects (1) \$849,000 for 9.5 new positions and increased salary and staff benefits, and (2) \$157,000 for increased operating expenses, largely for the purchase of office automation equipment, and (3) reductions to reflect one-time equipment purchases in the current year. The budget does not include funds for Merit Salary Adjustments in 1986-87. The SPD indicates that it will have to absorb \$47,000 in Merit Salary Adjustments in the budget 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
1984-85 through 1986-87
(dollars in thousands)

	Act. 1984-85	Est. 1985-86	Prop. 1986-87	Percent Change From 1985-86
Expenditures.....	\$4,778	\$5,751	\$6,763	17.6%
Personnel-Years	73.6	82.7	91.6	10.8

The proposed staff increase includes 5 new attorney positions and 2.5 clerical positions. The department indicates that the additional attorneys will allow the SPD to increase its workload from 610 to 675 cases in the budget year.

ANALYSIS AND RECOMMENDATIONS**State Public Defender Reports on Case Complexity and Cost**

The *Supplemental Report of the 1985 Budget Act* required the State Public Defender (SPD) and the Judicial Council to jointly (1) develop measures which would enable the Legislature to determine and compare

the complexity of cases handled by court appointed attorneys and the SPD and (2) incorporate these measures into their respective case reporting forms and their automated systems for tracking these cases. The language also required that the two agencies report to the Legislature by January 1, 1986, certain information called for by the *Supplemental Report of the 1983 Budget Act*.

The report submitted by the SPD includes a description of its office automation system. In addition, the report describes the data on case characteristics, complexity and costs, as well as on attorney workload, which the system is designed to collect.

The SPD has an integrated word processing and information management system in place in its Sacramento office. The system was developed on a pilot basis for possible expansion to the San Francisco and Los Angeles offices. The report indicates that the system is functioning consistent with the office's expectations. The SPD budget for 1986-87 proposes \$244,000 to expand the Sacramento office system and to duplicate the system in the Los Angeles and San Francisco offices.

The office will automate the collection of information on case complexity using variables developed in cooperation with the Judicial Council. Proposed complexity measures will include counts of conviction, sentence characteristics, hours of communication between appellant and counsel, the amount of time spent reviewing the record and making oral arguments, and other complicating factors. In addition to the factors developed jointly with the Judicial Council, the database proposed by the SPD will provide information on additional factors such as trial offenses, filings, and special circumstances, for each appeal handled by the office. The report indicates that the proposed complexity factors are tentative, at best, and may warrant revision after an analysis of the information they provide.

SPD advises that the automated information system and the extensive data base will allow it to assess the disposition of appeals, the amount of attorney time involved in cases, the costs of different types of cases, and the relationship between the type of activities that must be performed and the amount of time spent on cases, if any.

Workload Report Anticipated. The SPD reports that it has utilized the automated information system to track office's workload from July 1, 1985, to January 1, 1986. The office indicates that a summary of the activity during that time period will be available soon.

Office Automation Expansion Premature

We withhold recommendation on \$244,000 requested from the General Fund for an office automation project, pending receipt of an evaluation report approved by the Office of Information Technology (Item 8140-001-001).

The SPD proposes to expand the office's word processing system in 1986-87. The proposed expansion would provide word processing equipment for the Los Angeles and San Francisco offices, and expand the system currently in place in the Sacramento office.

Background. The 1984 Budget Act appropriated \$110,000 for the SPD to use in contracting with the Department of General Services for the development of an automated case-tracking system. Because of delays experienced by the SPD, \$45,000 of this amount was reappropriated for expenditure in the current year. With these funds, the SPD is operating a pilot project which includes an integrated data and word processing system in its Sacramento office.

STATE PUBLIC DEFENDER—Continued

Budget Proposal. The budget proposes to enhance the word processing capability in the three offices of the SPD, at a General Fund cost of \$244,000 in 1986-87. The request includes an appropriation of \$175,000 from the General Fund in the budget year, and the carry-over of \$69,000 in current-year funds that the department intends to spend in 1986-87. The budget also proposes to fund one position to oversee the operation of the system.

Evaluation Needed. We believe that the budget proposal represents a significant effort to improve the office's word processing capabilities. We are not able to adequately evaluate the proposal at this time, however, because a formal evaluation report on the pilot project has not been completed, or approved by the Office of Information Technology (OIT). In our judgment, it is premature to expand the word processing system before the results of the pilot project are available.

Accordingly, we withhold recommendation on the \$244,000 budgeted for the word processing system expansion, pending receipt of a Post Implementation Evaluation Report approved by the Office of Information Technology.

ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS

Item 8160 from the General
Fund

Budget p. GG 14

Requested 1986-87	\$5,000,000
Estimated 1985-86.....	5,000,000
Actual 1984-85	3,888,000
Requested increase: None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Under Ch 1048/77, the state reimburses counties for the costs they incur in paying investigators, expert witnesses and other individuals whom trial judges determine are necessary to prepare the defense of indigents in capital cases. The State Controller's office administers the program. The Budget Bill includes reimbursement rate guidelines for payment of claims under this item. The guidelines provide that:

- Attorney fees for defense costs are not reimbursable. Attorneys performing the services of investigators shall be paid at the investigator rate.
- Investigator fees shall not exceed the prevailing rate paid investigators performing similar services in capital cases.
- Expert witness and consultant fees shall be reimbursed if they are "reasonable." Reasonableness is determined by the rate paid other experts for similar services or the customary fees approved by the court for similar services.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$5 million from the General Fund for assistance to counties for defense of indigents in 1986-87. This is the same as the level of expenditures estimated for the current year.

The language provisions contained in this item are similar to provisions in previous budget acts, except for several technical modifications. The Controller's office advises that the changes would allow it to avoid timing problems which sometimes make it difficult for the office to utilize deficiency funding to pay claims under this item.

"Vertical Defense" Funding Transferred to the Office of Criminal Justice Planning

The 1985 Budget Act appropriated \$775,000 in this item to provide assistance to local public defenders' offices for the defense of indigents. Specifically, these funds are for "vertical defense" programs, in which one attorney handles all phases of the defense of an indigent person through to the conclusion of the case. The language in the act specifies that the funds are for the establishment of programs in areas where state funding is available to prosecutors for vertical *prosecution* efforts, through the Career Criminal Prosecution Program, Major Narcotic Vendors Prosecution Program, Gang Violence Suppression Program, and the Child Sexual Assault Prosecution Program. The language also directed the Office of Criminal Justice Planning (OCJP) to administer the program.

The budget indicates that funding for the program was transferred to OCJP in the current year. It proposes to finance the vertical defense program in the OCJP budget in 1986-87. We discuss this program in our analysis of the OCJP budget (Item 8100).

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS

Item 8180 from the General
Fund

Budget p. GG 14

Requested 1986-87	\$1,000,000
Estimated 1985-86	1,000,000
Actual 1984-85	669,000
Requested increase	None
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The state reimburses counties for 80-percent to 100-percent of their costs attributable to homicide trials which exceed the amount of revenues derived from specified property tax rates. The program provides state assistance to ensure that counties are able to conduct trials and carry out the prosecution of homicide cases without seriously impairing their finances. The State Controller administers the program. In 1984-85, the last year for which the State Controller has data, the state paid claims submitted by five counties for five homicide trials, and made nine payments totaling about \$669,000.

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS—Continued**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes an appropriation of \$1 million from the General Fund to reimburse counties for the state's share of specified costs resulting from homicide trials. This is the same as the amount budgeted in the current year for this program.

Table 1 displays state reimbursement for homicide trial expenses from 1974-75 to 1986-87.

Table 1
Reimbursements to Counties for Costs of Homicide Trials
1974-75 through 1986-87

<i>Fiscal Year</i>	<i>Expense</i>
1974-75.....	\$500,000
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.....	782,000
1984-85.....	669,000
1985-86 (estimated)	1,000,000
1986-87 (proposed)	1,000,000

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.

Controller's Office Reports on Homicide Trial Reimbursement Rates

The *Supplemental Report of the 1985 Budget Act* required the State Controller's office, in consultation with the Legislative Analyst and the Department of Finance, to (1) determine the hourly rates claimed by counties under this program for attorney, investigator, and expert witness services, and (2) compare these rates with rates paid by these counties for similar services and with the Attorney General's hourly rates for attorney and investigator services. The language also required the Controller's office to (1) identify any methods the Legislature could use to control or reduce any reimbursement rates that exceed the rates used for comparison, (2) recommend any legislation necessary to implement this method, and (3) submit its findings to the Legislature by December 1, 1985.

The Controller's report was based on a review of claims submitted to and audited by his office between January 1, 1981, and September 30, 1985. These claims were submitted by seven counties for eight homicide trials and totaled over \$5 million.

Hourly rates. The report summarizes the average hourly rates paid for attorneys, investigators, and expert witnesses under this program and compares them to the rates paid by counties and the Attorney General for similar services. The data is shown in Table 2.

Table 2
Comparison of Average Hourly Rates
For Homicide Trial and Similar Services

Program	Hourly Rates		
	Attorneys	Investigators	Expert Witnesses
Homicide Trials (Item 8180)	\$50	\$21	\$73
County Programs.....	55	25	100
Attorney General Services	56	50	112

Based on its review of the data, the Controller's office reports that the rates paid to counties under the homicide trial program do not exceed rates paid by counties and the Attorney General for similar services. The Controller's office makes no recommendations regarding alternatives to control or reduce the costs of this program.

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS

Item 8190 from the General
Fund

Budget p. GG 15

Requested 1986-87	\$900,000
Estimated 1985-86.....	1,169,000
Actual 1984-85	1,662,000
Requested decrease \$269,000 (-23 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.

Funds are appropriated in this item to pay claims of up to \$70,000 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 \$35,000. The Department of Finance's approval must be obtained for the payment of any claim between \$35,000 and \$70,000. Claims above \$70,000 generally are funded separately, through legislation containing an appropriation. Special fund agencies reimburse the General Fund for payments made under the program on their behalf.

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes an appropriation of \$900,000 from the General Fund for payment of tort liability claims in 1986–87. This is the same amount *appropriated* by the 1985 Budget Act. Total General Fund *expenditures* in 1985–86, however, are expected to be \$1,169,000 because Ch 300/85 appropriated \$269,000 from the General Fund to pay for one claim which exceeded the \$70,000 threshold for payment under this item.

Table 1 summarizes statewide tort liability claims and related administrative costs in the past, current, and budget years. In addition to the \$900,000 appropriated for claims against General Fund state agencies, \$11,441,000 is budgeted for claims against the Department of Transportation in 1986–87. Thus the total amount budgeted in 1986–87 for claims against state agencies is \$12,341,000.

The Department of Transportation advises, however, that the amounts displayed in the Governor's Budget probably are too low. The table shows the department has budgeted \$8.6 million for claims in the current year. The department advises, however, that it spent \$8.5 million for tort claims during the first six months of 1985–86. It projects that claims payments will exceed \$16 million in both the current year and budget year!

The table also includes the amounts paid for tort liability insurance premiums. Although the state follows a policy of self insurance, a number of small policies are purchased for various reasons such as to fulfill equipment lease or revenue bonding requirements. The budget estimates that the state will spend \$1,190,000 on such policies in 1986–87. This amount is

Table 1
Administration and Payment of Tort Liability Claims
Summary of Statewide Activity
1984–85 through 1986–87
(dollars in thousands)

	Act. 1984–85	Est. 1985–86	Prop. 1986–87	Percent Change From 1985–86
1. Claims Payments				
a. Department of Justice				
General Fund.....	\$1,172	\$1,169	\$900	–23.0%
Special Funds.....	1,044	—	—	—
b. Department of Transportation (Special Funds)	13,701	8,556	11,441	33.7
c. Board of Control				
General Fund.....	2,382	3,762	—	–100.0
Special Funds.....	923	92	—	–100.0
Subtotals	\$21,222	\$13,579	\$12,341	–9.1%
2. Staff Services				
a. Department of Justice				
General Fund.....	\$3,186	\$3,647	\$3,971	8.9%
Special Funds.....	2,409	2,690	2,898	7.7
b. Department of Transportation (Special Funds)	7,551	7,967	8,345	4.7
c. Board of Control (General Fund)	112	126	132	4.8
Subtotals	\$13,258	\$14,430	\$15,346	6.4%
3. Insurance Premiums				
a. General Fund.....	\$164	\$348	\$396	13.8%
b. Special Funds.....	330	700	794	13.4
Subtotals	\$494	\$1,048	\$1,190	13.6%
Totals	\$34,974	\$29,057	\$28,877	–0.6%

\$142,000, or 13.6 percent, more than the amount spent for this purpose in 1985-86. Funds for these premiums are included in the support appropriations of the various state agencies that purchase the insurance.

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. In 1983, the Legislature expanded this prohibition to include all commercial insurance policies. Similar language is proposed in Section 7.2 of the 1986 Budget Bill.

For a more comprehensive discussion of the dramatic rise in tort liability costs to both the state and local governments, please see Part Three of *The 1986-87 Budget: Perspectives and Issues*.

COMMISSION FOR ECONOMIC DEVELOPMENT

Item 8200 from the General
Fund

Budget p. GG 16

Requested 1986-87	\$564,000
Estimated 1985-86	546,000
Actual 1984-85	369,000
Requested increase \$18,000 (+3.3 percent)	
Total recommended reduction	None

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8200-001-001—Support	General	\$561,000
Reimbursements	—	3,000
Total		\$564,000

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.

COMMISSION FOR ECONOMIC DEVELOPMENT—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$564,000 (\$561,000 from the General Fund and \$3,000 from reimbursements) to support the commission during 1986-87. This is \$18,000, or 3.3 percent, more than estimated current-year expenditures. The increase is due primarily to salary adjustments and related increases in benefit costs agreed to as part of the collective bargaining process in 1985.

Table 1 shows the past-, current- and budget-year requirements of the commission.

Table 1
Commission for Economic Development
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

Category	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Percent Change From 1985-86
Personal Services	\$211	\$364	\$382	4.9%
Operating Expenses and Equipment	158	182	182	—
Totals	\$369	\$546	\$564	3.3%
Funding Source				
General Fund	\$366	\$543	\$561	3.3%
Reimbursements	3	3	3	—
Personnel-years	6.7	9.0	9.0	—

The budget does not include additional funding for merit salary adjustments or inflation adjustments to operating expenses and equipment. We estimate that the commission will have to absorb approximately \$14,000 in such costs.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

Our analysis indicates that the proposed expenditures for the commission are reasonable and we recommend that they be approved.

Current and Proposed Activities of the Commission

In the current year, the CED staff has been working with the appropriate policy committees of the Legislature on a package of bills dealing with toxic issues. The commission spent eight months investigating toxic-related problems in 1984-85, reporting its findings and recommendations in June 1985. Other current-year activities of the commission include updating, publishing and distributing the publication *Doing Business in California*, and exploring issues which affect working women, such as promotional opportunities and childcare during working hours.

Issues which the commission proposes to explore during 1986-87 include (1) the linkage between job training and economic development, (2) the role of women in the California workforce, (3) rural economic development, and (4) the changing role of the state in promoting economic development.

CALIFORNIA ARTS COUNCIL

Item 8260 from the General
Fund and the Federal Trust
Fund

Budget p. GG 17

Requested 1986-87	\$11,941,000
Estimated 1985-86.....	11,793,000
Actual 1984-85	10,346,000
Requested increase \$148,000 (+1.3 percent)	
Total recommended reduction	None

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8260-001-001—Support	General	\$2,589,000
8260-001-890—Support	Federal Trust	(76,000)
8260-101-001—Local assistance	General	9,352,000
8260-101-890—Local assistance	Federal Trust	(861,000)
Total		\$11,941,000

GENERAL PROGRAM STATEMENT

The California Arts Council's enabling legislation 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 sectors, (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 grant programs to support artists and organizations in various disciplines.

The council has 51 authorized personnel-years during 1985-86.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes a General Fund appropriation of \$11,941,000 for the California Arts Council in 1986-87. This is an increase of \$148,000, or 1.3 percent, over estimated current-year General Fund expenditures. In addition to the General Fund support, the budget indicates that the council will receive federal funds totaling \$937,000 in the budget year. Thus, as summarized in Table 1, the council is proposing total expenditures of \$12,878,000—1.4 percent above estimated current-year expenditures.

The budget proposal does not include any funds for merit salary increases or inflation adjustments for operating expenses and equipment. Presumably, these costs will be funded by diverting funds budgeted for other purposes.

In addition to various salary and staff benefit adjustments, the Arts Council proposes two budget changes in 1986-87. These include a new theatre touring initiative, at a total cost of \$48,000, and an increase of \$54,000 for additional administrative expenses to support all grant programs.

CALIFORNIA ARTS COUNCIL—Continued

Table 1
California Arts Council
Budget Summary^a
1984-85 through 1986-87
(dollars in thousands)

<i>Program</i>	<i>Actual 1984-85</i>	<i>Est. 1985-86</i>	<i>Prop. 1986-87</i>	<i>Percent Change from 1985-86</i>
Artists in Residence	\$2,262	\$2,272	\$2,310	1.7%
Grant expenditures.....	(1,752)	(1,722)	(1,722)	—
Administrative costs.....	(510)	(550)	(588)	6.9
Organizational Grants	6,817	8,033	7,132	-11.2
Grant expenditures.....	(5,683)	(6,849)	(6,229)	-9.1
Administrative costs.....	(1,134)	(1,184)	(903)	-23.7
Performing Arts Touring/Presenting	—	—	999	NMF
Grant expenditures.....	—	—	(632)	NMF
Administrative costs.....	—	—	(367)	NMF
Statewide Projects	2,159	2,389	2,437	2.0
Grant expenditures.....	(1,429)	(1,630)	(1,630)	—
Administrative costs.....	(730)	(759)	(807)	6.3
Central Administration (distributed)	(1,395)	(1,370)	(1,458)	6.4
Totals, Expenditures.....	\$11,238	\$12,694	\$12,878	1.4%
Grant expenditures.....	(8,864)	(10,201)	(10,213)	0.1
Administrative costs.....	(2,374)	(2,493)	(2,665)	6.9
Funding Source				
General Fund.....	\$10,343	\$11,793	\$11,941	1.3%
Federal Funds	892	901	937	4.0
Reimbursements	3	0	0	—

NMF: Not a meaningful figure.

^a For display purposes, the Governor's Budget shows the Performing Arts Touring/Presenting program as a new program in the budget year. In prior years, it was included as part of the Organizational Grants program. If the expenditures were displayed as they have been in the past, funding for the Organizational Grants program would increase by 1.2 percent in the budget year.

Theatre Touring Initiative. The budget proposes to spend \$48,000 to establish a theatre touring initiative in 1986-87. This includes \$12,000 in federal funds and \$36,000 in General Fund support it plans to redirect from the existing touring roster program. The council indicates that often major theatre companies appearing in California are limited to the Los Angeles area, because there are greater programming risks involved in putting on productions in other areas of the state. The proposed touring initiative will subsidize major nationally-recognized theatre groups for performances throughout the state, similar to the existing dance touring initiative program.

Our analysis indicates that the request is reasonable and consistent with the council's statutory mandate.

Administrative Support. The budget requests \$54,000 to increase operating expenses and equipment. Specifically, this amount includes additional funds for membership dues in the Western States Arts Foundation (\$8,000), travel for site visits by peer review panelists and staff (\$6,000), staff training in business services and accounting (\$2,000), and purchase of data processing equipment (\$38,000). Our analysis indicates that the proposed increase is justified, and we recommend that it be approved.

NATIVE AMERICAN HERITAGE COMMISSION

Item 8280 from the General
Fund

Budget p. GG 23

Requested 1986-87	\$316,000
Estimated 1985-86	306,000
Actual 1984-85	248,000
Requested increase \$10,000 (+3.3 percent)	
Total recommended reduction	None

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8280-001-001—Support	General	\$286,000
Reimbursements	—	30,000
Total		\$316,000

GENERAL PROGRAM STATEMENT

The nine-member Native American Heritage Commission (NAHC) is responsible for identifying, cataloging and preserving places of special religious or social significance to Native Americans, in order to ensure the expression of Native American religion. In addition, the commission is authorized to mediate disagreements between Native Americans and landowners, developers, or public agencies in order to mitigate any adverse impact to sacred sites.

Commission members are appointed by the Governor and serve without compensation, although they are reimbursed for their actual and necessary expenses. The commission is authorized five positions in the current year. Support services are provided to the commission by the Department of General Services.

OVERVIEW OF THE BUDGET REQUEST

The budget requests \$286,000 from the General Fund for support of the commission in 1986-87. This is \$10,000, or 3.6 percent, above estimated expenditures in the current year.

The budget also proposes expenditures of \$30,000 from reimbursements—the same amount as estimated for the current year. Thus, total commission expenditures are proposed at \$316,000 in the budget year.

Table 1
Native American Heritage Commission
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

	Actual 1984-85	Estimated 1985-86	Proposed 1986-87	Percent Change from 1985-86
Personal Services	\$137	\$198	\$210	6.0%
Operating Expenses and Equipment	111	108	106	-1.8
Total Expenditures	\$248	\$306	\$316	3.2
Reimbursement	-30	-30	-30	—
Total Net Expenditures	\$218	\$276	\$286	3.6
Personnel-years	3.4	5.0	5.0	—

NATIVE AMERICAN HERITAGE COMMISSION—Continued

As shown in Table 1, the \$10,000 net increase reflects (1) a \$12,000 increase in personal services and (2) a \$2,000 decrease in operating expenditures.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The 1986–87 budget requests an increase of \$12,000 to cover the cost of salary and benefit increases approved in 1985 through the collective bargaining process. The \$2,000 reduction in operating expenses and equipment reflects a \$1,000 increase for accounting services and a \$3,000 decrease in equipment expenses.

These changes are appropriate and we recommend that the commission's budget be approved as submitted.

AGRICULTURAL LABOR RELATIONS BOARD

Item 8300 from the General
Fund

Budget p. GG 25

Requested 1986–87	\$8,681,000
Estimated 1985–86.....	8,377,000
Actual 1984–85	7,424,000
Requested increase \$304,000 (+3.6 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

- | | |
|---|------|
| 1. Workload Status. Recommend that prior to budget hearings, the General Counsel report on the status of charge processing and compliance activities. | 1564 |
| 2. Compliance Information. Recommend that the Legislature adopt supplemental report language requiring improved information reporting in future Governor's Budgets. | 1564 |

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 are excluded from coverage under the federal National Labor Relations Act, which guarantees similar benefits to other workers in the private sector.

The ALRB protects the rights of agricultural workers through two means. First, it conducts and certifies elections for representation. Second, it investigates charges, litigates complaints, and issues decisions requiring the remedy of unfair labor practices.

In order to accomplish its work, the agency is split into two divisions: (1) the General Counsel, whose employees run elections, investigate charges of unfair labor practices and seek remedies for unfair practices

either through negotiation (settlements) or the prosecution of formal complaints; and (2) the board, which certifies elections and sits as an adjudicatory body for those charges of unfair practice prosecuted by the General Counsel.

Current-year staffing for the board is 141.7 personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$8,681,000 from the General Fund for support of the ALRB in 1986-87. This is an increase of \$304,000, or 3.6 percent, above estimated current-year expenditures. Table 1 shows personnel-years and expenditures for the board in the past, current and budget years.

Table 1
Agricultural Labor Relations Board
Program Summary
1984-85 through 1986-87
(dollars in thousands)

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change From</i>
	<i>Actual 1984-85</i>	<i>Est. 1985-86</i>	<i>Prop. 1986-87</i>	<i>Actual 1984-85</i>	<i>Est. 1985-86</i>	<i>Prop. 1986-87</i>	
Board Administration.....	62.2	61.7	61.0	\$3,635	\$3,976	\$4,121	3.6%
General Counsel	72.6	80.0	78.2	3,789	4,401	4,560	3.6
Administrative Services (dis- tributed)	(16.2)	(15.8)	(15.6)	(698)	(787)	(810)	2.9
Totals	134.8	141.7	139.2	\$7,424	\$8,377	\$8,681	3.6%

The growth in the board's budget is due to an increase of \$410,000 for baseline salary and benefit adjustments, partially offset by an increased salary savings requirement of \$104,000. The ALRB increased budgeted salary savings in order to absorb the unallocated cut imposed by the administration when it chose not to fund the board's merit salary adjustments. In addition, we estimate that the department will have to absorb approximately \$75,000 in inflationary adjustments in operating expenses.

The budget proposes the same number of authorized positions for the agency in 1986-87 that it has in 1985-86 (147.2). Due to a higher level of estimated salary savings in the budget year, however, the budget provides funding for 2.5 fewer personnel-years.

ANALYSIS AND RECOMMENDATIONS

THE ADMINISTRATION OF UNFAIR LABOR PRACTICE CASES

In recent years, the Legislature's review of the ALRB's operations has focused on two problem areas: (1) the backlog of ULP charges and (2) more recently, the agency's ability to ensure compliance with board decisions governing ULP charge cases. The Legislature has been concerned with the increasing number of charges awaiting investigation by agency staff at the beginning—or charge filing stage—of ULP cases, and the lack of a fully implemented program for enforcing board decisions at the end—or compliance stage—of these same cases.

AGRICULTURAL LABOR RELATIONS BOARD—Continued**Background**

The “life cycle” of a ULP case at the ALRB consists of three major phases: (1) charge processing, (2) complaint adjudication, and (3) decision enforcement or compliance.

- **Charge processing** consists of using field staff to investigate the merits of a charge filed by a party with standing under the ALRB’s basic law. In this phase, the charge may be withdrawn or dismissed for lack of merit or insufficient evidence, it may be settled by the parties to the charge, or it may be referred to ALRB attorneys for prosecution.
- **Complaint adjudication** encompasses preliminary work done by attorneys to structure a complaint for prosecution and the actual adjudication of the complaint. The first level of adjudication is conducted by administrative law judges (ALJs), who render decisions and order remedies for any unfair labor practice. These decisions can be appealed by either party to the board and, ultimately, to the courts.
- **Compliance** is that phase of the agency’s work in which field staff ensure that remedies prescribed by the board are implemented. It may involve (1) posting or reading of notices, (2) reinstating workers to their jobs, or (3) calculating, collecting, and distributing wages owed to workers because the employer engaged in an unfair labor practice.

Generally, the board uses the same resources—25 field examiner positions—for both charge processing and compliance enforcement. Consequently, there is a direct trade-off between processing charges and enforcing board orders. Our review focuses on the extent to which this trade-off in resources will affect the agency’s ability in 1986–87 and subsequent years to (1) eliminate the existing backlog in charge processing, (2) keep current with future charge filings, and (3) divert resources from charge processing activities to compliance enforcement.

In the analysis that follows, we provide statistical information on ULP charge processing and complaints to date. Based on this statistical information, we discuss (1) the likelihood that charge processing backlogs will be eliminated during the next 18 months and (2) the level of resources which could be redirected to compliance on an ongoing basis. Finally, we offer recommendations as to how the ALRB can improve the information it provides the Legislature in order that the Legislature can better assess the board’s compliance workload.

ULP Charge Processing

In assessing the ALRB’s ULP charge processing workload, we reviewed four different aspects of the workload: (1) *new charges*, (2) *disposition*, (3) *inventory*, and (4) *age*. Table 2 provides summary information on these factors.

New charges. As Table 2 indicates, the number of charges which the ALRB must investigate has decreased dramatically in recent years. In 1982–83, 1,218 new charges were filed, as compared with only 255 charges in the first half of the current year (about 510 charges on an annualized basis).

Table 2
Agricultural Labor Relations Board
Unfair Labor Practice Charge Processing
1979-80 through 1985-86 (half year)

	<i>Beginning Inventory^a</i>	<i>New Charges</i>	<i>Charges Disposed</i>	<i>Changes in Inventory</i>	<i>Year-End Inventory</i>
1979-80	289	1,302	993	309	598
1980-81	598	938	1,003	-65	533
1981-82	533	930	1,065	-135	398
1982-83	398	1,218	782	436	834
1983-84	834	882	769	113	947
1984-85	947	732	933	-201	746
1985-86 (6 months)	746	255	562	-307	439 ^b

^a Beginning inventories are estimates based on reconciliation of manual and computer case counts.

^b As of December 31, 1985.

Dispositions. Table 3 provides more detailed information as to how ULP charges have been disposed by the board. It indicates two important trends. First, in the past and current years, the board is disposing of more cases than the number coming into the system. Second, the table shows that the dismissal rates in the past and current years—72 and 82 percent, respectively, of all disposed charges—are significantly higher than in previous years.

Table 3
Agricultural Labor Relations Board
Disposition of ULP Charges
1979-80 through 1985-86

	<i>New Charges</i>	<i>Charges Disposed</i>							
		<i>Total</i>	<i>Withdrawn</i>		<i>Dismissed</i>		<i>Settled</i>		<i>In Complaint</i>
			<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>	<i>Amount</i> <i>Percent</i>
1979-80	1,302	993	279	28.1%	260	26.2%	16	1.6%	438 44.1%
1980-81	938	1,003	160	16.0	411	41.0	6	0.6	426 42.5
1981-82	930	1,065	195	18.3	492	46.2	12	1.1	366 34.4
1982-83	1,218	782	164	21.0	393	50.3	33	4.2	192 24.6
1983-84	882	769	102	13.3	424	55.1	81	10.5	162 21.1
1984-85	732	933	58	6.2	680	72.9	59	6.3	136 14.6
1985-86 (6 months)	255	562	40	7.1	460	81.9	14	2.5	48 8.5

Agency staff indicate that the increase in the dismissal rate is a result of several factors: (1) many of the charges dismissed were simply too old to pursue as a viable complaint for prosecution, (2) the General Counsel is enforcing once-neglected agency policy that the complainant must file a *complete* charge in order for an investigation to proceed, and (3) the agency has and is exercising discretion in which charges to pursue to the complaint stage.

Inventory. By disposing of more cases than the number coming into the system, the board has been able to reduce its inventory of cases. As Table 2 indicates, the ALRB's year-end inventory of ULP charges has dropped from 947 in 1983-84 to 439 as of December 31, 1985.

Age. Although the General Counsel has made progress in reducing the *total* number of active charges awaiting disposition, he has had less success in decreasing the proportion of charges which are *excessively old*. Table 4 compares the percentage of cases, by age, in the regional offices on December 31, 1984, and December 31, 1985. The table shows that the proportion of charges over a year old has dropped significantly, from 39

AGRICULTURAL LABOR RELATIONS BOARD—Continued

percent in 1984 to 14 percent currently. The table indicates, however, that the agency accomplished this by concentrating resources on these charges at the expense of others. Hence, the proportion of charges between 180 days and one year old has grown from 19.5 percent in 1984 to 42 percent in 1985, and the proportion of charges between 60 days and 180 days old has increased from 28 percent in 1984 to 37 percent in 1985. This means that the proportion of charges over 180 days old has dropped by less than 3 percent and the proportion of cases over 60 days old has actually *increased* by over 6 percent.

Table 4
ULP Charges
Percent of Active Charges by Age
December 31, 1984 and December 31, 1985

Region	Age							
	Age < 60 days		60-180 days		180-365 days		Age > 365 days	
	Dec. 1984	Dec. 1985	Dec. 1984	Dec. 1985	Dec. 1984	Dec. 1985	Dec. 1984	Dec. 1985
Delano	7.8%	4.9%	28.7%	45.9%	16.8%	27.9%	46.7%	21.3%
El Centro	23.4	19.6	24.5	16.1	24.5	48.2	27.7	16.1
Oxnard	17.6	26.9	5.9	61.5	3.9	7.7	72.5	3.8
Salinas	17.7	3.4	33.7	34.0	26.3	51.5	22.3	11.1
Totals	13.6%	7.3%	27.6%	36.7%	19.5%	41.9%	39.3%	14.1%

For the purposes of evaluating the General Counsel's progress in eliminating the ULP charge backlog, we have assumed that charges which are less than 180 days old can be considered *working inventory*, while charges which are still active 180 days after filing can be considered to be part of the *backlog*. On this basis, it appears that the agency's current working inventory level is approximately 193 charges and the backlog is approximately 246 charges. This compares to a working inventory and backlog last year of 264 and 377, respectively.

Probable Shift in Resources to Compliance

As the preceding information indicates, the ALRB recently has had *more* resources than it needs to handle incoming charges. The board has used these "extra" resources to reduce its large backlog of cases. General Counsel staff now indicate that during the second half of 1985-86, significantly *more* resources will be dedicated to *compliance* activities. Given the direct trade-off between processing charges and enforcing board orders, this redirection of resources would slow further efforts to eliminate the charge processing backlog.

In Table 5, we have estimated the impact of the proposed redirection. The table first shows—under "Current Distribution of Staff Resources"—what would happen if the ALRB continued to allocate 77 percent of its field examiner time to charge processing and 23 percent to compliance. If the current rate of new charge filings continues in the future, the board could (1) eliminate the ULP charge backlog by August 1986, and (2) redirect 6.8 field examiner personnel-years to compliance in 1986-87. Even if the charge filing rate increases by 20 percent, the board could still eliminate the backlog by November 1986 and redirect 3.4 personnel-years to compliance.

Table 5
Agricultural Labor Relations Board
Estimates of ULP Charge Backlog
June 30, 1986 and June 30, 1987

	Charge Backlog ^a As of		Date Backlog Eliminated	Additional PYs ^b Available for Compliance in 1986-87
	June 1986	June 1987		
<i>Current Distribution of Staff Resources^{c, d}</i>				
(a) Most Recent Charge Filing Rate ^e	57	0	August 1986	6.8
(b) 20 Percent Higher Charge Filing Rate ^f	120	0	November 1986	3.4
<i>Alternative Scenarios^c</i>				
1. 10 Percent Shift of Effort to Compli- ance: ^g				
(a) Most Recent Charge Filing Rate ^e ..	129	0	December 1986	3.0
(b) 20 Percent Higher Charge Filing Rate ^f	192	20	August 1987	0
2. 25 Percent Shift of Effort to Compli- ance: ^h				
(a) Most Recent Charge Filing Rate ^e ..	235	133	November 1988	0
(b) 20 Percent Higher Charge Filing Rate ^f	298	304	Backlog Grows	0

^a Assumes all active charges in excess of 193 are backlog.

^b Defined as the number of field examiner personnel-years that can be redirected to compliance during 1986-87 when the backlog is eliminated.

^c Assumes 1260 hours per field examiner personnel year are available for actual field work.

^d Charge-to-compliance time ratio of approximately 3:1.

^e Assumes 43 new charges are filed each month with the ALRB.

^f Assumes 52 new charges are filed each month with the ALRB. This is the average of the past-year rate and the rate in the current year to date.

^g Charge-to-compliance time ratio of approximately 2:1.

^h Charge-to-compliance time ratio of approximately 1:1.

If, on the other hand, the General Counsel follows through on his intention to *redirect* staff efforts to compliance, his ability to dispose of over-aged charges would be significantly reduced. For example, if the ratio of charge-to-compliance field time were changed from 77:23 to 67:33 (a shift of 10 percent) the charge backlog would remain until: (1) December 1986, if the current filing rate is assumed, or (2) August 1987, if the charge rate increases. Furthermore, if the General Counsel were to split regional field time equally between charges and compliance activities (a 50-50 ratio), the backlog in charges: (1) would not be eliminated until the 1988-89 budget year (assuming the current charge filing rate) or (2) would continue to grow indefinitely (assuming an increase in the filing rate).

Compliance Workload

In our analyses of the ALRB's budget for both 1984-85 and 1985-86, we noted that the agency had not developed an adequate compliance policy. We concluded that the agency's compliance efforts were suffering as a result. Since our last analysis, the General Counsel has been successful in (1) completing a survey of the number, type, and location of final board orders requiring compliance, (2) developing a system for tracking progress in implementing compliance remedies, and (3) closing a number of compliance cases.

Recent data provided by the General Counsel indicates that 34 cases in which the board ordered remedies were closed in 1985. In addition, there were 11 cases in which compliance was completed after an ALJ decision.

AGRICULTURAL LABOR RELATIONS BOARD—Continued

The ALRB informs us that these closures resulted in a December 31, 1985 inventory of 83 active compliance cases. In addition, the board is tracking 86 cases in which board orders have not yet become final through the appeals process. Thus, there are 169 cases in which the General Counsel must take compliance action now or in the near future. Unfortunately, we are unable to present any greater detail about these cases (for example, the kind of remedies called for or the number of employees affected) because the survey still contains many data gaps. General Counsel staff assure us that this information will be available by mid-February.

While we commend the progress that the General Counsel has made, we find no sound reason that the survey of cases should have taken over two years—and still not be complete. Our review indicates that the General Counsel should have been able to complete significantly more than has been accomplished since 1983–84 in implementing a workable compliance program at the ALRB.

Legislature Needs Better Information on Compliance Activities

We recommend that, prior to budget hearings, the General Counsel report to the Legislature on the resources to be used for compliance activities in both the current and budget years. We further recommend that the ALRB provide specific detail on compliance activity in future budget presentations.

In the preceding analysis, we not only had to make assumptions regarding future workload trends; we also had to assume how the General Counsel will divide staff between ULP charge processing and compliance work. This is because the budget does not break-out time spent on these two activities. As a consequence, we can only speculate as to the year-end status of the ALRB's case inventories (please refer to the scenarios presented in Table 5).

Furthermore, as noted above, while the information on the inventory of compliance cases is improved, it still is limited. Although we know that there are 83 active cases, we do *not* know: (1) the approximate staff time needed to complete those cases, (2) the extent of the backlog involved, or (3) how the General Counsel plans to "work" these cases in the budget year.

To help the Legislature better assess the ALRB's charge processing and compliance activity, we recommend that prior to budget hearings, the General Counsel report on:

- The current-year and proposed budget-year employment of field examiner resources between charge processing and compliance activities;
- The projected inventory levels for both these workloads as of the end of the current and budget years;
- The estimated level of a "working inventory" for compliance cases.

To assure that it gets this type of information routinely in the future, we recommend that the Legislature adopt the following supplemental report language:

It is the intent of the Legislature that in future Governor's Budgets, the Department of Finance shall include additional information on the ALRB's compliance activities. Specifically, the budget shall: (1) establish a separate component under *General Counsel Administration* for compliance, and (2) create specific compliance performance measures.

PUBLIC EMPLOYMENT RELATIONS BOARD

Item 8320 from the General
Fund

Budget p. GG 29

Requested 1986-87	\$6,180,000
Estimated 1985-86	5,799,000
Actual 1984-85	5,185,000
Requested increase \$381,000 (+6.6 percent)	
Total recommended reduction	None

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 state laws: (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 95.3 personnel-years in 1985-86.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$6,180,000 from the General Fund for support of the Public Employment Relations Board (PERB) in 1986-87. This is an increase of \$381,000 or 6.6 percent, above estimated current-year expenditures.

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
1984-85 through 1986-87
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87	
Dispute Resolution	44.3	47.7	47.7	\$4,177	\$4,645	\$4,966	6.9%
Representation Determination ..	15.6	16.6	16.6	1,008	1,154	1,214	5.2
Administration (distributed)	28.6	31	31	(1,055)	(1,209)	(1,367)	13.1
Totals	88.5	95.3	95.3	\$5,185	\$5,799	\$6,180	6.6%

Table 2 shows the changes in the board's expenditures between 1985-86 and 1986-87. The major increases consist of (1) baseline salary and benefit increases (\$252,000), (2) an increase in rent for regional office space (\$68,000), and (3) increases for the purchase of equipment, primarily to replace a high-volume photocopier (\$64,000). Offsetting the proposed increases are (1) an increased salary savings requirement (\$8,000) and (2) the completion of research projects funded in 1985-86 on a one-time basis (\$70,000).

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued

Table 2
Public Employment Relations Board
Proposed 1986-87 Budget Changes
 (dollars in thousands)

	<i>General Fund</i>
1985-86 Expenditures (Revised)	\$5,799
<i>Baseline Adjustments</i>	
Salary and benefit increases	\$252
Increase in salary savings requirement	-8
Changes in operating expenses and equipment:	
Purchase of new and replacement equipment	64
Increase in regional office rents	68
Subtotals, Baseline Adjustments	(\$376)
<i>Workload Changes</i>	
Reduction in one-time research	-\$70
Increase in time for factfinding	30
Subtotals, Workload Changes	-\$40
<i>Program Changes</i>	
Purchase of on-line legal research services	\$45
1986-87 Expenditures (Proposed)	\$6,180
Change from 1985-86:	
Amount	\$381
Percent	6.6%

The budget does not include additional funding for merit salary adjustments or inflation adjustments to operating expenses. We estimate that the board will have to absorb approximately \$73,000 in such costs.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The increases proposed for the board's ongoing programs are reasonable and should allow the board to carry out its statutory responsibilities in the budget year.

Baseline Adjustment for Increased Costs of Factfinding

In addition to baseline adjustments for personal services, office rents and equipment, the budget proposes an increase of \$30,000 in funding for factfinding services. Under HEERA and EERA, the PERB is responsible for appointing a chairperson of a factfinding panel during impasse procedures and paying the per diem and travel costs of the chairperson. While the 1985-86 budget contains \$75,000 for these fact-finding services, the current-year costs are now estimated to be approximately \$102,000. For 1986-87, the PERB proposes \$105,000 for factfinding. Our analysis indicates that the proposed increase is appropriate.

Automated Legal Research Services

The PERB proposes to spend \$45,000 in the budget year to purchase automated legal research services. Currently, board attorneys must use labor- and time-intensive methods for legal research, including travel to

law libraries and manual catalog and index searches. In order to minimize the amount of time that PERB attorneys must spend on legal research and related activities, the board proposes to procure approximately 770 hours of on-line research time. This time would be divided between (1) services offering specific research expertise in public employment law and (2) a general legal research service. While the PERB does not propose any savings as a result of automated legal research, such capabilities should enhance the ability of attorneys to complete work in a timely manner. This, in turn, would expedite the processing of cases and decisions by the board.

DEPARTMENT OF INDUSTRIAL RELATIONS

Item 8350 from the General
Fund and various funds

Budget p. GG 32

Requested 1986-87	\$133,084,000
Estimated 1985-86.....	129,836,000
Actual 1984-85	113,850,000
Requested increase \$3,248,000 (+2.5 percent)	
Total recommended reduction	773,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8350-001-001—Departmental support	General	\$103,706,000
8350-001-023—Regulation of farm labor contractors	General, Farm Labor Contractors' Special Account	50,000
8350-001-036—Departmental support	Special Account for Capital Outlay	352,000
8350-001-216—Enforcement of laws relating to the licensing of contractors	Industrial Relations Construction Industry Enforcement	630,000
8350-001-396—Regulation of self-insurance plans for workers' compensation	Self-Insurance Plans	1,444,000
8350-001-452—Elevator inspections	General, Elevator Safety Inspection Account	2,514,000
8350-001-453—Pressure vessel inspections	General, Pressure Vessel Inspection Account	2,935,000
8350-001-571—Workers' compensation benefits for employees of uninsured employers	Uninsured Employers', Employees' Account	1,062,000 "
8350-001-572—Workers' compensation benefits for asbestos workers	Uninsured Employers', Asbestos Workers' Account	317,000
8350-001-890—Departmental support	Federal Trust	17,864,000
Labor Code Section 96.6	Unpaid Wage	60,000
8350-001-973—Worker health and safety (school asbestos projects)	Asbestos Abatement	100,000
Reimbursements	—	2,050,000
Total		\$133,084,000

" The Budget Bill shows \$9,701,000 for this item, of which \$1,062,000 is appropriated from fines, penalties and recoveries from the Uninsured Employers' Fund and the remaining \$8,639,000 is appropriated from Item 8350-001-001.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis
page

1. **Rehabilitation Bureau Staffing. Reduce Item 8350-001-001(c) by \$89,000.** Recommend reduction to reflect elimination of 3 clerical positions due to on-line case tracking system efficiencies. 1573
2. **Wage Claims District Office Staffing. Reduce Item 8350-001-001(e) by \$151,000.** Recommend reduction to reflect clerical efficiencies due to automation. 1573
3. **Occupational Safety and Health Appeals Board Staffing. Reduce Item 8350-001-001(d) by \$12,000.** Recommend deletion of proposed overtime funds because office automation should eliminate need for greater overtime. 1574
4. **Workers' Compensation Appeals Board (WCAB) District Office Clerical Staff.** Recommend that 6.5 new positions requested for the WCAB district offices be limited to two-year terms because on-line calendaring and case tracking should eliminate permanent need for these positions. 1575
5. **Hearing Reporters. Reduce Item 8350-001-001(c) by \$329,000.** Recommend reduction of 10 hearing reporter positions due to automation of transcription function. 1575
6. **Occupational Safety and Health (Cal-OSHA) Service Level.** Recommend that the department report at the time of the budget hearings on its ability to comply with state law regarding occupational health enforcement. 1579
7. **Cal-OSHA Staff Distribution.** Recommend that the department report at the time of the budget hearings concerning the manner in which it determines the level and distribution of discretionary work effort to be undertaken. 1579
8. **Cal-OSHA Budget Display.** Recommend that the Legislature adopt supplemental report language directing the Departments of Finance and Industrial Relations to display separately resources provided to discretionary and mandatory workloads. 1580
9. **Cal-OSHA Complaint Inspections.** Recommend that the Legislature enact legislation clarifying the level of administrative discretion allowed the department in determining if an inspection should be completed. 1580
10. **Budget Control Language Violations.** Recommend that the department explain at the time of the budget hearings its reasons for violating budget control language in encumbering Asbestos Abatement Fund monies limited to specified purposes. 1581
11. **Health and Safety Compliance at School Asbestos Abatement Projects. Augment Item 8350-001-973 by \$50,000.** Recommend augmentation of \$50,000 for support of Cal-OSHA compliance activities related to school asbestos abatement programs. Further recommend that the Legislature modify budget control language in Item 8350-001-001 to conform with this change. 1582

12. **Occupational Safety and Health Standards Board (OSHSB) Staffing Level. Reduce Item 8350-001-001 (d) by \$200,000.** Recommend reduction to reflect elimination of 11 positions due to completion of regulation review. 1583
13. **Salary Savings Requirement.** Recommend the Departments of Finance and Industrial Relations (DIR) report at the time of the budget hearings concerning the effect of an increased salary savings requirement on DIR programs. 1583
14. **Technical Recommendations. Reduce Item 8350-001-001 by \$42,000.** Recommend reduction to correct various technical errors in the DIR's budget. 1584

GENERAL PROGRAM STATEMENT

Existing law states that 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 service through the following nine programs:

1. **Regulation of Workers' Compensation Self-Insurance Plans.** 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.

2. **Conciliation of Labor Disputes.** This program investigates and mediates labor disputes, and arranges for the selection of boards of arbitration.

3. **Adjudication of Workers' Compensation Disputes.** 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).

4. **Prevention of Industrial Injuries and Deaths.** 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 trams, radiation equipment and pressure vessels.

5. **Enforcement of Laws Relating to Wages, Hours and Working Conditions.** 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.

6. **Apprenticeship and Other On-the-Job Training.** This program promotes apprenticeship programs and other "on-the-job" training for apprentices and journeymen, and promotes equal opportunity practices in these programs.

7. **Labor Force Research and Data Dissemination.** This program gathers data regarding collective bargaining agreements, work stoppages, union membership, and work-related injuries and illnesses as part of the Cal-OSHA plan for identifying high-hazard industries for intensified safety enforcement efforts.

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

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

9. Administrative Support Services. This program includes the office of the Director and provides legal, public information, fiscal management, personnel, training, and data processing services within the department and overall policy direction for the various divisions.

The department has 2,252.3 personnel-years in 1985–86.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes 12 appropriations totaling \$131,034,000 for support of the Department of Industrial Relations (DIR) in 1986–87. The General Fund portion of the request is \$103,706,000, which is an increase of \$3,031,000, or 3 percent, over current-year expenditures.

The budget proposes total expenditures for the department, including expenditures from reimbursements, of \$133,084,000 in 1986–87. This is \$3,248,000, or 2.5 percent, above estimated current-year expenditures.

Table 1
Department of Industrial Relations
Budget Summary
1984–85 through 1986–87
(dollars in thousands)

<i>Program Expenditures</i>	<i>Actual 1984–85</i>	<i>Estimated 1985–86</i>	<i>Proposed 1986–87</i>	<i>Change From 1985–86</i>	
				<i>Amount</i>	<i>Percent</i>
Regulation of Workers' Compensation Self Insurance Plans	\$1,143	\$1,560	\$1,706	\$146	9.4%
Conciliation of Labor Disputes	1,706	1,915	1,910	–5	–0.3
Adjudication of Workers' Compensation Disputes	40,581	44,902	46,858	1,956	4.4
Prevention of Industrial Injuries and Deaths	35,129	41,484	42,732	1,248	3.0
Enforcement of Laws Relating to Wages, Hours and Working Conditions	19,373	21,710	21,895	185	0.9
Apprenticeship and Other On-the-Job Training	4,901	5,144	5,302	158	3.1
Labor Force Research and Data Dissemination	2,781	3,070	3,114	44	1.4
Payment of Claims, Wages and Contingencies	8,236	9,901	9,567	–334	–3.4
Administrative Support Services (Distributed to Other Programs)	(7,591)	(12,904)	(11,389)	(–1,515)	(–11.7)
Fair Labor Standards Act	—	150	—	–150	—
Totals, Expenditures	\$113,850	\$129,836	\$133,084	\$3,248	2.5
Funding Source					
General Fund	\$88,271	\$100,675	\$103,706	\$3,031	3.0%
Farm Labor Contractors' Account	—	50	50	—	—
Special Account for Capital Outlay	—	—	352	352	—
Industrial Relations Construction Industry					
Enforcement Fund	512	621	630	9	1.4
Self-Insurance Plans Fund	857	1,297	1,444	147	11.3
Elevator Safety Inspection Account	2,073	2,445	2,514	69	2.8
Pressure Vessel Inspection Account	2,215	3,032	2,935	–97	–3.2
Asbestos Abatement Fund	—	100	100	—	—
Uninsured Employers' Fund, Employees' Account	1,398	920	1,062	142	15.4
Asbestos Workers' Account	262	872	317	–555	–63.6
Federal Trust Fund	16,369	17,934	17,864	–70	–0.4
Unpaid Wage Fund	52	60	60	—	—
Reimbursements	1,841	1,830	2,050	220	12.0

Table 1 shows the department's expenditures, by program, for the prior, current, and budget years. As the table indicates, the General Fund supports over three-fourths of the department's expenditures, with the remainder supported by various special funds, nongovernmental cost funds, and federal funds. The table also shows that the department's largest programs are the Adjudication of Workers' Compensation Disputes, which is administered by the Division of Industrial Accidents, and the Prevention of Industrial Injuries and Death, which is administered by the Division of Occupational Safety and Health.

Budget-Year Changes

Table 2 summarizes the major components of the \$3.2 million increase in the department's proposed budget for 1986-87. The table reflects \$8,010,000 in proposed augmentations, the largest of which are: (1) baseline salary and benefit increases (\$6,607,000), and (2) new transcription equipment for Workers' Compensation Appeals Board district offices (\$352,000).

Table 2
Department of Industrial Relations
Proposed 1986-87 Budget Changes
(dollars in thousands)

	<i>All Funds</i>
1985-86 Expenditures (Revised)	\$129,836
<i>Baseline Adjustments:</i>	
Baseline salary and benefit adjustments	6,607
Increased salary savings requirement	-790
Purchases of basic equipment	-2,312
Miscellaneous operating expense adjustment	-89
Upgrade attorney classifications	99
Fair Labor Standards Act: one-time expense	-150
Reductions due to legislation	-288
Subtotals, Baseline Adjustments	(\$3,077)
<i>Workload Changes:</i>	
Uninsured Employers' Fund adjustment	\$236
Uninsured Employers' Fund Asbestos Workers Account expenditure authority	-570
Clerical support for workers' compensation adjudication district offices	172
Increase Bureau of Investigations staff	96
Clerical support for Rehabilitation Bureau	59
Increase personnel unit staffing	53
Increase Radiation Health staff	49
Clerical support for appeals board	25
Increase overtime blanket	162
Increase pre-litigation expenses	100
Management-level consolidations and eliminations	-441
Professional reduction—mediation service	-64
Staff reduction—Division of Labor Statistics and Research	-58
Subtotals, Workload Changes	(-\$181)
<i>Program Changes:</i>	
Transcription devices for workers' compensation adjudication offices	\$352
1986-87 Expenditures (Proposed)	\$133,084
Change from 1985-86:	
Amount	\$3,248
Percent	2.5%

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Offsetting these augmentations are \$4,762,000 in proposed reductions, including: (1) a \$790,000 reduction due to an increase in the salary savings requirement from 4.6 percent in the current year to 6.7 percent in 1986–87; (2) a \$2,312,000 reduction in basic equipment purchases, primarily because of one-time expenditures in 1985–86 for automation projects; (3) a \$441,000 reduction resulting from consolidation and elimination of management positions; and (4) a \$334,000 net reduction in Uninsured Employers' Fund expenditures.

The budget does not include full funding for merit salary adjustments or inflation adjustments to operating expenses. We estimate that the department will have to absorb approximately \$1,036,000 in merit salary adjustments and \$841,000 in inflation adjustments to operating expenses in 1986–87.

ANALYSIS AND RECOMMENDATIONS**A. OFFICE AUTOMATION AND ON-LINE PROJECTS****Background**

The 1985 Budget Act provided the department with more than \$2 million to support proposals which introduce or expand the use of automated technology, including: (1) document storage and retrieval; (2) document input and coding; (3) case processing and management information; and (4) clerical functions. The divisions most affected by these proposals are Industrial Accidents, Occupational Safety and Health, Labor Standards Enforcement, and Administration.

In the *Analysis of the 1985 Budget Bill* (please see pp. 1499–1502), we found that, while automating many of the tasks performed at various levels in the department made sense, the department's proposals were often unclear and incomplete. In response to our concerns, the Legislature provided funding to hire outside expertise to evaluate the DIR's automation goals, develop meaningful performance measures for evaluation of the various projects, and review the department's strategic plan for automation. The governor vetoed this funding, calling the study "unnecessary" and expressing concern that the evaluation would lead to unjustified delays in implementing the department's automation proposals. As a consequence, in evaluating DIR's implementation of its automation projects, the Legislature must rely on the department's strategic plan (as updated May 1985) and other DIR automation documents—such as feasibility study reports (FSRs) and post-implementation evaluation reports (PIERs).

Progress-To-Date

Our review of DIR's progress to date in implementing its strategic plan for automation focused on two questions:

- Has the department complied with the schedule it set out for itself in the 1985–86 strategic plan?
- Does the 1986–87 budget reflect the level of savings projected by the department in its strategic plan and other automation-related documents?

Our analysis indicates that, while the department's deadlines for *specific* actions are not being met, the timing of most projects has not slipped enough to be cause for alarm. As a result, we expected to find that the department's proposed 1986–87 budget reflected (1) *automation efficiencies* negating the need for additional personnel to compensate for growing

workload and (2) *funding reductions* reflecting savings projected as a result of automating various work processes.

We have been unsuccessful, however, in finding even *one* instance in which the department actually proposes a staff *reduction* to reflect savings attributable to automation. Furthermore, we have identified four cases in which the department either has proposed new positions without taking account of offsetting savings or has not proposed to reduce the current staffing level in order to reflect savings in personnel-years resulting from automation.

1. Clerical Staff Augmentation for the Rehabilitation Bureau

We recommend that the Legislature reduce Item 8350-001-001(c) by \$89,000 because efficiencies attributable to the Rehabilitation Bureau on-line case tracking system will obviate the need for three new clerical positions.

The budget proposes to add three clerical positions, at a cost of \$89,000, to the Rehabilitation Bureau within the Division of Industrial Accidents. The department requests these positions because (1) clerical workload in the bureau has increased significantly in recent years and (2) the just-completed automated casetracking system gives the bureau the ability to *expand* clerical duties related to management information and program evaluation.

The department's PIER on the bureau's on-line system indicates that the automated casetracking system has *freed up* clerical personnel who could be redirected to the activities for which additional staffing is sought. The PIER indicates that the system has improved productivity by 22 percent. This means that seven of the 32 district office clerical positions available to the bureau in the current year are now available for (1) discretionary assignments related to management information and case evaluation and (2) basic workload growth.

Consequently, we see no reason to *increase* the number of clerical staff positions available to the bureau at this time. We recommend, therefore, that the Legislature delete 3 positions and \$89,000 from Item 8350-001-001(c) because current staffing, in tandem with the on-line casetracking system, is sufficient to process current clerical workload in the Rehabilitation Bureau.

2. On-line Cashiering and Calendaring in the Division of Labor Standards Enforcement

We recommend that the Legislature eliminate \$151,000 and 11.25 positions to reflect anticipated workload savings from implementation of an on-line automated system in Division of Labor Standards Enforcement district offices. (Reduce Item 8350-001-001(e) by \$151,000.)

In 1984-85, the Division of Labor Standards Enforcement (DLSE) began planning for the development and implementation of an on-line system, which it expected to be completed by 1986-87. The system is designed to: (1) automate basic clerical functions, (2) allow network communications among the district offices, and (3) provide for a statewide system of cashiering and case docketing. The current-year budget contains \$159,000 to purchase 25 desk-top computers for the system. (Eight computers were purchased in 1984-85.)

The department has identified two types of savings which should accrue from the system, beginning in 1986-87. First, clerical efficiencies generated by the system should eliminate the need to *add* clerical personnel to

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

process a growing workload. Second, the plan indicates that these same efficiencies actually can be expected to *reduce* the current need for clerical staffing by 11.25 personnel-years, including: (1) a reduction in the pilot office of one-half personnel-year beginning July 1, 1986, and (2) a reduction in other district offices of 10.75 positions beginning January 1, 1987, which is the scheduled end of the statewide conversion and training period.

The 1986-87 budget proposal, however, does not reflect the level of savings estimated by the department in the plan. The department asserts that this is due to delays in gaining approval for the FSR, which will forestall full implementation of the system until much later in the budget year than what the plan anticipated. Conversations with departmental staff, however, indicate that the FSR should be approved soon, allowing a bid to be finalized by April. Our analysis indicates that, given this revised timeline, the division can still convert to an automated system and train district office staff during the first half of the budget year. Consequently, clerical savings should be realized in the second half of 1986-87.

We recommend, therefore, that the Legislature delete 11.25 positions (one-half position beginning July 1, 1986 and 10.75 positions beginning January 1, 1987) and \$151,000 from Item 8350-001-001 (e) to reflect clerical efficiencies that will be generated by office automation.

3. Additional Staff Requested for the Cal-OSHA Appeals Board

We recommend that the Legislature reduce by \$12,000 the amount budgeted for clerical overtime at the Cal-OSHA Appeals Board because the proposal does not reflect staff efficiencies as a result of office automation. (Reduce Item 8350-001-001 (d) by \$12,000.)

The Cal-OSHA Appeals Board (OSHAB) is responsible for hearing appeals filed by employers regarding Cal-OSHA field enforcement citations which require the payment of fines and penalties or the abatement of unsafe workplace conditions. The budget proposes to double the nonlegal clerical staffing available to the board in 1986-87 (currently, the equivalent of 1.5 positions) because appeals have increased and there is a growing backlog of clerical work associated with processing and scheduling these appeals. This increase would consist of (1) one new clerical position and (2) \$12,000 for overtime compensation (the equivalent of about 0.5 personnel-year).

The department recently has received permission from the Office of Information Technology to include the OSHAB in the pilot project for office automation. This means that the board will be able—beginning in the current year—to use on-line technology for word processing, electronic filing and mail, scheduling, and database creation and manipulation. The department's feasibility study report for office automation identifies eventual savings of 0.7 personnel-years in the OSHAB.

Our analysis indicates that a significant portion of the projected savings should begin in the budget year. This staff time could be redirected to scheduling and other backlog activities, reducing the need for increased overtime. Therefore, we recommend that the Legislature reduce by \$12,000 the amount budgeted for overtime to reflect efficiencies in the use of clerical staff time.

4. Clerical Staff Increases for WCAB District Offices

We recommend that the Legislature limit 6.5 new clerical positions proposed for workers' compensation adjudication district offices to two-year terms because the on-line calendaring and casetracking system which is being developed for the district offices will result in future-year savings.

The budget proposes an augmentation of \$172,000 and 6.5 permanent positions for the district offices of the Workers' Compensation Appeals Board (WCAB). Specifically, the budget proposes to add (1) one clerical position to each of five district offices of the WCAB (Bell Gardens, San Diego, Santa Ana, Santa Monica and Van Nuys), and (2) 1.5 clerical positions to the Pomona district office. The department requests these positions because clerical work backlogs are large and increasing in the district offices. Growth in the number of claims filed for adjudication without a concurrent growth in clerical staffing levels has led to the current backlogs.

Our review of the department's proposal indicates that the backlogs do exist and will continue unless the current level of staffing is increased. Our review also reveals, however, that the automated calendaring and case-tracking system which the department is in the process of developing should alleviate much of the need for *permanent* clerical staff increases. The department plans to bring the system on-line statewide in 1986-87. We estimate that full realization of the benefits of the system will be delayed until 1987-88 or 1988-89, given the need to (1) train clerical staff and (2) convert a large number of files from the current manual system to automated records.

Consequently, we recommend approval of the requested 6.5 clerical positions, but recommend that they be limited in term to two years.

New Proposal: Same Old Problem

We recommend that the Legislature delete 10 hearing reporter positions and \$329,000 from Item 8350-001-001(c) to reflect savings from automating hearing reporter transcription duties.

The budget proposes \$352,000 to purchase 14 computer-aided transcription machines (CATs) for use by hearing reporters in district offices of the Workers' Compensation Appeals Board (WCAB). These machines produce a rough draft from a reporter's notes. The department proposes the purchase of these machines in order to reduce the time spent preparing transcriptions each week by hearing reporters from 15 hours currently to 11 hours (a savings of 4 hours, or 10 percent of total weekly work hours).

Our analysis indicates that it is cost-efficient to automate hearing reporter transcription duties. The department, however, has neglected to propose a corresponding reduction in the number of hearing reporter positions available to the district offices made possible by the efficiencies resulting from the use of automated technology. We estimate that the CAT system will lead to savings in staff time that are equivalent to *at least* 10 hearing reporter positions in 1986-87 (10 percent of the 104 hearing reporters currently authorized).

We recommend, therefore, that the Legislature eliminate these positions in 1986-87 to reflect efficiencies resulting from the use of the CATs.

In order to avoid the need for layoffs, and to reflect the time that it will take the department to purchase the equipment, and train and acclimate staff to the CATs, we further recommend that the staffing reductions be phased in: five positions eliminated on October 1, 1986, and five positions

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

eliminated on January 1, 1987. The phased-in reduction of these positions would generate savings of \$329,000 in the budget year.

B. CAL-OSHA AND RELATED PROGRAMS

The California Occupational Safety and Health program (Cal-OSHA) consists of enforcement, regulatory, educational, and statistical activities related to work site health and safety. The program is administered primarily by the Division of Occupational Safety and Health (DOSH), with some assistance from the Divisions of Labor Standards Enforcement and Labor Statistics and Research. It is supported primarily by (1) the General Fund and (2) funds made available by the U.S. Department of Labor through its 23(g) grant program.

Table 3 shows expenditures during the past, current and budget years for activities funded under the Cal-OSHA program. The table illustrates that (1) of the \$36,868,000 requested for support of Cal-OSHA in 1986-87, approximately 70 percent would be used to support field enforcement activities within the DOSH, and (2) 87 percent of the proposed increase in expenditures from the current-year level will occur in the field enforcement program.

Table 3
Department of Industrial Relations
Cal-OSHA Program Expenditures
1984-85 through 1986-87
(dollars in thousands)

Division	Expenditures			Change	
	Actual 1984-85	Estimated 1985-86	Proposed 1986-87	1986-87 Over 1985-86	
				Amount	Percent
Division of Occupational Safety and Health (DOSH):					
Cal-OSHA Enforcement	\$21,613	\$24,942	\$25,990	\$1,048	4.2%
Occupational Safety and Health Appeals Board	1,657	2,062	2,143	81	3.9
Occupational Safety and Health Standards Board	1,162	1,717	1,614	-103	-6.0
Cal-OSHA Consultation Service	3,571	4,014	4,023	9	0.2
Cal-OSHA Program Office	\$230	\$296	308	12	4.1
Subtotals, DOSH	(\$28,233)	(\$33,031)	(\$34,078)	(\$1,047)	(3.2%)
Division of Labor Standards Enforcement (Cal-OSHA Anti-discrimination program) ..	\$280	\$491	\$517	\$26	5.3%
Division of Labor Statistics and Research (Occupational Injuries and Illnesses Statistics)	1,885	2,148	2,273	125	5.8
Totals	\$30,398	\$35,670	\$36,868	\$1,198	3.4%

CAL-OSHA FIELD ENFORCEMENT**Background**

The budget proposes \$25,990,000 for the support of Cal-OSHA field enforcement activities in 1986-87. This is \$1,048,000, or 4.2 percent, more than estimated current-year expenditures.

Field enforcement in Cal-OSHA consists of two major types of work.

First, there is *mandatory* work, which consists of inspecting worksites because (1) an industrial death or serious injury, illness, or exposure has occurred, (2) an employee or an employee's representative has filed a complaint about health and safety conditions on the job, (3) a serious citation or violation has been issued, or (4) a referral for inspection has been received from another health or safety professional in the division. Second, there is *discretionary* work, which consists primarily of inspections targeted at high-hazard industries and individual employers with bad occupational safety and health records. Discretionary work by and large is *preventive* in nature, while a significant portion of mandatory work is done in *reaction* to accidents and injuries which have already occurred.

Table 4 shows the General Fund and federal fund support for Cal-OSHA field enforcement from 1983-84 through 1986-87. The table illustrates that the General Fund will bear a greater proportion of total program costs in 1986-87 than it has in past years. Specifically, it shows that the ratio of General Fund to federal fund contributions will increase from 50:50 in 1983-84 to 57:43 in the budget year.

Table 4
Department of Industrial Relations
Funding for Cal-OSHA Field Enforcement
1983-84 through 1986-87 (proposed)
(dollars in thousands)

	<i>Total^a</i>	<i>General</i>	<i>Federal</i>	<i>Ratio of</i>
	<i>Funds</i>	<i>Fund</i>	<i>Funds</i>	<i>General</i>
				<i>Fund to</i>
				<i>Federal</i>
				<i>Funds</i>
				<i>Support</i>
1983-84	\$19,736	\$9,809	\$9,724	50:50
1984-85	21,613	10,881	10,581	50:50
1985-86 (est.)	24,942	13,414	11,444	54:46
1986-87 (prop.)	25,990	14,639	11,267	57:43

^a Includes other funds, such as reimbursements.

This ratio is changing because the federal government recently capped California's OSHA grant. Thus, any growth in program costs must be borne solely by the General Fund, regardless if such growth is due to inflation adjustments, salary and benefit increases, or program initiatives.

With the state bearing the *full* cost of each new dollar spent in the program, the need for close legislative scrutiny of the Cal-OSHA program has become even more important. In our review of Cal-OSHA, we have focused on whether (1) the program is budgeted at a level sufficient to allow the department to meet its statutory obligations (2) resources are distributed between mandatory and discretionary activities in a manner that will enhance program effectiveness and (3) current statutory or administrative requirements impede program effectiveness.

Distribution of Resources for Mandatory and Discretionary Workload

In 1984-85, the department developed a formula for distributing field compliance personnel (safety engineers and industrial hygienists) within the Cal-OSHA program to the 19 district offices. The formula first assigns positions to district offices based on the predicted level of mandatory

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

workload—that is, investigations and enforcement actions specifically required by statute. The formula then assigns any remaining available personnel-years to district offices for discretionary workload, based on an estimate of the district's share of statewide discretionary workload.

Table 5 provides information on: (1) the distribution of safety and health personnel in the department's district offices during the current year, (2) the distribution of mandatory workload among district offices, and (3) the level of resources remaining for discretionary enforcement. As the table shows, 106.4 safety engineer and 70.1 industrial hygienist personnel-years are necessary to provide statutorily mandated field enforcement. The table also shows that, in the current year, there are ap-

Table 5
Department of Industrial Relations
Distribution of Field Compliance Personnel
in Cal-OSHA District Offices in 1985-86

	<i>Safety Compliance</i>			<i>Health Compliance</i>		
	<i>Total PY's Available^a</i>	<i>PY's for Mandatory Work</i>	<i>Residual for Discretionary Work</i>	<i>Total PY's Available^a</i>	<i>PY's for Mandatory Work</i>	<i>Residual for Discretionary Work</i>
Region I:						
San Francisco/San						
Mateo.....	9.2	6.0	3.2	10.1	8.8	1.3
San Jose.....	7.4	6.8	0.6	2.8	5.7	-2.9
Berkeley/Concord	9.2	10.2	-1.0	7.4	7.5	-0.1
Santa Rosa	4.6	3.5	1.1	0.9	2.0	-1.1
Subtotals, Region I.....	(30.4)	(26.5)	(3.9)	(21.2)	(24.0)	(-2.8)
Region II:						
Sacramento	5.5	5.0	0.5	4.6	4	0.6
Redding.....	4.6	4.1	0.5	—	2	-2
Modesto.....	5.5	4.4	1.1	—	2	-2
Fresno	5.5	4.4	1.1	3.7	2.2	1.5
Subtotals, Region II	(21.1)	(17.9)	(3.2)	(8.3)	(10.2)	(-1.9)
Region III:						
Santa Ana	8.3	9.8	-1.5	4.6	5.8	-1.2
San Diego.....	6.5	6.4	0.1	3.7	4.4	-0.7
San Bernardino	5.5	7.1	-1.6	2.8	1.9	0.9
Santa Fe Springs.....	6.5	3.8	2.7	3.7	3.2	0.5
Subtotals, Region III ..	(26.8)	(27.1)	(-0.3)	(14.8)	(15.3)	(-0.5)
Region IV:						
Los Angeles	6.5	6.3	0.2	3.7	5.2	-1.5
Vernon	6.5	4.4	2.1	3.7	2.4	1.3
Long Beach	6.5	3.7	2.8	3.7	2.6	1.1
Subtotals, Region IV ..	(19.5)	(14.4)	(5.1)	(11.1)	(10.2)	(0.9)
Region V:						
Van Nuys	5.5	6.2	-0.7	9.2	6.2	3
Covina.....	6.5	5.7	0.8	—	1.1	-1.1
Bakersfield	5.5	4.0	1.5	—	0.5	-0.5
Santa Barbara/Ventura..	4.6	4.6	—	—	2.6	-2.6
Subtotals, Region V	(22.1)	(20.5)	(1.6)	(9.2)	(10.4)	(-1.2)
Totals, Statewide	119.9	106.4	13.5	64.6	70.1	-5.5

^a The department's current distribution of positions, as adjusted for LAO-estimated salary savings.

proximately 120 safety engineer and 65 industrial hygienist personnel-years available to the department for distribution to the various district offices. This means that the department will be able to concentrate approximately 11 percent of its *safety* compliance personnel in discretionary activities, but will have a minimal discretionary program in health compliance because Cal-OSHA does not have sufficient *health* compliance personnel to perform all statutorily required enforcement.

Inadequate Staffing for Occupational Health Enforcement

We recommend that the department report at the time of the budget hearings on its ability to comply with state law regarding occupational health enforcement.

The formula indicates that there are too few industrial hygienists statewide to accomplish projected *mandatory* occupational health enforcement in the current year. Specifically, the department would need 5.5 more positions to perform the work that current law requires. Our analysis indicates that this personnel shortage will continue into the budget year—if not worsen, given that the Governor's Budget for 1986–87 (1) projects an *increase* in mandatory workload and (2) does not provide any increase in field enforcement staffing over the current-year level.

Because the department's staffing formula suggests that the Cal-OSHA program will be understaffed relative to the likely level of mandatory occupational health enforcement workload in the current and budget years, we recommend that the department report at the time of the budget hearings on its ability to comply with state law regarding occupational health field enforcement. Specifically, the department should inform the fiscal committees if and how Cal-OSHA will be able to provide the level of occupational health field enforcement mandated in the Labor Code, given the level of health compliance staffing proposed in the budget.

Discretionary Resources Appear Inadequate, Poorly Distributed

We recommend that the department report during budget hearings regarding its policies for determining the level and distribution of discretionary health and safety enforcement.

Our review of the Cal-OSHA field enforcement program also indicates two problems with the manner in which the department has dedicated resources to *discretionary* enforcement activities. First, the department has not budgeted for an adequate *level* of discretionary resources. As Table 5 indicates, all but one of the regional offices will have *no* discretionary health compliance resources in the current year, and one region (III) will have no discretionary safety resources.

Second, there is no apparent basis for the *allocation* of existing—basically *safety*—discretionary resources. Presumably, personnel available for discretionary activities are distributed so as to achieve the maximum impact in preventing occupational injury and illness. Yet, despite the fact that southern California has a much greater concentration of both heavy industry and employees than northern California, district offices serving southern California (Regions III, IV, and V) have only 47 percent of all safety discretionary hours available.

Given these problems, we recommend that the department report during budget hearings on (1) how it determined how much staff to request for discretionary enforcement activities and (2) how it allocates discretionary field time among the various district offices.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**Improving Budget Presentation**

We recommend that the Legislature adopt supplemental report language directing the Departments of Finance and Industrial Relations to (1) display in the budget document the resources proposed for discretionary field enforcement activities of the Cal-OSHA program separately from those proposed for mandatory enforcement activities, and (2) budget discretionary and mandatory activities in separate subitems of 8350-001-001(d).

Currently, the budget provides information on Cal-OSHA field enforcement as a whole; it provides no detail on the department's proposals for discretionary and mandatory enforcement activity. As a consequence, the department is not forced to identify the level of discretionary activity that it feels is appropriate. As a practical matter, this makes preventive enforcement, simply, a *residual* activity, not a significant workload to be maintained at a specified level.

In order to help the Legislature assess whether the proposed budget reflects the proper level of discretionary compliance activity, we recommend that the Legislature direct the Departments of Finance and Industrial Relations to provide more complete information on the distribution of resources between discretionary and mandatory enforcement in the Cal-OSHA field compliance program and to budget these activities in separate subitems of Item 8350-001-001(d). Toward this end, we recommend that the Legislature adopt the following supplemental report language:

It is the intent of the Legislature that, beginning with the 1987-88 Governor's Budget, the Departments of Finance and Industrial Relations shall (1) display input and output data separately for both mandatory and discretionary enforcement activities of the Cal-OSHA field compliance program, (2) develop separate program performance measures for mandatory and discretionary activities, and (3) propose resources to support these activities under separate subitems of Item 8350-001-001(d).

Current Law Hinders Effective Enforcement

We recommend that the Legislature enact legislation allowing the department greater discretion in conducting mandatory inspections.

Our review of Cal-OSHA's mandatory and discretionary inspection programs indicates that current law contains some impediments to a successful discretionary program. For example, it requires the department to dedicate scarce resources to the investigation of *any* valid complaint, regardless of the potential for serious occupational injury or illness.

The department interprets the requirement to investigate all complaints as a requirement to *inspect each worksite for which a valid complaint is received*. In our view, dedication of resources to these activities, in some cases, may do less to achieve the Legislature's health and safety objectives than using these resources for the purpose of preventing industrial illness and injury through discretionary activities.

Obviously, the department *should* inspect worksites whenever a complaint indicates that employees may run the risk of serious occupational injury or illness. Nevertheless, we believe that health and safety professionals in the department should have some discretion with regard to

complaints alleging (1) a nonserious condition or (2) a purely regulatory violation. This would have the effect of "freeing up" resources from complaint inspections—the single largest category of field inspection—for other mandatory and/or discretionary work.

We recommend, therefore, that the Legislature enact legislation (1) requiring Cal-OSHA to inspect worksites for any valid complaints alleging serious health and safety conditions but (2) allowing the department discretion in establishing rules governing the investigation of complaints alleging nonserious conditions or purely regulatory violations.

SCHOOL ASBESTOS ABATEMENT PROJECTS

Background. In the 1985 Budget Act, the Legislature appropriated: (1) \$9.9 million in tidelands oil revenues to school districts for asbestos abatement projects (supplementing \$10 million already made available for this purpose by the Legislature in Chapter 1751, Statutes of 1984), and (2) \$200,000 (\$100,000 from the General Fund and \$100,000 from the Asbestos Abatement Fund) to the DIR for consultation, monitoring and enforcement activities related to asbestos containment and removal projects at school sites.

In addition, the Legislature adopted budget control language in DIR's item requiring that (1) the *General Fund monies* be used to support routine Cal-OSHA activities related to school district and contractor consultation and training, and monitoring and enforcement of asbestos-related occupational safety and health regulations, and (2) *asbestos abatement funds* be used for *extraordinary* expenses incurred in monitoring a random sample of 10 percent of all school sites undertaking asbestos abatement work. The level of funding provided to DIR by the Legislature (\$200,000) was consistent with a workplan for school site asbestos abatement work developed by the department. Thus, appropriation of these funds would have made it unnecessary for the Cal-OSHA program to divert resources from *other* field compliance and consultation priorities in order to monitor asbestos-related work.

The Governor vetoed the \$100,000 which the Legislature appropriated from the General Fund. He retained, however, the budget control language, thus requiring the department to absorb the routine expenditures within its base.

Delays in School Asbestos Abatement Projects. In our analysis of the School Facilities Asbestos Abatement Program (please see Item 6350, page 1288), we recommend that \$4.9 million from the Asbestos Abatement Fund (AAF) proposed for support of projects in the budget year be eliminated, because none of the \$19.9 million appropriated to date has been spent. Since schools have not yet begun asbestos abatement work, Cal-OSHA has concentrated primarily on consultation and training programs, performing only minimal monitoring and enforcement work.

Department Ignores Budget Control Language

We recommend that the Department of Industrial Relations explain to the fiscal subcommittees why it chose to ignore budget control language in encumbering asbestos abatement funds for routine consultation and compliance activities.

Because no abatement projects have actually been started by schools to date, there is no reason why the department should have spent any of the monies appropriated from the AAF for Cal-OSHA random monitoring and enforcement. The department informs us, however, that (1) \$25,000 has

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

been encumbered from the AAF by the Cal-OSHA Consultation Service to lease equipment used in training and consultation seminars regarding asbestos abatement and (2) \$75,000 has been encumbered from the AAF by the field enforcement program to purchase air sampling equipment for health inspections related to asbestos abatement.

Our review of these purchases indicates that they should have been financed from the General Fund because they more closely relate to *ongoing*, rather than *extraordinary*, compliance activities involving school asbestos programs. We recommend, therefore, that the department report to the fiscal committees during budget hearings on its reasons for violating budget control language and spending asbestos abatement funds to finance activities which the department stated it would absorb within its base expenditures for Cal-OSHA.

Need for Continued Funding

We recommend an augmentation of \$50,000 to the amount budgeted in Item 8350-001-973 for support of Cal-OSHA compliance activities related to school asbestos abatement programs. We further recommend that the Legislature amend Budget Bill language to reflect a change in program funding.

As in 1985–86, the budget proposes to appropriate \$100,000 from the AAF to the DIR for asbestos abatement program compliance. We estimate, however, that it will cost the department about \$150,000 to provide the enforcement levels proposed in the budget for 1986–87 (routine monitoring and a 10 percent random sample). (This is \$50,000 less than the cost originally estimated for 1985–86 because the DIR incurred one-time costs for consultation activities which will be completed in the current year.) Thus, the budget proposes that the General Fund absorb \$50,000 in asbestos abatement workload during 1986–87.

In our analysis of the 1985–86 budget for the School Facilities Asbestos Abatement program (please see *Analysis of the 1985–86 Budget Bill*, pp. 1210–1211), we noted that (1) adequate consultation, monitoring and enforcement are an integral part of the costs of proper asbestos abatement and (2) the costs to the DIR of providing these services should be reimbursed by the asbestos abatement program. To the extent that the Cal-OSHA program does not receive funds specifically earmarked for monitoring and compliance activities related to school asbestos abatement projects, such work will result in either (1) a redirection of existing resources from other monitoring and enforcement activities to school asbestos abatement enforcement activities, or (2) a level of asbestos abatement enforcement that is less than the level of enforcement which the Legislature has determined to be appropriate.

In order to avoid these undesirable consequences, we recommend that the Legislature augment the AAF appropriation to the department by \$50,000, so that the full cost of DIR enforcement activity is borne by the fund. We further recommend that the Legislature amend related budget control language in Item 8350-001-001 to reflect this augmentation and to clarify the purposes of the funds, as follows:

Of the funds appropriated for support of Schedule (d), \$150,000 transferred from Item 8350-001-973 shall be spent for (a) routine compliance activities of the Cal-OSHA field enforcement program and (b) monitoring and compliance inspections covering a 10 percent random sample of school asbestos abatement projects.

AB 1111 REVIEW NEARS COMPLETION

We recommend that the Legislature delete eleven positions and \$200,000 requested for the Occupational Safety and Health Standards Board, because the department is scheduled to complete its review of existing regulations (AB 1111) in the budget year.

The budget for the Occupational Safety and Health Standards Board (OSHSB) contains funding to support 21 positions throughout the budget year. Eleven of these positions, supported entirely by the General Fund, were added to the board in 1982-83 and 1983-84 to provide staff support for the AB 1111 review project. AB 1111 (Chapter 567, Statutes of 1979) requires that the department review approximately 3,700 pages of Cal-OSHA regulations by June 30, 1986, and that any remedial rulemaking which is necessary be completed within six months of this review.

Staff of the OSHSB indicate that most of the review covering existing regulations should be completed by the June 30 deadline and that rulemaking should follow within six months. Some review and rulemaking activity, however, is likely to extend beyond the established deadlines.

Based on information supplied by the OSHSB, we conclude that (1) most of the positions specifically funded for the AB 1111 review project will not be needed after December 31, 1986 and (2) the board should have fully completed all review and rulemaking activity associated with AB 1111 by March 31, 1987. Accordingly, we recommend that the Legislature reduce the amount budgeted for OSHSB by \$200,000 to reflect elimination of one-half of the AB 1111 positions on January 1, 1987, and elimination of the remaining positions on March 31, 1987. After these dates, the positions no longer will be needed for regulation review.

C. OTHER ISSUES**Budget Requires Increased Level of Salary Savings**

We recommend that during the budget hearings, the Departments of Finance and Industrial Relations report to the fiscal committees on: (1) how the DIR will meet its proposed salary savings requirement for 1986-87 and (2) the programmatic impact if the requirement is not met through normal turnover and attrition.

The budget proposes to increase the department's salary savings requirement from 4.6 percent in the current year to 6.7 percent in the budget year. This is equivalent to a funding reduction of \$1.8 million. The increased salary savings requirement has two components. Approximately \$1 million of the increase is proposed to offset unfunded merit salary adjustments for employees of the department. The remaining \$800,000 represents an arbitrarily imposed increase which the department will have to meet in the budget year.

There are two problems with this proposed change. First, the way in which the department has calculated the requirement seriously *understates* the impact on personnel-years. The department has assumed that the *average* savings-per-vacant position will increase from \$27,484 in the current year (approximately the average DIR salary) to \$42,494 in the budget year (the salary of a staff services manager II position). This allows the department to increase salary savings by \$1.8 million *without increasing the number of personnel-years* lost as a result of the requirement. The department's assumption regarding the average savings per position in

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

1986–87 not only bears no relation to reality; it causes the number of personnel-years available to DIR in the budget year to be overstated. Instead of the 124 personnel-years which the budget shows as being “lost” to salary savings in 1986–87, the department actually will lose about 181 personnel-years (based on the average DIR salary for 1986–87). The budget gives the Legislature no useful information as to which programs will have to absorb the loss of these additional 57 personnel-years.

Second, the budget fails to justify the \$800,000 *increase* in the salary savings requirement. The budget offers no explanation as to why salary savings should *increase* in the budget year, especially in light of the department’s claim to have solved past-years’ problems associated with higher vacancy rates (please see *Analysis of the 1984–85 Budget Bill*, pp. 2020–2022, and *Analysis of the 1985–86 Budget Bill*, pp. 1503–1505). To the extent that this salary savings increase must be achieved by intentionally holding open positions, there will be a decline in the level of service which the department is able to offer to the public in key programs, such as workers’ compensation claim adjudication, and worksite health and safety enforcement.

In sum, our review of the budget’s salary savings proposal for the DIR indicates that the department is (1) overestimating the personnel resources available for its programs, and (2) unlikely to meet the requirement without intentionally holding open vacant positions. This is budgeting with mirrors. The administration, in effect, is proposing an unallocated reduction in DIR operations, and is trying to hide the effect of that reduction from legislative scrutiny.

We recommend that the Departments of Finance and Industrial Relations report at the time of the budget hearings on (1) how the DIR will meet its proposed salary savings requirement and (2) the programmatic impact if the requirement is not met through normal turnover and attrition.

Technical Budgeting Recommendations

We recommend that the Legislature reduce the General Fund appropriation by \$42,000 to eliminate overbudgeting as follows:

- ***New clerical positions overbudgeted.*** The budget proposes \$162,000 to fund salaries and benefits for 6.5 new clerical positions in the WCAB district offices. The actual salary and benefit cost of these positions is \$140,000, or \$22,000 *less* than the budget proposes.
 - ***Operating expenses are overbudgeted.*** The department proposes a net increase of \$18,000 in facility operations expenditures because of proposed changes in authorized positions. The department, however, has not provided any information indicating that it will actually incur increased costs for facilities operations as a result of these proposals.
 - ***Overbudgeted interdepartmental reimbursements.*** The Occupational Safety and Health Standards Board (OSHSB) pays a yearly fee to the Building Standards Commission (BSC) for review and publication of standards adopted by the OSHSB. The DIR’s scheduled reimbursements to the BSC, however, are \$2,000 *more* than is necessary to fund OSHSB’s share of BSC support in 1986–87.
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DEPARTMENT OF INDUSTRIAL RELATIONS—CAPITAL OUTLAY

Item 8350-301 from the General
Fund, Special Account for
Capital Outlay and the Fed-
eral Trust Fund

Budget p. GC 52

Requested 1986-87	\$26,000
Recommended approval	26,000

Minor Capital Outlay

We recommend approval of Items 8350-301-036 (\$13,000) and 8350-301-890 (\$13,000).

The budget proposes \$26,000 from the General Fund, Special Account for Capital Outlay (\$13,000), and the Federal Trust Fund (\$13,000) to install electrical wiring in district, regional, and headquarters offices of the Department of Industrial Relations. The installations will enable the Cal OSHA program to participate in the federal Integrated Management Information System. The computer hardware for this system will be purchased by the federal government.

This is a continuation of the program financed in the 1985 Budget Act. The current proposal is consistent with the Legislature's prior action and should proceed. Consequently, we recommend approval of the requested amount.

DEPARTMENT OF PERSONNEL ADMINISTRATION

Item 8380 from the General
Fund, Child Care Fund, and
the Deferred Compensation
Fund

Budget p. GC 53

Requested 1986-87	\$10,343,000
Estimated 1985-86	10,340,000
Actual 1984-85	8,786,000
Requested increase \$3,000 (+0.03 percent)	
Total recommended reduction	None

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8380-001-001—Departmental support	General	\$7,473,000
8380-001-915—For support of the deferred compensation insurance plan	Deferred Compensation Plan	587,000
8380-001-974—For support of the Child Care program	Child Care	350,000
Reimbursements	—	1,933,000
Total		\$10,343,000

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued**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) authorizes collective bargaining for most state civil service employees. Under SEERA, the DPA, in cooperation with other state 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 also provides for the compensation, terms, and conditions of employment of managers and other state employees who are not represented in the collective bargaining process.

Effective September 1, 1985, the DPA reorganized many of its personnel activities. As a result of this reorganization, most of the elements that previously comprised the Personnel Management program now appear in the new Personnel Services program. The remaining activities, which involve policy development, are now included in the Administration program. These changes are intended to increase the DPA's efficiency in administering MOUs, to emphasize program and policy development, and to reduce middle management costs.

The DPA has been authorized 172.7 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$10,343,000 from the General Fund, the Deferred Compensation Plan Fund, the Child Care Fund, and reimbursements for support of the department in 1986-87. This is \$3,000 above estimated expenditures for the current year.

Department expenditures in 1986-87, exclusive of reimbursements, are proposed at \$8,410,000, which is \$1,887,000, or 29 percent, above estimated current-year expenditures. The General Fund portion of this request is \$7,473,000, which is \$1,820,000, or 32 percent, above the estimated 1985-86 level. The General Fund increase is due almost entirely to a change in how collective bargaining activities will be funded in 1986-87—from reimbursements to pro rata assessments. The increase will be offset entirely by General Fund savings elsewhere in the Governor's Budget.

The budget proposes to reduce DPA staffing by 4.6 personnel-years, or 2.7 percent, in the budget year. This decrease reflects the elimination of two managerial positions, made possible by the recent departmental reorganization, and increased salary savings.

Table 1 presents expenditures and personnel-years for each of the DPA's five programs, for the past, current, and budget years.

Table 1
Department of Personnel Administration
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1985-86
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87	
Personnel Management.....	67.6	—	—	\$4,345	—	—	—
Labor Relations	21.5	19.3	19.0	1,558	\$1,554	\$1,622	4.4%
Legal.....	8.3	8.7	8.5	593	1,180	784	-33.6
Classification and Compensation	37.1	—	—	2,286	—	—	—
Administration (distributed) ..	28.0	47.2	46.5	(1,458)	(2,490)	(2,499)	(0.1)
Personnel Services	—	97.5	94.1	—	7,356	7,587	3.1
Child Care.....	—	—	—	4	250	350	40.0
Totals	162.5	172.7	168.1	\$8,786	\$10,340	\$10,343	0.03%
Funding Source							
General Fund.....				\$5,712	\$5,653	\$7,473	32.2%
Reimbursements				3,672	3,817	1,933	-49.4
Deferred Compensation Plan Fund.....				398	620	587	-5.3
Child Care Fund.....				-996	250	350	40.0

Table 2
Department of Personnel Administration
Proposed 1986-87 Budget Changes
(dollars in thousands)

	General Fund	Deferred Compensation Plan Fund	Child Care Fund (CCF)	Reim- bursements	Total
1985-86 Expenditures (Revised)	\$5,653	\$620	\$250	\$3,817	\$10,340
Baseline Adjustments					
Change to Prorata to Fund Collective Bargaining.....	1,914	—	—	-1,914	—
Adjustment in Prorata Assessment	—	-47	—	—	-47
Salary and Benefit Increases	316	11	—	30	357
Comparable Worth Lawsuit (one-time cost)	-400	—	—	—	-400
Subtotal, Baseline Adjustments.....	\$1,830	(\$36)	(—)	(-\$1,884)	(-\$90)
Workload Changes					
Deferred Compensation Benefit Awareness Activities.....	-\$19	\$19	—	—	—
Miscellaneous Adjustments	1	-16	—	—	-15
Automation of Personnel Management Activities	124	—	—	—	124
Reduction in Management Staff (2 positions)	-116	—	—	—	-116
Increase in Grants and Loans for Child Care	—	—	100	—	100
Subtotal, Workload Changes	(-\$10)	(\$3)	(\$100)	(—)	(\$93)
1986-87 Expenditures (Proposed)	\$7,473	\$587	\$350	\$1,933	\$10,343
Change from 1985-86:					
Amount	\$1,820	-\$33	\$100	-\$1,884	\$3
Percent	32.2%	-5.3%	40.0%	-49.4%	0.03%

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

The baseline adjustments, workload changes, and program changes proposed for the budget year are displayed in Table 2. The major baseline adjustments, other than the change to pro rata funding, are a \$357,000 increase in salary and benefits, and a \$400,000 reduction reflecting one-time costs in the current year that are being incurred in connection with a comparable worth lawsuit.

The budget does not include additional funding for merit salary adjustments or inflation adjustments to operating expenses and equipment. We estimate that the department will have to absorb approximately \$151,000 in such costs.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The department's 1986-87 request is basically a "baseline" budget. Our analysis indicates that the proposed expenditures are warranted, and we recommend that the budget be approved as submitted.

Office Automation Project

In accordance with the DPA's current Information Systems Plan (ISP), the budget proposes a \$124,000 increase in operating expenses and equipment in 1986-87 to provide funds for the second year of a four-year office automation project in the Personnel Services program. In addition, the department is requesting a redirection of \$224,000 in operating expenses and equipment from the Personnel Services, Administration, and Legal programs for this project in 1986-87.

The ISP, in part, calls for priority automation of services supporting the DPA's major program elements—classification, compensation, and benefits. The proposed automated systems would increase the information processing capability of these areas.

The first phase of the project, taking place in the current year, involves establishing access to the Teale Data Center, building an initial data base of class and salary histories, and planning for additional automation. Under the second phase, eight to 10 computer terminals will be installed in one unit of the Classification section as a pilot project, and another primary data base will be built. The budget also proposes to decrease the Personnel Services program staff by one position, which is made possible by the resulting savings of the project. This will be offset, however, by the addition of one position in the Administration division to provide automation support.

Given the efficiencies the department should gain by continuing the office automation project, our analysis indicates that the proposed expenditures are warranted.

Deferred Compensation Program Draws Increasing Interest

Under the Deferred Compensation program, state employees may defer, through payroll withholding, a portion of their income for tax-deferred investment in savings, mutual funds, or annuities. The budget proposes two augmentations to this program in 1986-87.

First, the department requests a \$57,000 increase in operating expenses and equipment to address increased workload. This would supplement \$73,000 added to the program in the current year. The 1985-86 funds provide for the purchase of two personal computers on a one-time basis. These amounts would increase spending authority from the Deferred Compensation Fund, a nongovernmental cost fund supported by employee payroll deductions.

The department currently estimates that the number of active participants in the Deferred Compensation program will jump by 33 percent between 1984-85 and 1986-87. The spending increase in 1985-86 is intended to enable faster response to employee requests for information. The increase requested for 1986-87 would be used in processing payroll deductions and for data processing support from the Department of General Services.

Second, the 1986-87 budget proposes \$73,000 (in personal services and travel expenses) and 1.5 personnel-years to increase benefit awareness activities under the Deferred Compensation program. This increase would come from the Deferred Compensation Fund as well. It would be offset, however, by a General Fund reduction of \$58,000 associated with the redirection of 1.5 personnel-years from other benefit activities in the personnel services division. The department also requested \$57,000 and one position during the current year so that additional program awareness activities could begin in 1985-86.

The DPA's requests to fund these activities were prompted by state employees' needs for program information and by the Internal Revenue Service's requirement that the state insure "broad-based" participation in the program. The proposed addition in benefit awareness activities calls for DPA staff to conduct on-site presentations at various locations throughout the state.

In view of the increasing participation and interest in the Deferred Compensation program, our analysis indicates that these two budget proposals are appropriate.

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

Item 8450 from the General
Fund

Budget p. GG 60

Requested 1986-87	\$6,290,000
Estimated 1985-86.....	6,165,000
Actual 1984-85	4,808,000
Requested increase \$125,000 (+2.0 percent)	
Total recommended reduction	570,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8450-001-001 General Fund Support	General	\$4,290,000
8450-001-016 Death-Without-Dependents Support	General, Subsequent Injuries Moneys Account	2,000,000
Total		\$6,290,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Claims Payments. Reduce Item 8450-001-001 by \$570,000.*
Recommend reduction to reflect current trend in benefit payments.

1591

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued**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 \$6,290,000 to fund workers' compensation benefits paid under the subsequent injury program during 1986-87. This amount consists of (1) \$4,290,000 from the General Fund (Item 8450-001-001) and (2) \$2 million in death-without-dependents payments (Item 8450-001-016). Together, these appropriations are \$125,000, or 2 percent, greater than estimated current-year expenditures.

Of the \$6.3 million proposed for support of the program in 1986-87, \$5,169,000 would be used to pay actual claims costs. This is the same amount budgeted for the current year. The remaining funds would be used to pay: (1) a 5 percent service fee to the State Compensation Insurance Fund for adjusting claims (\$263,000), (2) the expenses of the Department of Industrial Relations (DIR) in acquiring claims investigative services through contracts (\$250,000) and (3) the support costs of the DIR in monitoring and providing legal defense of the fund (\$608,000). The increase in total program spending is due to increased DIR support costs, including salary and benefit adjustments, and the higher cost of contracting for investigations.

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

Table 1
Workers' Compensation Benefits for Subsequent Injuries
Summary of Expenditures and Funding Sources
1984-85 through 1986-87
(dollars in thousands)

	<i>Actual</i> <i>1984-85</i>	<i>Estimated</i> <i>1985-86</i>	<i>Proposed</i> <i>1986-87</i>	<i>Change From</i> <i>1985-86</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Program Expenditures</i>					
Benefit Payments	\$3,871	\$5,169	\$5,169	\$0	0.0%
State Compensation Insurance Fund					
Service Charges	194	263	263	0	0.0
DIR Legal Defense and Support Costs	743	733	858	125	17.1
Totals	\$4,808	\$6,165	\$6,290	\$125	2.0%
<i>Funding Sources</i>					
General Fund	\$3,801	\$4,165	\$4,290	\$125	3.0%
Death-Without-Dependents Payments..	1,007	2,000	2,000	0	0.0

ANALYSIS AND RECOMMENDATIONS**Collections Process**

The budget estimates that the state will collect \$2.0 million in death-without-dependents payments in both the current and budget years. This amount is significantly larger than the \$1.1 million actually collected in 1984-85. The size of these payments is important because the revenue offsets—on a dollar for dollar basis—General Fund support of the program.

In past years, actual collections have been much lower than what was estimated. The department believes, however, that the projected \$2.0 million in revenues projected for 1986-87 is reasonable, given the steps it is taking to improve the collection of death-without-dependent benefits. These steps include: (1) auditing all benefit cases to ensure that action is still warranted, (2) providing specific training to investigators, and (3) automating a system for tracking current death-without-dependents caseload. In addition, the department informs us that state agencies have been instructed to report work-related deaths and make death-without-dependents payments to the subsequent injuries fund. Previously, state agencies did not report this information and, consequently, did not contribute revenues to the fund.

Our review indicates that the steps taken by the department are reasonable and should result in additional collections. Consequently, we believe that the budget projection of \$2.0 million can, in fact, be realized.

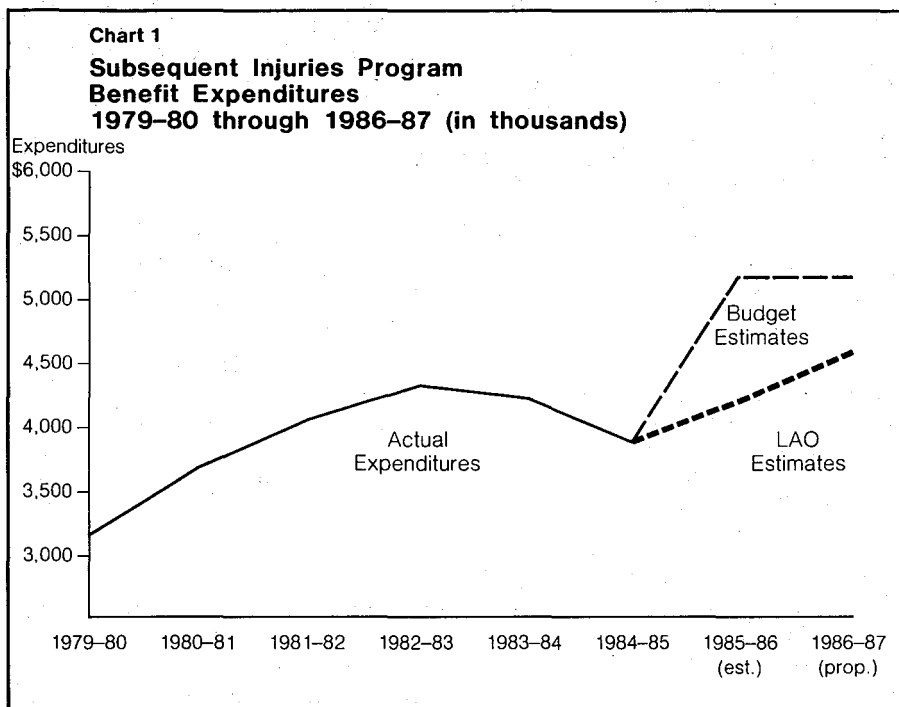
Claims Payments Are Overbudgeted

We recommend a reduction of \$543,000 from Item 8450-001-001 (a) and a reduction of \$27,000 from Item 8450-001-001 (b) to more accurately reflect recent expenditure trends in the Subsequent Injuries program.

Chart 1 shows the annual costs of claims payments since 1979-80. The chart illustrates that claims costs increased each year until 1982-83 and then began to decline. In fact, 1984-85 claims costs were below the 1981-82 level. Expenditures for the first half of the current year suggest that claims costs may again be increasing, but at a lesser rate than in earlier years.

Chart 1 also compares the administration's current- and budget-year estimates of benefit payments (\$5,169,000 for both years) with our estimates. The budget "estimates" are, in fact, the level of benefit payments that were projected for 1985-86 back in November 1984. As a consequence, the figures do not take into account new information indicating that costs have decreased.

In contrast, our projections are based on actual program expenditure data through December 1985. The data suggest that costs may be rising again, but from a lower expenditure base and at a slower rate. Our estimates indicate that only \$4,626,000, or \$543,000 less than the amount proposed in the budget, is likely to be needed in 1986-87 to pay benefit claims.

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

We recommend, therefore, a decrease of \$543,000 in General Fund support for the payment of subsequent injury claims. We further recommend a reduction of \$27,000 scheduled for payment to the State Compensation Insurance Fund to reflect a corresponding decrease in the 5 percent claims adjustment service charge.

**WORKERS' COMPENSATION BENEFITS FOR DISASTER
SERVICE WORKERS**

Item 8460 from the General
Fund

Budget p. GG 61

Requested 1986-87	\$633,000
Estimated 1985-86.....	523,000
Actual 1984-85	396,000
Requested increase \$110,000 (+21 percent)	
Total recommended reduction	110,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Benefit Payments Base. Reduce by \$110,000.* Recommend reduction because amount requested does not reflect current trends in program costs.

1593

GENERAL PROGRAM STATEMENT

This item provides funds for the payment of workers' compensation benefits to volunteer personnel (or their beneficiaries) who are injured or killed while providing community disaster relief services. The program is administered by the State Compensation Insurance Fund (SCIF), which receives a service fee approximately equal to 12 percent of the amount paid out for claims.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes \$633,000 to support the Disaster Service Workers' benefit program in 1986-87. Of these funds, approximately \$563,000 would be used for benefit payments and the remaining \$70,000 would go to the SCIF. The amount proposed for the budget year is \$110,000, or 21 percent, more than estimated current-year expenditures.

ANALYSIS AND RECOMMENDATIONS

We recommend a General Fund reduction of \$110,000 in this item because recent trends do not indicate a need for increased funding.

The amount of compensation paid on behalf of volunteer personnel depends on (1) the number of both training exercises and actual emergencies (such as fires, floods, or earthquakes), and (2) the ongoing cost of compensation attributable to emergency-related injuries in past years. Historically, the costs associated with emergencies occurring in a given year account for less than half the costs of the program in that year.

Table 1 shows the costs of the compensation program from 1978-79 through 1985-86 (annualized data, based on six months of actual information). As the table shows, program costs increased rapidly from 1978-79 to 1983-84, but have *decreased* since then.

Table 1
Disaster Service Workers' Compensation Expenditures
1978-79 through 1985-86
(dollars in thousands)

	Benefits	Other ^a	Total	Percent Change
1978-79.....	\$139	\$18	\$157	—
1979-80.....	170	22	192	22.3%
1980-81.....	264	34	298	55.2
1981-82.....	228	29	257	-13.8
1982-83.....	317	41	358	39.3
1983-84.....	412	51	463	29.3
1984-85.....	393	50	443 ^b	-4.3
1985-86 (Annualized) ^c	264	33	297	-33.0

^a Includes service charges and miscellaneous adjustments.

^b Reflects total expenditures for benefits and service charge. Net expenditures were \$396,000 (\$47,000 less) in 1984-85 because prior-year overpayments were recovered.

^c Based on six-month actuals.

WORKERS' COMPENSATION BENEFITS FOR DISASTER SERVICE WORKERS
—Continued

In deciding to request \$633,000 for the program in 1986-87, the administration apparently has assumed that: (1) the level of expenditures budgeted in the current year will come to pass, and (2) expenditures will grow significantly (21 percent) from that base in 1986-87. As Table 1 shows, however, current-year costs probably will be much less than originally estimated, and program expenditures have stopped growing.

It is very difficult to project the level of spending under this program; consequently, it may be appropriate to budget this item slightly "on the high side." Our analysis indicates, however, that 1986-87 expenditures are not likely to exceed "baseline" expenditures—the \$523,000 appropriated in the current year. Accordingly, we recommend that the Legislature delete the proposed augmentation for this item, for a General Fund savings of \$110,000.

BOARD OF CHIROPRACTIC EXAMINERS

Item 8500 from the State Board
of Chiropractic Examiners
Fund

Budget p. GG 62

Requested 1986-87	\$830,000
Estimated 1985-86.....	820,000
Actual 1984-85	707,000
Requested increase \$10,000 (+1.2 percent)	
Total recommended reduction	18,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8500-001-152—Support	State Board of Chiropractic Examiners	\$827,000
Reimbursements		3,000
Total	—	\$830,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Equipment Expenditures. Reduce Item 8500-001-152 by \$18,000.* Recommend reduction because the inclusion of certain one-time funds for operating and equipment in the 1986-87 base budget is not justified.

1595

GENERAL PROGRAM STATEMENT

The seven-member Board of Chiropractic Examiners is responsible for licensing and regulating chiropractors practicing in California.

The board is an independent agency directly supervised by the Governor's office. It has 5.6 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$827,000 from the State Board of Chiropractic Examiners Fund for support of the board in 1986-87. This is \$10,000, or 1.2 percent, above estimated current-year expenditures. The budget also proposes expenditures of \$3,000 from reimbursements—the same amount as estimated for the current year. Thus, total board expenditures are proposed at \$830,000 in the budget year.

As shown in Table 1, the \$10,000 net increase reflects (1) a \$13,000 increase in personal services and (2) a \$3,000 decrease in operating expenses and equipment. The board's request for operating expenses includes an \$18,000 increase for lease costs, electronic data processing expenses and fingerprint card processing costs.

Table 1
Board of Chiropractic Examiners
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

	<i>Actual</i> 1984-85	<i>Est.</i> 1985-86	<i>Prop.</i> 1986-87	<i>Percent Change</i> From 1985-86
Personal Services	\$157	\$185	\$198	7.0%
Operating Expenses and Equipment	550	635	632	-0.5
Total Expenses	\$707	\$820	\$830	1.2
Reimbursements.....	-5	-3	-3	—
Total Net Expenses	\$702	\$817	\$827	1.2
Personnel-years.....	5.5	5.6	5.6	—

ANALYSIS AND RECOMMENDATIONS

Carry-Over of Costs Not Justified

We recommend a reduction of \$18,000 in Item 8500-001-152 because the board's budget includes funds to cover certain operating and equipment costs that were incurred on a one-time basis in the current year.

The board's budget for the current year includes \$21,000 to cover one-time costs for office equipment and for updating the board's regulation booklet. It appears that the board assumes \$18,000 of these costs will continue in 1986-87, and has requested funding for them. The board, however, has not submitted justification for the continuance of these expenditures. Lacking such justification, we recommend a reduction of \$18,000 in operating expenses.

BOARD OF OSTEOPATHIC EXAMINERS

Item 8510 from the Board of Osteopathic Examiners Contingent Fund

Budget p. GG 64

Requested 1986-87	\$412,000
Estimated 1985-86.....	426,000
Actual 1984-85	415,000
Requested decrease \$14,000 (-3.3 percent)	
Recommendation pending	412,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8510-001-264—Support	Board of Osteopathic Examiners Contingent	\$404,000
Reimbursements	—	8,000
Total		\$412,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Improper Expenditures. We withhold recommendation on \$412,000 requested by the board pending receipt of (a) a report by the board on its progress in recovering improper expenditures of state funds and (b) justification for a change in legal services.

1597

GENERAL PROGRAM STATEMENT

The seven-member Board of Osteopathic Examiners is responsible for licensing and regulating osteopaths in California. The board is authorized 3.7 positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests \$404,000 from the Board of Osteopathic Examiners Contingent Fund for support of the board in 1986-87. This is a decrease of \$14,000, or 3.3 percent, below estimated current-year expenditures. The budget also requests expenditure of \$8,000 from reimbursements—the same amount as in the current year. Thus, board expenditures in the budget year would total \$412,000.

As shown in Table 1, the \$14,000 net decrease reflects (1) a \$39,000 decrease in personal services and (2) a \$25,000 increase in operating expenditures.

Table 1
Board of Osteopathic Examiners
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

	<i>Actual</i> 1984-85	<i>Est.</i> 1985-86	<i>Prop.</i> 1986-87	<i>Percent Change</i> From 1985-86
Personal Services	\$220	\$173	\$134	-22.5%
Operating Expenses and Equipment	195	253	278	9.9
Total Expenditures	\$415	\$426	\$412	-3.3
Reimbursements	-7	-8	-8	—
Total Net Expenditures	\$408	\$418	\$404	-3.3
Personnel-Years	5.5	3.7	3.1	-16.2

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on the board's budget request of \$412,000 pending receipt of (1) a report on the board's progress in recovering improper expenditures of state funds identified by the Auditor General and (2) an explanation of and justification for changes in legal services (Item 8510-001-264).

The 1984 Budget Act prohibited the board from using state funds to support legal actions against the seating of two public members on the board. In our *Analysis of the 1985-86 Budget Bill*, we pointed out that the board had ignored the Legislature's control language and had used both funds and staff time for the lawsuit during 1984-85. In the 1985 Budget Act, the Legislature directed the Auditor General to audit the board's expenditures for that year.

The Auditor General's report, dated December 1985, indicates that former board members and staff may have illegally transferred and spent state funds in support of the lawsuit. In his report, the Auditor General recommended that the current board take steps to recover the moneys from the involved parties as soon as possible. The Attorney General is reviewing the Auditor General's findings.

The board's budget for 1986-87 gives no indication that the board plans to recover the moneys or is making progress in doing so. Given the serious nature of the Auditor General's findings, we withhold recommendation on the board's request for \$412,000 pending a report on the board's progress in recovering any improper expenditures of state funds.

Our review of the board's budget request reveals that during the current year, the board has eliminated its legal staff and begun contracting with the Attorney General's office for its legal services. A supporting budget change proposal, however, has not been presented to the fiscal subcommittees to explain and justify this change in legal services.

Because of the critical concerns expressed by the subcommittees during last year's budget hearings as to the direction of the board's legal affairs, the board should explain and justify the changes in its legal services program prior to budget hearings.

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

Item 8530 from the Board of Pilot Commissioners' Special Fund

Budget p. GC 66

Requested 1986-87	\$122,000
Estimated 1985-86.....	117,000
Actual 1984-85	91,000
Requested increase \$5,000 (+4.3 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun certifies about 56 pilots for vessels entering or leaving those bays or traveling between and within the ports of those bays. The board, which is appointed by the Governor, licenses, regulates and disciplines pilots through such activities as examinations and acting on complaints. Chapter 1653, Statutes of 1984, increased the membership of the Board of Pilot Commissioners from three to seven members and gave the board new responsibilities including the licensing of inland pilots as bar pilots.

The board has one authorized position—an administrative assistant—and is 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 equal to 5 percent of pilotage fees shall be paid into the fund. The current assessment is 1 percent.

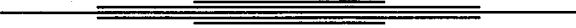
OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$122,000 from the Board of Pilot Commissioners' Special Fund for support of the board in 1986-87. This is \$5,000, or 4.3 percent, above estimated current year expenditures. This reflects (1) salary and benefit adjustments of \$3,000 and (2) cost adjustments of \$2,000.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Our analysis indicates that the budgeted amount is needed to carry out the board's existing responsibilities.



CALIFORNIA AUCTIONEER COMMISSION

Item 8540 from the Auctioneer
Commission Fund

Budget p. GG 67

Requested 1986-87	\$182,000
Estimated 1985-86	185,000
Actual 1984-85	143,000
Requested decrease \$3,000 (-1.6 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The seven-member Auctioneer Commission is a public corporation responsible for licensing and regulating auctioneers and auction companies. The commission has 1.6 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests \$182,000 from the Auctioneer Commission Fund for support of the commission in 1986-87. This is \$3,000, or 1.6 percent, below estimated expenditures for the current year.

As shown in Table 1, the proposed \$3,000 net decrease in expenditures consists of (1) a \$5,000 increase for personal services and (2) an \$8,000 net decrease for operating expenses. The net decrease in operating expenses reflects:

- A \$1,000 decrease resulting from miscellaneous one-time general expenses in the current year; and
- A \$7,000 net decrease in enforcement and special expenses, reflecting (1) one-time expenditures in the current year totaling \$19,000 which will not continue in the budget year and (2) increased enforcement workload (\$12,000) funded in the current year by an \$18,000 deficiency augmentation. (The augmentation needed to handle this workload in 1986-87 is \$6,000 less than the deficiency amount because one of the enforcement cases in the current year was unusually complex and is not typical of what the commission anticipates in the future.)

Table 1
California Auctioneer Commission
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

	<i>Actual</i> <i>1984-85</i>	<i>Est.</i> <i>1985-86</i>	<i>Prop.</i> <i>1986-87</i>	<i>Percent</i> <i>Change from</i> <i>1985-86</i>
Personal Services	\$71	\$80	\$85	6.2%
Operating Expenses and Equipment	72	105	97	-7.6
Total Expenses	\$143	\$185	\$182	-1.6
Personnel-years	1.5	1.6	1.6	—

CALIFORNIA AUCTIONEER COMMISSION—Continued**ANALYSIS AND RECOMMENDATIONS**

We recommend approval.

Our analysis indicates that the proposed reduction in the commission's budget is appropriate. Thus, we recommend the budget be approved as submitted.

CALIFORNIA HORSE RACING BOARD

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

Budget p. GG 68

Requested 1986-87	\$5,700,000
Estimated 1985-86.....	4,842,000
Actual 1984-85	5,006,000
Requested increase \$858,000 (+17.7 percent)	
Total recommended reduction	57,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8550-001-191—Horse Racing Board	Fair and Exposition	\$2,131,000
8550-001-942—Horse Racing Board	Racetrack Security Account, Special Deposit	310,000
—Continuing Appropriation—Allocations to Horsemen's Organizations	Horsemen's Organization Welfare Special Account, Special Deposit	1,800,000
Reimbursements	—	1,459,000
Total		\$5,700,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. **Operating Expenses and Equipment. Reduce Item 8550-001-191 by \$57,000.** Recommend reduction to eliminate funds for equipment (\$38,000) and additional office space (\$19,000) which have not been sufficiently justified. 1602
2. **Office Automation.** Recommend that on or before April 1, 1986, the board report on its office automation needs and the relative costs and benefits of the alternatives before the board. 1602
3. **Occupational License Fees.** Recommend adoption of supplemental report language requiring the California Horse Racing Board (CHRB) to adopt, by regulation, guidelines and procedures for determining the total costs of all licensing-related activities, and directing the board to set its fees accordingly. 1603

GENERAL PROGRAM STATEMENT

The 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 has seven members appointed by the Governor and 50.7 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total appropriations of \$4,241,000 from the Fair and Exposition Fund and other state funds to support the California Horse Racing Board in 1986-87. This is an increase of \$491,000, or 13.1 percent, above estimated current-year expenditures of state funds.

As in the current year, the board also will receive additional funding, in the form of reimbursements from California track associations, to support the State Stewards Program. These reimbursements will amount to \$1,459,000 in 1986-87, and will bring the board's total program expenditures to \$5,700,000. This amount is \$858,000, or 17.7 percent, above estimated total expenditures in the current year. Table 1 shows the board's expenditures and personnel-years for the past, current and budget years.

Table 1
California Horse Racing Board
Summary of Program Expenditures
1984-85 through 1986-87
(dollars in thousands)

Program Elements	Personnel-Years			Expenditures			Percent Change From 1985-86
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1984-85	1985-86	1986-87	1984-85	1985-86	1986-87	
Licensing.....	9.5	11.0	11.0	\$477	\$500	\$505	1.0%
Enforcement.....	12.8	14.7	23.0	520	683	872	27.7
State Stewards Program	14.0	14.0	—	1,068	1,070	1,437	34.3
California Standardbred Sires Stakes	0.4	—	—	717	—	—	—
Administration (undistribut- ed)	10.8	10.0	10.0	853	989	1,086	9.8
Horsemen's Organization Welfare Special Account, Special Deposit Fund	—	—	—	1,371	1,600	1,800	12.5
Totals, Program Costs	47.5	49.7	44.0	\$5,006	\$4,842	\$5,700	17.7%
Funding Source							
Fair and Exposition Fund				\$1,496	\$1,776	\$2,131	20.0%
California Standardbred Sires Stakes Account, Special Deposit Fund				717	—	—	—
Horsemen's Organization Welfare Special Account, Spe- cial Deposit Fund				1,371	1,600	1,800	12.5
Racetrack Security Account, Special Deposit Fund				346	374	310	-17.1
Reimbursements.....				1,076	1,092	1,459	33.6

The proposed increase in the board's expenditures for 1986-87 primarily reflects an increase of \$367,000 in reimbursements for the State Stewards

CALIFORNIA HORSE RACING BOARD—Continued

Program and \$295,000 (8.3 personnel-years) for increased workload associated with legislation (1) increasing the number of racing weeks that may be licensed by the board, and (2) authorizing "intertrack simulcast wagering" at racing associations in the Northern Zone.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following program change proposed for 1986-87 which is not discussed elsewhere in this analysis:

- **Workload Increases.** The budget proposes an increase of \$295,000 (8.3 personnel-years) from the Fair and Exposition Fund for additional workload associated with legislation which: (a) increased the number of racing weeks the board can license (3.0 personnel-years), and (b) authorized racing associations in the Northern Zone to conduct "intertrack simulcast wagering" (5.3 personnel-years).

No Justification for Proposed Equipment and Office Space Increases

We recommend that Item 8550-001-191 be reduced by \$57,000 to eliminate funds for new equipment purchases (\$38,000) and additional office space (\$19,000) because no justification for these expenditures has been provided.

The budget proposes to increase the CHRB's expenditures from the Fair and Exposition Fund by \$57,000 above the estimated current-year level for (1) purchase of additional office equipment (\$38,000) and (2) office space expansion (\$19,000). Although the Department of Finance did not approve a budget change proposal (BCP) submitted by the CHRB for this increase, the additional funds nonetheless were included in the board's budget as a "baseline adjustment."

According to staff of the CHRB, the \$38,000 is needed to (1) replace a three-year-old photocopy machine and two photo identification cameras, and (2) purchase additional office furniture and equipment. According to board staff, the \$19,000 is to be used to lease space for an administrative hearing room at its headquarters near Cal-Expo. At present, the board uses a hearing room at Cal-Expo.

Because the CHRB has provided no information to document either the need for the proposed equipment purchases or the inadequacy of the facilities it currently uses for administrative hearings, we recommend deletion of the \$57,000.

Office Automation Report Incomplete

We recommend that by April 1, 1986, the CHRB report on its (1) data processing and accounting needs, and (2) analysis of the costs and benefits of the automation alternatives before the board.

Background. In our *Analysis of the 1985-86 Budget Bill*, we pointed out the need for office automation at the CHRB. The CHRB staff is required to maintain, compile, analyze, and report considerable amounts of data related to horse racing activities. The board publishes an annual report on horse racing-related activities, as well as an annual statistical summary of parimutuel racing and wagering. In addition, proposed legislation involving revisions to parimutuel tax schedules and the racing calendar must be analyzed for its effect on state revenues, payments to horsemen, and financial returns to racing associations.

As we noted in our *Analysis*, these types of workload are ideally suited for the relatively inexpensive and easy-to-use personal computers and word processing equipment available today. Accordingly, we recommended and the Legislature adopted supplemental report language requesting the CHRB to report on its office automation needs.

Preliminary Report. On November 15, 1985, the CHRB submitted a preliminary report to the Legislature on its office automation efforts to date and its assessment of future needs. In its report, the board stated that it had acquired a single word processing unit in the current year, and this equipment had greatly improved office clerical services. The report indicates that the board intends to purchase a second word processing unit in the budget year.

The board also has six computer terminals tied into the Teale Data Center for data processing services, and has entered into an agreement with the Data Center for use of its Professional Office System (PROFS) service. The PROFS system offers a professional-grade office automation system, including an "electronic mail" function, and is utilized by many state departments and agencies.

Because the board's connection to the Teale Data Center was not completed until October 1985, the board reported that it did not have sufficient experience with the system to assess its relative costs and benefits versus those of an in-house system having accounting and spreadsheet capabilities. The preliminary estimate of the board, however, is that the purchase of additional in-house equipment capable of supporting accounting and spreadsheet software packages would be more cost-effective than continued use of the Teale Data Center.

Our review of the CHRB's preliminary report to the Legislature suggests that the board may not have adequately delineated its overall automation needs. For example, the report makes no mention of the relative costs and benefits of an integrated system, such as a small network of personal computers, capable of serving both its word and data processing needs.

The CHRB indicates that before April 1, 1986, it will supplement its November 1985 report with more detailed information regarding its accounting and data processing needs. Given what we perceive to be deficiencies in the preliminary report issued by the board, we recommend that the board include the following in its report: (1) an analysis of data processing needs and (2) a detailed analysis of the costs and benefits of the automation alternatives before the board. This analysis should cover (a) the automation efforts initiated in the current year, (b) the acquisition of additional word processing equipment (as the board has stated it intends to do) with little or no data processing capabilities, and (c) the purchase of personal computers which can support integrated word and data processing applications.

CHRB's Response to Legislative Requirements Regarding License Fee Guidelines is Not Adequate.

We recommend that the Legislature adopt supplemental report language requiring the CHRB to adopt, by regulation, guidelines and procedures for determining the total costs of all licensing-related activities, and directing the board to set its fees accordingly.

Background. The Legislature adopted language in the *Supplemental Report of the 1985 Budget Act* directing the CHRB to:

1. Establish guidelines for periodically adjusting occupational license fees to reflect changes in the costs of its licensing-related activities, and
2. Report to the Legislature on (a) the specific cost-related components of its current fees, (b) whether current fee levels should be revised to better correspond to actual licensing costs, and (c) the guidelines it has adopted for periodically revising licensing cost changes.

CALIFORNIA HORSE RACING BOARD—Continued

At the time this analysis was prepared, the CHRB had not adopted any formal policy or guidelines for the periodic adjustment of occupational license fees. In its report to the Legislature, dated November 20, 1985, the board stated that its *informal* policy has been to set license fees at a level necessary to offset licensing costs and the normal costs attributable to enforcement. The board estimated these costs to be \$867,000 in the current year, and concluded that the estimated \$1.1 million in occupational license fee revenues in the current year were more than sufficient to offset the costs of its licensing-related activities.

Our analysis of the board's report and its proposed 1986-87 budget indicates that anticipated occupational license fee revenues in 1986-87 (\$1.2 million) might well be insufficient to offset *total* licensing-related costs. For example, in its report, the board did not treat any of the enforcement costs that are funded from the Fair and Exposition Fund (\$819,000 in the budget year) as licensing-related, although staff of the board have acknowledged that a significant portion of enforcement activities are licensing-related. Similarly, the report did not include any of the board's costs for administrative hearings, even though 84 percent of its administrative hearings caseload involves licensee disciplinary cases. Our analysis suggests that when such costs are considered, the existing license fees may fall short of covering licensing-related costs by as much as \$100,000.

Consequently, we recommend that the Legislature adopt the following supplemental report language, which directs the board to formally adopt, by regulation, a mechanism for determining the total amount of licensing-related costs and to set its license fees accordingly:

"It is the intent of the Legislature that the CHRB adopt, by regulation, guidelines and procedures for determining the total costs of licensing-related activities, including licensing-related enforcement and administration activities. The board shall take action to ensure that its license fees offset the costs so determined. The CHRB shall report to the Legislature by November 1, 1986, on the guidelines and procedures it has adopted."

CALIFORNIA EXPOSITION AND STATE FAIR

Item 8560 from the General
Fund and other state funds

Budget p. GG 74

Requested 1986-87	\$10,816,000
Estimated 1985-86	8,014,000
Actual 1984-85	12,232,000
Requested increase \$2,802,000 (+35 percent)	
Total recommended reduction	1,000,000
Recommendation pending	9,310,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8560-001-036—Deferred maintenance	Special Account for Capital Outlay, General	\$1,000,000
8560-001-466—Support	State Fair Police Special Account, General	6,000
8560-001-191—Support	Fair and Exposition	992,000
8560-011-001—Support appropriations of revenues	General	8,318,000
8560-021-001—Advance authority to encumber funds for 1987 State Fair	General	(300,000)
Reimbursements		500,000
Total		\$10,816,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page**1. No Information Provided. Delete Item 8560-001-036.** 1607

Recommend deletion of \$1 million requested from the Special Account for Capital Outlay as a subsidy for unidentified deferred maintenance projects, because Cal Expo did not provide information on any projects. We further withhold recommendations on the \$8,318,000 from appropriated Cal Expo revenue and \$992,000 from Satellite Wagering revenue in the Fair and Exposition Fund pending receipt from the Department of Finance of expenditure and revenue information for Cal Expo and a clarification of the administration's proposal regarding the use of satellite wagering revenue.

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.

Chapter 1148/80 established Cal Expo as a separate state entity, governed by an 11-member board of directors. The board members are appointed by the Governor for four-year terms.

The budget indicates that Cal Expo has 154.8 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests \$10,816,000 for support of Cal Expo in 1986-87. This amount consists of \$10,316,000 in appropriations and \$500,000 in reimbursements.

The budget proposes total expenditures of \$11,081,000 for Cal Expo in 1986-87. This amount includes expenditures financed by a continuing appropriation of \$265,000 from the Fair and Exposition Fund. The total is \$2,802,000, or 34 percent, more than estimated expenditures in the current year as shown in the budget.

Year-to-Year Comparison Distorted. The apparent increase in Cal Expo's expenditures and appropriations is meaningless. The estimate of current-year expenditures shown in the budget document only includes expenditures through the middle of February 1986, while the request for 1986-87 reflects 12 months worth of expenditure.

CALIFORNIA EXPOSITION AND STATE FAIR—Continued

It is odd, indeed, that the budget has been put together in this fashion (although by now the Legislature has come to expect the bizarre from this agency). Presumably, the budget document shows only partial-year funding for 1985–86 because Cal Expo has no expenditure authority from the Legislature for the period January 1, 1986, through June 30, 1986. Why the administration chose not to *propose* expenditures for the balance of the year but did offer proposals for 1986–87 is unclear. After all, at this point Cal Expo has no expenditure authority for 1986–87 either.

Cal Expo estimates that if spending authority for the January 1, 1986–June 30, 1986 period is provided, its *full-year* costs in 1985–86 will be \$11,118,000. Proposed total expenditures for 1986–87 (\$11,081,000), thus, are \$37,000, or 3.3 percent, *less* than Cal Expo's estimate of its full-year expenditures in 1985–86, assuming that legislation is enacted to authorize this spending.

ANALYSIS AND RECOMMENDATIONS**Funding for Cal Expo in 1985–86**

Under existing law, the General Fund receives Cal Expo's operating revenues. These revenues must be appropriated by the Legislature before Cal Expo can spend them.

Action by the Legislature. The 1985 Budget Act appropriated a total of \$7,511,500 to Cal Expo. This amount consisted of (1) \$6,868,000 in revenue to the General Fund from Cal Expo, (2) \$637,500 from the General Fund as a subsidy for Cal Expo, and (3) \$6,000 from the State Fair Police Account. In addition, Cal Expo received \$265,000 through an annual statutory appropriation from the Fair and Exposition Fund. The Legislature appropriated these funds only through December 31, 1985, anticipating that legislation would be enacted to provide funds to operate Cal Expo during the second half of 1985–86.

On September 13, 1985, the Legislature adopted AB 1376. That bill:

- Appropriated \$1,784,000 from the General Fund to Cal Expo—the balance of the amount that Cal Expo indicated during budget hearings it would need for 1985–86,
- Created a Cal Expo Enterprise Fund, into which all Cal Expo revenue would be deposited and continuously appropriated to Cal Expo,
- Authorized the Speaker of the Assembly and the Senate Committee on Rules each to appoint two new members to the Cal Expo Board of Directors, and
- Prohibited Cal Expo from selling any of its property or entering into rentals or leases of 20 years or more without providing prior notification to the Legislature.

The Governor Vetoed AB 1376. The Governor, at the request of the Cal Expo Board of Directors, vetoed AB 1376. In his veto message, the Governor asserted that the four additional board appointments were not needed and that the lease provisions were too restrictive. The veto of AB 1376 left Cal Expo without funds for the second half of 1985–86.

Department of Finance Provides Emergency Funding. On December 31, 1985, the Department of Finance allocated \$320,000 to Cal Expo from Item 9840-001-001 of the 1985 Budget Act—the General Fund appropriation for contingencies or emergencies. The administration took this action to fund Cal Expo's costs through approximately the middle of February, anticipating that legislation would be enacted to provide funding for the rest of the year.

Full-year Funding Provided in Pending Legislation. Assembly Bill 2581 and SB 647, urgency measures that are tied to each other, appropriate to Cal Expo (1) \$800,000 from the General Fund as an additional subsidy and (2) approximately \$467,000 of revenue earned during the first half of 1985-86 (the amount earned in excess of the amount appropriated in the 1985 Budget Act). The total of \$1,267,000 is the amount that Cal Expo believes it needs, in addition to the \$320,000 emergency allocation, to cover its operating costs for the second half of 1985-86. These bills also:

- Create a Cal Expo Enterprise Fund and continuously appropriate money within the fund to Cal Expo.
- Require Cal Expo to send all requests for proposals for lease or rental agreements longer than 20 years to the Assembly and Senate Committees on Rules.
- Require the Auditor General to conduct annual fiscal audits of Cal Expo until 1991.

Cal Expo Budget Request Not Supported

We recommend a reduction of \$1,000,000 requested from the Special Account for Capital Outlay for deferred maintenance at Cal Expo in 1986-87, because Cal Expo has not provided any information about its proposed maintenance expenditures (delete Item 8560-001-036). We withhold recommendation on \$8,318,000 from appropriated revenue and \$992,000 from the Fair and Exposition Fund pending receipt from the Department of Finance of (1) 1985-86 cash-flow reports for Cal Expo, (2) information on the expenditures proposed for Cal Expo in 1986-87, (3) the assumptions and methodology used to estimate Cal Expo revenue, and (4) clarification of the administration's proposal regarding the use of revenue from satellite wagering.

At the time this analysis was prepared (February 1986), there essentially was no specific information available to justify Cal Expo's budget request.

Cal Expo Cost Reports Delayed. *The Supplemental Report of the 1985 Budget Act* directs the Department of Finance to submit monthly reports on Cal Expo's cash-flow to the Legislature. At the time this analysis was prepared, the report for December 1985 had not been submitted.

Expenditure Plan Not Provided. As of February 4, 1986, the Department of Finance had not provided the Legislature with any information in support of the Cal Expo expenditure proposal for 1986-87. It had not provided any routine budgeting schedules, such as those for equipment purchases, operating expenses and reimbursements. Nor had it provided a list of proposed projects which would be funded using the \$1 million requested subsidy from the Special Account for Capital Outlay (SAFCO) for deferred maintenance projects.

No Basis for Revenue Estimate. The budget requests a General Fund appropriation of \$8,318,000 from Cal Expo operating revenue in 1986-87. The actual appropriation would be limited to this amount or the actual amount of revenue received by Cal Expo in 1986-87, whichever is less. The Budget Bill authorizes the Department of Finance, however, to augment the amount of appropriated revenue, to the extent that Cal Expo receives more revenue than \$8,318,000. Without that provision, the General Fund would retain any excess Cal Expo revenues.

The Department of Finance has not provided the Legislature with any information describing how Cal Expo arrived at this estimate of revenues to be collected in 1986-87.

CALIFORNIA EXPOSITION AND STATE FAIR—Continued

No Basis for Satellite Wagering Revenue Request. The budget requests an appropriation to Cal Expo of \$992,000 from the Fair and Exposition Fund, pursuant to Section 19596.5 of the Business and Professions Code. Section 19596.5 deposits approximately 4.5 percent of the revenues received from betting at certain satellite wagering facilities in the Satellite Wagering Account within the Fair and Exposition Fund. (A satellite wagering facility is a racetrack licensed to accept bets on races at other tracks that can be viewed on closed-circuit television at the satellite facility.) Funds in the Satellite Wagering Account are available to the Department of Food and Agriculture, when appropriated, for (1) repayment of bonds used to finance improvements at fair racetracks and (2) allocation by the Director of Food and Agriculture for support of fairs generally.

The Department of Finance indicates that the \$992,000 requested for Cal Expo is the estimated amount of revenue that will be deposited in the Satellite Wagering Account as a result of satellite betting at Cal Expo. Neither Cal Expo nor the Department of Finance, however, has been able to provide the Legislature with information that supports this estimate. Consequently, we have no basis for determining whether this estimate is reasonable. We note that the proposed appropriation is not consistent with the statutory mechanism for distributing satellite wagering revenues.

Technical Problems. The budget bill appropriates the \$992,000 in Item 8560-001-191 directly from the Fair and Exposition Fund, rather than from the Satellite Wagering Account (fund number 192). Presumably, the language in this item is also defective in that it authorizes the Director of Finance to augment the appropriation of satellite wagering revenue to Cal Expo if additional revenues are generated, but does not limit augmentations to the extra revenue generated by *Cal Expo*.

Conclusion. In sum, the administration has given the Legislature nothing that backs up the request for Cal Expo. With nothing to analyze, we recommend deletion of the \$1,000,000 requested from the SAFCO as a subsidy to perform unidentified deferred maintenance. We withhold recommendation on the \$8,318,000 in appropriated Cal Expo revenue and \$992,000 in apparent satellite wagering revenue in the Fair and Exposition Fund requested for Cal Expo for 1986-87, pending receipt from the Department of Finance of:

- 1985-86 cash-flow reports for Cal Expo,
 - Information on expenditures proposed for Cal Expo in 1986-87,
 - The assumptions and methodology used to estimate Cal Expo revenue, and
 - Clarification of the administration's proposal regarding use of funds in the Fair and Exposition Fund and Satellite Wagering Account.
-

DEPARTMENT OF FOOD AND AGRICULTURE

Item 8570 from the General
Fund and various funds

Budget p. GG 77

Requested 1986-87	\$93,824,000
Estimated 1985-86	87,582,000
Actual 1984-85	77,496,000
Requested increase \$6,242,000 (+7.1 percent)	
Total recommended reduction	\$1,560,000
Recommendation pending	\$3,200,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8570-001-001—Support	General	\$67,979,000
8570-001-111—Support	Agricultural	10,034,000
8570-001-191—Support	Fair and Exposition	1,116,000
8570-001-601—Support	Agriculture Building	1,202,000
8570-001-890—Support	Federal Trust	(1,971,000)
8570-011-112—Loan program administration	Agricultural Pest Control Research Account, Agricultural	111,000
8570-101-001—Local assistance	General	10,942,000
8570-101-111—Local assistance	Agricultural	34,000
8570-101-191—Local assistance, unemployment benefits and exhibition premiums for local fairs	Fair and Exposition	1,175,000
8570-111-001—Local assistance, salaries of county agricultural commissioners	General	383,000
Reimbursements	—	848,000
Total		\$93,824,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Pesticide Regulatory Program. Recommend that the department report on how it plans to fund the budgeted level of activities in 1985-86 and 1986-87, given that Agricultural Fund revenues will not be sufficient to fund these activities. 1618
2. Pesticide Registration Fees. Recommend enactment of legislation to increase registration fee revenues sufficient to fund the entire costs of the registration program (General Fund Savings: Up to \$6.8 million) 1619
3. Licensing Registration Fees. Recommend enactment of legislation to increase license fee revenue so that it supports the entire costs of the licensing and certification program. 1620
4. Meadowview Pesticide Laboratory. Recommend that the department report on needed changes in equipment, staffing, and space at the pesticide laboratory to accommodate new staff hires. 1621
5. Watermelon Claims. Recommend that the department report on its estimate of the amount needed to fund watermelon claims and the basis for this estimate. 1622
6. Veterinary Laboratory Fees. Withhold recommendation on \$3.2 million requested from Item 8570-001-001 to operate 1623

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

the five existing veterinary laboratories, pending receipt of the department's evaluation of options for funding these laboratories through fees.

7. **Fruit and Vegetable Quality Control Program. Reduce Item 8570-001-001 by \$1,297,000.** 1624
Recommend a reduction of \$1,297,000 requested to fund the fruit and vegetable quality control program in order to eliminate funds for unnecessary activities.
8. **Weights and Measures.** 1625
Recommend adoption of Budget Bill Language that restricts the use of General Fund subventions for quantity control programs to those activities that yield statewide benefits.
9. **Technical Issues. Reduce Item 8570-001-001 by \$263,000.** 1626
Recommend deletion of \$150,000 requested for a one-time cost in the current year that was inadvertently left in the budget and \$113,000 to delete overbudgeted funds for apple maggot eradication.

GENERAL PROGRAM STATEMENT

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

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

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

The department supervises the county agricultural commissioners and county sealers of weights and measures. Many programs are operated jointly with these officials. The department has its headquarters in Sacramento and other offices located throughout the state. The department has 2,146.3 personnel-years of staff in the current year.

OVERVIEW OF THE BUDGET REQUEST

The Budget Bill proposes nine appropriations totaling \$93,824,000 from various state funds and reimbursements for support of the Department of Food and Agriculture, county agricultural commissioners, local fairs and county sealers in 1986-87. This is an increase of \$6,242,000 or 7.1 percent, above comparable estimated current-year expenditures.

Total Expenditures

Total expenditures proposed from all funding sources in 1986-87 amount to \$166,560,000 (excluding marketing order expenditures). This is an increase of \$6,237,000, or 3.9 percent, above current-year estimated total expenditures. Table 1 shows the sources of funds for these proposed expenditures. In addition to the amounts requested in the Budget Bill,

total expenditures include expenditures from federal funds, as well as \$52,198,000 from Agricultural Fund continuing appropriations and \$16,475,000 from Fair and Exposition (F&E) Fund continuing appropriations for local fairs.

The budget does not include additional funding for Merit Salary adjustments or inflation adjustments to Operating Expenses and Equipment. The department has not estimated these costs.

Table 1
Department of Food and Agriculture
Sources and Uses of Funds
1986-87
(dollars in thousands)

A. Support		
1. General Fund		\$67,979
2. Agricultural Fund:		
Item 8570-001-111	\$10,034	
Continuing Appropriations ^a	40,911	
Total Agricultural Fund		50,945
3. Acala Cotton Fund ^a		400
4. Agricultural Pest Control Research Account		111
5. Fairs and Exposition Fund		1,116
6. Agriculture Building Fund		1,202
7. Federal Trust Fund		1,971
8. Reimbursements:		
Veterinary Laboratory Fees	315	
Marketing Services	166	
Weights and measures device inspection fees	153	
Miscellaneous	306	
Total Reimbursements		940
Total Support		\$124,664
B. Assistance to Counties		
1. General Fund Subventions:		
Pesticide regulation	2,881	
Pest detection	7,586	
Salaries of agricultural commissioners	383	
Weights and measures	475	
Total General Fund		\$11,325
2. Agricultural Fund:		
Pesticide Mill Tax	4,667	
Unclaimed gas tax refunds	6,209	
Continuing appropriations ^a	45	
Total Agricultural Fund		10,921
Total Assistance to Counties		\$22,246
C. Assistance to Local Fairs		
1. Fair and Exposition Fund:		
Item 8570-101-191	1,175	
Continuing appropriations ^a	16,475	
2. Federal Funds:		
Proposed Legislation ^b		\$17,650
Total, Assistance to Local Fairs		2,000
Total Expenditures in Governor's Budget		\$19,650
Total Expenditures in Governor's Budget		\$166,560

^a These funds are not included in the budget bill.

^b The Governor's budget total includes \$2 million from the state's share of federal offshore oil and gas revenues to fund deferred maintenance at local fairgrounds. This appropriation will require separate legislation.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Table 2 summarizes staffing and funding for the department, by program, for the past, current, and budget years.

Table 2
Department of Food and Agriculture
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1985-86
	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Actual 1984-85	Est. 1985-86	Prop. 1986-87	
1. Pesticide regulation.....	232.6	251.6	278.1	\$21,957	\$27,018	\$30,153	11.6%
2. Agriculture plant pest and disease prevention.....	609.5	583.2	582.9	38,811	44,384	42,933	-3.3
3. Animal pest and disease prevention/inspection services	272.1	285.2	287.9	14,490	16,885	17,789	5.4
4. Agricultural marketing services.....	209.6	220.3	220.3	10,331	12,060	12,474	3.4
5. Food and agricultural standards/inspection services	532.0	515.4	525.9	20,032	21,731	22,705	4.5
6. Measurement standards.....	82.1	76.4	76.4	4,339	5,329	5,501	3.2
7. Financial and administrative assistance to local fairs	19.1	17.5	17.5	22,378	22,163	20,865	-5.9
8. Executive, management and administrative services	180.8	191.0	191.0	8,928	9,971	10,437	4.7
Amount distributed to other programs	—	—	—	-8,831	-9,884	-10,350	4.7
9. General agricultural activities	4.6	5.7	5.7	5,632	10,500	14,053	33.8
10. Allocation for general fund FLSA ^a	—	—	—	—	166	—	-100.0
Totals	2,142.4	2,146.3	2,185.7	\$138,067	\$160,323	\$166,560	3.9%
Funding Source							
General Fund				864,384	873,259	879,304	8.3%
Agricultural Fund				49,788	60,135	62,266	3.5
Fair and Exposition Fund				19,254	22,068	18,766	-15.0
Agricultural Pest Control Research Account				808	482	111	-77.0
Agriculture Building Fund				—	1,202	1,202	—
Federal Trust Fund				2,823	2,233	3,971 ^b	-11.7
Other				2	—	—	—
Reimbursements				1,008	944	940	-0.4

^a The department is seeking a one-time deficiency appropriation to pay for the costs of complying with the Fair Labor Standards Act (FLSA) in 1985-86.

^b Includes \$2 million that would be appropriated in proposed legislation for local assistance to fairs.

Current-year Deficiency

During the current-year the department expects to incur a General Fund deficiency of \$1,917,000, due to unexpected emergencies. None of these costs should continue in the budget year. The deficiency expenditures were authorized to deal with the following problems:

Bacteria In Cheese: In June 1985, bacterial contamination in Jalisco cheese resulted in 38 deaths. The department began an investigation into the cause of the contamination and intensified its inspection and supervision program at plants where milk products are manufactured. The department estimates that these activities will result in a deficiency of \$594,000.

Pesticides In Watermelons: In July 1985, watermelons containing illegal residues of the pesticide aldicarb were found. In response, the

department began an intensive effort to inspect and sample watermelons. The department estimates that these activities will result in a deficiency of \$515,000.

Hydrilla In Shasta County: Hydrilla, an aquatic plant that infests waterways, was identified at seven sites along the Sacramento River in Shasta County. The department's efforts to eradicate hydrilla at these sites will result in an estimated deficiency of \$642,000.

Fair Labor Standards Act. The department estimates that it will need an additional \$166,000 to comply with the Fair Labor Standards Act (FLSA) in the current year. (For a general discussion of the FLSA, please see our analysis of the Department of Forestry's budget on page 431 of this Analysis.)

Significant Program Expenditure Changes

Table 3
Department of Food and Agriculture
Proposed 1986-87 Budget Changes
By Program and Funding Source
(in thousands)

	<i>General Fund</i>	<i>Other</i>	<i>Totals</i>
1985-86 Expenditures (revised)	\$73,259	\$87,064	\$160,323
A. Administrative adjustments			
1. Deletion of One-time 1985-86 Expenditures	-2,251	-1,049	-3,300
2. Current-year deficiency for Jalisco cheese activities, hydrilla control, FLSA and watermelon contamination.....	-1,751	—	-1,751
3. Reduced funds available for financial assistance to local fairs.....	—	-3,328 ^c	-3,328
4. Salary and benefit increases	2,096	1,748	3,844
5. Miscellaneous adjustments (3.4 PYs)	-85	821	736
B. Program Changes			
1. Pesticide regulation			
a. Pesticide data gaps expansion to continue implementation of Ch. 669/85 (10.4 PYs)	607	—	607
b. Pesticide use enforcement expansion for residue monitoring and compliance assessment (20.5 PYs)	2,500	—	2,500
c. Evaluation of pesticides which may be toxic air contaminants to implement Ch. 1047/83 (1.9 PYs)	428	—	428
d. Evaluate pesticides as potential groundwater contaminants to im- plement Ch. 1298/85 (3.3 PYs)	658	—	658
2. Plant Pest and Disease Prevention			
a. Continuation of apple maggot eradication project authorized by Ch. 228/85 (37.2 PYs)	(2,500)	—	(2,500)
b. Continued funding for Hawaii Medfly Laboratory.....	—	(287) ^a	(287)
3. Animal Pest and Disease Prevention			
a. Increased funding for milk and cheese inspections to implement Ch. 1166/85 (5.7 PYs)	632	—	632
b. Veterinary Laboratory contract with UC Davis	311	—	311
4. Proposed legislation to augment funds for maintenance of local fairs	—	2,000 ^b	2,000
5. Increased funding for agricultural export development to continue implementation of Ch. 1189/85	2,900	—	2,900
1986-87 Expenditures (Proposed)	\$79,304	\$87,256	\$166,560
Change from 1985-86			
Amount	\$6,045	\$192	\$6,237
Percent	8.3%	0.2%	3.9%

^a Federal Funds

^b Federal Funds—State's share of federal outer continental shelf oil revenues.

^c Fair and Exposition Fund

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

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

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following proposed budget changes that are not discussed elsewhere in this analysis (all amounts are from the General Fund, unless otherwise noted):

Pesticide Data Gaps. The department requests an additional \$607,000 and 10.4 personnel-years (PYs) to determine what regulatory action it should take to address the potential adverse health effects of pesticides identified in the comprehensive review of pesticide health studies required by Ch 669/85. These risk assessments will help determine if the director should cancel or suspend the registration of these pesticides. The \$607,000 increase consists of \$307,000 and 5.7 PYs to evaluate the health risks identified in the comprehensive review and \$300,000 and 4.7 PYs to determine the appropriate measures needed to protect the public and workers from any adverse health effects. With this increase, the department will have a total of \$2,547,000 and 45.4 PYs in 1986–87 to evaluate pesticide health studies and implement Ch 669/85.

Pesticide Enforcement and Residue Sampling. The department requests \$2.5 million and 20 PYs of staff to expand the pesticide enforcement program, including pesticide residue sampling and analysis. Specifically, the department plans to add (1) 7 PYs to analyze 5,010 more samples of produce to determine if pesticide residues are within established tolerances, (2) 7.5 PYs to increase state enforcement staff, (3) 2.5 PYs to increase oversight of county pesticide enforcement programs and (4) 3 PYs to develop new techniques for detecting pesticide residues in produce. This increase provides \$1 million and 10 PYs for the Pesticide Enforcement Unit and \$1.5 million and 10 PYs for the Chemistry Laboratory.

Toxic Air Contaminants. The department requests \$428,000 and 1.9 PYs to implement Ch 1047/83, which requires the department to evaluate the health effects of pesticides which may be toxic air contaminants. The department redirected 2 positions to this activity in the current year. The department will evaluate six pesticides in 1986–87 with these additional positions and funds.

Groundwater Contaminants. The department requests \$658,000 and 3.3 PYs to implement Ch 1298/85, which requires the department to begin a multiyear program to prevent pesticides from polluting groundwater as a result of agricultural use. The legislation requires pesticide registrants to submit detailed information on the likelihood that pesticides will affect groundwater, and it requires the department to take appropriate regulatory actions. The department plans to delay implementation of the program until December 1986 and coordinate these activities with its efforts under Ch 669/84 to identify and evaluate health data gaps for pesticides. The department wants to complete its requests for additional information on health effects before asking registrants to provide information on environmental effects.

Hawaii Medfly Laboratory. The department plans to use \$287,000 of federal funds to maintain a standby laboratory that can quickly produce sterile Mediterranean Fruit Flies (Medfly) in the event they are needed to eradicate another infestation in California.

Milk and Dairy Foods. The department requests \$632,000 and 6.2 PYs to implement Ch 1166/85. This act specified new inspection and recordkeeping requirements for milk and milk products plants. The additional funds and staff will allow the department to increase inspections at plants that manufacture milk products, such as cheese, and to purchase equipment for increased sampling of milk products.

Agriculture Export Program. The department requests an additional \$2.9 million (for a total 1986-87 program of \$5 million) to continue implementation of Ch 1189/85. Chapter 1189 authorizes the department to enter into cooperative funding agreements with agricultural marketing organizations for the purpose of promoting foreign sales of California agricultural commodities. The act appropriated \$2.1 million for the program in the current year and stated legislative intent that the program be funded at \$5 million in 1986-87. The budget indicates that this program is part of the Governor's "Rural Renaissance" initiative. The department has not yet adopted regulations to implement the program, nor has it used any of the money appropriated in the current year. The department indicates, however, that the first grants should be made by June.

Additional Funds Available in the Fair and Exposition Fund

The Fair and Exposition (F&E) Fund receives a portion of the state's horse racing revenues. Most of the money in the fund is allocated to local fairs by the Division of Fairs and Expositions in CDFA for operations, major maintenance, and capital improvements. The fund condition statement for the fund (page GG 105 of the budget document) estimates that the total amount available in the fund for local fairs during 1986-87 will be \$17,650,000.

The budget for the Horse Racing Board (p. GG72) shows that an additional \$4.5 million will be available to the F&E Fund in 1986-87 from satellite wagering revenue deposited in the Satellite Wagering Account. (Satellite wagering occurs when a racetrack that is not conducting a racing meet "televises" races at other tracks and accepts bets.) Chapter 1698, Statutes of 1984, which authorized the satellite wagering in certain counties, allocates a portion of the amount wagered to the F&E Fund. This money is available for appropriation to (1) repay principal and interest on bonds issued for improvements at a fair's racetrack enclosure and (2) support fairs generally.

The funds (\$17,650,000) shown as available for local fairs in CDFA's budget do not include any of the \$4.5 million of estimated satellite wagering. The budget does request, however, an appropriation of \$992,000 for the California Exposition and State Fair out of the satellite wagering funds, leaving \$3.5 million available for local fairs. Thus, based on the budget, there is about \$3.5 million more available to local fairs than that shown in the Governor's Budget. Thus, the total amount available for local fairs is about \$21,150,000 instead of \$17,650,000.

Pesticide Program Funding

The budget requests a total of \$30,153,000 to fund the department's pesticide regulatory program in 1986-87. This amount consists of \$19,114,000 from the General Fund, \$10,488,000 from the Agricultural Fund, and \$551,000 from federal funds and reimbursements.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

The Agricultural Fund portion comes from three revenue sources: licensing and certification fees, registration fees, and "mill tax" funds. Licensing fees are paid by pesticide dealers, operators, pilots, and advisers—all of whom must be licensed by the department. Annual registration fees are paid by companies for each pesticide they sell which is registered for use in California. Mill tax revenues are derived from a tax on all pesticides sold in California of 8 mills (\$.008) per dollar sold. Five-eighths of the mill tax revenues are distributed to counties to provide partial funding for local enforcement of pesticide regulations by county agricultural commissioners. The remaining three-eighths of the revenue helps support the department's programs.

Table 4 shows how the budget funds each element of the pesticide regulatory program in 1986–87. Each of the various program elements is discussed below.

Pesticide Registration. The department must register pesticides before they may be used in California. In the registration process, the department determines when, where, and how pesticides will be used, or whether they can be used at all. Funding for this element consists of \$2,637,000 from the General Fund, \$1,477,000 from mill tax revenues and \$516,000 from registration fees.

Pesticide Use Enforcement. The department provides oversight, training and coordination for county pesticide enforcement programs. Enforcement staff also sample and analyze produce to ensure that pesticide residues are below established tolerance levels. Additionally, they license and certify pesticide dealers, operators, pilots, and advisers. Funding for this program totals \$15,715,000, and consists of \$7,574,000 from the General Fund, \$398,000 from licensing and certification fees, \$7,207,000 from mill tax revenues and \$536,000 in federal funds. Funding for use enforcement includes a total of \$7,548,000 for county pesticide enforcement programs. Of this amount, \$4,633,000 represents the counties' share of the mill tax and \$2,881,000 is a General Fund subvention.

Pest Management Analysis and Planning. In this program, the department promotes and disseminates information on integrated pest management. Program funding consists of \$701,000 from the General Fund and \$15,000 from reimbursements.

Biological Control Services. This program unit primarily promotes, disseminates information on, and conducts research on biological control of insect pests. The General Fund provides \$689,000 to support this program.

Environmental Hazards Assessment. This program evaluates the environmental threat posed by pesticides and monitors selected pesticide applications for possible contamination. Information gathered from these evaluations is used in the registration process. The General Fund provides \$4,081,000 to this program.

Worker Health and Safety. This program protects agricultural workers and the public from unsafe or excessive exposure to pesticides. Program activities include research, evaluating the adequacy of existing regulations and laws, and assisting in pesticide illness investigations. Funding for the program consists of \$1,391,000 from the General Fund and \$890,000 from the mill tax.

Medical Toxicology. This program was established in 1985 and performs toxicology data review of registered pesticides. Funding for these reviews—\$2,041,000—comes from the General Fund.

Program Expansions Financed from General Fund

As Table 4 shows, the General Fund has become the primary source of support for the pesticide regulatory program. General Fund support for this program has increased at twice the rate that total program costs have increased. In contrast, support from the Agriculture Fund has grown more slowly than program costs. The budget for 1986-87 illustrates this trend. All of the \$3,535,000 requested for pesticide program expansions would come from the General Fund.

Table 4
Department of Food and Agriculture
Pesticide Regulatory Program
Growth in General Fund Share of Support
(dollars in thousands)

	1977-78 <i>Actual</i>	1981-82 <i>Actual</i>	1985-86 <i>est.</i>	1986-87 <i>prop.</i>	Percent Change Since 1977-78
General Fund.....	\$1,540	\$9,068	\$16,183	\$19,114	1241%
Agriculture Fund	2,359	7,906	10,300	10,488	445%
Other	1,097	877	535	551	50%
Totals	\$4,996	\$17,851	\$27,018	\$30,153	604%
<i>Percent Share</i>					
General Fund.....	30.8%	50.8%	59.9%	63.4%	
Agriculture Fund	47.2	44.3	38.1	34.8	
Other	22.0	4.9	2.0	1.8	

As a result, the budget for 1986-87 requests that 63 percent of the funding for the pesticide regulatory program come from the General Fund as shown on Table 5. In 1977-78, the General Fund only provided 31 percent of program funding, while the Agricultural Fund provided almost half the funding (47 percent).

Table 5
Department of Food and Agriculture
Pesticide Regulatory Program
Proposed Funding in 1986-87
(in thousands)

	General Fund	Agricultural Fund			Federal Funds and Reimburse- ments	Totals
		Mill Tax Revenues	Regis- tration Fees	License Fees		
1. Pesticide registration	\$2,637	\$1,477	\$516	—	(\$1,993)	\$4,630
2. Pesticide use enforcement	7,574	7,207	—	\$398	(7,605)	15,715
3. Pest management analysis and planning.....	701	—	—	—	15	716
4. Biological control services.....	689	—	—	—	—	689
5. Environmental hazards assessment	4,081	—	—	—	—	4,081
6. Worker health and safety	1,391	890	—	—	(890)	2,281
7. Medical toxicology	2,041	—	—	—	—	2,041
Totals	\$19,114	\$9,574	\$516	\$398	(\$10,488)	\$30,153
Percent of total	63.4%	31.8%	1.7%	1.3%	(34.8%)	100%

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

The growth in the General Fund's share (and the decline in the Agricultural Fund's share) of the costs attributable to the pesticide program has occurred during a period in which the scope of the program has expanded significantly. One reason why program expansions have been financed by the General Fund is that current law limits the amount of revenue available in the Agricultural Fund from pesticide-related fees and special taxes.

In the first of three issues concerning the pesticide program that follow, we identify a gap of \$2 million between proposed expenditures from the Agricultural Fund for the pesticide program in 1986-87 and the amount that will be available. In the next two issues, we recommend that the Legislature enact legislation to make pesticide registration and licensing activities fully self-supporting. If fully implemented in 1986-87, these recommendations would (1) eliminate the \$2 million funding gap and (2) shift \$5 million of program costs from the General Fund to fee revenue.

Agricultural Fund Revenues Are \$2 Million Short of What is Needed For Pesticide Regulatory Program

We recommend that the department report at budget hearings on how it plans to (1) finance the pesticide regulatory program in 1986-87, given that the budget over-appropriates funds in the Agricultural Fund in 1986-87 and (2) address a potential deficiency of \$600,000 in the current year.

Current-Year Deficit. In the current year, the budget estimates that pesticide program expenditures from the Agricultural Fund will be \$10.3 million. According to department staff, revenue from the mill tax and from registration and licensing fees will provide only about \$8 million of this amount. An additional \$1.7 million in expenditures will be financed from surpluses carried over from prior years (primarily mill tax revenues) and interest earnings. *This leaves a potential deficit of \$600,000 in the current year.*

Budget-Year Deficit. The budget includes \$10,488,000 from the Agricultural Fund for the pesticide regulatory program in 1986-87. Our analysis indicates, however, that this is \$2 million more than the fund can support.

Department staff expect mill tax and fee revenues to remain at about \$8 million in 1986-87. The amount available from accumulated surpluses and interest, however, is expected to decrease to about \$500,000. Consequently, only about \$8.5 million will be available in the Agricultural Fund to support the pesticide program in 1986-87. Since the budget requests almost \$10.5 million from the Agricultural Fund for the program, there is a built-in deficit of \$2 million in the budget.

Accordingly, we recommend that the department report at budget hearings on (1) how it plans to fund \$10.5 million in expenditures from the Agricultural Fund for pesticide regulation in 1986-87, when the fund will only have available \$8.5 million and (2) how it will avoid a \$600,000 deficiency for this program in the current year.

Pesticide Registration Fees Should Be Increased

We recommend that the Legislature enact legislation requiring the Director of Food and Agriculture to set annual pesticide registration fees at an amount sufficient to support the full cost of registering pesticides and establishing safe conditions for their use. (General Fund Savings: up to \$6.8 million.)

The budget requests \$7,329,000 in 1986-87 for activities necessary to register pesticides and establish conditions for their safe use.

In registering a pesticide and setting conditions on use, the department determines whether the pesticide will work as described, whether it will lead to adverse health affects, whether it is properly labeled, and whether it will harm the environment. Each pesticide registration must be renewed annually. Currently, about 12,600 pesticides are registered in California (many of these are formulations based on the same active ingredients).

Three separate program elements—Pesticide Registration, Medical Toxicology, and Environmental Hazards Assessment—include activities related to pesticide registration. Table 6 shows the sources and uses of funds for these activities. (We have included only a portion of the Environmental Hazards Assessment element—that portion which is directly related to registration and evaluates registered pesticides to determine whether they will pollute groundwater.)

Table 6
Department of Food and Agriculture
Pesticide Registration Funding
1986-87
(in thousands)

	<i>General Fund</i>	<i>Agricultural Fund</i>	<i>Total</i>
Medical toxicology	\$2,041	—	\$2,041
Pesticide registration	2,637	\$1,993	4,630
Environmental hazards assessment	658	—	658
Totals	\$5,336	\$1,993	\$7,329

The Pesticide Registration and Medical Toxicology program elements perform the primary evaluations of pesticides prior to registration. These program elements also review studies of pesticides' adverse health effects in order to determine if additional studies are needed to support continued registration. This review process is required by Ch 669/84.

The Environmental Hazards Assessment unit will begin a program in the budget year to implement Ch 1298/85, which requires a similar review and evaluation process regarding the likelihood that pesticides will contaminate groundwater. The results of the review will be used to establish new use requirements in order to protect groundwater or to cancel the registration of pesticides that will pollute groundwater.

As shown in Table 6, pesticide registration activities are supported by \$5,336,000 from the General Fund and by \$1,993,000 from the Agricultural Fund (of which \$516,000 comes from pesticide registration fees and \$1,477,000 comes from the mill tax). Manufacturers of pesticides pay \$40 annually to register pesticides. This \$40 fee was set in statute in 1970 (Agricultural Code Section 12812). At that time, the combination of the fee revenues and the mill tax paid the entire cost of the registration program (\$318,432). Since then, the scope of registration activities has

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

expanded considerably to include, among other things, the evaluations of health studies and potential water pollution problems required by Chapters 669 and 1298. Because the registration fee is capped, the General Fund, which financed only 23 percent of the costs of registering pesticides in 1977-78, has had to bear the cost of the expanded activities. As a result, the General Fund will provide 73 percent of what it costs to register pesticides in 1986-87, if the proposed budget is adopted.

The department's funding policy specifies that industry fees or special taxes should support programs (1) that either directly benefit an identifiable group of persons or regulate their activities in order to prevent damage to others and (2) for which there is a feasible and cost-effective mechanism available for collecting the money. We believe that this policy is sound and should be applied to the funding of pesticide registration activities. The ability to register and sell a pesticide in California provides a substantial and direct benefit to the pesticide manufacturer. In addition, program costs to the department are determined by the number and types of pesticides manufacturers choose to submit for registration. Therefore, we believe the registration program should be fully funded by registration fees, and we see no reason why it can't be self-supporting.

Accordingly, we recommend that the Legislature enact legislation requiring the Director of Food and Agriculture to establish annual registration fees at a level that will fund the full cost of registering pesticides, including the cost of evaluating the effects of pesticides on health and the environment. If this measure were enacted as urgency legislation, it could take effect before December 31, 1986, when registrants must pay their annual renewal fees. To pay all of the program costs proposed for 1986-87, the registration fee would have to increase from \$40 to approximately \$600. This would increase revenues to the Agricultural Fund by \$6,813,000. The additional funds would (1) wipe out the \$2 million gap between proposed expenditures and anticipated revenues and (2) allow a General Fund savings of between \$4,813,000 and \$6,813,000. (The larger amount would result if the General Fund would otherwise be expected to bridge the gap between revenues and expenditures in the Governor's Budget.) The department also recognizes the need to increase registration fees, and is sponsoring legislation (AB 2447, Jones) to raise the registration fee by an unspecified amount.

Increase Fees For Licensing Program

We recommend that the Legislature enact legislation requiring the Director of Food and Agriculture to set licensing fees at an amount sufficient to fund the entire cost of licensing and certifying users of restricted pesticides, pest control pilots, pest control operators, pest control dealers, and pest control advisers.

The budget requests \$1,091,000 within the pesticide use enforcement program to license and certify pest control operators, pilots, dealers, and advisers in 1986-87. This amount consists of \$880,000 from the Agricultural Fund, primarily from licensing fees, and \$211,000 in federal funds. The department currently collects annual license fees ranging from \$15 to \$50 from pest control pilots, pest control dealers, and pest control advisers. The department, has no authority, however, to charge fees for a qualified applicator certificate which allows an applicator to use restricted pesticides, even though the department must certify these applicators.

The department only expects to have \$687,000 available to support the licensing program in 1986-87. Of this amount, \$398,000 represents revenue from current fees and \$289,000 represents a carryover surplus plus various other resources. As a consequence, this program will face a deficiency in the budget year of \$193,000. (This deficiency is part of the \$2 million funding gap identified previously.)

Additional funds are needed in order to continue licensing and certifying pesticide users, dealers, and advisers. Fees are the most appropriate source of these funds since the licensing activities directly benefit those who are licensed or certified. The cost of obtaining these licenses and certifications can be looked upon as a normal cost of doing business.

Accordingly, we recommend that the Legislature enact legislation requiring the Director of Food and Agriculture to charge license and certification fees that are sufficient to finance the pesticide licensing and certification programs. (We understand that the department plans to propose legislation to increase the current fees and to charge fees to certify qualified applicators.)

Report Evaluating Meadowview Pesticide Laboratory Not Received

We recommend that the department report during budget hearings on needed changes in equipment and space at the chemistry laboratories, including the facility changes needed to accommodate the 10.5 new staff requested in 1986-87.

The budget requests approximately \$3.9 million from a variety of funds for operation of the department's pesticide laboratories. This amount includes an increase of \$1.5 million to increase pesticide residue sampling analysis for produce. This increase is partially offset by deletion of one-time costs incurred during the current year. Thus, the net increase proposed for 1986-87 is approximately \$1.2 million, or 47 percent, over estimated expenditures in the current year. The increase will add 10 personnel-years of staff to the Chemistry Laboratories, and will allow the pesticide laboratory to purchase \$1,178,000 of new equipment. Department staff indicate that at least four of the new staff will be located at the Meadowview pesticide laboratory in Sacramento. Currently, the pesticide laboratories have about 37 personnel-years of professional staff.

Meadowview and Regional Laboratories. The laboratories analyze produce samples for pesticide residues, determine the formulation of pesticides, and perform other analyses to assist in the department's pesticide registration activities and enforcement of pesticide laws and regulations. Regional laboratories located in Anaheim, Berkeley, and Fresno, perform screening tests on produce to measure pesticide residues. The Meadowview Laboratory in Sacramento performs analyses that require more advanced or complex techniques and analysis to confirm finding of violations by the screening laboratories.

The Meadowview laboratory also has facilities for milk and dairy control, meat inspection, commercial fertilizer control, and feed and livestock drug controls. The chemistry laboratory functions as one unit and recovers its costs from each respective program.

Report Due to Legislature. In the *Supplemental Report of the 1985 Budget Act*, the Legislature directed the department to report by November 1, 1985 on its pesticide facilities at the Meadowview Laboratory in Sacramento. This directive was adopted in order to address findings by the Commission on California State Government Organization and Economy (the Little Hoover Commission) and others that the facilities and equip-

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

ment at the Meadowview Laboratory are inadequate for the department's pesticide program. At the time this analysis was prepared (February 1986), the department had not released the report to the Legislature that was due in November.

Task Force Recommendations. Earlier this year, the department established a task force to evaluate and find solutions to the problems at the chemistry laboratories, including inadequate space and equipment. The task force found that the "Sacramento Laboratory had outgrown its present space [and that] additional space should be provided." The department is now implementing several of the task force's recommendations, but it has not made any proposal to increase space at the Meadowview laboratory in 1986-87. The department has indicated, however, that it intends to propose in the 1987-88 budget that the chemistry laboratory expand to take over the existing Sacramento veterinary laboratory building located next to the Meadowview chemistry laboratory—when the new Davis veterinary laboratory replaces the Sacramento facility in July 1987.

We agree that the additional laboratory staff are needed for the pesticide program. We question, however, whether the Meadowview laboratory can accommodate the four additional staff that will be located there. In addition, adding six staff to the regional laboratories may require laboratory modifications that are not proposed in the budget. Accordingly, we recommend that the department report at budget hearings on needed changes in equipment, staffing, and space at the pesticide chemistry laboratories, including facility changes needed to accommodate the 10 new staff requested in 1986-87.

Watermelons Claims Exceed Expectations

We recommend that the department report at budget hearings on (1) its estimate of the amount needed to fund valid watermelon claims, (2) the basis for its estimate of the amount needed, (3) the criteria it is using to evaluate claims, and (4) the types of losses that will be compensated.

Chapter 1265, Statutes of 1985, states the Legislature's intent to compensate farmers, brokers, shippers, wholesalers, and retailers for the economic losses they incurred as a result of the "confiscation and destruction of watermelons during the summer of 1985". Although the statute gives the Board of Control primary authority to approve or reject claims, the board has asked the department to review all of the claims and certify those it determines to be valid.

As of January, 1986, the board received claims totaling approximately \$30.4 million. These claims consist of (1) \$24.6 million from growers, (2) \$56,000 from shippers, (3) \$236,000 from brokers, (4) \$1.5 million from wholesalers, (5) \$1.3 million from retailers, and (6) \$2.7 million in personal injury claims. *The budget does not include any funds to pay these claims.* Presumably, payment will be provided in a special claims bill.

At the time the Legislature enacted this statute, the department had a rough estimate that the total amount of claims paid would be \$8 million. The amount of claims received to date, however, is nearly four times this amount.

Some of the claims undoubtedly will be denied or reduced. Nevertheless, at the time this analysis was prepared, neither the department nor the Board of Control could estimate the amount of claims that they will certify

as valid. The department has developed a methodology to evaluate watermelon claims and has recently begun the evaluations requested by the board. By the time of budget hearings, the department should have better information on the amount needed to pay watermelon claims.

Since the potential cost to the General Fund of paying these claims is significant, the budget subcommittees need better estimates of this cost to facilitate their fiscal planning. Accordingly, we recommend that the department report at the time of budget hearings on (1) its estimate of the amount needed to fund watermelon claims, (2) the basis for its estimate of the amount needed, (3) the criteria it is using to evaluate claims, and (4) the types of losses that will be compensated.

Veterinary Laboratory Fees

We withhold recommendation on \$3.2 million requested in Item 8570-001-001 to operate the five existing veterinary laboratories, pending receipt and analysis of the department's report on fee options to fund these laboratories.

The budget requests \$4,918,000 for support of veterinary laboratory services in 1986-87. This amount consists of \$4,453,000 from the General Fund, \$315,000 in reimbursements from fees and \$150,000 in federal funds. Of the total amount requested, approximately \$3.2 million is for support of five existing veterinary laboratories operated by the department, and approximately \$1.7 million is for specialized services provided under contract by the University of California at Davis (UCD), where a new central veterinary laboratory is under construction. The total amount requested is \$435,000, or 9.7 percent more than estimated current-year expenditures. The increase is due primarily to (1) increased costs of UCD for salary and benefit increases, inflation adjustments for operating expenses, additional furniture, and administrative staff for specialized veterinary services at UCD (\$188,000) and (2) the request for two new staff for livestock pathology at the department's veterinary laboratory in Turlock (\$123,000).

The department's five veterinary laboratories and the facilities at UCD perform a variety of diagnostic services for the livestock and poultry industries as well as for state and federal animal health regulatory programs. The veterinary laboratories currently charge \$15 for diagnosing the cause of an animal's death. They also charge fees ranging from \$1 to \$20 for specific laboratory services other than diagnosing the cause of death. The amount anticipated from fees in 1986-87, \$315,000, is the same amount estimated for the current year and constitutes 6.4 percent of the funding for the laboratories.

Last year we recommended that the Legislature (1) increase fees in order to increase the percentage of veterinary laboratory costs funded through fees to what it was in 1980-81, when fee levels were last adjusted, and (2) adopt supplemental report language directing the department and the university to reevaluate fully the fee structure for the laboratories (please see p. 1554 of the Analysis of the 1985 Budget Bill). The Legislature did not require any immediate fee increase, but it did adopt language in the Supplemental Report to the 1985 Budget Act directing the department and the university to submit by January 1, 1986 an evaluation of fee options to fund the existing five laboratories, as well as an evaluation of fee options for the UCD veterinary laboratory by April 15, 1987.

The report on fee options for the existing five laboratories had not been submitted at the time this analysis was prepared (February 1986). Until the department's fee evaluation report is available, the Legislature has no

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

way to determine the amount of support for the five laboratories that ought to come from fees. Accordingly, we withhold recommendation on the \$3.2 million requested to fund the five existing veterinary laboratories, pending receipt and analysis of the department's report on fee options to fund these laboratories.

Fruit and Vegetable Quality Control Program

We recommend that the Legislature reduce the amount budgeted for enforcement of minimum fruit and vegetable quality control standards by 15 personnel-years and \$1,297,000 because competition in the marketplace can efficiently protect consumers without a state program. (Reduce Item 8570-001-001 by \$1,297,000)

The budget requests \$1,499,000 from the General Fund and 19 personnel years of staff to ensure compliance with minimum fruit and vegetable quality standards. (The department also requests \$400,000 from the Agricultural Fund for avocado inspection and quality control.) This program does not test for pesticide residues or enforce any health standards.

The Director of Food and Agriculture sets these standards, which include limits on blemishes and internal defects as well as requirements for ripeness and packaging. County agricultural commissioners enforce the standards by inspecting retailers, shippers, packing plants, and growers. The state coordinates the counties' programs, trains county staff, and contracts with counties to operate eight highway inspection stations to inspect fruits and vegetables in transit.

The department indicates that this program is necessary "to ensure and protect the consumer and the fruit, nut, vegetable, and honey industries from incurring financial losses and to ensure fairness and equity in the marketplace". The department further argues that "the potential loss to the consumer by purchasing substandard produce is high because the consumer cannot recognize immaturity, and the amount of waste involved in certain external defects, and internal quality defects."

Marketplace More Efficient and Effective Than State Standards. We believe that the marketplace provides both a more efficient and a more effective means for protecting consumers than does the state quality control program. Most retailers, including major supermarket chains, have their own quality control programs with standards *higher* than the state minimum standards. Inspectors employed by these stores sample each lot of produce to ensure that it meets *their* standards, regardless of whether the produce was previously certified as meeting state standards.

In addition, the state minimum standards may be perverse to consumers interests in some cases. For example, someone who cans tomato sauce may prefer blemished tomatoes that are less expensive than those that meet the state standards.

Voluntary Inspection Program is Self Financing. The department operates another, larger program that inspects produce on a voluntary basis. This is the federal shipping point inspection program, which is completely supported by inspection fees. The budget indicates that \$9.7 million will be spent on this program in 1986-87. State inspectors—certified by the U.S. Department of Agriculture—provide objective third-party grading and certification services for fruits, nuts, and vegetables at points of origin and at destination markets. For example, government inspectors may certify for a New York buyer that peaches shipped from California

meet federal grade A standards. This program encompasses both inter- and intrastate shipping.

Minimal Coordination Effort Needed. For these reasons, we do not think that enforcement of state-established minimum quality standards produces benefits that justify its cost. We do believe, however, that the state should maintain a minimal staff to coordinate county programs, resolve disputes, and oversee enforcement of packing standards in order to prevent confusion in the marketplace and to avoid conflicts between county requirements. Thus, we recommend that the state keep a minimum staff of four positions to coordinate the counties' enforcement programs. This will provide one position to continue to write state regulations, one position to resolve county disputes and provide technical advice, one program supervisor, and one clerical position. We estimate that the cost of these positions is \$202,000. Accordingly, we recommend that the Legislature reduce the resources budgeted to ensure compliance with fruit and vegetable quality control standards by 15 personnel-years and \$1,297,000 because the state program duplicates the private retailers' quality control programs and the private market can more efficiently meet consumers' needs.

California Weights and Measures Programs

We recommend that the Legislature adopt Budget Bill Language in Item 8570-101-001 restricting the use of General Fund subventions for quantity control programs to those activities that yield statewide benefits.

The budget requests \$475,000 from the General Fund for local assistance to partially fund county weights and measures activities in 1986-87. This is the same amount provided in the current year. The Division of Measurement Standards in CDFA is responsible for statewide weights and measures programs. County sealers of weights and measures carry out weights and measures activities at the local level under the supervision of the division.

SCR 30 Report. In December 1985, we submitted a report to the Legislature entitled "An Analysis of California's Weights and Measures Programs", in response to Senate Concurrent Resolution 30 (Res. Ch 117/83). That report analyzes the expenditures and funding sources of the county sealers and the department in carrying out the state's weights and measures laws.

Quantity Control Activities. Our report found that county quantity control activities (ensuring that packaged goods contain the quantity indicated on the label, for example) could be appropriately funded by state General Fund subventions if inspections are made at manufacturing or central distribution points where there would be the most statewide benefit to the inspection.

Currently, there is no requirement that counties target activities funded from the state subvention for these types of inspections. Accordingly, we recommend that the Legislature adopt the following Budget Bill language in Item 8570-101-001:

"In providing assistance to counties under schedule (c) of this item, the department shall require each county to (1) use these funds for quantity control activities of statewide or regional benefit as specifically identified by the department and (2) maintain county support (from county general funds or fees) for quantity control activities at 1984-85 levels at a minimum."

DEPARTMENT OF FOOD AND AGRICULTURE—Continued**Technical Issues**

We recommend that the Legislature delete \$263,000 budgeted from the General Fund (Item 8570-001-001) to correct for overbudgeting.

One-Time Funds. According to the department, the budget inadvertently failed to delete \$150,000 provided in the current year for a one-time research project on seedling yellows disease—a disease which affects certain citrus trees. (The citrus industry funded the first year of the research project and will fund any eradication efforts.) Since the funds were appropriated on a one-time basis, the budget should be reduced by this amount. Accordingly, we recommend that the Legislature delete \$150,000 from the General Fund appropriation (Item 8570-001-001).

Apple Maggot Eradication. The budget includes \$2,613,000 for eradication of apple maggot in six northern California counties, as authorized by Chapter 228/85. The budget narrative and supporting documentation submitted with the budget indicate that only \$2.5 million is needed to fund the program. The \$2,613,000 included in the budget thus exceeds the amount needed by \$113,000. Accordingly, we recommend that the Legislature reduce the General Fund appropriation by \$113,000 (Item 8570-001-001) to correct for overbudgeting of apple maggot eradication efforts.

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

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

Budget p. GG 107

Requested 1986–87	\$1,448,000
Recommended reduction	458,000
Recommended approval	990,000

ANALYSIS AND RECOMMENDATIONS

We recommend that the Legislature reduce Item 8570-301-036 by \$458,000 to purchase furniture and equipment for the John E. Thurman Veterinary Laboratory, because the department has not justified why its costs should exceed the University of California's cost guidelines for equipping veterinary medicine laboratories and the California State University's guidelines for equipping offices.

The Budget Bill provides authority, under Item 8570-301-036, for the Department of Food and Agriculture to order furniture and equipment for the John E. Thurman (Davis) Veterinary Laboratory during the 1986–87 fiscal year. This authority is limited to \$1,448,000. All furniture and equipment ordered using this authority would be delivered during the 1987–88 fiscal year.

This “advanced authority” to order \$1,448,000 of furniture and equipment is not included in the total expenditure program shown in the budget document. The Legislative Counsel however, has verbally advised us that the authority to incur obligations (and therefore encumber funds)

constitutes an item of appropriation. Therefore, we have treated this as an item of appropriation for the purchase of furniture and equipment in the department's 1986-87 capital outlay program. If approved, this appropriation will reduce the estimated surplus in the SAFCO on June 30, 1987 to \$16.3 million.

Requested Amount is In Excess of University of California and California State University Guidelines. The purchasing authority requested by department—\$1,448,000—to furnish and equip laboratories and offices is excessive. The University of California's cost index indicates that furniture and equipment for new veterinary medicine labs is \$50.38 per assignable square foot. The university has not provided a cost for incremental equipment for office/administration space. The California State University, however, budgets \$1.50 per assignable square foot to purchase the incremental equipment needed for new offices.

Using these cost standards, the total amount needed to equip and furnish this lab facility should be no more than \$990,000. The actual amount needed could be even less since the department will be *transferring* some furniture and equipment from their current labs to the John E. Thurman Lab. Consequently, we recommend that the Legislature reduce \$458,000 from the request for equipment and furniture for the laboratory in Item 8570-301-036.

Supplement Report Language

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of the capital outlay project approved under this item.

FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT

Items 8620-8640 from the General Fund

Budget p. GC 108-109

Requested 1986-87	\$2,795,000
Estimated 1985-86	2,930,000
Actual 1984-85	2,537,000
Requested decrease \$135,000 (-4.6 percent)	
Total recommended reduction	None

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8620-001-001—Fair Political Practices Commission, support	General	\$819,000
8640-001-001—	General	1,976,000
Secretary of State		\$624,000
Franchise Tax Board		1,042,000
Attorney General		310,000
Statutory Appropriation—Fair Political Practices Commission, support	General	(2,271,000)
Total		\$2,795,000

FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT

—Continued

GENERAL PROGRAM STATEMENT

The Political Reform Act (PRA) 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 PRA and through Item 8620-001-001. Funds for the other three agencies are provided by the Legislature through Item 8640-001-001.

Total staffing to administer the act in the current year is authorized at 101 positions.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$2,795,000 from the General Fund to carry out the provisions of the PRA in 1986-87. This is \$135,000, or 4.6 percent, less than estimated current-year expenditures.

Table 1
Political Reform Act of 1974
General Fund Support
1984-85 through 1986-87
(dollars in thousands)

Function	Expenditures			Percent Change From
	Actual 1984-85	Est. 1985-86	Prop. 1986-87	
1. Budget Act Appropriations				
Secretary of State	\$560	\$605	\$624	3.1%
Franchise Tax Board	908	1,042	1,042	—
Attorney General	277	295	310	0.1
Fair Political Practices Commission ^a	792	988	819	-17.1
Subtotals	\$2,537	\$2,930	\$2,795	-4.6
2. Statutory Appropriation—				
Fair Political Practices Commission	\$2,047	\$2,271	\$2,598	14.4
Totals, Political Reform Act	\$4,584	\$5,201	\$5,393	3.7%

^a Amount shown for FPPC includes appropriations made by legislation.

The decrease largely reflects the manner in which the FPPC is funded. The FPPC receives its funding from two sources: a continuous appropriation in Government Code Section 83122, and an appropriation in the Budget Bill. According to the budget, the continuous appropriation will provide the commission with \$2,598,000 in the budget year, or 14.4 percent more than the amount provided in the current year. As a result, the Budget Act appropriation needed to provide funding for the remainder of the commission's expenditures projected for the budget year—\$3,417,000—actually decreases by \$146,000, or 15 percent, relative to the amount provided through the Budget Act in the current year.

The total amount of funds to be expended in support of the FPPC and to carry out the provisions of the PRA in 1986-87 totals \$5,393,000, or 3.7 percent more than the total amount that will be spent for these purposes in the current year. Table 1 identifies the agencies that will spend funds appropriated in support of the act, the general function each performs, and the estimated expenditures by each during the prior, current and budget years.

ANALYSIS AND RECOMMENDATIONS

SECRETARY OF STATE

We recommend approval.

Responsibilities assigned to the Secretary of State by the Political Reform Act include receiving campaign expenditure statements and registering lobbyists. In addition, the Secretary of State prints and distributes information listed in lobbyist registration statements.

The budget proposes expenditures of \$636,000 by the Secretary of State for work arising under the act during 1986-87. This amount includes a General Fund appropriation of \$624,000 and reimbursements of \$12,000. This is \$16,000, or 2.6 percent, above estimated total current-year expenditures.

FRANCHISE TAX BOARD

We recommend approval.

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 proposing statewide ballot measures, and (4) specified elected officials. In the current year, the board will conduct 788 PRA audits.

According to Item 8640 of Budget Bill, FTB's funding for its portion of the Political Reform Act in 1986-87 is \$1,042,000, the same amount as for the current year.

ATTORNEY GENERAL

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 \$295,000. For the budget year, \$310,000 is requested, which is an increase of 5 percent.

FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT

—Continued

FAIR POLITICAL PRACTICES COMMISSION

We recommend approval.

The Fair Political Practices Commission is responsible for the administration and implementation of the PRA. 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 58-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.

For the budget year, the commission proposes to spend \$3,417,000. This is \$158,000, or 4.8 percent, above estimated current-year expenditures. Of the proposed amount, \$2,598,000 represents funding from the commission's continuous appropriation. The commission proposes to spend the remaining amount—\$819,000 from the General Fund—to fund increased rental expenses (\$88,000) and for support of the Division of Local Enforcement (\$731,000).

PUBLIC UTILITIES COMMISSION

Item 8660 from various special
funds

Budget p. GG 110

Requested 1986-87	\$61,811,000
Estimated 1985-86	60,575,000
Actual 1984-85	53,962,000
Requested increase \$1,236,000 (+2.0 percent)	
Total recommended increase	1,894,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8660-001-042—Railroad grade crossing safety	State Highway Account, State Transportation	\$1,415,000
8660-001-046—Rail passenger service and enforcement of federal railroad track and freight car equipment standards	Transportation Planning and Development Account, State Transportation	2,400,000
8660-001-412—Freight transportation regulation	Transportation Rate	15,804,000
8660-001-461—Passenger transportation regulation	Public Utilities Commission Transportation Reimbursement Account	3,351,000
8660-001-462—Utility regulation	Public Utilities Commission Utilities Reimbursement Account	34,234,000
8660-001-890—Various purposes	Federal Trust	239,000
Chapter 1079, Statutes of 1985 (SB 1433): Telephone Service Study	Public Utilities Commission Utilities Reimbursement Account	93,000

Chapter 1142, Statutes of 1985 (SB 222):	Transportation Rate	70,000
Transportation Rate Fund Fees		
Revenue and Taxation Code Section 44181:	Universal Telephone	70,000
Universal Telephone Service Program	Service	
Reimbursements	—	4,135,000
Total		\$61,811,000
8660-495—Reversion	Public Utilities Commission	(\$51,000)
	Utilities Reimbursement	
	Account	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. **Office Rental Expenses. Increase Item 8660-001-412 by \$914,000, Item 8660-001-461 by \$159,000, and Item 8660-001-462 by \$2,901,000.** Recommend that the PUC's budget be augmented by \$3,974,000, so that the commission can pay the full costs of occupying the new San Francisco State Office Building. 1635
2. **Office Automation Project. Reduce Item 8660-001-412 by \$584,000, Item 8660-001-461 by \$120,000, and Item 8660-001-462 by \$1,276,000.** Recommend the deletion of \$1,980,000 in proposed expenditures for Phase II of the commission's office automation plan, because the proposal is not justified adequately. 1635
3. **Railroad Merger Consultant. Reduce Item 8660-001-046 by \$100,000.** Recommend the deletion of \$100,000 budgeted for consultant expenses related to interstate railroad merger activities, because the need for the funds has not been established. 1637
4. **Rapid Transit Safety Oversight.** Recommend adoption of Budget Bill language, and subsequent enactment of legislation, requiring the commission to develop rail rapid transit safety standards. 1637

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 also may 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.

PUBLIC UTILITIES COMMISSION—Continued

The commission has authorization for 956 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes five appropriations totaling \$57,297,000 from various state funds for support of the Public Utilities Commission in 1986-87. This is an increase of \$1,334,000, or 2.4 percent, over estimated current-year expenditures from these funds.

Proposed expenditures in 1986-87 from *all* funding sources, including federal funds and reimbursements, total \$61,811,000, which is \$1,236,000, or 2.0 percent, more than estimated current-year expenditures.

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 increase in expenditures (7.6 percent) proposed for 1986-87 is in the regulation of transportation safety, reflecting the commission's continuing effort to develop statewide rapid transit safety standards and the need for consultant expertise in the review of a major expansion proposed by the Bay Area Rapid Transit District.

Table 1
Public Utilities Commission
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

Program	Actual 1984-85	Estimated 1985-86	Proposed 1986-87	Change From 1985-86	
				Amount	Percent
Regulation of Utilities:					
Certification	\$968	\$2,358	\$2,313	-\$45	-1.9%
Rates	31,661	26,859	27,440	581	2.2
Safety	883	2,198	2,173	-25	-1.1
Service and facilities	1,908	6,799	6,739	-60	-0.9
Subtotals, Utilities	(\$35,420)	(\$38,214)	(\$38,665)	(\$451)	(1.2%)
Regulation of Transportation:					
Licensing	\$6,141	\$6,816	\$7,090	\$274	4.0%
Rates	9,058	10,718	10,997	279	2.6
Safety	2,619	3,430	3,691	261	7.6
Service and facilities	724	1,397	1,368	-29	-2.1
Subtotals, Transportation	(\$18,542)	(\$22,361)	(\$23,146)	(\$785)	(3.5%)
Administration (Distributed):					
Utilities	\$9,107	\$11,023	\$10,677	-\$346	-3.1%
Transportation	5,100	6,174	5,980	-194	-3.1
Subtotals, Administration	(\$14,207)	(\$17,197)	(\$16,657)	(\$540)	(-3.1%)
Totals	\$53,962	\$60,575	\$61,811	\$1,236	2.0%
Funding Source					
State Funds	\$46,717	\$56,028	\$57,437	\$1,409	2.5%
Federal Funds	207	233	239	6	2.6
Reimbursements	7,038	4,314	4,135	-179	-4.1
Personnel-years	916.3	956.4	958.8	2.0	0.3%

Table 2 summarizes total *state* expenditures, by fund. Three-fifths (60 percent) of the commission's proposed expenditures are funded from the Public Utilities Commission Utilities Reimbursement Account, which receives revenues generated by user fees charged utilities and most private water and sewer companies. The commission uses utility fees to regulate private gas, electric, and telephone utility companies. The Transportation Rate Fund (TRF) is the funding source for about one-quarter (28 percent) of the PUC's spending. The regulation of freight transportation carriers (primarily trucking companies) is financed by fees deposited into the TRF.

Table 2
Public Utilities Commission
Expenditures by State Funding Source
1984-85 through 1986-87
(dollars in thousands)

Funding Source	Actual 1984-85	Estimated 1985-86	Proposed 1986-87	
			Amount	Percent of Total
Public Utilities Commission Transportation Reimbursement Account.....	\$2,836	\$3,298	\$3,351	5.8%
Public Utilities Commission Utilities Reimbursement Account	28,306	33,705	34,327	59.8
Radio Telephone Utility Rate Fund	96	—	—	—
State Highway Account, State Transportation Fund	1,152	1,374	1,415	2.5
Transportation Planning and Development Account, State Transportation Fund	1,437	2,100	2,400	4.2
Transportation Rate Fund.....	12,872	15,486	15,874	27.6
Universal Telephone Service Fund	18	65	70	0.1
Totals	\$46,717	\$56,028	\$57,437	100.0%

Proposed Budget-Year Changes

Table 3 summarizes the proposed changes in the PUC's budget for 1986-87.

The largest proposed *baseline adjustment* is \$2.1 million for salary increases in the budget year. This increase is more than offset by several baseline reductions, the most significant of which are: (1) a \$1.8 million reduction to reflect the one-time costs related to Phase I of the commission's office automation plan, (2) a \$1.3 million reduction to reflect current-year costs incurred in the relocation of the PUC's headquarters, and (3) a \$1.3 million reduction in pro rata charges, due to an overestimate of these charges in the past year.

The largest proposed *workload change* is an increase of \$500,000 for consultant expertise in the review of the capital expenditures and plant utilization by the regulated telecommunications companies.

The budget requests several major *program changes*, the most significant of which are: (1) a \$2 million increase to fund Phase II of the commission's office automation plan, and (2) an \$820,000 increase to provide full-year funding for various new programs initiated in the current and budget years pursuant to recently enacted legislation.

PUBLIC UTILITIES COMMISSION—Continued

Table 3
Public Utilities Commission
Proposed 1986-87 Budget Changes
(dollars in thousands)

	<i>PUC Utilities Reim- bursement Account</i>	<i>Transportation Rate Fund</i>	<i>PUC Transportation Reim- bursement Account</i>	<i>Other Funds</i>	<i>Reim- bursements</i>	<i>Total</i>
1985-86 Expenditures (Revised)	\$33,705	\$15,486	\$3,298	\$3,772	\$4,314	\$60,575
<i>Baseline Adjustments:</i>						
Salary increase adjustment	\$1,291	\$575	\$119	\$160	—	\$2,145
Data processing	135	63	12	—	—	210
Replacement of copier	67	30	6	—	—	103
Miscellaneous reductions	—	—	—	—	-\$179	-179
Office automation costs (one-time)	-981	-660	-117	-90	—	-1,848
Pro rata charges	-1,457	28	-35	127	—	-1,337
Relocation costs (one-time)	-946	-380	-52	35	—	-1,343
Subtotals, Baseline Adjustments	(\$-1,891)	(\$-344)	(\$-867)	(\$-8232)	(\$-179)	(\$-2,249)
<i>Workload Changes:</i>						
Rapid transit safety consultant	—	—	—	\$120	—	\$120
Telecommunications consultants (various reviews)	\$500	—	—	—	—	500
Subtotals, Workload Changes	(\$500)	(—)	(—)	(\$120)	(—)	(\$620)
<i>Program Changes:</i>						
Economics training	\$65	—	—	—	—	\$65
Office automation (Phase II)	1,276	\$584	\$120	—	—	1,980
<i>Recent Legislation:</i>						
Electric rates for steel producers (Ch 1392/85)	236	—	—	—	—	236
Highway carrier proceedings (Ch 1369/85)	—	61	—	—	—	61
Carriers of hazardous materials (Ch 1304/85)	—	17	—	—	—	17
Telephone service study (Ch 1079/85)	91	—	—	—	—	91
Transportation rate fund fees (Ch 1142/85)	—	70	—	—	—	70
Utility computer models (Ch 1297/85)	345	—	—	—	—	345
Subtotals, Program Changes	(\$2,013)	(\$732)	(\$120)	(—)	(—)	(\$2,865)
1986-87 Expenditures (Proposed)	\$34,327	\$15,874	\$3,351	\$4,124	\$4,135	\$61,811
Change from 1985-86:						
Amount	\$622	\$388	\$53	\$352	-\$179	\$1,236
Percent	1.8%	2.5%	1.6%	9.3%	-4.1%	2.0%

The budget does not include additional funding for merit salary adjustments or inflation adjustments to operating expenses and equipment. We estimate that the commission will have to absorb approximately \$471,000 in such costs.

ANALYSIS AND RECOMMENDATIONS**COMMISSIONWIDE ISSUES****Full Cost of Occupying New Building Not Reflected in PUC's Budget**

We recommend that the Legislature augment the PUC's budget by \$3,974,000, so that the full costs of occupying the new San Francisco State Office Building are reflected in the commission's budget. (Increase Item 8660-001-412 by \$914,000, Item 8660-001-461 by \$159,000, and Item 8660-001-462 by \$2,901,000.)

The PUC's proposed budget includes \$2,268,000 for facilities operations expenses associated with the occupancy of the new San Francisco State Office Building. The commission is scheduled to move all of its San Francisco operations into the new building at the end of 1985-86.

In this *Analysis* (please see Item 1760), we review the method of financing the new San Francisco building, and conclude that the PUC is not paying the full cost of occupying space in the building. This is because the budget proposes to finance the annual costs of the new building (\$6,242,000) through the Building Rental Account, which levies a rental charge on all state agencies occupying state space.

In order to fully reflect the cost of the new building in the occupying agency's budget, we have recommended in Item 1760 that the full cost of the building (lease-purchase payments, maintenance, and utilities) *not* be included in the Building Rental Account. Consistent with this recommendation, we recommend that the Legislature augment the PUC's budget by \$3,974,000 (\$914,000 in Item 8660-001-412, \$159,000 in Item 8660-001-461, and \$2,901,000 in Item 8660-001-462), so that the commission pays the *full* costs of occupying the new state building.

Office Automation Project Does Not Compute

We recommend the deletion of \$1,980,000 in expenditures proposed for Phase II of the commission's office automation plan, because the proposal is not justified adequately. (Reduce Item 8660-001-412 by \$584,000, Item 8660-001-461 by \$120,000, and Item 8660-001-462 by \$1,276,000.)

The 1985 Budget Act provides the PUC with \$1.2 million to fund the first phase of a three-phase office automation plan for the commission. Phase I, which currently is being implemented, emphasizes word processing capability for the PUC's executive, legal, and administrative law judge divisions.

The budget requests \$1,980,000 to fund Phase II of the plan in 1986-87. These funds would be used to purchase equipment and related services for most of the commission's technical staff. The emphasis of Phase II would be on spreadsheet, data base management, filing, and other capabilities.

In January 1986, the Office of Information Technology (OIT) in the Department of Finance rejected the PUC's feasibility study report (FSR) for Phase II. In its analysis of the FSR (dated January 21, 1986), the OIT concludes that: "It is questionable whether this project should be implemented and whether it can be implemented successfully due to [a lack of] quantified benefits. Approval for this project should be contingent upon successful implementation of Phase I."

Our review of the budget change proposal for Phase II indicates that the commission has not clearly demonstrated the benefits of the proposed automation project. The commission staff concedes that it will not have a more reasonable estimate of the project's costs until the completion of its

PUBLIC UTILITIES COMMISSION—Continued

Phase I project, which may not be until the end of 1985–86. Apparently, the staff's experience with the implementation of Phase I will be used as a guide in developing a more refined estimate of costs for Phase II.

We acknowledge that the appropriate use of information technology has great potential for improving the operations of the commission. On the other hand, without adequate information regarding the benefits and costs anticipated from Phase II of the plan, we have no basis on which to recommend approval of the amount requested at this time. Accordingly, we recommend that the Legislature delete \$1,980,000 from the PUC budget (\$584,000 in Item 8660-001-412, \$120,000 in Item 8660-001-461, and \$1,276,000 in Item 8660-001-462).

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.

Telecommunications Regulatory Workload Continues*We recommend approval.*

The PUC's budget proposes to allocate 68 technical staff positions to the regulation of telecommunications companies. This staffing level includes the proposed continuation of 14 limited-term positions, at a cost of \$721,000. These positions were added for a two-year period in 1984–85 to address new workload resulting from the divestiture of the American Telephone and Telegraph Corporation, and are due to expire on June 30, 1986. In addition, the budget requests \$500,000 for consultant services expenses related to the review of the capital expenditures and plant utilization by the regulated telecommunications entities. Our review indicates that in light of the continuing regulatory workload associated with the telecommunications industry, the proposed expenditures in support of the commission's efforts are warranted.

Reversion (Item 8660-495)*We recommend approval.*

Chapter 1241, Statutes of 1984, required the PUC to prepare and publish an annual compilation of its rules of procedure, and provided \$90,000 from the commission's three main funding sources to pay the first-year costs of the measure. In compiling its rules of procedure, which was completed in the current year, the commission did not expend the amount appropriated from the Public Utilities Commission Utilities Reimbursement Account (\$51,000). Consequently, the proposed reversion of the unexpended balance to the account is appropriate.

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. In addition, the commission has statutory author-

ity 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 and the State Highway Account of the State Transportation Fund, as well as from federal funds.

Request For Railroad Merger Consultant Is Not Justified

We recommend that the Legislature delete \$100,000 budgeted for consultant expenses related to interstate railroad merger activities, because the need for the funds has not been established. (Reduce Item 8660-001-046 by \$100,000).

The 1985 Budget Act provides the commission with \$100,000 in funds for consultant expenses in order to assist the commission in its work involving the merger of the Santa Fe and Southern Pacific railroad companies. Although the PUC has no regulatory jurisdiction in a proposed merger of interstate railroads, the commission has participated in cases heard by the federal Interstate Commerce Commission as an "interested" party on behalf of the people of California. In this effort, the PUC has contracted with a private consultant for research, statement drafting, advice, and expert witness testimony.

The budget again proposes the expenditure of \$100,000 in consultant funds related to railroad merger cases. This is because the commission staff expects several interstate railroad mergers to occur in 1986-87.

Our analysis indicates that the proposed consultant expenditures is a classic case of contingency budgeting. The commission has requested funds based on a *possible* event, not an impending one. Thus, no *specific* need for the services of a railroad merger consultant in 1986-87 has been shown.

Accordingly, we recommend that the Legislature delete \$100,000 in funds budgeted for consultant expenses (Item 8660-001-046). If interstate railroad mergers are initiated in the budget year, the commission could still participate in the associated regulatory activities using its existing resources.

Rapid Transit Safety Should Remain a High Priority

We recommend that the Legislature adopt Budget Bill language requiring the Public Utilities Commission to continue its effort to develop and implement safety planning criteria, safety standards, and safety procedures which must be met by rapid transit system operators in the design, construction, and operation of rail rapid transit systems. We further recommend that the Legislature enact legislation which imposes this requirement on a permanent basis.

Current law provides that rail rapid transit operators are subject to PUC safety regulations and inspections. In the *Analysis of the 1985-86 Budget Bill* (please see page 1573), we found that the PUC had *not* issued comprehensive safety planning criteria, safety standards, or safety procedures for the design, construction, and operation of rail rapid transit systems. Such comprehensive guidelines have the potential to provide a high level of rail safety at a relatively low regulatory cost through the routine compliance of transit operators. Furthermore, comprehensive safety guidelines are necessary to provide a rational basis for the commission's enforcement activities.

PUBLIC UTILITIES COMMISSION—Continued

Last year, the Legislature augmented the PUC's staff involved in rapid transit safety oversight, and added language to the 1985 Budget Act requiring the commission to develop rail safety standards as a first priority in 1985-86.

To ensure that the commission *continues* its efforts to develop safety standards, we recommend that the Legislature adopt the following Budget Bill language in Item 8660-001-412:

The Public Utilities Commission shall, as a first priority, assign an appropriate level of personnel to the task of developing and implementing safety planning criteria, safety standards, and safety procedures which must be met by rapid transit operators in the design, construction, and operation of rail rapid transit systems.

In order to impose this requirement on a *permanent* basis, we further recommend the enactment of legislation which incorporates the Budget Bill language above into statute.

BOARD OF CONTROL

Item 8700 from the General
Fund and the Restitution
Fund

Budget p. GG 122

Requested 1986-87	\$21,755,000
Estimated 1985-86.....	22,871,000
Actual 1984-85	16,136,000
Requested decrease -\$1,116,000 (-4.9 percent)	
Total recommended reduction	None

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8700-001-001—Support	General	\$780,000
8700-001-214—Support	Restitution	5,810,000
Continuous Appropriation—Claims Payment	Restitution	15,054,000
Reimbursements	—	111,000
Totals		\$21,755,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Victims Claims. Recommend that prior to the budget hearings, the Department of Finance provide the fiscal committees with revised estimates of expenditures for claims and a revised fund condition statement for the Restitution Fund.

1641

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 and (4) Hazardous Substance Claims.

Prior to January 1, 1985, the board also was responsible for processing local mandated cost claims. That responsibility, however, was transferred to the Commission on State Mandates by Chapter 1459, Statutes of 1984.

The board has 125.7 authorized personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$21,755,000 for the Board of Control in 1986-87. This is \$1,116,000, or 4.9 percent less than estimated current-year expenditures. 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
1984-85 through 1986-87
(dollars in thousands)

Programs	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Percent Change From 1985-86
1. Citizen Indemnification	\$15,304	\$22,058	\$20,864	-5.4%
2. Hazardous Substance Claims	32	51	20	-62.0
3. Civil Claims Against the State	669	762	831	9.1
4. Local Mandated Costs	131	—	—	—
5. SWPR Interagency Agreement	—	—	40	NMF
6. Administration	(498)	(300)	(277)	(-7.7)
Totals	\$16,136	\$22,871	\$21,755	-4.9%
Personnel-Years	104	125.7	120	-4.5%
Funding Source				
1. General Fund	725	671	780	16.2%
2. Restitution Fund	15,304	22,058	20,864	-5.4
3. Reimbursements	107	142	111	-21.8

The board requests a General Fund appropriation of \$780,000. This is \$109,000, or 16 percent, more than estimated current-year expenditures. Much of the increase is attributable to the rising costs of administering civil claims against the state. The budget also proposes an appropriation of \$20,864,000 from the Restitution Fund in 1986-87. This is \$1,194,000, or 5.4 percent, less than estimated expenditures from this fund in the current year. The reduction primarily reflects payments for *backlogged* claims in the Victims of Violent Crimes program totaling \$895,000 in the current year that will not be made in the budget year. In addition, the budget reflects a reduction of statewide pro rata charges of \$536,000. This reduction reflects the fact that during the current year charges were unusually high because they included catch-up payments for several prior years.

The budget also requests authority to continue 18 of the 24 limited-term positions approved by the Legislature for the current year to eliminate the victim's claims backlog. The positions are requested to process the increas-

BOARD OF CONTROL—Continued

ing number of victim's claims. In addition, the budget proposes to increase from 5 to 15 the number of local victim centers which process claims for the board. The termination of six limited-term positions and the expanded claims-processing activity in the local centers results in a net cost increase of \$193,000 from the Restitution Fund.

Table 2 identifies, by funding sources, the changes in expenditure levels proposed for 1986-87.

Table 2
Board of Control
Proposed 1986-87 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Restitution Fund</i>	<i>Reimburse- ments</i>	<i>Total</i>
1985-86 Expenditures (Revised)	\$671	\$22,058	\$142	\$22,871
A. Workload Changes				
1. Victim claims processing.....	—	193	—	193
2. Victim claims—overtime.....	—	-57	—	-57
3. Victim claims payments	—	-895	—	-895
4. Position transfer	35	—	-35	—
B. Cost Adjustments				
1. Employee compensation.....	33	121	8	162
2. Merit Salary Adjustment.....	—	—	-5	-5
C. Other Adjustments				
1. Lease Increase.....	29	115	—	144
2. Equipment Purchases	11	3	—	14
3. Centralized Office	-35	-102	—	-137
4. Pro rata Charges.....	—	-536	—	-536
5. SWPR Interagency Agreement	33	-30	—	3
6. Distributed Administration	3	-4	1	—
7. Collective Bargaining	—	-2	—	-2
1986-87 Expenditures (Proposed)	\$780	\$20,864	\$111	\$21,755
Change from 1985-86				
Amount.....	\$109	-\$1,194	-\$31	-\$1,116
Percentage.....	16.2%	-5.4%	-21.8%	-4.9%

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. The program is financed by appropriations from the Restitution Fund, which receives a portion of the revenues collected from penalty assessments levied on criminal and traffic fines.

Chapter 1092, Statutes of 1983, *continuously* appropriates funds from the Restitution Fund to the Board of Control for the payment of claims, but provides that the Restitution Funds appropriated to the board for the administrative costs of the program are subject to review in the annual budget process.

Budget Seriously Underestimates Expenditures

We recommend that prior to the budget hearings, the Department of Finance provide the fiscal committees with revised estimates of expenditures for payments to victims of crime and a revised fund condition statement for the Restitution Fund.

The budget estimates that \$15,054,000 from the Restitution Fund will be spent for victims' claims in 1986-87. This is \$895,000, or 5.6 percent, less than the estimated expenditures for claims in 1985-86. *Our analysis indicates that the estimates shown in the budget substantially understate claim expenditures in both the current year and the budget year.*

Current Year. The Governor's Budget estimates that expenditures for claims will be \$15,949,000, in 1985-86. The board advises, however, that in the first six months of the current year, it has *already* approved claims in excess of \$20 million, and it anticipates that expenditures will reach \$35 million by the end of the year. Thus expenditures may total *\$19.1 million more* than the \$15.9 million estimated in the budget!

There are two reasons for the substantial increase in claims paid during the current year. First, the board is processing a large volume of backlogged claims that were carried over from previous years. Second, there has been a substantial increase in the number of new claims filed. The board estimates that 15,600 claims will be accepted in 1985-86. This is 2,435, or 18.5 percent, more than the number received in 1984-85.

Budget Year. The Governor's Budget estimates that there will be 18,500 claims filed in 1986-87. This is an increase of 2,900, or 18.6 percent, over estimated claims in 1985-86. The board indicates that this number of claims will result in estimated expenditures of about \$25 million, assuming that the current backlog will be entirely eliminated during the current year. This is nearly *\$10 million more* than what is estimated in the budget!

If the board's estimates are correct, the Governor's Budget understates expenditures by over \$29 million dollars from the Restitution Fund.

This also makes the fund condition statements printed in the budget document to be little value. The budget reports that on June 30, 1987, the balance in the Restitution Fund will be \$55.4 million. If expenditures are understated by \$29 million, however, the balance would fall to \$26.4 million.

The magnitude of these discrepancies make it virtually impossible for the Legislature to determine whether the Citizen Indemnification program is funded adequately or whether there are sufficient funds to provide for accurate program expansions.

To ensure that the Legislature has accurate information about the Citizen Indemnification program and the Restitution Fund, we recommend that prior to the budget hearings, the Department of Finance provide the fiscal committees with revised estimates of expenditures for claims to victims of crime and a revised fund condition statement for the Restitution Fund.

Claims Backlog

In the past, there was a large backlog of victims claims that had been accepted but not processed by the board. Because of the backlog problem, the Legislature included language in the *Supplemental Report of the 1979 Budget Act* directing the board to submit annual reports, by December 1 of each year, on its progress in reducing the backlog. In addition, language included in each Budget Act since 1981, requires the board to report to the Joint Legislative Budget Committee at the end of any quarter in

BOARD OF CONTROL—Continued

which the backlog increased. The board submitted its 1984 annual report to the Joint Legislative Budget Committee on September 26, 1985.

Last year, the Legislature approved an augmentation to the board's budget to address the backlog problem. The \$2.1 million augmentation from the Restitution Fund provided for (1) 24 limited-term positions, (2) contracts with local Victim Witness Centers to assist the board in verifying new claims, and (3) additional equipment funds to provide an enhanced data processing capability to support the effort. The board indicated that the augmentation would allow it to eliminate the backlog and reduce the time needed to process a new claim to 90 days.

The board reports that the backlog is being reduced and will be eliminated by May 1986, and that the processing goal of 90 days will be achieved in the current year. The board is to be commended for its performance.

COMMISSION ON STATE FINANCE

Item 8730 from the General
Fund

Budget p. GG 126

Requested 1986-87	\$737,000
Estimated 1985-86.....	710,000
Actual 1984-85	595,000
Requested increase \$27,000 (+3.8 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Chapter 1162, Statutes of 1979 (SB 165), established the Commission on State Finance. The primary responsibility of the commission is to provide quarterly forecasts of state revenues, current-year expenditures, and an estimate of the General Fund surplus or deficit. The commission is also required to produce annual long-range forecasts of General Fund revenues and expenditures for each of the four years immediately following the budget year, as well as for the ninth year beyond the budget year. Finally, Chapter 1027, Statutes of 1985, requires the commission to report semiannually to the Legislature and the Governor regarding the impact of federal expenditures on the state's economy.

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.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$737,000 from the General Fund for support of the Commission on State Finance in 1986-87. This is an increase of \$27,000, or 3.8 percent, over estimated expenditures in the current year.

The current-year estimate includes \$75,000 appropriated by Chapter 1027, Statutes of 1985, for the commission to develop an economic model capable of estimating the impact of federal expenditures on the state's economy. The budget proposes to continue funding for this project at the same level in 1986-87.

The budget proposal does not include any funds for merit salary adjustments or inflation adjustments to operating expenses and equipment. We estimate that the department will have to absorb approximately \$17,000 in such costs.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The commission proposes no program changes for 1986-87. The request for \$75,000 to continue funding for the federal expenditure model represents the commission's estimate of ongoing costs associated with the project. This request is justified by the project's ongoing workload requirements and the need to annually renew data base subscriptions.

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

Item 8780 from the General

Fund

Budget p. GG 127

Requested 1986-87	\$465,000
Estimated 1985-86.....	594,000
Actual 1984-85	411,000
Requested decrease \$129,000 (-21.7 percent)	
Total recommended reduction	None

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8780-001-001—Support	General	\$463,000
Reimbursements	—	2,000
Total		\$465,000

GENERAL PROGRAM STATEMENT

The Commission on California State Government Organization and Economy (commonly known as the "Little Hoover Commission") conducts studies to promote 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, his assistant, a program analyst, two secretaries and a word processing technician. Funds equivalent to one personnel-year are available for temporary help.

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$465,000 (\$463,000 from the General Fund and \$2,000 from reimbursements) for support of the commission in 1986–87. This is \$129,000, or 22 percent, less than estimated expenditures during the current year.

The reduction in total expenditures proposed for 1986–87 is misleading. Expenditures in 1985–86 are artificially high because they reflect a *one-time* expenditure of \$150,000 for a study of the state's revenue agencies. Disregarding these expenditures, the budget proposed for the commission is \$21,000, or 4.7 percent, *above* current-year expenditures. The increase would be used primarily to fund salary adjustments (\$16,000) and the purchase of a new copier (\$6,000).

The budget does not include additional funding for merit salary adjustments and inflation adjustments to administrative expenses. We estimate that the commission will have to absorb approximately \$11,000 in such costs.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The commission has undertaken four major projects thus far in 1985–86. They are:

- An evaluation of the potential reorganization of revenue agencies in the state;
- A review of the community college system, focusing on those colleges which have experienced deficits;
- A comparison of state and private sector real property management; and
- An investigation into ways of limiting the state's "deep pocket" liability.

The commission plans to undertake one more study in the spring and provide follow-up to past studies.

The commission has not yet made a final determination of the studies it will undertake in the budget year. The proposed budget, however, appears reasonable, and would allow the commission to conduct about the same number of studies that it has in the past.

MEMBERSHIP IN INTERSTATE ORGANIZATIONS

Item 8800 from the General
Fund

Budget p. GG 128

Requested 1986-87	\$514,000
Estimated 1985-86.....	490,000
Actual 1984-85	372,000
Requested increase \$24,000 (+4.9 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$514,000 from the General Fund to support four interstate organizations in 1986-87. They are the Council of State Governments, the National Conference of State Legislatures, the Western States Legislative Forestry Task Force, and the Governmental Accounting Standards Board. The requested amount is an increase of \$24,000, or 4.9 percent, over the amount appropriated for this purpose in 1985-86. Table 1 displays the amount of funding the state provided for each of these organizations in the past, current, and budget years.

Table 1
Membership in Interstate Organizations
Budget Summary
1984-85 through 1986-87

Program	Actual 1984-85	Est. 1985-86	Percent	
			Prop.	Change From 1986-87 1985-86
Council of State Governments	\$194	\$196	\$207	5.6%
National Conference of State Legislatures	178	272	222	-18.4
Western States Legislative Forestry Task Force	22 ^a	22	22	—
Governmental Accounting Standards Board	(63) ^b	(63) ^b	63	—
Totals	\$372	\$490	\$514	4.9%

^a Financed equally from the Senate and Assembly Contingent Funds.

^b The assessment for 1985 was paid by the Department of Finance. The department also plans to pay the 1986 assessment.

Council of State Governments (CSG). The CSG was founded in 1933 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 \$3.9 million for 1986-87. Assessments imposed on member states pay for about \$3.1 million of these expenses. Other sources of support for the council include publication sales, the corporate associates program and interest revenues.

Each state's annual assessment consists of a flat amount—\$28,500—plus an additional amount based upon the state's population—currently \$7.22 per 1,000 residents. Thus, the more populous states are assessed larger amounts for support of the council. Fifty-four 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 to western states. The budgeted amount is sufficient to pay California's assessment in 1986-87.

MEMBERSHIP IN INTERSTATE ORGANIZATIONS—Continued

National Conference of State Legislatures (NCSL). The NCSL was created in 1975 to (1) improve the quality and effectiveness of state legislatures, (2) foster interstate communication and cooperation, and (3) assure state legislatures a strong voice in the federal system. The conference's annual budget for 1986-87 totals \$5.6 million, of which \$3.3 million will be derived from assessments on member states and \$2.3 million will come from other sources.

The NCSL determines each state's assessment by combining a flat rate of \$34,837 with an additional charge of \$7.52 per 1,000 residents. The budgeted amount is sufficient to pay California's assessment in 1986-87.

Western States Legislative Forestry Task Force. The Western States Legislative Forestry Task Force was established in 1974 to provide a forum for discussion of issues pertaining to the management of forestry resources. The task force consists of four legislators from each of six western states.

Governmental Accounting Standards Board (GASB). The GASB was created in 1984 for the purpose of establishing appropriate standards for governmental accounting. The board assumed functions which had been handled previously by the National Council on Governmental Accounting. The GASB promotes standardization of governmental accounting practices by developing model standards, issuing informational publications, and keeping states abreast of new changes in the accounting field. The Department of Finance, State Controller, Auditor General and State Treasurer have participated in the GASB for the past two years.

COMMISSION ON THE STATUS OF WOMEN

Item 8820 from the General

Fund and the Displaced

Homemaker Emergency Loan

Fund

Budget p. CG 128

Requested 1986-87	\$796,000
Estimated 1985-86	652,000
Actual 1984-85	668,000
Requested increase (excluding amount for salary increases) \$144,000 (+22 percent)	
Total recommended reduction	196,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. **Restoration of 1985-86 Budget Cuts. Reduce Item 8820-001-001 by \$102,000.** Recommend reduction to maintain commission staffing at the level recently established by the Legislature. 1648
2. **Displaced Homemaker Program. Reduce Item 8820-001-001 by \$90,000.** Recommend deletion of General Fund augmentation because program can be administered with existing resources. 1650

3. Budget Display. Recommend that the Legislature adopt supplemental report language directing the Department of Finance and the commission to display separately in future budget documents information on the displaced homemaker program. 1651
4. *Per Diem. Reduce Item 8820-001-001 by \$4,000.* Recommend elimination of per diem for commissioners because such payments are not authorized in statute. 1651

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.

The commission also administers the Displaced Homemaker Emergency Loan Program, a \$1 million loan guarantee program established by Chapter 1596, Statutes of 1984.

The commission has 8.5 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$796,000 from the General Fund and the Displaced Homemaker Emergency Loan Fund (DHELF) for support of the commission in 1986-87. This is an increase of \$144,000, or 22 percent, from estimated current-year expenditures.

The budget shows General Fund expenditures declining from \$1,652,000 to \$695,000. After adjusting for a one-time 1985-86 General Fund transfer of \$1 million to the DHELF, however, the proposed General Fund appropriation actually turns out to be \$43,000, or 6.6 percent, higher than current-year expenditures.

Table 1 presents a summary of the commission's expenditures and personnel-years for the past, current, and budget years.

Table 1
Commission on the Status of Women
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1985-86
	Actual	Estimated	Proposed	Actual	Estimated	Proposed	
	1984-85	1985-86	1986-87	1985-86	1986-87	1985-86	
Research and Information Services	2.9	1.0	1.0	\$201	\$102	\$115	12.7%
Comparable Worth Task Force.....	0.5	—	—	68	—	—	—
Legislative Liaison	3.0	3.0	3.0	159	168	191	13.7
Administration	3.7	4.5	8.0	260	382	490	28.3
Totals	10.1	8.5	12.0	\$688	\$652	\$796	22.1%
Funding Source							
General Fund				\$668	\$1,652	\$695	-57.9%
Displaced Homemaker Loan Fund				—	-1,000	101	—
Reimbursements				20	—	—	—

COMMISSION ON THE STATUS OF WOMEN—Continued

The budget does not include additional funding for merit salary adjustments or inflation adjustments to operating expenses and equipment. We estimate that the commission will have to absorb approximately \$8,000 in such costs.

Proposed Budget-Year Changes

Table 2 summarizes the significant changes in the department's budget proposed for 1986-87.

Table 2
Commission on the Status of Women
Proposed 1986-87 Budget Changes
(dollars in thousands)

	General Fund	Displaced Homemaker Emergency Loan Fund	Total
1985-86 Expenditures (Revised)	\$1,652	-\$1,000	\$652
<i>Baseline Adjustments:</i>			
Salary and Benefit Adjustments	\$22	—	\$22
Displaced Homemaker Emergency Loan Program:			
Loan Guarantee Fund	-1,000	\$1,000	—
One-time Appropriation for Implementation	-150	—	-150
Miscellaneous	-21	—	-21
Subtotal, Baseline Adjustments	(-\$1,149)	(\$1,000)	(-\$149)
<i>Program Changes:</i>			
Contract for Fiscal Services	\$35	—	\$35
Augmentation for Printing	33	—	33
Increased Clerical Assistance	9	—	9
Position Upgrade in Legislative Unit	20	—	20
Funding for Overtime	5	—	5
Displaced Homemaker Program (Administrative Costs)	90	\$101	191
Subtotal, Program Changes	(\$192)	(\$101)	(\$293)
1986-87 Proposed Expenditures	\$695	\$101	\$796
Change from 1985-86:			
Amount	-\$957	\$1,101	\$144
Percent	-57.9%	—	22.1%

ANALYSIS AND RECOMMENDATIONS**Budget Proposes to Restore Commission to Pre-1985-86 Funding Level**

We recommend that the Legislature eliminate the \$102,000 General Fund augmentation to the commission's budget in order to maintain staffing at the level recently established by the Legislature.

The Governor's Budget for 1985-86 requested \$696,000 and 10.5 personnel-years for the commission. The Legislature, however, reduced the commission's budget by \$196,000 and 2 personnel-years, after determining that the commission could carry out its responsibilities with fewer resources.

The 1986-87 budget, in part, proposes to restore the cuts made by the

Legislature. The budget requests a General Fund augmentation of \$102,000 plus 1.5 personnel-years for the commission. While the augmentation request has several components, all of them are aimed at increasing the level of service provided by the commission.

As we have noted in past analyses, the commission's general advocacy mission makes it difficult to determine a "correct" staffing level. Depending on the "presence" that the Legislature wants the commission to have, the commission could have many—or few—employees.

In evaluating the commission's budget-year request, we found no basis for altering the Legislature's judgment regarding the level of activity that should be undertaken by the commission. The individual components of the augmentation request are discussed below.

Proposed Upgrade of Analyst Position. The budget proposes an augmentation of \$20,000 to upgrade a Staff Services Analyst (SSA) position to an Associate Governmental Program Analyst.

The SSA now reports to the Legislative Liaison Supervisor. The commission cites two reasons for the upgrade: (1) the upgrade is needed because the staff is now analyzing more bills, and (2) the supervisor has been busy working on the implementation of the Displaced Homemaker Emergency Loan Program (DHELP), and, thus, the SSA has had to undertake some of the supervisor's responsibilities.

Our analysis indicates that neither of the reasons provided by the commission justifies the upgrade in 1986–87. First, the commission's bill analysis function is entirely discretionary; it can be accommodated within the resources already provided by the Legislature. Second, the Displaced Homemaker Emergency Loan Program will be implemented during the current year; thus, the SSA will no longer need to undertake any of the supervisor's responsibilities.

Proposed Addition of Accounting Analyst. The budget proposes an augmentation of \$35,000 in order to pay for a new Accounting Analyst position in the Department of General Services (DGS) to perform the commission's accounting and budgeting tasks. The commission currently has an Associate Governmental Program Analyst position dedicated to accounting, budgeting, personnel, and managerial tasks.

Our analysis indicates that the proposed augmentation is not justified. First, the commission's own analysis shows that it can perform these accounting and budgeting services *more cheaply* than what it would cost to obtain these services from DGS. Second, the commission's request for the DGS services did not take into account the offsetting savings from reducing the AGPA position.

Proposed Increase in Clerical Assistance. The budget proposes to increase a half-time Office Assistant I (OA I) in the Administration unit to a full-time position *and* to upgrade it to an OA II, at a cost of \$9,000 to the General Fund.

Our analysis indicates, however, that the additional resources are not needed. First, the commission has not shown a need for the upgrade, as it proposes no changes in the responsibilities of the position. Second, the commission has not shown a need for additional clerical staff. Currently, the commission has 3.5 clerical positions and 1 technical position to support 4 professional positions. We think that these existing resources are more than adequate to handle the commission's current workload.

Funding for Overtime. The budget proposes to establish and overtime account and to fund it with \$5,000 from the General Fund. Although the commission has incurred some overtime thus far in the current year,

COMMISSION ON THE STATUS OF WOMEN—Continued

it can be attributed largely to a high vacancy rate—18 person-months in the first seven months of 1985–86. Since the budget projects that there will be no vacancies in 1986–87, the commission should be able to complete its work without the need for overtime.

Printing. The budget proposes an augmentation of \$33,000 for printing costs. The commission wants these funds so that it can issue certain publications *more often* than they are being issued in the current year. Again, we have no basis on which to recommend approval of this augmentation—especially since the increased level of activity would be contrary to the level just determined by the Legislature to be appropriate.

In summary, the budget proposes to restore the cuts in the commission's budget which were just made by the Legislature in the 1985 Budget Act. As the commission has offered no new information in support of an increased level of activity, we recommend that the proposed augmentations—totaling \$102,000—be eliminated.

Displaced Homemaker Program

We recommend that the Legislature eliminate a \$90,000 General Fund augmentation because the displaced homemaker program can be administered using existing resources.

Background. Chapter 1596, Statutes of 1984, created the Displaced Homemaker Emergency Loan Program (DHELP). The program, which guarantees loans of up to \$2,500 for individuals (primarily women) needing transitional financial assistance, was established on a pilot basis in Marin, San Francisco, and Alameda counties. Chapter 1596 appropriated \$100,000 to the commission to administer the program, but only \$47,000 was spent on preparatory work.

Chapter 1385, Statutes of 1985, appropriated from the General Fund (1) \$1 million to capitalize the loan guarantee program and (2) an additional \$150,000 for administrative costs in 1985–86. Chapter 1385 also requires the commission to submit an implementation plan by April 30, 1986, and to evaluate the program and report to the Legislature by July 1990. The budget shows the commission spending all of the \$150,000 in administrative funding during the current year; however, none of the funds have been spent to date.

Commission Requests Additional Support. The budget proposes an expenditure of \$191,000 for administrative support of the program in 1986–87 (\$90,000 from the General Fund and \$101,000 from the Displaced Homemaker Emergency Loan Fund, or DHELP). Interest earned on the DHELP is continuously appropriated to the commission to cover expenses incurred in administering the DHELP and to write-down the interest rate on the loans. The proposed funding level would support four positions, at a cost of \$129,000, and \$62,000 in operating expenses and equipment.

Our analysis indicates that the commission has seriously overstated the costs involved in administering the DHELP. First, the request for four positions—Project Director, Administrative Assistant, half-time Consultant, and half-time Accountant—is excessive, because: (1) most of the work necessary to implement the program has been performed in the past year or will be performed during the current year, and (2) the *eligible lenders* are responsible for the time-consuming work of performing background checks on the borrowers, issuing the loans, and collecting loan payments. Our review suggests that the work of the commission, which is primarily

of a monitoring nature, can be performed with the Project Director position and a half-time clerical position. This would reduce the need for salaries and related benefits from \$104,000 to \$56,000, for a savings of \$48,000 to the General Fund.

In addition, the request is overbudgeted in the following ways:

- **Staff Benefits.** The commission has budgeted staff benefits for the proposed DHELP positions equal to 61.5 percent of salaries, instead of the probable rate of 30 percent. This results in overbudgeting of \$25,000.
- **Travel.** The budget requests \$26,000 to cover the travel expenses of staff and advisory committee members. We estimate, however, that the planned trips would cost only \$10,000, allowing for a reduction of \$16,000.
- **Furniture.** The budget proposes \$4,000 to buy furniture for the new positions. The commission, however, has funds in the current year to make such purchases. Thus, there is no need to budget for this expense in 1986-87.

Recognizing these various overbudgeted items, our analysis indicates that the commission can perform its DHELP responsibilities with only 1.5 personnel years and \$98,000. Since the commission already has an estimated \$101,000 in spending authority from the DHELP in 1986-87, there is no need for the proposed \$90,000 General Fund appropriation. We therefore recommend that the Legislature delete these funds.

Budget Presentation of DHELP Expenditures Needs Improvement

We recommend that the Legislature adopt supplemental report language directing the Department of Finance to provide separate budget information on the displaced homemaker program.

The budget includes administrative funds for the DHELP as part of the commission's *administration* program. Given that the DHELP is a separate, distinct program with dedicated resources, it would be helpful to have the program budgeted separately from the administration program. This is the way, for example, that expenditures for the Comparable Worth Task Force were budgeted in the past years.

In order to provide better information to the Legislature on the DHELP, we recommend that the Legislature adopt the following supplemental report language:

It is the intent of the Legislature that, in preparing future budgets, the Department of Finance budget separately for the Displaced Homemaker Emergency Loan Program in the Commission on the Status of Women's item.

Technical Recommendation

We recommend that the Legislature eliminate \$4,000 budgeted for per diem, as the commission is not authorized to make such payments.

The budget requests \$4,000 (General Fund) for per diem for the commissioners in 1986-87. Since per diem is not statutorily authorized for the commissioners, we recommend that funds for it be eliminated, for a savings of \$4,000 to the General Fund.

CALIFORNIA LAW REVISION COMMISSION

Item 8830 from the General

Fund

Budget p. GG 132

Requested 1986-87	\$536,000
Estimated 1985-86.....	557,000
Actual 1984-85	453,000
Requested decrease \$21,000 (-3.8 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The California Law Revision Commission consists of 10 members—one from each house of the Legislature, seven appointed by the Governor, and the Legislative Counsel.

Under the commission's direction, a staff of seven employees studies areas of statutory and decisional law which the Legislature, by concurrent resolution, requests the commission to review for the purpose of recommending substantive and procedural reforms. The commission supplements this staff by contracting with legal scholars and other experts in the areas of law which the commission is required to study.

In 1985, the commission recommended nine bills to the Legislature, of which eight were enacted. These bills dealt with certain provisions of probate and family law, as well as creditors' remedies, the transfer of property to minors, powers of attorney, and the mediation of legal disputes.

The commission currently has before it 23 topics assigned by the Legislature. The commission indicates that during 1986, it plans to recommend a new comprehensive trust law, as well as changes in probate and family law. Presently the commission is devoting much of its efforts to the development of a new probate code which it hopes to present to the Legislature in 1987.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$536,000 from the General Fund for support of the commission in 1986-87. This is \$21,000, or 3.8 percent, *below* estimated current-year expenditures. The decline in expenditures for the budget year does not reflect a cutback in the office's ongoing programs. The net decline results from (1) a reduction of \$42,000 to reflect the exclusion of one-time costs the commission incurred in the current year primarily for the development and printing of a new probate code, and (2) an increase of \$21,000 in employee compensation expenditures. This increase appears to be reasonable.

COMMISSION ON UNIFORM STATE LAWS

Item 8840 from the General

Fund

Budget p. GG 133

Requested 1986-87	\$99,000
Estimated 1985-86.....	95,000
Actual 1984-85	90,000
Requested increase \$4,000 (+ 4.2 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Commission on Uniform State Laws sponsors the adoption by California of uniform codes or statutes developed by the National Conference of Commissioners wherever compatibility with the laws of other jurisdictions is considered desirable. The commission consists of nine members—six appointed by the Governor, two members of the Legislature (one selected by each house), and the Legislative Counsel.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$99,000 from the General Fund for support of the commission in 1986-87. This is \$4,000, or about 4 percent, more than estimated current-year expenditures.

Much of the commission's budget is used to pay the state's annual membership fee to the national conference. Although the amount of the fee in the budget year is not known at this time, during the current year the fee was \$45,000. The balance of the commission's budget covers travel and per diem expenses in connection with commission meetings, as well as general administrative costs.

DEPARTMENT OF FINANCE

Item 8860 from the General

Fund

Budget p. GG 134

Requested 1986-87	\$25,123,000
Estimated 1985-86.....	24,482,000
Actual 1984-85	23,461,000
Requested increase \$641,000 (+ 2.6 percent)	
Total recommended reduction	105,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8860-001-001	General	\$24,806,000
Reimbursements	—	317,000
Total		\$25,123,000

DEPARTMENT OF FINANCE—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Technical Budgeting Issues. Reduce Item 8860-001-001 by \$105,000.* Recommend deletion to correct for overbudgeting of external consultant services and equipment. 1657

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 program, (3) evaluating state programs for efficiency and effectiveness and (4) providing economic, financial and demographic information.

The department also provides consultation and coordination services to state agencies with respect to management, organizational planning and the development and application of controls over staff and costs.

In addition, the department 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 among the department's primary CFIS-related activity.

Finally, through its Office of Information Technology (OIT), the department is responsible for statewide coordination and control of electronic data processing.

In 1985-86, the department's staff consists of 353 personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$25,123,000 (\$24,806,000 from the General Fund and \$317,000 from reimbursements) to support the Department of Finance in 1986-87. This amount is \$641,000, or 2.6 percent, more than the department's estimated expenditures for 1985-86. Because reimbursements are expected to decline by \$252,000 in the budget year, however, General Fund expenditures are proposed to increase by \$893,000, or 3.7 percent, in 1986-87. Table 1 summarizes the department's budget, by program, for the past, current and budget years.

Table 1
Department of Finance
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

Program	Expenditures			Change from 1985-86	
	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Amount	Percent
Annual Financial Plan	\$8,582	\$9,359	\$10,136	\$777	8.3%
Program and Information Assessment	5,497	6,070	6,036	-34	0.6
Supportive Data	9,382	9,011	8,907	-104	1.2
Administration (distributed)	(2,928)	(3,436)	(3,493)	(57)	(1.6)
Administration (undistributed)	—	42	44	2	4.8
Totals	\$23,461	\$24,482	\$25,123	\$641	2.6%
Funding Source					
General Fund	\$22,904	\$23,913	\$24,806	\$893	3.7%
Reimbursements	557	569	317	-252	-44.3
Personnel-Years	368.4	352.8	358.4	5.6	1.6

Budget-Year Changes

Table 2 shows the proposed changes in the department's 1986-87 budget. The most significant *baseline adjustments* are due to salary-related benefit increases (\$871,000), reduced reimbursements (\$252,000) and the completion during the current year of the department's office automation project, Phase 2 (-\$503,000).

Virtually all the *workload and program changes* relate to department and statewide information technology issues (please see discussion, below).

Salary Savings Rate Reduced. The department proposes to reduce salary savings in 1986-87 by \$57,000—from \$717,000 (5.2 percent of salaries and wages to \$660,000 (4.4 percent). The proposed reduction (which has the effect of increasing expenditures by the department) is based on the department's actual salary savings experience during recent years. While the reduced salary savings requirement is reasonable, it is in stark contrast to the *increased* requirements which the department has proposed for many agencies as a method for absorbing unallocated cuts.

Table 2
Department of Finance
Proposed 1986-87 Budget Changes
(dollars in thousands)

	General Fund	Reim- bursements	Totals
1985-86 Expenditures (Revised)	\$23,913	\$569	\$24,482
<i>Baseline Adjustments</i>			
Salary and Benefit Adjustments	\$871	—	\$871
Reduced Management Staff	-216	—	-216
Reduced Salary Savings Requirement	57	—	57
Adjustments for Office Automation Expenditures	-503	—	-503
Reduced Reimbursements	—	-\$252	-252
Other Baseline Adjustments	-67	—	-67
Subtotals, Baseline adjustments	(\$142)	(-\$252)	(-\$110)
<i>Workload Changes</i>			
Budget Related Staff Changes (Net)	\$51	—	\$51
OIT ^a Oversight and Review Staff	148	—	148
Subtotals, Workload Changes	(\$199)	—	(\$199)
<i>Program Changes</i>			
Net Effect of In-House Operation of Mainframe Computer	-\$107	—	-\$107
Consulting Funds for Statewide Data Processing and Information Technology Studies	300	—	300
Evaluation of DOF Information System	200	—	200
Additional Funds for Office Automation	159	—	159
Subtotals, Program Changes	(\$552)	—	(\$552)
1986-87 Expenditures (Proposed)	\$24,806	\$317	\$25,123
Change from 1985-86			
Amount	\$893	-\$252	\$641
Percent	3.7%	-44.3%	2.6%

^a Office of Information Technology.

DEPARTMENT OF FINANCE—Continued

The budget does not include additional funding for merit salary adjustments or inflation adjustments to operating expenses and equipment. We estimate that the department will have to absorb approximately \$553,000 in such costs.

ANALYSIS AND RECOMMENDATIONS**Recent Information Processing Developments**

Most of the changes proposed in the department's 1986-87 budget are related to information processing. These changes are discussed below.

Mainframe Computer Use. In last year's *Analysis* (please see page 1589), we noted that the department's IBM 4341 mainframe computer was underutilized and recommended that the department advise the Legislature how this computer would be utilized in the future. In response, the DOF hired the Health and Welfare Data Center to prepare a study on options for using the computer. The center recommended that the department: (1) retain this computer as backup production and communication support for CALSTARS data processing workload and (2) take-over operation of the computer from the Teale Data Center (TDC), which has operated it since 1980.

The budget proposes to implement these recommendations by transferring four positions from the TDC to the department and reducing the amount budgeted by DOF for data center charges. This proposal is expected to save the DOF \$107,000 in 1986-87, with undetermined savings annually thereafter. Staff of the TDC indicate that the shift in computer operations is not expected to affect the rates it charges other agencies.

Office Automation Project. In 1984-85, the DOF initiated a four-phase word processing/office automation project. The phases consist of: (1) replacement of the department's word processing equipment (Phase 1); (2) a pilot project, encompassing three DOF management units, to determine the benefits of extending data processing technology to professional staff (Phase 2); (3) extension of the pilot project to all professional staff, assuming that Phase 2 is successfully completed (Phase 3), and (4) integration of the fully implemented office information technology with the department's other data processing systems (Phase 4).

In June 1985, the DOF purchased the equipment necessary for Phase 1, at a cost of \$524,000, and it is in the final stages of testing the equipment. In order to complete Phase 1, however, the DOF is proposing to spend \$107,000 during 1986-87 for additional backup computers and printers (\$62,000), software (\$13,000) site preparation (\$27,000) and training (\$5,000).

In 1985-86, the DOF received authority to spend \$447,000 on implementation of Phase 2. Although the equipment has been purchased, it will not be distributed to the project participants until July 1986. As a result, the project will not be completed until December 1986—six months later than planned. Therefore, Phase 3 (extension of office automation to all professional staff) could not start until 1987-88. In addition to the \$447,000 to be spent in 1985-86, the DOF is requesting another \$52,000 (\$20,000 for consultant services and \$32,000 for training) to complete the Phase 2 pilot project.

Office of Information Technology. The department proposes to spend \$300,000 in 1986-87 for the purpose of hiring private consultants to

(1) assess the state's existing data processing capabilities and provide a direction for future growth, and (2) prepare guidelines on how the office should implement policies for statewide information technology. In addition, the budget proposes an augmentation of \$148,000 to add three new positions to the office, in order to meet workload growth.

Evaluation of DOF Information Systems. The budget proposes to spend \$200,000 in 1986-87 for the purpose of hiring a private consultant to evaluate the department's current information systems. The consultant's report would be used in the department's internal planning process for development and use of an efficient, integrated data processing system.

Technical Budgeting Issues

We recommend that the Legislature delete \$105,000 requested from the General Fund (Item 8860-001-001) in order to eliminate overbudgeting as follows:

- **Consultant Services.** The DOF proposes to spend \$200,000 for external consultant and professional services in order to evaluate the department's current information systems. The consultant's report would be used in conjunction with the department's already established internal planning process for development of an integrated data processing and information system. Our analysis of this request indicates that the proposed evaluation is appropriate. Our review of studies prepared recently for other state agencies (the State Treasurer, the Employment Development Department, Caltrans and the Department of Rehabilitation), however, indicates that the evaluation can be conducted for \$100,000. Accordingly, we recommend that the amount budgeted for the evaluation be reduced from \$200,000 to \$100,000, in order to eliminate overbudgeting.
 - **High-Speed Printers.** The budget proposes to spend \$39,000 for eight dot matrix printers to supplement the printers acquired by the department during 1984-85, as part of Phase I of DOF's office automation project. These additional printers are needed to handle the current and anticipated volume of draft documents which cannot be processed in a timely manner by the letter quality printers currently in use. Our analysis indicates that, by using a dot matrix printer already available to the department's Health and Welfare Budget Unit under Phase 2 of the office automation project, only seven (rather than eight) additional printers will be needed. Therefore, we recommend that the \$39,000 proposed in the department's equipment budget for these printers be reduced to \$34,000, for a General Fund savings of \$5,000.
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COMMISSION ON STATE MANDATES

Items 8885 and 8895 from the
General Fund and the Resti-
tution Fund

Budget p. GG 141

Requested 1986-87	\$125,087,000
Estimated 1985-86.....	161,455,000
Actual 1984-85	97,444,000
Requested decrease \$36,368,000 (-22.5 percent)	
Total recommended reduction	None
Recommendation pending	12,084,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8885-001-001—Support	General	\$575,000
8885-101-001—Local assistance	General	124,172,000
8895-101-214—Local assistance	Restitution	340,000
Total		<u>\$125,087,000</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. PERS Contribution Rate Reduction Offset. Recommend that the Department of Finance report, at the time of budget hearings, on the nature of its proposal to eliminate funding for specified programs as an offset to an anticipated reduction in K-12 and community college districts' Public Employees' Retirement System contribution rates. 1661
2. Candidate Filing Fees. Recommend that the Department of Finance report, at the time of budget hearings, on its plans for reimbursing counties' costs for Ch 454/74. 1662
3. Voter Registration Purge. Recommend that the Department of Finance report, at the time of budget hearings, on its plans for reimbursing counties for the costs of voter registration purge activities. 1662
4. Juvenile Felony Arrests. Recommend adoption of supplemental report language requiring the Department of the Youth Authority to prepare an evaluation of Chapter 1088, Statutes of 1982. 1663
5. Underground Storage Tanks. Withhold recommendation on \$12,084,000 requested in Item 8885-101-001 (y), pending receipt of a revised estimate of budget-year costs from the Department of Finance. 1665
6. Reversion of Unneeded Funds. Recommend that the Legislature add Item 8885-495 to the Budget Bill to revert the unencumbered balance of the appropriation in Ch 96/84 to the General Fund as of June 30, 1986. 1665

GENERAL PROGRAM STATEMENT

Commission on State Mandates

The Commission on State Mandates was created by Ch 1459/84 (SB 2337) to replace the State Board of Control as the agency responsible for making the initial determination as to whether local agency claims for reimbursement of state-mandated local costs are appropriate. The commission has five members, including the Controller, the Treasurer, the Director of Finance, the Director of the Governor's Office of Planning and Research, and a public member appointed by the Governor, subject to Senate confirmation.

The responsibilities of the commission include:

- Hearing and deciding upon claims submitted by local agencies and school districts for reimbursement of costs mandated by the state.
- Adopting estimates of the amount required to reimburse local agencies and school districts for costs mandated by the state (statewide cost estimates).
- Adopting "parameters and guidelines" which delineate the types of costs which are eligible for reimbursement.
- Reporting to the Legislature, at least twice each year, on the number of mandates it has found and the statewide cost estimate it has adopted for each mandate.

The commission has 6.5 positions in the current year.

State-Mandated Local Programs

Current law (Chapter 3, Part 4, Division 1 of the Revenue and Taxation Code), commonly referred to as "SB 90," *requires* the state to reimburse local governments for the costs of state-mandated programs, and for lost sales and property tax revenues, except under specified circumstances. Article XIII B of the State Constitution (Proposition 4 on the November 1979 ballot) also requires the state to reimburse local governments for the costs of state-mandated programs.

Prior to 1983-84, the funds needed to support state-mandated local programs established by statute or executive order were provided separately through appropriations in various Budget Act items. Beginning in 1983-84, however, the appropriations for these programs were consolidated into a single Budget Bill item (Item 9680), in order to better reflect the magnitude and total cost of the mandated cost reimbursement program. For the budget year, the appropriation for these programs is included in the local assistance item of the budget for the Commission on State Mandates.

OVERVIEW OF THE BUDGET REQUEST

The budget requests appropriations totaling \$125,087,000 from the General Fund (\$124,747,000) and the Restitution Fund (\$340,000) for support of the commission and for payment of state-mandated costs incurred by local agencies in 1986-87. This is a decrease of \$36,368,000, or 22.5 percent, below current-year expenditures as estimated in the budget.

State Operations. The budget proposes an appropriation of \$575,000 from the General Fund for support of the Commission on State Mandates in 1986-87. This is \$3,000, or 0.5 percent, below estimated current-year expenditures. The budget proposal does not include any funds for the estimated cost of merit salary increases (\$4,000 in 1986-87) or inflation

COMMISSION ON STATE MANDATES—Continued

adjustments for operating expenses and equipment (\$14,000). Presumably, the commission will finance these costs by redirecting funds budgeted for other purposes.

The budget proposes the continuation of the 6.5 positions which the commission has currently, plus the addition of 0.1 temporary help position, bringing the proposed budget-year total to 6.6 authorized positions.

Local Assistance—Mandated Local Programs. The budget proposes appropriations totaling \$124,512,000 from the General Fund and the Restitution Fund for the various state-mandated local programs in 1986–87. Of the total, \$124,172,000 is requested from the General Fund. This is a decrease of \$36,705,000, or 22.8 percent, below the level of *estimated* current-year General Fund expenditures for payment of mandated costs.

This decrease reflects the fact that the current-year amount includes funding for certain prior-year costs as well as current-year costs. Specifically, the current-year total includes (1) amounts for deficiencies in prior budget act appropriations for a number of mandates (\$3,472,000), and (2) funding for the prior-year costs of mandates not previously funded through the Budget Act (\$24,688,000). In addition, the Governor's Budget is proposing a *reduction* of \$18.5 million in the reimbursement provided to K–12 and community college districts in 1986–87, as a partial offset to the savings that the budget expects the districts to realize from a reduction in the contribution rate charged by the Public Employees' Retirement System (PERS) for noncertificated school employees.

The appropriations proposed in the budget for 1986–87 generally reflect a 6 percent increase over current-year funding levels. According to the Department of Finance, the 6 percent increase is intended to cover costs associated with increased workload and inflation.

The budget also reflects funding, as required by current law, for four new statutes, an administrative regulation and an executive order. These previously unfunded mandates were funded in the claims bill enacted in 1985 (Ch 1175/85). Under current law, whenever a previously unfunded statute or executive order is funded by the Legislature through the claims bill process, the administration is required to provide funds to reimburse the ongoing annual costs associated with the mandate in the Governor's Budget.

At the time this analysis was prepared, the Department of Finance estimated that an additional \$14.4 million in funding would be requested in local government claims bills to be considered during the 1986 legislative session. Thus, if these bills are chaptered during the budget year without alteration, the total cost to the state of reimbursing local agencies for mandated costs could reach \$139 million in 1986–87. Because a portion of these funds are attributable to mandated costs incurred in prior years, however, the \$139 million overstates the true level of mandated costs being incurred by local governments and school districts in 1986–87.

ANALYSIS AND RECOMMENDATIONS**Commission on State Mandates—State Operations*****We recommend approval.***

The commission proposes no program changes for 1986–87. We believe the amount requested for support of the commission is reasonable.

Local Assistance—State-Mandated Local Programs**PERS Contribution Rate Reduction Offset Proposal**

We recommend that during budget hearings, the Department of Finance report on (a) what action it intends to take in the event that the anticipated reduction in PERS contribution rates for school employers fails to materialize, (b) why it proposes to recapture only 75 percent, rather than 100 percent, of any savings realized by school districts as a result of any PERS contribution rate reduction, and (c) why it proposes to accomplish this offset, in part, by eliminating funding for state-mandated local programs, rather than the more direct approach of reducing districts' revenue limits.

The Governor's Budget proposes to reduce overall funding for K-12 and community college districts by a total of \$39 million: \$18.5 million in this item (Item 8885), \$17.5 million in Item 6100, and \$3 million in Item 6870. A more detailed discussion of the administration's proposal is included in Item 6100 of this *Analysis*.

According to the Department of Finance, the reduction reflects (1) a 15 percent reduction in K-12 and community college district contribution rates to the Public Employees' Retirement System (PERS) which the administration expects the Legislature to approve for 1986-87, resulting in \$52 million in savings to these districts, and (2) the fact that the General Fund supports approximately 75 percent of the costs of K-12 and community college districts. According to the department, 75 percent of the \$52 million in savings—or \$39 million—should accrue to the General Fund.

The \$18.5 million eliminated from this item includes:

- One-half the reimbursement for mandated costs associated with school collective bargaining required by Ch 961/75 (\$6.1 million),
- Reimbursement for the cost of fingerprinting kindergartners as required by Ch 459/85 (\$1.3 million), and
- Reimbursement for the costs of four programs involving PERS benefits (\$11.1 million).

Analysis. Our review of this proposal identifies several problems. Specifically, our analysis indicates that:

- There is little, if any, evidence to support the Governor's assumption that PERS will reduce its employer contribution rates for school employers by 15 percent. At the time this analysis was prepared, the PERS board had not considered rate adjustments for 1986-87.
- It is unclear, as a matter of law, whether the Legislature could legally implement the Governor's proposal to discontinue funding for the specified mandates—even if it wished to do so.
- The administration's proposal would create winners and losers among districts, because the amount of savings from a contribution rate reduction and the amount of reimbursement claims for mandated costs varies from one district to another.
- If the administration's objective is to hold districts "harmless" from any gain or loss resulting from changes in PERS contribution rates, the amount provided for K-12 and community college apportionments should be adjusted by the *full amount* of the change. This is because, under the state's revenue limit system, the state provides funding for 100 percent (not 75 percent) of the marginal change in each school district's revenue limit guarantee.
- A more direct method of accomplishing the administration's objective would be simply to adjust revenue limits based on *anticipated* changes

COMMISSION ON STATE MANDATES—Continued

in PERS contribution rates. In each of the past four years, the Legislature has adjusted revenue limits to reflect *actual* changes in PERS contribution rates.

Accordingly, we recommend that the Legislature direct the Department of Finance to justify its proposal during budget hearings. In particular, the Department of Finance should be prepared to discuss (a) what action it intends to take in the event the anticipated reduction in PERS contribution rates fails to materialize, (b) why it proposes to recapture only 75 percent, rather than 100 percent, of any savings realized by K-12 and community college districts as a result of PERS contribution rate reductions, and (c) why it proposes to accomplish this offset, in part, by eliminating funding for state-mandated local programs, rather than through the more direct method of reducing districts' revenue limits.

Candidate Filing Fees Mandate Underfunded

We recommend that the Department of Finance report, at the time of budget hearings, on its plans for reimbursing the counties' 1986-87 costs of complying with Ch 454/74.

Chapter 454, Statutes of 1974, waives the requirement for a filing fee when a candidate for public office files a petition signed by a specified number of registered voters in the area to be represented. Since the cost of reviewing these petitions is borne by the counties, this act, in effect, created a mandated local program. The 1985 Budget Act appropriated \$28,000 to fund this mandate in the current year. The budget proposes \$30,000 to fund mandated costs incurred by counties in 1986-87.

The Secretary of State indicates that because filings for statewide elections are made in alternate years, approximately \$275,000 will be needed to reimburse the counties for mandated costs in the budget year. Thus, it appears that Item 8885-101-001 (q) is underfunded by as much as \$245,000. Consequently, we recommend that the Department of Finance report, at the time of budget hearings, on its plans for reimbursing counties for the costs they incur pursuant to Ch 454/74 in 1986-87.

Voter Registration Purge Mandate Unfunded

We recommend that the Department of Finance report, at the time of budget hearings, on its plans for reimbursing the counties for the costs of voter registration purge activities.

Chapter 820, Statutes of 1983, requires counties to use a single voter registration file purge method, known as the residency confirmation and outreach procedure (RCOP). This method involves sending voters a non-forwardable, address-correction-requested postcard preceding each direct primary election and after each general election.

Chapters 1401/76, 780/77 and 3/78 require that the state reimburse counties for the net costs of using voter registration file purge methods other than what is known as the *positive purge method*, at a rate of up to 10 cents per registered voter. The cost to counties of using the RCOP method may be greater than the cost of using the positive purge method in those years containing a primary election and less in those years containing a general election. Thus, the net costs of using the RCOP method are determined on a two-year cycle, and county reimbursements are budgeted for a two-year period.

The 1984 Budget Act contained an appropriation of \$952,000 to fund the costs of voter registration purge requirements for the period 1984-85 through 1985-86. Because the 1984 Budget Act appropriation included funds for the 1985-86 costs of the mandate, no funds were appropriated in the current year. The Secretary of State's office indicates that costs for the period 1986-87 through 1987-88 should exceed slightly those incurred in the period 1984-85 through 1985-86. The budget for 1986-87, however, contains *no* funds for this mandate. Thus, it appears that Item 8885-101-001 is underfunded by at least \$952,000.

Accordingly, we recommend that the Department of Finance report, at the time of budget hearings, on its plans for reimbursing counties for their voter registration purge costs during the period 1986-87 and 1987-88.

Juvenile Felony Arrests

We recommend the Legislature adopt supplemental report language requiring the Department of the Youth Authority to prepare, and submit to the Legislature by November 1, 1986, an evaluation of the impact that Ch 1088/82 is having on the operation of local juvenile justice systems.

Background. Chapter 1088, Statutes of 1982, requires district attorneys, rather than probation officers, to perform the initial review of certain juvenile felony arrest cases. Specifically, Chapter 1088 requires the probation officer to refer a case to the district attorney for the purpose of deciding whether to initiate proceedings in juvenile court against a minor, if the minor is (1) 16 years of age or older and arrested for a felony, (2) under 16 years of age and arrested for a second felony, or (3) of any age and arrested for a serious felony.

Chapter 1088 was established as a two-year pilot program to evaluate the effect of revising the procedure for the commencement of proceedings in juvenile court. Although the measure's provisions were scheduled to terminate on January 1, 1985, Ch 1412/84 subsequently revised some of the required procedures and made these provisions permanent.

Chapter 1175, Statutes of 1985 (AB 1301—the 1985 local government claims bill), provided \$2,300,000 to cover costs incurred by counties in implementing Chapter 1088 from January 1, 1983, through fiscal year 1985-86. The budget requests \$636,000 from the General Fund for the 1986-87 costs of complying with the mandate.

Analysis. Two issues need to be resolved so that the Legislature can determine whether to retain or repeal the provisions of Chapter 1088. Specifically,

- The Legislature has no way of telling if the objectives of Chapter 1088 have been achieved because the pilot program has not been formally evaluated, and
- The cost of the mandate does not appear to be consistent with the Legislature's expectations.

Have the Objectives of Chapter 1088 Been Achieved? During legislative deliberations on Chapter 1088, proponents indicated that the pilot program would produce two principal benefits. First, they suggested that shifting the responsibility for filing petitions in juvenile court for certain juvenile felony cases from the probation department to the district attorney's office would decrease the amount of time required to adjudicate these cases.

Second, proponents claimed that the pilot program would increase juvenile court filings. This assessment apparently was based on the belief that probation departments were inappropriately placing certain juvenile felons on informal probation, instead of initiating proceedings in juvenile

COMMISSION ON STATE MANDATES—Continued

court, and that district attorneys were better qualified to determine the disposition of these cases.

Because the two-year statewide pilot program created by Chapter 1088 has not been formally evaluated, we are unable to determine whether these results have been achieved. Moreover, an informal telephone survey of several county probation departments and district attorneys' offices produced mixed findings. Some counties reported increased filings and decreased processing time. An equal number, however, reported that Chapter 1088 had resulted in little if any changes in the way juvenile felony cases were being processed.

Costs Exceed Legislative Expectations. One of the benefits anticipated from Chapter 1088 was more efficient—and therefore, presumably, less costly—processing of juvenile felony cases. From the evidence available to date, however, it is not at all clear that this is happening.

At the time Chapter 1088 was being considered by the Legislature, the Legislative Counsel's digest indicated that the measure did not establish a state-mandated local program. Although our analysis of Chapter 1088 indicated that the measure could result in some additional costs to district attorneys to review juvenile felony cases, the assumption could be made that because the probation officer was relieved of these duties, there would be a corresponding savings to probation departments.

Moreover, Chapter 1412, which made the provisions of Chapter 1088 permanent, was not identified as a fiscal bill by the Legislative Counsel when it was before the Legislature in 1984.

Given that (a) the costs of the mandate far exceed the Legislature's initial expectations and (b) there is no information to show that the program has achieved the results anticipated by the Legislature, we recommend that the pilot program established by Chapter 1088 be evaluated by the Department of the Youth Authority. This will assist the Legislature in determining whether to retain or repeal this mandate. Specifically, we suggest that the Youth Authority's evaluation address, at a minimum, the following issues:

- a. To what extent, and in what way, has Chapter 1088 "streamlined" the adjudication of juvenile felony cases at the local level?
- b. Have the number of juvenile felony court filings increased as a result of shifting decisionmaking authority to the district attorney's office? Have there been instances where juvenile felony cases were filed in juvenile court which may have been more appropriately handled through informal probation?
- c. What factors have contributed to the significant costs reported by counties for complying with this mandate? Have there been corresponding savings to local probation departments?
- d. How has Chapter 1088 affected the relationships between district attorneys' offices and probation departments throughout the state?

In sum, we recommend that the Legislature adopt the following supplemental report language, which directs the Department of the Youth Authority to evaluate the effects of Chapter 1088:

"The Department of the Youth Authority shall prepare an evaluation of the effects of Ch 1088/82 on the operations of local juvenile justice systems. The department shall report to the Legislature by November 1, 1986, on (1) how Chapter 1088 has affected the adjudication of juvenile felony cases at the local level, (2) what effect the measure has had

on the number of juvenile felony court filings, (3) what factors account for the significant costs claimed by counties, and (4) how the measure has affected relationships between district attorneys' offices and probation departments."

Underground Storage Tanks Cost Estimate is the Pits

We withhold recommendation on \$12,084,000 requested in Item 8885-101-001 (y), pending receipt of an updated estimate from the Department of Finance of what it will cost to comply with this mandate in the budget year.

The budget requests \$12,084,000 to reimburse cities, counties, and school districts for bringing the underground tanks which they own into compliance with regulations implementing Ch 1046/83. The regulations, which became effective January 1, 1985, required local governments to bring their underground tanks into compliance, beginning July 1, 1985. Chapter 1228, Statutes of 1985, delayed this compliance date to September 1, 1986.

Program Appears To Be Underfunded. The State Water Resources Control Board has estimated that, during the five years needed to achieve full compliance, local governments will incur capital costs of \$41 million to comply with the underground tank regulations, and ongoing annual costs of \$16 million to operate tank monitoring systems. Annual costs were estimated by the board to be \$11.4 million in 1985-86, increasing to \$14.6 million in 1986-87 and \$24.2 million in 1989-90, after which they would level off at \$16 million.

According to staff of the Department of Finance, the amount proposed in the budget was determined merely by increasing the amount provided in the current-year by 6 percent so as to adjust for inflation. No adjustment was made to account for the board's estimate of increasing program costs in 1986-87.

No Claiming Experience. According to the State Controller's office, the claiming instructions—the forms which local entities must file in order to receive reimbursement—for the current-year costs of this mandate were not issued until January 15, 1986. Therefore, at the time this analysis was prepared, no claims for reimbursement had been received by the Controller.

Lacking any information regarding (1) the amount of claims to be paid in the current-year (on which the budget year estimate is predicated), and (2) why the amount requested in the budget differs from the Water Resources Control Board's estimate of 1986-87 costs, we have no analytical basis on which to recommend approval of the amount requested. The deadline for current-year claims is May 15, 1986, at which time a more informed estimate of the amount required for budget year claims should be available from the Department of Finance. Consequently, we withhold recommendation on the \$12,084,000 requested in Item 8885-101-001 (y), pending receipt of an updated estimate of the amount required in the budget year.

Unneeded Funds Should Revert—Now

We recommend that \$10,533,000 appropriated from the General Fund in Ch 96/84 (a local government claims bill) be reverted to the General Fund as of June 30, 1986, because these funds are no longer needed.

Chapter 96, Statutes of 1984, appropriated \$21.9 million from the General Fund to pay the costs of 17 newly funded state-mandated programs. Under the terms of Chapter 96, the funds appropriated were available to

COMMISSION ON STATE MANDATES—Continued

reimburse costs incurred by eligible local agencies and school districts for these mandated programs through the 1983–84 fiscal year.

Under current law, any unencumbered balance of the appropriation in Chapter 96 will revert to the General Fund three years after the effective date of the bill, or on April 30, 1987. The budget shows that \$10,533,000 will remain from this appropriation as of June 30, 1986. Since the deadline for filing a claim for reimbursement of costs incurred in 1983–84 or prior years under the programs funded by Chapter 96 is past, none of the remaining funds appropriated by Chapter 96 may be encumbered.

Given that the funds appropriated by Chapter 96 are no longer needed to reimburse the costs of mandated local programs, we recommend that the Legislature take action to revert the unencumbered balance of the appropriation at the earliest possible time. Such action will increase the Legislature's flexibility in meeting high-priority needs statewide. Consequently, we recommend that the following item be added to the Budget Bill:

“8885-495—Reversion, Commission on State Mandates, Local Assistance. As of June 30, 1986, the unencumbered balance of the appropriation provided in Ch 96/84, shall revert to the unappropriated surplus of the General Fund.”

OFFICE OF ADMINISTRATIVE LAW

Item 8910 from the General
Fund

Budget p. GG 146

Requested 1986–87	\$2,950,000
Estimated 1985–86	2,772,000
Actual 1984–85	2,310,000
Requested increase \$178,000 (+6.4 percent)	
Total recommended reduction	108,000
Recommendation pending	130,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. **“AB 1013” Program. Reduce Item 8910-001-001 by \$84,000.** 1669
Recommend reduction to eliminate an unnecessary managerial staff position.
2. **“AB 1013” Program. Withhold recommendation on \$130,000 requested for two line staff positions, pending the receipt of additional workload information.** 1669
3. **Budget Format. Recommend that the Legislature adopt supplemental report language directing the Department of Finance to improve the office’s program presentation in future budgets.** 1670
4. **Technical Reduction. Reduce Item 8910-001-001 by \$24,000.** 1670
Recommend reduction to eliminate overbudgeted training funds.

GENERAL PROGRAM STATEMENT

The Office of Administrative Law (OAL), established by Chapter 567, Statutes of 1979, provides 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 carries out its statutory mandate through four basic functions:

- (1) **Review of Existing Regulations.** The OAL oversees the multi-year review by state agencies of all regulations adopted by those agencies prior to July 1980 to ensure that the regulations comply with the standards of necessity, authority, clarity, consistency, reference and nonduplication (as set out in Government Code Section 11349 *et seq.*).
- (2) **Review of New Regulations.** The office reviews all new regulations (including emergency regulations) proposed by state agencies for compliance with the aforementioned standards.
- (3) **Review of Informal Regulations ("AB 1013" Program).** Pursuant to Chapter 61, Statutes of 1982, the OAL is required to examine all informal regulations (including administrative guidelines, rules, orders, bulletins, or standards) used by state agencies. This review is intended to identify those informal regulations which, because of their *de facto* regulatory effect, must be formally adopted under the Administrative Procedure Act in order to be enforceable.
- (4) **Maintenance of the California Administrative Code.** The OAL is responsible for the publication, maintenance and distribution of the Code, which lists all existing state regulations.

The office has 51.5 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$2,950,000 from the General Fund for support of the Office of Administrative Law in 1986-87. This is \$178,000, or 6.4 percent, more than estimated current-year expenditures.

Table 1 presents a summary of OAL's expenditures and personnel-years for the past, current and budget years.

Table 1
Office of Administrative Law
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Percent Change From 1985-86
Personal services	\$1,802	\$2,287	\$2,375	3.8%
Operating expenses and equipment.....	508	485	575	18.6
Totals.....	\$2,310	\$2,772	\$2,950	6.4%
Personnel-years	46.0	51.5	51.5	—

Table 2 shows the proposed changes in OAL's budget for 1986-87. The major changes are: (1) an \$80,000 increase for salaries and benefits, (2) a \$111,000 reduction to reflect the purchase of office automation equipment in the current year, and (3) a \$117,000 augmentation for the completion of a project to improve the format of the California Administrative Code.

OFFICE OF ADMINISTRATIVE LAW—Continued

Table 2
Office of Administrative Law
Proposed 1986-87 Budget Changes
(dollars in thousands)

	<i>General Fund</i>
1985-86 Expenditures (Revised)	\$2,772
<i>Baseline Adjustments</i>	
Salary and Benefit Increases	\$80
Reclassification in Legal Division (5 positions)	8
Increase in Operating Expenses	59
Reduction in Equipment (Office Automation Project)	-111
Subtotal, Baseline Adjustments	(\$36)
<i>Program Changes</i>	
Contract for Administrative Code Project	\$117
Contract for Training Video	25
Subtotal, Program Changes	(\$142)
1986-87 Expenditures (Proposed)	\$2,950
Change from 1985-86:	
Amount	\$178
Percent	6.4%

The budget does not include full funding for merit salary adjustments or inflation adjustments to operating expense and equipment. We estimate that the department will have to absorb approximately \$64,000 in such costs.

ANALYSIS AND RECOMMENDATIONS**Review of Pre-1980 Regulations Continues**

Chapter 567, Statutes of 1979 (AB 1111), requires that state agencies review all of their regulations issued prior to June 30, 1980. The statute requires that all titles of the Administrative Code be reviewed by specific dates, ranging from June 30, 1981, to June 30, 1986.

When an agency completes its review of the regulations, it submits the file to the OAL with a Statement of Review Completion (SORC). The agency then has up to six months to submit to the OAL any regulations reported in the SORC which the agency proposes to *amend* or *repeal*. The OAL may take up to another six months to approve or disapprove these proposals. Regulations which an agency proposes in an SORC to *retain* are reviewed independently by the OAL only when the Legislature or the public requests a review.

At the time this analysis was written, 12 agencies had not completed their review of existing regulations. Seven of these agencies—the Departments of Education, Youth Authority, and Water Resources, the Office of the State Fire Marshal, the State Lands Commission, the California Waste Management Board, and the State Athletic Commission—have not completed their reviews on schedule and have not reported an expected completion date to the OAL. The remaining five agencies—the Departments of Banking, Savings and Loan, Social Services, and Health Services, and the Cal-OSHA Standards Board—have advised the OAL that they

intend to complete their internal reviews by June 30, 1986, on schedule. The OAL estimates that it will complete its evaluation of agencies' reviews by the end of 1986-87.

The OAL staff estimate that the 12 agencies will submit a total of approximately 5,000 sections of pre-1980 regulations. Currently, the OAL has 22.5 nonclerical positions assigned to "regulations review," which includes evaluation of pre-1980 and new regulations. We could not determine how many of those positions are dedicated to the pre-1980 regulations review, since the office does not maintain separate workload statistics on its two review programs. Presumably, the OAL will be able to redirect existing staff from this program to its other two regulations programs in future years.

AB 1013 Program Overstaffed

We recommend that the Legislature delete \$84,000 budgeted for a deputy director for the AB 1013 program, in order to eliminate unnecessary administrative expenses. We withhold recommendation on \$130,000 requested for the program's two staff positions, pending the receipt of additional information.

Background. Chapter 61, Statutes of 1982 (AB 1013), extended the OAL regulatory review process to "informal" administrative rules and orders. Although the AB 1013 program was established in January 1983, the office did not adopt its own procedural regulations to implement the program until November 1985. (Please see our 1985-86 *Analysis*, pages 1606-09, for a discussion of the OAL's delay in implementing this program.) The office was given two legal positions in the current year to make determinations of informal regulations, but to date the office has filled only one position. At the time this analysis was written, the office had received only seven requests for regulatory determinations under the program, three of which were returned because they failed to meet OAL requirements.

Budget-Year Request. For the budget year, the office proposes to continue the two staff positions. In addition, as part of a just-completed reorganization, the OAL proposes to reclassify an existing—but currently vacant—chief deputy director position to a deputy director position and redirect it to head a new AB 1013 "regulatory determinations" division.

We have two concerns with the OAL's budget-year staffing plan for the AB 1013 program. First, we do not understand the need to have a separate deputy director for a program which has only two staff members. In order to eliminate this unnecessary administrative overhead, we recommend that the Legislature delete the deputy director position, for a General Fund savings of \$84,000.

Second, experience with the AB 1013 program to date indicates that workload may not be sufficient to justify the two *existing* staff counsel positions assigned to this program. By the time of budget hearings, the OAL will have had additional experience with the program, which should help the Legislature determine what the ongoing level of staffing should be. Pending receipt of updated workload information, we withhold recommendation on \$130,000 and the two staff counsel positions proposed for the AB 1013 program.

OFFICE OF ADMINISTRATIVE LAW—Continued**Format of Office Budget Should Be Improved**

We recommend that the Legislature adopt supplemental report language directing the Department of Finance to modify the office's program presentation in future budgets.

The budget currently lists only one program under the Office of Administrative Law: the office itself. The OAL, however, conducts three programs: regulatory oversight, public programs, and administration. Furthermore, there are two components to the office's regulatory oversight function: new regulations and AB 1013 determinations.

Our review of the OAL budget indicates that the lack of program detail hinders legislative understanding and review of the budget. In order to improve the information provided, we recommend that the Legislature adopt the following supplemental report language:

It is the intent of the Legislature that the Department of Finance modify the budget presentation for the Office of Administrative Law in future Governor's Budgets to reflect the following programs: Administration, Public Programs, and Regulatory Oversight. Furthermore, the department shall include the following elements under the Regulatory Oversight program: Regulations Review (new regulations) and Regulatory Determinations (informal regulations).

Technical Recommendation

We recommend that the Legislature delete \$24,000 from the appropriation request to reflect the staff savings that an OAL training "video" will make possible.

The budget proposes an augmentation of \$25,000 to contract for the production of a "video" on the regulatory process, which the OAL would use to train state agency regulatory officers in 1986-87. At present, this training is provided in person by OAL staff members, on an "as requested" basis. The OAL estimates that it would require two analysts working full time for four months to prepare and deliver the training in 1986-87, at a cost of \$24,000. In comparison, the office estimates that a video presentation could cover most of the material from a three-hour live session in 17 minutes.

Our review of this proposal indicates that the proposed contract is appropriate. The budget, however, should reflect the savings in staff time cited by the office in support of this request. Accordingly, we recommend that the Legislature delete \$24,000, and 0.7 of an associate government program analyst position, to reflect the savings that will result from the video production.

DEPARTMENT OF ECONOMIC OPPORTUNITY

Item 8915 from the General

Fund and Federal Trust Fund

Budget p. GG 148

Requested 1986-87	\$132,339,000
Estimated 1985-86	168,187,000
Actual 1984-85	126,107,000
Requested decrease \$35,848,000 (- 21.3 percent)	
Total recommended reduction	None

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8915-001-001—DEO, support	General	\$85,000
8915-001-890—DEO, support	Federal	8,530,000
8915-101-890—DEO, local assistance	Federal	123,724,000
Total		\$132,339,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Carry-Over Funds. Recommend that the Legislature reappropriate local assistance funds carried over from the current year to 1986-87. Further recommend that the Department of Economic Opportunity (DEO) report to the Legislature by September 1, 1986, on its use of the carry-over funds. 1673
2. *Home Energy Assistance Program (HEAP) Applications. Reduce Item 8915-001-890 by \$383,000; increase Item 8915-101-890 by \$383,000.* Recommend a reduction of \$383,000 in departmental support to reflect the reduced costs of processing HEAP applications. Further recommend that these funds be redirected to increase support for local services. 1675
3. Petroleum Violation Escrow Account (PVEA) Funds. Recommend that the DEO submit to the Legislature, prior to budget hearings, its proposed plan for use of PVEA funds in 1986-87. 1677
4. Discretionary Funds. Recommend that DEO submit to the Legislature, prior to budget hearings, its proposed plan for use of discretionary Community Services Block Grant (CSBG) funds in 1986-87. 1677

GENERAL PROGRAM STATEMENT

Effective January 1, 1986, the Office of Economic Opportunity was transferred out of the Governor's office, and renamed the Department of Economic Opportunity (DEO), and provided with separate departmental status pursuant to Ch 457/85 (SB 463). The department (1) administers the Low-Income Home Energy Assistance (LIHEA) block grant program, (2) administers the Community Services Block Grant (CSBG), (3) plans, coordinates, and evaluates programs that provide services to the poor, and (4) advises the Governor on the needs of the poor. The LIHEA block grant assists low-income persons in meeting their energy needs. The CSBG provides funds to community action agencies for programs intended to assist low-income households.

DEPARTMENT OF ECONOMIC OPPORTUNITY—Continued

The 1985 Budget Act authorized 187.9 positions for the department. The department is proposing to eliminate six positions for a total staffing level of 181.9 positions in 1985–86.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$132,339,000 from all funds for programs administered by the department in 1986–87, as shown in Table 1. This is a net decrease of \$35,848,000, or 21 percent, below estimated current-year expenditures. This reduction is due to the fact that funds which were carried over into the current year will not be available in the budget year. Specifically, the following amounts will not be available in 1986–87: \$34.3 million in LIHEA block grant and Department of Energy (DOE) funds, \$813,000 in administrative funds, \$660,000 in CSBG support, and \$50,000 in Special Programs support.

The proposed expenditure level of \$132 million includes \$8.6 million for administration and \$123.7 million for direct service programs. The amount proposed for administration includes \$6,473,000 for management of the LIHEA block grant. This amount exceeds by \$1,645,000 the 5 percent limit established in state law. The administration proposes Budget Bill language to suspend the 5 percent cap and thereby allow funding for LIHEA administrative expenses to be based on program needs, as determined by the office. The suspension of the 5 percent cap would be in conformance with previous legislative action.

Table 1
Department of Economic Opportunity
Budget Summary
1984–85 through 1986–87
(dollars in thousands)

<i>Program</i>	<i>Actual 1984–85</i>	<i>Est. 1985–86</i>	<i>Prop. 1986–87</i>	<i>Percent Change From 1985–86</i>
Energy programs.....	\$93,579	\$135,974	\$101,213 ^a	–25.6%
Administration	(6,472)	(6,765)	(6,992)	(3.4)
Program	(87,107)	(129,209)	(94,221)	(–27.1)
Special programs	964	50	—	–100.0
Administration	(14)	(—)	(—)	(—)
Program	(950)	(50)	(—)	(–100.0)
Community services	31,514	32,081	31,041	–3.2
Administration	(3,068)	(1,538)	(1,538)	(—)
Program	(28,446)	(30,543)	(29,503)	(–3.4)
Executive and administration	2,863	3,128	3,309	5.8
Distributed administration	–2,813	–3,046	–3,224	5.8
DEO administration	9,604	8,385	8,615	2.7
Programs	116,503	159,802	123,724	–22.6
Totals	\$126,107	\$168,187	\$132,339	–21.3%
Funding Source				
<i>General Fund</i>	\$50	\$82	\$85	3.7%
<i>LIHEA</i>	86,352	131,084	96,549	–26.3
<i>CSBG</i>	31,514	32,081	31,041	–3.2
<i>DOE</i>	7,227	4,890	4,664	–4.6
<i>Other federal funds</i>	964	50	—	–100.0

^a Includes \$4,664,000 in funds from the Department of Energy.

Although expenditures for energy programs will decrease between the current and budget years, expenditures for administration will not decrease in 1986-87. Program costs decrease because funds carried over from 1984-85 into the current year will not be available in 1986-87. Administrative costs do not decrease because the carry-over of funds into the current year did not increase administrative costs. This is due to the fact that some of the administrative costs related to the carry-over (1) were incurred in both 1984-85 and the current year and (2) could be absorbed by existing administrative funds.

Table 2 shows the number of personnel-years by program for the department from 1984-85 through 1986-87.

The budget does not include additional funding for inflation adjustments to operating expenses and equipment. We estimate that the department will have to absorb approximately \$50,000 in such costs.

Table 2
Department of Economic Opportunity
Personnel-Year Summary
1984-85 through 1986-87
(dollars in thousands)

<i>Program</i>	<i>Personnel-Years</i>		
	<i>Actual</i> <i>1984-85</i>	<i>Est.</i> <i>1985-86</i>	<i>Prop.</i> <i>1986-87</i>
Energy programs.....	105.3	91.6	91.8
Community services.....	20.5	19.3	17.0
Executive and administration.....	62.6	65.1	66.0
Totals.....	188.4	176.0	174.8

ANALYSIS AND RECOMMENDATIONS

DEO POSITION AND EXPENSE NEEDS

DEO Staff Reductions

We recommend approval.

The budget authorizes 187.9 positions for DEO in 1985-86. The DEO proposes to reduce its staffing level by seven positions in 1986-87, bringing it to 180.9. Of these seven positions, two are now vacant, and one will become vacant in the current year. The department expects the workload associated with the remaining five positions to be absorbed by existing staff.

The office indicates that it can achieve these reductions in staffing levels without reducing its ability to administer the workload associated with the CSBG and LIHEA programs. We have reviewed the department's proposals and conclude that they are reasonable. Therefore, we recommend approval of the proposed reductions.

Legislature Should Budget Anticipated Carry-Over Funds

We recommend that the Legislature add an item to the Budget Bill which reappropriates the unexpended local assistance funds carried over from the current year into 1986-87. We further recommend adoption of Budget Bill language requiring the department to report to the Legislature by September 1, 1986, on (1) the amount of funds carried over from the current year into 1986-87 and (2) the department's use of the funds in 1986-87, including any difference between the department's use of the

DEPARTMENT OF ECONOMIC OPPORTUNITY—Continued***carry-over funds and the proportional allocation of these funds established by state law.***

Historically, the DEO has augmented the enacted budget using unspent LIHEA and CSBG funds carried over from previous years. These funds, called "carry over," are available because (1) contractors do not spend all of their funds in the year they receive them, (2) some of the HEAP checks which are sent to individuals to pay their utility bills are not cashed and are returned to DEO, and (3) administrative problems cause delays in disbursing funds.

Some of the carry-over funds are committed to pay outstanding obligations, while some of the funds are not committed for specific purposes. For example, DEO carried over \$34.7 million from prior years into 1985-86. This included \$33.7 million in LIHEA funds and \$1 million in CSBG funds. Of that total, \$13 million in LIHEA, and \$606,000 in CSBG carry-over funds were unobligated. The department committed most of these funds to local assistance programs, and informed the Legislature through the Section 28 process.

The department indicates that it is difficult to predict the amount of carry-over funds which will be available in 1986-87 because it has altered the administration of its programs, and cannot rely on past-year experience to predict future availability of carry-over amounts. Thus, the proposed budget for 1986-87 does not identify *any* carry-over funds from 1985-86, even though it is virtually certain that some carry-over of funds will occur.

The department acknowledges, however, that some unknown amount of funds will be carried over from the current year into the budget year. In order to provide for the carry-over of these funds, we recommend that the Legislature add an item to the Budget Bill which reappropriates the unexpended local assistance funds for 1985-86 for LIHEA and CSBG.

We further recommend that the Legislature adopt Budget Bill language that requires the department to inform the Legislature of the amount of funds being carried forward, and the department's use of those funds. As regards the use of these funds, the Legislature recently enacted Ch 1604/85 (SB 724), which specifies the percentage of LIHEA grant funds which are to be allocated among the LIHEA programs. In addition, state law requires that some CSBG carry-over funds be provided to certain Limited Purpose Agencies (LPAs). Thus, the Legislature has expressed its interest in the allocation of both LIHEA and CSBG funds.

The following language is consistent with the recommendation:

"8915-490—Reappropriation, Department of Economic Opportunity. As of June 30, 1986, the unexpended balance of the appropriation made by Item 0660-101-890, Budget Act of 1985, is hereby appropriated for transfer to and in augmentation of *Item 8915-101-890, Budget Act of 1986*, and shall be available for encumbrance and expenditure through June 30, 1987.

"The Department of Economic Opportunity shall notify the Legislature by September 1, 1986, of (1) the actual amount of 1985-86 LIHEA and CSBG funds that are carried forward into 1986-87 for expenditure and (2) the department's use of the funds carried over, including any difference between its use of the funds and the Budget Bill's allocation of funds to each program."

Department Will Process HEAP Applications

We recommend a reduction of \$383,000 from LIHEA administration, and an increase of \$383,000 for LIHEA local assistance to reflect savings in administrative costs identified by the department.

The budget contains \$773,000 to reimburse the Franchise Tax Board (FTB) to process applications from individuals for HEAP cash grants. The department advises us, however, that it plans to process these applications itself, instead of contracting the work out to the FTB. The DEO estimates that its costs for processing the applications will be \$390,000, for a net savings of \$383,000.

The DEO estimates that its costs to process the applications will include the following:

1. \$40,000 for increased staff.
2. \$220,000 to \$260,000 for Health and Welfare Data Center operating costs.
3. \$90,000 to rent additional equipment from the Health and Welfare Data Center.

The savings in administrative costs will make a like amount of energy assistance funds available for eligible households. Therefore, we recommend a reduction of \$383,000 from LIHEA administration and an increase of this amount for LIHEA local assistance. Adoption of this recommendation will reduce Item 8915-001-890 by \$383,000 and will increase Item 8915-101-890 by \$383,000.

LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT

The DEO administers the LIHEA block grant, which provides direct assistance to low-income households in order to help them finance their heating, cooling, and lighting bills. The 1986-87 budget proposes \$90.1 million for the LIHEA programs, excluding funds for administration. This is a reduction of \$34.8 million, or 28 percent, from current-year funding levels. This reduction is due to the fact that funds carried over from prior years into the current year will not be available in 1986-87.

The LIHEA program has three components, as follows:

The Home Energy Assistance Program (HEAP) provides cash grants to eligible households to help alleviate the burden imposed by energy-related utility bills. Grants vary by household size, the type of fuel used, and the location of the recipient's residence. In 1984-85, the average HEAP grant was \$129, and grants were made to 416,004 households. The office proposes to spend \$47,165,000, or 44 percent, of the LIHEA grant, for direct assistance payments in 1986-87.

The Energy Crisis Intervention Program (ECIP) provides emergency assistance to households in cases where fuel has been shut off or is about to be shut off, the household does not have sufficient funds to pay a delinquent utility bill, or the household is unable to finance the purchase or repair of heating devices. The ECIP is operated by local Community Action Agencies (CAAs) and other community-based organizations. The average payment by ECIP to 165,572 households was \$178 in 1984-85. The 1986-87 budget proposes \$26,819,000, or 25 percent, of the LIHEA block grant, in support of ECIP grants.

The Weatherization program provides low-cost energy conservation services, including weatherstripping, insulation, and heater adjustment, to recipients through community organizations. The average cost of weatherization services provided to 25,582 households was \$619 per home with LIHEA funds, and \$557 with DOE funds in 1984-85. In 1986-87, DEO

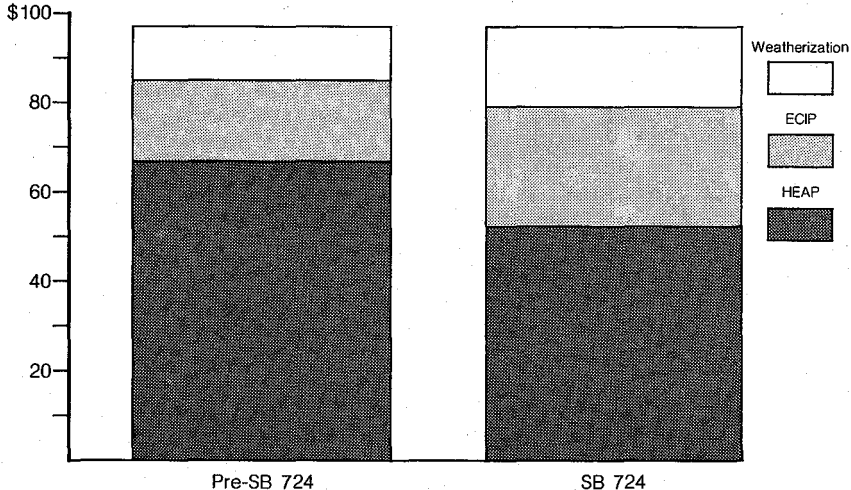
DEPARTMENT OF ECONOMIC OPPORTUNITY—Continued

proposes to allocate \$16,092,000, or 15 percent, of the LIHEA funds to weatherization. In addition to the LIHEA funds, DEO expects to receive \$4,145,000 in federal weatherization funds through the DOE's weatherization program. Together, weatherization grants from these two sources will total \$20,237,000 for 1986-87.

Legislature Changes Allocations to LIHEA Programs

Chapter 1604, Statutes of 1985 (SB 724), changed the percentage of the LIHEA grant funds which are allocated to the Weatherization, ECIP, and HEAP programs. The Legislature increased the allocation of LIHEA grant funds for the Weatherization program from 10 percent to 15 percent, and set the ECIP portion at 25 percent (\$27 million) instead of basing it on the prior-year's allocation. These changes resulted in a proportionate decrease in the HEAP grant, from 69 percent of the LIHEA grant in 1985-86 to 44 percent in 1986-87^a. Chart 1 shows the impact of these changes for 1986-87 by comparing the distribution of these funds using the pre- and post-SB 724 allocation formulas.

Chart 1
Effect of SB 724 on LIHEA Allocations^a
1986-87 (in millions)



^a Does not include Social Services Block Grant transfer.

^a SB 724 did not change the following LIHEA grant allocations: 10 percent to the Department of Social Services and 5 percent to administration.

Legislature Needs DEO's Plan for Expenditure of Petroleum Violation Escrow Account (PVEA) Funds

We recommend that DEO submit to the fiscal committees, prior to budget hearings, its plan for using PVEA funds allocated to the department by Item 9895-101-890.

The budget estimates that California will receive \$206.5 million in PVEA funds in 1986-87. Of these funds, \$203 million will result from a negotiated court settlement between the federal government and EXXON, and \$3.5 million from settlements of smaller court cases. The funds are appropriated in Item 9895-101-890.

The budget proposes to allocate \$20 million of the PVEA funds in Item 9895-101-890 to DEO for LIHEA programs. Specifically, it proposes (1) \$10 million for weatherization programs and (2) \$10 million for HEAP. The budget also allows the department to transfer up to 50 percent of both the HEAP and the weatherization funds between the two programs. Therefore, up to \$15 million of the \$20 million could be spent on either the HEAP or the weatherization programs.

The department has indicated that it plans to increase the number of households receiving HEAP awards and weatherization services, rather than the amount of funds spent on each household. The department has not indicated, however, whether some of the funds will be spent on administrative activities. Nor has the department indicated how much it plans to allocate to HEAP and the weatherization programs.

In order to assure that the Legislature has the opportunity to specify how the PVEA funds are used, we recommend that the department submit to the fiscal committees, prior to budget hearings, its plan for spending \$20 million in PVEA funds during 1986-87.

COMMUNITY SERVICES BLOCK GRANT

The DEO assumed responsibility for the Community Services Block Grant (CSBG), effective October 1, 1982. The CSBG, which replaced the federally administered Community Services Administration program, provides a range of services to low-income people through local Community Action Agencies (CAAs). The budget proposes the expenditure of \$31,041,000 in CSBG funds during 1986-87. This is a decrease of 3.2 percent from DEO's current-year expenditure level.

Legislature Needs DEO's Plans for Discretionary Funds

We recommend that DEO submit to the fiscal committees, prior to budget hearings, its plan for using discretionary CSBG funds in 1986-87.

Federal law permits states to use up to 5 percent of their CSBG allocations for discretionary activities designed to assist low-income households. State law specifies that up to 5 percent of the CSBG shall be set aside for discretionary purposes, including special projects, training, and technical assistance. In 1984-85, the DEO used these discretionary funds to support 31 local projects providing (1) emergency shelter, food, clothing and transportation services for low-income heads of households with dependent children or (2) child care for "latchkey children" in low-income households headed by single parents.

In the current year, the DEO plans to use CSBG discretionary funds for *demonstration projects* related to resource development for community-based organizations. Because continued federal support for CSBG is uncertain, the DEO expects the demonstration projects to develop methods

DEPARTMENT OF ECONOMIC OPPORTUNITY—Continued

for leveraging available funds which can be used by other community-based organizations. The department advises us that by the end of January 1986, it will prepare a request for proposals to spend the discretionary funds. The DEO expects to award three to five grants, and allow a contract period of up to two years.

In 1986-87, the DEO proposes to spend \$1,552,000 for discretionary activities. The office, however, cannot indicate the types of activities it proposes to support in the budget year.

In order to assure that the Legislature has an opportunity to determine the use of discretionary funds, we recommend that the department submit to the fiscal committees, prior to budget hearings, its plan for spending \$1,552,000 in CSBG discretionary funds during 1986-87. In addition, the department should identify how it proposes to extend the experience of the 1985-86 demonstration projects to benefit other community-based organizations in the state.

MILITARY DEPARTMENT

Item 8940 from the General

Fund and various other funds

Budget p. GG 152

Requested 1986-87	\$20,702,000
Estimated 1985-86	21,047,000
Actual 1984-85	19,380,000
Requested decrease \$345,000 (-1.6 percent)	
Total recommended reduction	None
Recommendation pending	330,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8940-001-001—Support	General	\$19,744,000
8940-001-485—Support	Armory Discretionary	
	Improvement	110,000
8940-001-890—Support	Federal Trust	(22,466,000)
Reimbursements		848,000
Total		\$20,702,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS
*Analysis
page*

1. Transfer of IMPACT Program. Withhold recommendation on transfer of IMPACT Program to EDD, pending a report at budget hearings on (1) the effect that the plan would have on the number of youth served, and (2) how the proposal will affect the program's ability to prepare persons for military service.

1680

GENERAL PROGRAM STATEMENT

The functions of the Military Department are to: (1) protect the lives and property of the people of California 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 (21,566 authorized officers and enlisted personnel), the Air National Guard (5,852 authorized personnel), and the Office of the Adjutant General. Staffing for the department funded through the budget totals 610.4 personnel-years in 1985-86.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes the expenditure of \$20,702,000 from various state funding sources for support of the Military Department in 1986-87. This is a decrease of \$345,000, or 1.6 percent, below estimated current-year expenditures. The amount includes \$19,744,000 from the General Fund, \$110,000 from the Armory Discretionary Improvement Fund, and \$848,000 in reimbursements that the department expects to receive in the budget year.

The total proposed budget for the Military Department, including state and federal funds, is approximately \$310 million—\$11.4 million, or 3.8 percent, above estimated current-year expenditures (please see Table 1). Of the \$289 million in federal funds, \$22.5 million is appropriated through the Budget Bill. The remainder is administered directly by the federal government. The proposed General Fund appropriation accounts for 6.4 percent of the department's total proposed expenditures in 1986-87.

Table 1
Military Department
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

<i>Program</i>	<i>Actual 1984-85</i>	<i>Est. 1985-86</i>	<i>Prop. 1986-87</i>	<i>Percent Change from 1985-86</i>
Army National Guard	\$171,369	\$185,057	\$195,098	5.4%
Air National Guard	103,810	107,381	109,887	2.3
Adjutant General				
undistributed	1,300	1,400	1,500	7.1
(distributed)	(3,832)	(4,643)	(4,913)	5.8
Support to Civil Authority	2,880	20	20	—
Military Retirement	1,834	1,925	2,004	4.1
California Cadet Corps	—	464	483	4.1
State Military Reserve	189	268	279	4.1
Farm and Home Loan	63	72	72	—
IMPACT Program	1,056	1,724	330	-80.9
Totals, Expenditures	\$282,501	\$298,311	\$309,673	3.8%
Funding Source				
General Fund	\$17,199	\$19,144	\$19,744	3.1%
Federal Funds	263,121	277,264	288,971	4.2
AWOL Abatement Fund	1	2	—	-100.0
Armory Discretionary Improvement Fund	—	—	110	NMF
Reimbursements	2,180	1,901	848	-55.4
General Fund share of total	6.1%	6.4%	6.4%	

NMF: Not a meaningful figure.

MILITARY DEPARTMENT—Continued

The budget proposal does not include any funds for merit salary increases (\$123,000) or inflation adjustments for operating expenses and equipment (\$270,000). Presumably, these costs will be funded by diverting funds budgeted for other purposes.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following program changes that are not discussed elsewhere in this analysis:

- Transfer of \$6.7 million and 12 positions from federal to state control for management and logistical support activities. Funding would continue to be provided from federal sources.
- An increase of \$1 million (federal funds) for replacement of underground storage tanks.
- An increase of \$220,000 (\$145,000 from the General Fund and \$75,000 from federal funds) to reduce the backlog of deferred maintenance projects at National Guard armories.
- One additional accounting position, at a General Fund cost of \$36,000.
- An increase of \$81,000 (\$20,000 from the General Fund and \$61,000 from federal funds) for one position to maintain a new Air National Guard communications station.

Transfer of IMPACT Program Not Consistent With Legislative Intent

We withhold recommendation on the proposed transfer of the IMPACT program to EDD, pending receipt of information on (1) the effect that the plan will have on the number of youth served, and (2) how the proposal will affect the ability of the program to prepare persons for military service.

The budget proposes to transfer the California Innovative Military Projects and Career Training (IMPACT) program from the Military Department to the Employment Development Department (EDD) in the budget year. The Military Department's budget includes \$330,000 in reimbursements it expects to receive from EDD in 1986-87 to provide the military training portion of the program's curriculum. The EDD's budget includes \$1.6 million from discretionary federal training funds (including the \$330,000 which would be transferred to Military Department) to support the program. The budget proposes to reduce the amount available for the program by approximately \$200,000, or 11 percent, below the amount budgeted for the program in the current year.

The IMPACT program provides basic skills, training, employment counseling, and job placement to economically disadvantaged youth, with an emphasis on preparation for military service. Although the program has been administered by the Military Department since 1977, the Department of Finance indicates that it would be more appropriately administered through EDD, because (1) the emphasis is on employment and training, and (2) approximately two-thirds of the funding is provided through EDD sources.

The budget proposal does not respond to the intent of the Legislature, as expressed in the *Supplemental Report of the 1985 Budget Act*. In the Supplemental Report, the Legislature specified that the IMPACT pro-

gram should be funded through General Fund support in the Military Department's budget, rather than with discretionary funds from EDD.

Our analysis indicates that the proposed transfer of the program could also change the size and nature of the training activity to be conducted. The EDD plans to administer the program in five cities during the budget year. In contrast, the Military Department is conducting training in seven cities (Compton, Los Angeles, Modesto, Oakland, Pittsburg, Sacramento, and San Jose) during the current year. Consequently, fewer youth may be served under the administration's proposals in the budget year.

Although the IMPACT program is a job training program, its emphasis is on preparing participants for military service. By drastically reducing the amount of contact that participants would have with military personnel, the entire character and intent of the program may change. The EDD currently rates the IMPACT program as the most effective state training program for youth in California.

At the time this analysis was prepared, we did not have sufficient information on the nature of the changes that might result from the proposed transfer to evaluate the merits of the change. Accordingly, we withhold recommendation on the proposal, pending a report to the Legislature, at the time of budget hearings, on: (1) the effect that the proposal would have on the number of youth served by the IMPACT program, and (2) how the proposal will affect the ability of the program to prepare persons for military service.

MILITARY DEPARTMENT—CAPITAL OUTLAY

Item 8940-301 from the General
Fund, Special Account for
Capital Outlay, the Armory
Fund, and the Federal Trust
Fund

Budget p. GG 160

Requested 1986-87	\$8,152,000
Recommended approval	108,000
Recommended reduction	1,252,000
Recommendation pending	6,792,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Federal Funding. Recommend that the department report to the Legislature prior to budget hearings on the availability of federal funding for projects budgeted in 1985-86 and 1986-87. 1683
2. Loans to Armory Fund. Recommend that the Legislature delete Budget Bill language allowing the Department of Finance to approve loans from the General Fund or the Special Account for Capital Outlay to the Armory Fund. 1683
3. Prior Loans to Armory Fund. Recommend that the department provide a cash-flow analysis of the Armory Fund indicating how and when previous loans from the Special Account for Capital Outlay will be repaid. 1683

MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued

4. Withhold recommendation on eight projects totalling 1685
\$6,604,000 under Items 8940-301-036, 8940-301-604 and 8940-301-890 (Table 2, page 1684), pending receipt of additional information.
5. National Guard Headquarters/Armory. Withhold recom- 1686
mendation for armory portion of project (\$188,000 under Item 8940-301-890), pending receipt of information on availability of federal funds.
6. *National Guard Headquarters/Armory. Reduce Item 8940- 1686*
301-036 (3) by \$771,000 and Item 8940-301-890 by \$481,000.
Recommend that the Legislature delete the headquarters portion of this project because (1) the need for the project has not been established, (2) the project exceeds the needs of the department, and (3) the availability of federal funding is uncertain.

ANALYSIS AND RECOMMENDATIONS

The budget requests a total of \$8,152,000 for the Military Department's capital outlay program in 1986-87. This amount consists of \$1,644,000 from the General Fund, Special Account for Capital Outlay (SAFCO), \$3,826,000 from the Armory Fund, and \$2,682,000 from the Federal Trust Fund. The department also proposes to spend \$15,752,000 in federal construction funds, which are not subject to state appropriation, for eight Army National Guard facilities located statewide and three Air National Guard projects located in Fresno, Ontario, and Point Mugu. Table 1 summarizes the department's budget request.

Table 1
Military Department
1986-87 Capital Outlay Program
(dollars in thousands)

<i>Project</i>	<i>Phase^a</i>	<i>SAFCO^b</i>	<i>Armory</i>	<i>Federal</i>	<i>Totals</i>
Design/construction supervision of federally financed projects.....	pwc	\$655	—	—	\$655
Headquarters/Armory Complex, Sacramento.....	pw	771	—	\$669	1,440
Fairfield Armory.....	c	—	\$838 ^c	1,614	2,452
San Jose Armory.....	pw	—	291 ^c	111	402
Arcadia Armory.....	a	—	1,119	—	1,119
Thousand Oaks Armory.....	a	—	1,228	—	1,228
Ukiah Armory.....	a	—	350	—	350
Minor Projects.....	pwc	218	—	288	506
Totals.....		\$1,644	\$3,826	\$2,682	\$8,152

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

^b General Fund, Special Account for Capital Outlay.

^c Under provisions in the Budget Bill this is a potential loan from either the General Fund or SAFCO, to be repaid from the Armory Fund.

Federal Funding May be Affected by Gramm-Rudman

We recommend that, prior to budget hearings, the department report to the Legislature concerning the availability of federal funds for projects budgeted in 1985-86 and 1986-87.

The budget includes \$2,682,000 from the Federal Trust Fund for five projects and \$655,000 from the SAFCO to plan, design and construct projects financed with \$15.7 million in federal funds. In addition, \$110,000 from the SAFCO is included as the state's matching share for two minor projects.

The Gramm-Rudman Balanced Budget Amendment, enacted in December 1985, may affect the availability of funding for Military Department projects. In the event that federal funds are reduced for National Guard construction programs, projects funded in the 1985 Budget Act or proposed in the 1986 Budget Bill could be adversely affected. Thus, we recommend that the department report to the Legislature on the availability of funding for projects budgeted in 1985-86 and 1986-87.

Loans To The Armory Fund

We recommend that the Legislature delete Budget Bill language under provision (1), Item 8940-301-604, that allows the Department of Finance to approve a loan from either the General Fund or the SAFCO to the Armory Fund because (1) the Armory Fund was established to independently sustain funding for Armory projects, and (2) there are outstanding loans against the Armory Fund.

We further recommend that prior to budget hearings, the department provide to the Legislature a cash-flow analysis of the Armory Fund indicating the repayment schedule for prior loans.

Proposed Budget Bill language specifies that (1) \$1,129,000 of the funds requested from the Armory Fund for the Fairfield (\$838,000) and San Jose (\$291,000) armories may be derived, instead, through a loan from the General Fund or the SAFCO, and (2) no expenditures for projects funded from the Armory Fund may be made until all outstanding loans to the fund have been repaid. The language does not specify the terms of the proposed loan—such as interest or repayment schedules—except that the loan must be approved by the Department of Finance.

The Armory Fund was created by Chapter 296, Statutes of 1983. All proceeds from disposal of armories are to be deposited in the fund, and are available for acquisition or construction of new or replacement armories when appropriated by the Legislature. Money in the fund that is not appropriated for armory purposes is also available for other purposes. This fund was created to allow the Military Department to dispose of unused or improperly located armories and use the revenue from disposal to sustain the construction program for new armories.

In the 1984 and 1985 Budget Acts, the Legislature authorized loans totaling \$963,000 from the SAFCO to the Armory Fund, to enable the Military Department to begin this "self-sustaining" program. The 1984 and 1985 loans were to be repayed with the proceeds from the sale of the San Francisco Armory in 1985-86. According to the cash-flow analysis of the Armory Fund submitted by the department during hearings on the 1985 Budget Bill, the proceeds from the sale of the San Jose Armory would support projects requested for funding in 1986-87.

Given prior legislative actions and the department's plans for implementing this program, the department should repay the prior loans and begin financing the armory construction program from the Armory Fund. There should be no need for the General Fund or the SAFCO to continue

MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued

loaning funds to the Armory Fund. Thus, we recommend the Legislature delete the Budget Bill language which would allow the Department of Finance to approve loans from the General Fund or the SAFCO.

Further, we recommend that the department provide to the Legislature, prior to budget hearings, a cash-flow analysis for the Armory Fund, indicating the repayment schedule for the prior loans.

Projects Recommended for Approval

The department requests \$108,000 under Item 8940-301-036 for three minor capital outlay projects (\$200,000 or less per project). The funds would be used for aviation facility landscaping and sprinklers (\$50,000), paving for an access road and entrance (\$47,000), and fencing (\$11,000). The projects are justified and we recommend that the Legislature approve them.

Projects for Which Recommendation is Withheld

Table 2
Military Department
1986-87 Major Capital Outlay Program
Projects for Which the Legislative Analyst
Is Withholding Recommendation
Items 8940-301-036, 8940-301-604 and 8940-301-890
(dollars in thousands)

<i>Project Title</i>	<i>Phase^a</i>	<i>Budget Bill Amount^b</i>	<i>Estimated Future Cost^c</i>	<i>Reason for Withholding Recommendation</i>
Design/construction supervision of federally financed projects	pwc	\$655	—	Pending report on the availability of federal funding.
Minor projects:				
Barstow Storage Building				
Atascadero Storage Building	pwc	398	—	Pending report on the availability of federal funding.
Fairfield Armory	c	2,452	—	Pending an explanation why this project has in- creased in scope.
San Jose Armory	pw	402	5,045	Pending an explanation why this project has in- creased in scope.
Arcadia Armory	a	1,119	2,507	Pending a Real Estate Services budget esti- mate.
Thousand Oaks Armory	a	1,228	2,449	Pending a Real Estate Services budget esti- mate.
Ukiah Armory	a	350	2,299	Pending a Real Estate Services budget esti- mate.
Totals		\$6,604	\$12,300	

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

^b See Table 1 for distribution of requested amount between the SAFCO, Armory Fund, and federal funds.

^c Department estimate.

We withhold recommendation on \$6,604,000 requested under Items 8940-301-036 (\$765,000), 8940-301-604 (\$3,826,000), and 8940-301-890 (\$2,013,000), pending receipt of additional information.

The budget includes funds for eight projects for which we withhold recommendation. Table 2 summarizes the projects and our reasons for withholding recommendation on each.

National Guard Headquarters Complex and Armory in Sacramento

The budget includes \$1,440,000 under Items 8940-301-036 (\$771,000) and 8940-301-890 (\$669,000) for preliminary plans and working drawings for a new state headquarters complex and a new armory in Sacramento. The proposed 285,600 gross square foot (gsf) project includes the following:

- 193,000 gsf two-story headquarters building with a reinforced basement;
- 51,200 gsf 800-person armory;
- 33,500 gsf central warehouse and rehabilitation shop; and
- 7,900 gsf organizational maintenance shop.

Table 3
Military Department
Facility Components and Cost of National Guard
Headquarters/Armory Project
Items 8940-301-036 and 8940-301-890
(dollars in thousands)

<i>Component</i>	<i>Federal Funds</i>	<i>Percent of Total</i>	<i>State Funds</i>	<i>Percent of Total</i>	<i>Totals</i>
HEADQUARTERS COMPLEX ^a	\$13,200,083	55.6	\$10,552,538	44.4	\$23,752,621
Headquarters Building.....	(9,798,214)		(4,825,986)		
Combined Federal/State Organizational Maintenance Shop	(433,380)		(288,920)		
Site Development, Contingency and Architectural/Engineering Fees	(2,300,760)		(1,185,240)		
800-PERSON ARMORY ^a	4,798,379	100.0	—	—	4,798,379
Building	(3,719,000)		—		
Site Development, Contingency and Architectural/Engineering Fees	(1,079,079)		—		
Totals	\$17,998,462	63.0	\$10,552,538	37.0	\$28,551,000

^a Site development, contingencies, and architectural/engineering fees are assumed to be proportional to the construction costs of the complex and armory, respectively.

MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued

The headquarters building will house the existing headquarters functions, the Consolidated Records Branch of the 40th Personnel Services Company, the Directorate of Army Aviation and Army Safety, and the U.S. Property and Fiscal Office (USPFO). The department proposes to locate the complex on 20.5 acres of land on Mather Air Force Base, Sacramento. The future estimated cost of this project is \$27,111,000, including state and federal funding. Table 3 shows the total project cost for these facilities and the funding source.

Headquarters Complex and Armory Are Independent Projects

As Table 3 indicates, the components of this project would receive varying levels of state and federal support. The department indicates that, because the proposed armory will be located on federal land (Mather Air Force Base), the armory will be 100 percent federally funded. On the other hand, the cost of the Headquarters Complex would be shared nearly equally between the state and the federal government.

The proposed headquarters complex and the armory are independent projects. For this reason we have provided a separate discussion for each.

Armory Proposal

We withhold recommendation on funding for the armory portion (\$188,000 under Item 8940-301-890) of the proposal, pending receipt of information on the availability of federal funding.

The proposed 800-person armory would be a 51,200 gsf one-story building. The facility includes a 9,000 gsf multipurpose assembly hall, food services facilities, locker room, shower/toilet facilities, indoor rifle range, band/training facilities, offices, and a carport. As Table 3 indicates, the total estimated cost of the armory is \$4,798,379, including \$1,079,000 for site development, contingency and architectural/engineering fees. The proposed new armory will provide space for persons assigned to other Sacramento armories and is consistent with armories of its type.

The budget request includes \$771,000 from SAFCO and \$669,000 from the Federal Trust Fund for preliminary plans and working drawings for the headquarters complex and the armory. Our analysis indicates that the amount of federal funds requested for this project which is attributable to the armory is \$188,000.

The request for the armory is reasonable. However, pending the receipt of information on the availability of federal funds, we withhold recommendation on the armory portion of this project.

Headquarters Complex

We recommend that the Legislature delete \$1,252,000 from Items 8940-301-036(2) (\$771,000) and 8940-301-890(3) (\$481,000), to prepare preliminary plans and working drawings for a new headquarters complex, because (1) the department has not justified the need for the facility, (2) the project is overdesigned, and (3) the status of federal funds for this project is uncertain.

The department has not submitted any information which explains why the Headquarters Complex is necessary. Under this proposal, the headquarters function would be consolidated with three other units—the Consolidated Records Branch, the Directorate of Army Aviation and Army Safety, and the USPFO. The department, however, has not indicated what benefits the state will obtain from spending \$10.6 million of *state* funds, to consolidate these activities.

In our review of the department's proposal, we identified a number of other problems, some of which are discussed below.

Headquarters Building. Based on an Office of Space Management study and information provided by the department, it appears that the total space needs of the offices to be consolidated in the headquarters building projected to the year 1990 will be 150,000 gsf. These functions currently are located in approximately 90,000 net square feet of office space. The department, however, plans to construct a 193,000 gsf building that consists of 150,000 gsf for immediate occupancy and 43,000 gsf (29 percent of the building) of *unused* space for *potential* future expansion.

Thus, given the department's projected space needs for 1990, the proposed building is overdesigned by 29 percent.

U.S. Property and Fiscal Office (USPFO) Relocation. The department's proposal to relocate the office functions of the federal USPFO from San Luis Obispo to the new facility may be counterproductive. The USPFO warehouse will remain in San Luis Obispo, 300 miles from the USPFO support offices. This wide separation of interrelated functions may delay the disbursement of federal property for use by the department which, in turn, may hinder the readiness of the Guard. Moreover, the federal government has not yet approved this relocation and will not make a final decision on it until March 1986. The department should detail the benefits of the move and identify any potential delays in disbursement caused by the separation. It should also indicate how these delays would affect the readiness of the Guard.

Federal Funding for this Project is Uncertain. As discussed above, the Gramm-Rudman Balanced Budget Amendment may reduce federal funding for state National Guard facilities. The department proposes to request approximately \$12.7 million in federal construction funding for this project in the 1988-89 fiscal year. If funding is available in the concurrent federal fiscal year, the project could proceed. If not, the Legislature will have the choice of providing the \$12.7 million federal share or cancelling the project and losing the state's initial investment in it.

In summary, the department has not justified either the benefits of this proposed consolidation or the amount of space requested. Moreover, given the uncertainty regarding the receipt of \$12.7 million in federal funds needed to undertake this project, it would not be prudent to proceed with state funding at this time. Consequently, we recommend that the Legislature delete \$1,252,000 requested for the project, consisting of \$771,000 in state funds under Item 8940-301-036 (2) and \$481,000 in federal funds under Item 8940-301-890 (3).
