

On this basis, we recommend that the budget be reduced by \$169,200 to provide for leased office space sufficient to accommodate only those personnel-years that have been authorized by the Legislature.

### OFFICE OF CRIMINAL JUSTICE PLANNING

Item 8100 from the General  
Fund and various funds

Budget p. GG 1

Requested 1987-88 .....	\$43,318,000
Estimated 1986-87 .....	46,385,000
Actual 1985-86 .....	36,824,000
Requested decrease (excluding amount for salary increases) \$3,067,000 (-6.6 percent)	
Total recommended reduction .....	None
Recommend funding shift .....	750,000

#### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8100-001-001—Support	General	\$4,343,000
8100-001-241—Support	Local Public Prosecutors and Public Defenders Training	67,000
8100-001-425—Support	Victim/Witness Assistance	1,499,000
8100-001-890—Support	Federal Trust	(412,000)
Chapter 1434/86—Support, Victim Assistance Training	Victim/Witness Assistance	100,000
8100-101-001—Local assistance	General	23,667,000
8100-101-241—Local assistance	Local Public Prosecutors and Public Defenders Training	808,000
8100-101-425—Local assistance	Victim/Witness Assistance	12,320,000
8100-101-890—Local assistance	Federal Trust	(11,411,000)
Chapter 1445/85—Local assistance, Homeless Youth Act	General	230,000
Reimbursements		284,000
Totals		\$43,318,000

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Alternate Funding Source. Increase Item 8100-001-425 by \$50,000 and Item 8100-101-425 by \$700,000. Reduce Item 8100-001-001 by \$50,000 and Item 8100-101-001 by \$700,000. Recommend that Child Sexual Abuse Training Centers be financed from the Victim/Witness Assistance Fund rather than from the General Fund.* 1278

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**

2. Federal Anti-Drug Funds. Recommend that prior to budget hearings, the OCJP report on how the office plans to distribute \$16.8 million in federal funds appropriated to the state by the Federal Anti-Drug Abuse Act of 1986. 1280

**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 80.2 personnel-years.

**OVERVIEW OF THE BUDGET REQUEST**

The proposed expenditure program for the Office of Criminal Justice Planning in 1987–88 is \$55.1 million, consisting of \$28.2 million from the General Fund, \$13.9 million from the Victim/Witness Assistance Fund, \$875,000 from the Local Public Prosecutors and Public Defenders Training Fund, \$11.8 million in federal funds, and \$284,000 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 decrease by \$2.9 million, or 9 percent, below estimated General Fund expenditures in 1986–87. The proposed decrease in expenditures from all funds is \$6.9 million, or 11 percent. The table has not been adjusted to reflect any potential savings in 1986–87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General fund expenditures.

The proposed decrease in 1987–88 General Fund expenditures is attributable primarily to the phase-out of three limited-term programs. Specifically, the state programs which will be phased-out in the budget year include the Targeted Urban Crime Narcotics Task Force—a two-year pilot project in Alameda County (\$2 million), the Adult Sex Offender Treatment program—another two-year pilot project (\$450,000), and the High Technology Crime Prevention program—a three-year pilot project in Santa Clara County (\$150,000). The budget also has been reduced by a Special Adjustment of \$44,000, which is approximately 1 percent of the \$4.3 million General Fund appropriation which finances the OCJP's state operations.

In addition, the OCJP projects that several federal programs will receive reduced funding during 1987–88. These include the federal Justice Assistance Act (\$950,000) and the Victims of Crime Act (\$950,000). Federal funding for the Juvenile Justice and Delinquency Prevention (JJDP) program is expected to remain relatively constant, however, the OCJP advises that its spending authority for JJDP funding has been reduced by \$1.2 million to reflect more accurately the actual availability of funding.

**Table 1**  
**Office of Criminal Justice Planning**  
**Budget Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

<i>Program</i>	<i>Actual 1985-86</i>	<i>Est. 1986-87</i>	<i>Prop. 1987-88</i>	<i>Percent Change From 1986-87</i>
1. Administration (Distributed) .....	(\$2,606)	(\$2,311)	(\$2,314)	0.1%
2. State and Private Agency Awards .....	1,500	1,500	—	-100.0
3. Local Project Awards .....	41,366	60,546	55,141	-8.9
Totals .....	\$42,866	\$62,046	\$55,141	-11.1%
Personnel-Years .....	69.8	80.2	86.4	7.7%
Funding Sources				
1. General Fund .....	\$24,153	\$31,153	\$28,240	-9.4%
2. Local Public Prosecutors and Public Defenders Training fund .....	502	875	875	—
3. Victim/Witness Assistance Fund .....	11,541	13,305	13,919	4.6
4. Federal Trust Fund .....	6,042	15,661	11,823	-24.5
5. Reimbursements .....	628	1,052	284	-73.0

Table 2 identifies, by funding source, the changes in expenditure levels proposed for 1987-88.

**Table 2**  
**Office of Criminal Justice Planning**  
**Proposed 1987-88 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Local Public Prosecutors and Public Defenders Training Fund</i>	<i>Victim/ Witness Assistance Fund</i>	<i>Federal Trust Fund</i>	<i>Reimburse- ments</i>	<i>Total</i>
1986-87 Expenditures (Revised) .....	\$31,153	\$875	\$13,305	\$15,661	\$1,052	\$62,046
Proposed Changes						
A. Workload Changes						
1. Personnel/Labor Relations Branch .....	19	—	—	—	—	19
2. California Council on Criminal Justice .....	46	—	—	—	—	46
3. Legislative Branch .....	45	—	—	—	—	45
4. Federal Block Grant Reduction .....	-45	—	-45	-1,905	—	-1,995
B. Cost Adjustments						
1. One-Time Reduction .....	-2,559	—	-108	-1,235	-192	-4,094
2. Full-Year Cost Adjustment .....	-529	—	—	—	—	-529
3. Pro Rata Adjustment .....	—	—	32	—	—	32
4. SWCAP Adjustment .....	—	—	—	9	—	9
5. General Fund 1% Support Reduction .....	-44	—	—	—	—	-44
C. Program Adjustments						
1. Child Sexual Exploitation Intervention Program .....	—	—	635	—	—	635
2. Victim-Assistance Training Program (Ch 1434/86) .....	—	—	100	—	—	100
3. Family Violence Prevention/Services .....	—	—	—	-707	—	-707

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**

4. Domestic Violence Employment Counseling Program (EDD) .....	—	—	—	—	—576	—576
5. Serious Habitual Offender Program (Ch 1441/86) .....	300	—	—	—	—	300
6. High-Technology Theft Prevention Program (Ch 1435/86) .....	—146	—	—	—	—	—146
1987-88 Expenditures (Proposed) .....	\$28,240	\$875	\$13,919	\$11,823	\$284	\$55,141
Change from 1986-87						
Amount .....	—\$2,913	—	\$614	—\$3,838	—\$768	—\$6,905
Percent .....	—9.4%	—	4.6%	—24.5%	—73.0%	—11.1%

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following significant program change, which is not discussed elsewhere in this analysis:

- An increase of \$635,000 from the Victim/Witness Assistance Fund to implement the Child Sexual Exploitation Intervention program authorized by Ch 1062/81.

**Alternate Funding for Victim Assistance Program**

*We recommend that Child Sexual Abuse Training Centers be financed from the Victim/Witness Assistance Fund, rather than from the General Fund, for a General Fund savings of \$750,000. (Increase Item 8100-001-425 by \$50,000 and Item 8100-101-425 by \$700,000. Reduce Item 8100-001-001 by \$50,000 and Item 8100-101-001 by \$700,000.)*

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 deposited in the fund 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 substantial unused balance available in the Victim/Witness Assistance Fund. The budget shows there will be surplus in the fund of \$2,233,000 on June 30, 1988. Our review further indicates that at least one of OCJP's existing programs which the Governor's Budget proposes to finance from the General Fund—the Child Sexual Abuse Prevention Training Centers program—could be funded from the Victim/Witness Assistance Fund surplus.

Chapter 1664, Statutes of 1984, established the Child Sexual Abuse Prevention Training Centers program within the OCJP. The centers are designed to provide training to publicly and privately employed counselors, teachers, and social workers in techniques for assisting victims of child sexual abuse and their families. The budget proposes \$750,000 (\$700,000 for local assistance and \$50,000 for state administration) from the General Fund for two specified centers in 1987-88.

Use of the Victim/Witness Assistance Fund to support the Child Sexual Abuse Training Centers would be consistent with the existing purposes for which the fund is used. The fund currently supports the Child Sexual Abuse and Exploitation program and the Victim Assistance Training program. The Child Sexual Abuse and Exploitation program's statutory responsibilities include developing training courses for individuals who deal with the victims of child sexual abuse. The Victim Assistance Training

program (Ch 1434/86) is intended to provide comprehensive standardized training to victim service providers.

In our *Analysis of the 1985-86 Budget Bill*, we also proposed to fund the Child Sexual Abuse Training Centers from the Victim/Witness Assistance Fund. At that time, our recommendation was not adopted primarily because the OCJP indicated that the surplus projected in the Governor's Budget for the Victim/Witness Assistance Fund was overstated, and thus was inadequate to fund the program.

We have reviewed the revenues and expenditures from the Victim/Witness Assistance Fund since its inception in 1983-84, as well as historic trends in Assessment Fund revenues which drive the Victim/Witness Assistance Fund balance. Our analysis of the data summarized in Table 3 indicates that a reserve equal to 10 percent of estimated revenues in the budget year, or a total of about \$1,430,000 should be adequate to guard against any potential revenue shortfall. This suggested reserve is greater than any revenue shortfall the fund has experienced to date. Moreover, it would be sufficient to fund the level of activity proposed in the budget even if growth in revenues is less than 5 percent between 1985-86 and 1987-88 (The Governor's Budget projects a 13 percent revenue growth during this same period). The balance of \$803,000 should be more than adequate to fund the Child Sexual Abuse Training Centers in the budget year.

**Table 3**  
**Office of Criminal Justice Planning**  
**Victim/Witness Assistance Fund**  
**1983-84 through 1987-88**  
**(dollars in thousands)**

	<i>Beginning Reserves</i>	<i>Revenues and Adjustments</i>	<i>Expenditures</i>	<i>Ending Reserves (Surplus)</i>
1983-84.....	—	\$1,179	\$800	\$379
1984-85.....	\$379	11,670	11,312	737
1985-86.....	737	12,450	11,541	1,646
1986-87 (est.).....	1,646	13,554	13,305	1,895
1987-88 (est.).....	1,895	14,257	13,919	2,233

Accordingly, we recommend that the General Fund amount proposed in 1987-88 for the Child Sexual Abuse Training Centers be replaced by an appropriation from the Victim/Witness Assistance Fund, for a savings of \$750,000 from 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 various assault victim services and prevention programs authorized in the Penal Code. Therefore, if our recommendation is adopted, the following language should be added to the Budget Bill to specifically reference the Child Sexual Abuse Training Centers:

Item 8100-001-425:

"Notwithstanding any other provision of law to the contrary, of the amount appropriated in this item, \$50,000 is for the purposes of Chapter 4.5 of Part 6 of Division 9 of the Welfare and Institutions Code, Child Sexual Abuse Prevention Training Centers."

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**

Item 8100-101-425:

“Notwithstanding any other provision of law to the contrary, of the amount appropriated in this item, \$700,000 is for the purposes of Chapter 4.5 of Part 6 of Division 9 of the Welfare and Institutions Code, Child Sexual Abuse Prevention Training Centers.”

**No Plan for Expenditure of Federal Anti-Drug Funds**

*We recommend that prior to budget hearings the Office of Criminal Justice Planning report on how the office plans to distribute \$16.8 million in federal funds made available to California by the Federal Anti-Drug Abuse Act of 1986.*

In October 1986, Congress enacted the Federal Anti-Drug Abuse Act of 1986 and provided \$225 million for distribution to state and local governments for drug enforcement activities during Federal Fiscal Year (FFY) 1987.

The measure specifies that the funds should be used for increasing the apprehension, prosecution, adjudication, treatment, and detention of persons who violate state and local laws relating to controlled substances. The funds may also be used for programs which identify and meet the needs of drug-dependent offenders, for eradication efforts, and for demonstration programs designed to identify major drug offenders and move these offenders expeditiously through the judicial system. Expenditures related to the construction of penal and correctional institutions for those convicted of controlled substance offenses are also permitted.

Of the \$225 million contained in the measure, 80 percent of these funds (approximately \$180 million) will be allocated to states based primarily on population, while the remainder (\$45 million) will be distributed on a “discretionary basis” by the United States Department of Justice. The United States Bureau of Justice Assistance estimates that California’s share of the nondiscretionary funds will be \$16.8 million, and of that amount about 67 percent (\$11.3 million) must be passed on to units of local government. The act requires a 25 percent cash match and limits the amount of the funds which may be expended for administration to 10 percent. The measure specifies that the same funding level will continue through FFY 1989, however, the recently released Federal Budget proposes that these funds be provided on a “one-time” basis only.

The act further specifies that the above funds will be distributed, subject to legislative review, by an executive branch agency designated by the Governor. The OCJP is California’s designated agency and currently is applying for these enforcement funds. This application must include a statewide strategy for the enforcement of state and local laws relating to the production, possession and transfer of controlled substances.

Despite being designated as the state’s agency for distributing these funds, the OCJP’s proposed budget for 1987–88 does not include a plan for their expenditure. The budget does request \$3.5 million of these funds to augment the Bureau of Narcotic Enforcement in the Department of Justice (please see our analysis of Item 0820), however, no other expenditure plan is provided. Because of the magnitude of the federal funding available, and the wide range of activities which can be financed from these funds, we recommend that the OCJP submit to the Legislature prior to budget hearings its plan for expending the \$16.8 million in nondiscretionary funds and any available discretionary funds appropriated by the Federal Anti-Drug Abuse Act of 1986.

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## COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

Item 8120 from the Peace Officers' Training Fund and the Peace Officers' Memorial Account, General Fund

Budget p. GG 9

Requested 1987-88 .....	\$40,651,000
Estimated 1986-87 .....	39,466,000
Actual 1985-86 .....	40,480,000
Requested increase (excluding amount for salary increases) \$1,185,000 (+3.0 percent)	
Total recommended reduction .....	None
Recommendation pending .....	61,000

### 1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8120-001-268—Support	Peace Officers' Training	\$6,618,000
8120-011-268—Contractual Services	Peace Officers' Training	1,908,000
8120-101-268—Local Assistance	Peace Officers' Training	32,000,000
Total, Budget Bill Appropriations		\$40,526,000
Continuing Appropriation—Support	Peace Officers' Memorial Account, General	125,000
Total		\$40,651,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis*  
*page*

1. **Research.** Withhold recommendation on one position and \$61,000 requested to continue research on peace officer killings and assaults, pending submission and review of report on previous research. 1283

### GENERAL PROGRAM STATEMENT

The Commission on Peace Office 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 counseling. Through a local assistance program, the commission reimburses agencies for costs they incur when their employees participate in POST-approved training courses.

The commission is authorized 85.1 personnel-years in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes appropriations totaling \$40,651,000 from the Peace Officers' Training Fund (POTF) and the Peace Officers' Memorial Account in the General Fund for support of the commission and assistance to local law enforcement agencies in 1987-88. This amount is \$1,185,000, or 3 percent, above estimated current-year expenditures.

Table 1 summarizes 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**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

	<i>Actual</i> 1985-86	<i>Est.</i> 1986-87	<i>Prop.</i> 1987-88	<i>Percent</i> <i>Change</i> <i>from 1986-87</i>
<i>Program Expenditures</i>				
1. Standards .....	\$2,730	\$3,416	\$2,898	-15.2%
2. Training .....	4,906	5,549	5,392	-2.8
3. Peace Officer Training Reimbursement .....	32,844	30,474	32,236	5.8
4. Administration (Distributed) .....	(2,676)	(3,117)	(2,236)	-28.3
5. Peace Officers' Memorial .....	—	27	125	363.0
Totals, Expenditures .....	\$40,480	\$39,466	\$40,651	3.0%
<i>Funding Sources</i>				
1. Peace Officers' Training Fund .....	\$40,451	\$39,439	\$40,526	2.8%
2. Peace Officers' Memorial Account .....	—	27	125	363.0
3. Reimbursements .....	29	—	—	—
<i>Personnel-years</i>				
1. Standards .....	22.7	24.3	22.4	-7.8%
2. Training .....	24.3	25.3	27.0	6.7
3. Administration .....	36.2	35.5	35.5	—
Totals .....	83.2	85.1	84.9	-0.2%

Table 2 shows budget changes proposed for both state operations and local assistance. Cost adjustments to the commission's support budget result in a net *decrease* of \$910,000, primarily reflecting one-time expenditures in the current year. Proposed program changes in the commission's support budget result in an increase of \$254,000 in 1987-88. In addition, local assistance expenditures for law enforcement training will increase by \$1.8 million, or about 6 percent, in the budget year.

**Table 2**  
**Commission on Peace Officer Standards and Training**  
**Proposed 1987-88 Budget Changes**  
**(dollars in thousands)**

	<i>State</i> <i>Operations</i>	<i>Local</i> <i>Assistance</i>	<i>Total</i>
1986-87 Expenditures (Revised) .....	\$9,307	\$30,159	\$39,466
<i>Proposed Changes</i>			
A. Cost Adjustments:			
1. Pro rata adjustment .....	114	—	114
2. Cal-Stars adjustment .....	32	—	32
3. One-time costs .....	-1,056	—	-1,056
B. Program Changes			
1. Training reimbursement .....	—	1,841	1,841
2. Research—peace officer killings .....	61	—	61
3. Criminal investigation training .....	61	—	61
4. Basic course waiver processing .....	34	—	34
5. Peace officers' memorial .....	98	—	98
1987-88 Expenditures (Proposed) .....	\$8,651	\$32,000	\$40,651
Change from 1986-87			
Amount .....	-\$656	\$1,841	\$1,185
Percent .....	-7.1%	6.1%	3.0%



**ANALYSIS AND RECOMMENDATIONS**

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

- An increase of \$98,000 for construction of a memorial to peace officers on State Capitol grounds in accordance with Ch 1518/85. The increase is funded from the Peace Officers' Memorial Account in the General Fund. The account derives its revenue from private contributions.
- An additional consultant position at a cost of \$61,000 from the POTF, to implement and oversee an expanded criminal investigation training program.

**Training Reimbursement Funds**

The budget proposes \$32 million from the Peace Officers' Training Fund to reimburse local governments for peace officer training costs, including per diem, travel, tuition, and participants' salaries. This is \$1.8 million, or 6.1 percent, above the amount estimated to be expended for that purpose in the current year.

The budget, however, reflects a decline in the percentage of local participants' salaries which will be financed by the state. Specifically, in the current year, the commission estimates that it will reimburse about 53 percent of participants' salaries. The amount proposed in the budget-year would enable POST to reimburse only about 50 percent of salaries. The commission advises that this decline will occur primarily because the costs of salaries for local participants plus other training costs are projected to grow faster than the 6.1 percent increase proposed in the budget.

Further, POST advises that its revised estimates now show that over 54,000 participants will be eligible for reimbursement in 1987-88, rather than the 48,717 participants estimated in the budget. If these revised estimates prove accurate, the funding proposed in the budget would provide reimbursement for only about 46 percent of salaries. The commission advises that it cannot determine whether this decline would affect the ability of local governments to participate in POST training courses.

**New Research Position is Premature**

*We withhold recommendation on a consultant position and \$61,000 requested from the Peace Officers' Training Fund to continue research on peace officer killings and assaults, pending submittal by POST of the results of previous research, as required by law.*

Chapter 881, Statutes of 1985, appropriated \$98,000 from the Peace Officers' Training Fund to POST for a study of the circumstances under which peace officers are killed during the course of their employment. The measure requires POST to prepare procedural guidelines to improve the ability of peace officers to cope with life-threatening situations, and submit the study to the Legislature no later than December 31, 1986.

For the budget year, the commission proposes to add a law enforcement consultant at a cost of \$61,000 from the Peace Officers' Training Fund, to continue research on peace officer killings and assaults on a permanent basis. The commission advises that this research is needed in order to reduce those occurrences by modifying the training of peace officers.

The commission further indicates that the need for this continuing research was determined from information obtained in the study required by Chapter 881. At the time this analysis was written, however, the report had not been submitted to the Legislature. Moreover, our review of Chap-

**COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued**

ter 881 found no indication that the Legislature intended POST to carry out ongoing research efforts in this area.

In our judgment, it is premature to approve this request until the commission (1) submits to the Legislature the results of its research and the procedural guidelines developed for peace officers as directed by Chapter 881, and (2) demonstrates the need for, and expected benefits of, continuing this research on a permanent basis. Accordingly, we withhold recommendation pending receipt and review of the required information.

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**STATE PUBLIC DEFENDER**

Item 8140 from the General

Fund

Budget p. GG 13

Requested 1987-88 .....	\$7,112,000
Estimated 1986-87 .....	6,557,000
Actual 1985-86 .....	5,540,000
Requested increase (excluding amount for salary increases) \$555,000 (+8.5 percent)	
Total recommended reduction .....	None

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

1. **Workload Data.** We recommend that the State Public Defender report during budget hearings on its efforts to provide workload information requested by the Legislature.

**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, with offices in Los Angeles, Sacramento, and San Francisco, is authorized 91.6 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$7,112,000 from the General Fund for support of the SPD in 1987-88. This is \$555,000, or 8.5 percent, more than estimated current-year General Fund expenditures.

Expenditures by the SPD from all fund sources, including reimbursements, are proposed at \$7,116,000 in the budget year. This is an increase of \$433,000, or 6.5 percent, above estimated current-year expenditures.

The proposed increase in total expenditures primarily reflects nine new positions and associated salary and staff benefits. We discuss this proposal in greater detail below. This proposed increase is partially offset by a

Special Adjustment of \$72,000, which is approximately 1 percent of total General Fund expenditures.

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**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

	<i>Act.</i> 1985-86	<i>Est.</i> 1986-87	<i>Prop.</i> 1987-88	<i>Percent Change</i> <i>From 1986-87</i>
Expenditures .....	\$5,681	\$6,683	\$7,116	6.5%
Personnel-Years.....	81.2	91.6	100.1	9.3

## **ANALYSIS AND RECOMMENDATIONS**

### **Better Workload Data Needed**

*We recommend that the SPD report to the Legislature prior to budget hearings on its efforts to compile workload information requested by the Supplemental Reports of the 1983 and 1985 Budget Acts.*

The budget proposes to add nine positions to the SPD staff in 1987-88, including six attorneys and three secretaries. The additional positions are requested primarily so that the office can address a targeted number of new death penalty cases in the budget year, while continuing work on pending death penalty cases. In addition, the proposed new positions are requested to enable the SPD to meet its appellate caseload goal. Finally, SPD staff indicate that the requested positions would address any new workload that potentially could arise as a result of death penalty cases affirmed by the state Supreme Court and appealed to the U.S. Supreme Court in the budget year.

**Staffing Needs Uncertain.** The SPD bases its request for new positions on workload standards of 16 appellate cases per year for attorneys not involved in death penalty cases, and two death penalty cases per year for those attorneys who are sufficiently experienced to handle such cases.

We are concerned about the proposal because the SPD was unable to provide historical data to support its proposed workload standards. However, our review suggests that the SPD probably will need additional staff to meet its overall caseload goals because, as Table 2 shows, it has been unable to achieve them in the past.

**STATE PUBLIC DEFENDER—Continued**

**Table 2**  
**State Public Defender**  
**Office Caseload**  
**1984-85 through 1987-88**

	1984-85	1985-86	1986-87	1987-88
Caseload Goal .....	600	608	675	674
Number Cases Accepted .....	257	534	515	—
Percent of Goal.....	42.8%	87.8%	76.3%	—

**Compliance With Supplemental Report Requirements Would Help Answer Workload Questions.** The *Supplemental Report of the 1983 Budget Act* required the SPD to (1) adopt an internal case tracking system to provide information about the history of each case and the amount of time spent on it, and (2) prepare guidelines and standards for its casework. In addition, the report expressed the intent of the Legislature that the SPD work with the Judicial Council to develop data that would allow a comparison of indigent criminal appeals cases handled by the SPD with the cases handled by private counsel appointed by the courts.

The *Supplemental Report of the 1985 Budget Act* broadened this requirement by requesting that the SPD and the Judicial Council jointly develop measures that would allow the Legislature to determine and compare the complexity of cases handled by court-appointed attorneys and the SPD, and incorporate these measures into their respective case-reporting forms and their automated systems for tracking these cases.

**Some Progress Has Been Made.** Although the SPD has begun entering data into its case tracking system, the office has been unable to provide the Legislature with a summary of the information because the system is still being tested to ensure the accuracy of the results.

**Recommendation.** Although a lack of adequate workload and cost data makes it impossible for us to determine precisely what level of staffing is needed in the office for the budget year, the available data indicate that the office has been unable to meet its overall caseload goals in recent years. Therefore, we recommend approval of six additional attorney positions and three secretaries.

In addition, in order to obtain the information on the cost and efficiency of the SPD which the Legislature requested in the *Supplemental Reports of the 1983 and 1985 Budget Acts*, we recommend that the SPD report to the Legislature prior to budget hearings on:

1. The progress the office has made in establishing a case tracking system that will allow a comparison of costs and complexity of cases handled by the courts and the public defender.
2. The information currently included in the system, and
3. A time line for completion of the requirements outlined in the *Supplemental Reports of the 1983 and 1985 Budget Acts*.

**ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS**

Item 8160 from the General  
Fund

Budget p. GG 15

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Requested 1987-88 .....	\$5,000,000
Estimated 1986-87 .....	5,000,000
Actual 1985-86 .....	4,987,000
Requested increase: None	
Total recommended reduction .....	None

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**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 the defense of indigents in 1987-88. This is the same as the level of expenditures estimated for the current year.

The State Controller's Office advises that current-year expenditures had exceeded \$4.9 million by January 15, 1987. This is nearly 99 percent of the \$5 million appropriated for this item in the current year. While reimbursements for indigent defense costs will exceed the 1986-87 appropriation, the amount of the expected deficiency currently is unknown and will depend on the cost of claims approved for payment during the remainder of the year.

The budget indicates that the \$5 million proposed for 1987-88 should be sufficient to cover costs estimated to be incurred in the budget year. The budget indicates, however, that local governments typically submit late claims for costs incurred in prior years. The budget proposes to fund any prior year claims received in 1987-88 through the deficiency process due to the uncertainty of the amount and frequency of such claims. We have no analytical basis for recommending a higher level of funding in the budget year.

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**PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS**

Item 8180 from the General  
Fund

Budget p. CG 15

Requested 1987-88 .....	\$2,000,000
Estimated 1986-87 .....	2,000,000
Actual 1985-86 .....	914,000
Requested increase: None	
Total recommended reduction .....	None

**GENERAL PROGRAM STATEMENT**

The state reimburses counties for 80 percent to 100 percent of the 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 1985-86, the last year for which the State Controller has data, the state paid claims submitted by five counties for 13 homicide trials totaling \$914,000.

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

The budget proposes an appropriation of \$2 million from the General Fund to reimburse counties for the state's share of specified costs resulting from homicide trials. This is the same amount budgeted in the current year for this program. Table 1 displays state reimbursement for homicide trial expenses from 1979-80 through 1987-88.

**Table 1**  
**Reimbursements to Counties for Costs of Homicide Trials**  
**1979-80 through 1987-88**

	<i>Expense</i>
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 .....	914,000
1986-87 (estimated) .....	2,000,000
1987-88 (proposed) .....	2,000,000

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.

**Impact of Recent Legislation Uncertain.** Chapter 32, Statutes of 1986, revised provisions related to reimbursement of homicide trial costs. Generally, these revisions increased the state's share of homicide trial costs under certain circumstances. The appropriation for this item in the 1986 Budget Act was increased by \$1 million to cover the anticipated costs of these changes. At the time this analysis was written, the State Controller's Office advised that about \$740,000 has been either expended or approved for payment of homicide trial costs in the current year. The office

further advised that new reimbursement instructions reflecting recent program changes were distributed to counties in December 1986, but it is unable to estimate the effect of the new guidelines on current-year or budget-year costs.

**Homicide Trial Reimbursement Study Pending.** Chapter 1469, Statutes of 1984 requires the Office of Planning and Research (OPR) to study cost restraints and incentives for cost effectiveness on the part of counties claiming reimbursement for homicide trial costs. The measure requires OPR to submit its report to the Governor and the Legislature no later than July 1, 1987.

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## ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS

Item 8190 from the General  
Fund

Budget p. GG 16

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Requested 1987-88 .....	\$891,000
Estimated 1986-87 .....	12,677,000
Actual 1985-86 .....	3,410,000
Requested decrease \$11,786,000 (-93 percent)	
Total recommended reduction .....	None

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### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

- |  |      |
|--|------|
| 1. Flood Litigation. Recommend that during budget hearings the Department of Finance report on its assessment of the General Fund threat posed by flood litigation currently pending against the state, and what steps it is taking to minimize this threat. | 1291 |
| 2. Transfer of Toxic Litigation Funds. Recommend that prior to budget hearings, the Department of Finance report on the appropriateness of financing a specified tort litigation settlement from the Hazardous Waste Control Account.                        | 1292 |

### 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

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

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.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$891,000 from the General Fund for payment of tort liability claims in 1987–88. This is \$9,000, or 1 percent, less than the amount *appropriated* by the 1986 Budget Act. Total *expenditures* in 1986–87, however, are expected to be \$12,677,000 because Chapters 1149, 1319, and 1476, Statutes of 1986, each appropriated significant amounts from the General and Special Funds for claims 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 \$891,000 appropriated for claims against General Fund state agencies in this item, \$23,056,000 is budgeted (Item 2660) for claims against the Department of Transportation in 1987–88. Thus, the total amount budgeted in 1987–88 for claims against state agencies is \$23,947,000.

The Department of Transportation advises, however, that the amounts displayed in the Governor's Budget for 1987–88 are abnormally high because they include funds for *current*-year judgments. The department estimates that current-year claims payments will exceed the \$11 million budgeted for 1986–87 by approximately \$5.5 million. The department proposes to defer payments of these excess settlements until 1987–88, thus increasing proposed expenditures in the budget year by \$5.5 million above what they otherwise would be. For a further discussion of the department's liability related expenditures, please see our analysis of Item 2660.

**Table 1**  
**Administration and Payment of Tort Liability Claims**  
**Summary of Statewide Activity**  
**1985–86 through 1987–88**  
**(dollars in thousands)**

	<i>Actual</i> 1985–86	<i>Est.</i> 1986–87	<i>Prop.</i> 1987–88	<i>Percent</i> <i>Change From</i> 1986–87
1. Claims Payments				
a. Department of Justice				
General Fund .....	\$2,921	\$8,926	\$891	–90.0%
Special Funds .....	—	3,751	—	–100.0
b. Department of Transportation (Special Funds) .....	16,056	11,056	23,056	108.5
c. Board of Control				
General Fund .....	397	20	—	–100.0
Special Funds .....	92	853	—	–100.0
Subtotals .....	\$19,466	\$24,606	\$23,947	–2.7%
2. Staff Services				
a. Department of Justice				
General Fund .....	\$3,484	\$4,699	\$4,279	–8.9%
Special Funds .....	3,464	2,852	2,851	—
b. Department of Transportation (Special Funds) .....	7,539	7,215	7,215	—
c. Board of Control (General Fund) .....	124	129	127	–1.6
Subtotals .....	\$14,611	\$14,895	\$14,472	–2.8%



## 3. Insurance Premiums

a. General Fund .....	\$265	\$308	\$383	24.4%
b. Special Funds .....	794	926	1,148	24.0
Subtotals .....	\$1,059	\$1,234	\$1,531	24.1%
Totals .....	\$35,136	\$40,735	\$39,950	-1.9%

Table 1 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 \$1.5 million on such policies in 1987-88. This amount is \$297,000, or 24 percent, more than the amount estimated for this purpose in 1986-87. Funds for these premiums are included in the support appropriations of the various state agencies that purchase the insurance.

**ANALYSIS AND RECOMMENDATIONS****Levee Breaks Flood State with Litigation**

*We recommend the Department of Finance report during budget hearings on its assessment of the General Fund threat posed by flood litigation currently pending against the state, and what steps it is taking to minimize this threat.*

The heavy rains and subsequent flooding of substantial portions of northern California during February 1986 resulted in the filing of a significant number of damage claims against the state. *By August 1986, the Board of Control received over 1,800 flood-related claims on behalf of nearly 4,400 claimants requesting approximately \$3.1 billion in damages.* Of these, 37 claims valued at \$950 million related to the Yuba River levee break. The standard policy of the board is to deny any claims involving complex questions of law or fact. Based upon this policy, the board indicates that nearly all of the 1,800 flood claims were denied between June and September of last year.

Accordingly, the Attorney General's Office advises that claimants currently are filing a significant number of legal actions against the state. For example, as of January 1987, 23 complaints had been filed in Superior Court on behalf of 2,900 Yuba River plaintiffs alone.

Our review of the budget indicates that *no additional attorney staff or legal support is proposed to address this litigation.* Instead, the budget proposes to augment the Board of Control's budget by \$300,000 to provide for "contractual services to review and appraise" flood claims. Our review of that request, however, suggests that the proposed augmentation is inappropriate because the board has already reviewed and denied these claims, and no further flood-related claims are expected. (Please see our analysis of Item 8700).

While the outcome in any of these flood-related actions is uncertain, the *potential* for significant adverse judgments against the state clearly exists. Therefore, we recommend that during budget hearings the Department of Finance report on its assessment of the General Fund threat posed by pending flood litigation, and what steps the department is taking to ensure that the risk of significant adverse judgments resulting from this litigation is minimized.

**ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued****Transfer of Funds for Toxic Litigation Settlement May Be Inappropriate**

*We recommend that the Department of Finance report prior to budget hearings on the appropriateness of financing a specific tort litigation settlement from the Hazardous Waste Control Account (HWCA), because the HWCA is intended to finance regulation of hazardous waste facilities rather than one-time litigation costs associated with toxic waste site mitigation efforts.*

Chapter 1319, Statutes of 1986, appropriated \$300,000 from the General Fund as a final settlement amount for interrelated actions generally known as the McColl Toxic Dumpsite Litigation. This litigation centered around 100 single-family residences which were developed on or near a toxic waste dumpsite (McColl Dumpsite) in Orange County. The plaintiffs were individual homeowners who sued developers and vendors of the homes, various public entities, and oil companies which deposited petroleum distillates in the contaminated area during the 1940s.

The settlement amount for the litigation was approved by all relevant parties including the Attorney General and the Department of Finance. However, the Department of Finance made its approval of the settlement contingent upon the settlement payment being made from the Hazardous Waste Control Account (HWCA) rather than the General Fund. The 1987 Budget Bill proposes to transfer \$300,000 from the HWCA to the General Fund in order to correct what the department believes was inappropriate financing of the original settlement payment.

Our review indicates that the use of the HWCA to support the McColl Toxic Dumpsite litigation settlement costs is inappropriate. This is because funds deposited in the HWCA are intended to finance the ongoing regulation of the generation, treatment, storage and disposal of hazardous wastes. The McColl litigation settlement costs result from damages caused by a toxic waste dumpsite. These costs are more appropriately borne by the Hazardous Substance Account (HSA), because the purpose of the HSA is to support the costs of cleaning up hazardous waste sites. Accordingly, we recommend that the Department of Finance report prior to budget hearings its rationale for proposing that these costs be paid from the HWCA rather than the HSA.

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**COMMISSION FOR ECONOMIC DEVELOPMENT**

Item 8200 from the General

Fund

Budget p. GG 17

Requested 1987-88 .....	\$552,000
Estimated 1986-87 .....	838,000
Actual 1985-86 .....	544,000
Requested decrease (excluding amount	
for salary increases) \$286,000 (-34.1 percent)	
Total recommended reduction .....	None

**1987-88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8200-001-001—Support	General	\$549,000
Reimbursements	—	3,000
Total		\$552,000

**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.

The commission is authorized nine personnel-years in 1986-87.

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

The budget proposes total expenditures of \$552,000 (\$549,000 from the General Fund and \$3,000 from reimbursements) to support the commission during 1987-88. This is \$286,000, or 34 percent, less than estimated current year expenditures. The decrease is due primarily to the deletion of current year funding (\$280,000) for a one-time evaluation of the economic implications of serious mental illness. Adjusting for the elimination of funding for this one-time study, the commission's proposed budget is \$6,000, or 1.1 percent, less than estimated expenditures in the current year. The decrease reflects a \$6,000 "special adjustment" reduction in the budget year.

Our analysis indicates that the proposed expenditures for the commission are reasonable.

## CALIFORNIA BICENTENNIAL COMMISSION ON THE U.S. CONSTITUTION

Item 8255 from the General

Fund

Budget p. GG 18

Requested 1987-88 .....	\$143,000
Estimated 1986-87 .....	122,000
Actual 1985-86 .....	12,000
Requested increase (excluding amount for salary increases) \$21,000 (+17.2 percent)	
Total recommended reduction .....	None

### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8255-001-001—Support	General	\$50,000
Reimbursements—Private donations	—	93,000
Total		\$143,000

### GENERAL PROGRAM STATEMENT

The California Bicentennial Commission on the U.S. Constitution was created by Chapter 1501, Statutes of 1984, for the purpose of promoting observances of the bicentennial of the United States Constitution and the Bill of Rights in California. Under existing law, the commission will sunset on July 1, 1992.

The commission has five members—three appointed by the Governor, one by the Speaker of the Assembly, and one by the Senate Rules Committee. The Superintendent of Public Instruction and the Chairpersons of the Senate and Assembly Education Committees serve as ex officio members. The commission's permanent staff consists of an executive director (three-quarter time), an executive secretary, and an office assistant.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

The budget proposes an appropriation of \$143,000 (\$50,000 from the General Fund and \$93,000 in reimbursements from private donations) for support of the commission in 1987-88. This is \$21,000, or 17.2 percent, greater than estimated expenditures of \$122,000 during the current year. Chapter 1501 provided an appropriation of \$50,000 from the General Fund for support of the commission. The budget indicates, however, that this appropriation and \$78,000 in reimbursements from private donations will be fully expended by the end of the current year.

The increase in total expenditures proposed for 1987-88 appears high because it reflects the full-year costs of two of the commission's permanent staff who were employed for only a portion of the current year. According to the commission, it is approximately one year behind the implementation schedule contained in Chapter 1501. That measure required that all members of the commission be appointed by March 1, 1985. All of the members of the commission, however, were not appointed until March 1986. Regular meetings did not commence until April 1986.

Our analysis indicates that the proposed expenditures for the commission appear warranted.

**Commission Plans to Submit Required Report on Its Activities.** Chapter 1501/84 requires that the commission submit to the Legislature by August 30, 1985 a report containing a calendar of bicentennial events, proposals for projects and instructional materials, and a request for additional funding. The commission's executive director indicates that this report should be available in February 1987. The delay in submission of the report is primarily due to the delay in the appointment of commission members.

### CALIFORNIA ARTS COUNCIL

Item 8260 from the General  
Fund and the Federal Trust  
Fund

Budget p. GG 19

Requested 1987-88 .....	\$12,549,000
Estimated 1986-87 .....	12,535,000
Actual 1985-86 .....	11,759,000
Requested increase (excluding amount for salary increases) \$14,000 (+0.1 percent)	
Total recommended reduction .....	None

#### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8260-001-001—Support	General	\$2,549,000
8260-001-890—Support	Federal Trust	(76,000)
8260-101-001—Local assistance	General	10,000,000
8260-101-890—Support	Federal Trust	(844,000)
Total		\$12,549,000

#### 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 1986-87.

#### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The budget proposes a General Fund appropriation of \$12,549,000 for the California Arts Council in 1987-88. This is an increase of \$14,000, or less than 1 percent, over estimated current-year General Fund expenditures. In addition to the General Fund, the council will receive federal funds totaling \$920,000 in the budget year. This is \$29,000 or 3.1 percent, less than the amount the council estimates it will receive in the current year. Thus,

**CALIFORNIA ARTS COUNCIL—Continued**

the council is proposing *total* expenditures of \$13,469,000, or \$15,000 *below* current-year expenditures.

Table 1 summarizes the council's expenditures by funding source for the past, current, and budget years. The table has not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund Expenditures.

**Table 1**  
**California Arts Council**  
**Budget Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

<i>Program Expenditures</i>	<i>Actual 1985-86</i>	<i>Est. 1986-87</i>	<i>Prop. 1987-88</i>	<i>Percent Change from 1986-87</i>
Artists in Residence.....	\$2,256	\$2,284	\$2,276	-0.4%
Grant expenditures.....	(1,738)	(1,712)	(1,717)	0.3
Administrative costs.....	(518)	(572)	(559)	-2.3
Organizational Grants.....	7,044	7,583	7,669	1.1
Grant expenditures.....	(6,226)	(6,668)	(6,695)	0.4
Administrative costs.....	(818)	(915)	(974)	6.4
Performing Arts Touring/Presenting.....	940	1,143	1,133	-0.9
Grant expenditures.....	(600)	(786)	(782)	-0.5
Administrative costs.....	(340)	(357)	(351)	-1.7
Statewide Projects.....	2,435	2,474	2,417	-2.3
Grant expenditures.....	(1,631)	(1,689)	(1,650)	-2.3
Administrative costs.....	(804)	(785)	(767)	-2.3
Central Administration (distributed).....	(1,489)	(1,422)	(1,404)	-1.3
Special Adjustment-administrative costs.....	—	—	-26	NMF <sup>a</sup>
Totals, Expenditures.....	\$12,675	\$13,484	\$13,469	-0.1%
Grant Expenditures.....	(10,195)	(10,855)	(10,844)	-0.1%
Administrative costs.....	(2,480)	(2,629)	(2,625)	-0.2%
<b>Funding Sources</b>				
<i>General Fund</i> .....	<i>\$11,749</i>	<i>\$12,535</i>	<i>\$12,549</i>	<i>0.1%</i>
<i>Federal Trust Fund</i> .....	<i>916</i>	<i>949</i>	<i>920</i>	<i>-3.1</i>
<i>Reimbursements</i> .....	<i>10</i>	<i>—</i>	<i>—</i>	<i>—</i>

<sup>a</sup> Not a meaningful figure.

The decrease in the council's budget for 1987-88 reflects several changes from the current year. First, the council requests an increase of \$60,000 from the General Fund for consultant and professional services to provide technical assistance to multi-cultural arts organizations. In addition, there is a General Fund reduction of \$38,000 which reflects one-time equipment purchases in the current year. Finally, the council's budget has been reduced by \$26,000, which is approximately 1 percent of the General Fund support for administration, as a Special Adjustment.

The budget for local assistance shows a net reduction of \$11,000 in 1987-88. This primarily reflects a reduction of one-time federal grants received in the current year. Our review of these proposed changes indicate that they are reasonable and we recommend approval.

**NATIVE AMERICAN HERITAGE COMMISSION**Item 8280 (from the General  
Fund)

Budget p. GG 26

Requested 1987-88 .....	\$309,000
Estimated 1986-87.....	312,000
Actual 1985-86 .....	243,000
Requested decrease (excluding amount for salary increases) \$3,000 (-0.9 percent)	
Total recommended reduction .....	None

**1987-88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8280-001-001—Support	General	\$279,000
Reimbursements	—	30,000
Total		\$309,000

**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.

The commission is authorized five personnel-years in the current year. Support services are provided to the commission by the Department of General Services.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures, including reimbursements, of \$309,000 for support of the commission in 1987-88. This is \$3,000, or 0.9 percent, below estimated expenditures in 1986-87.

The \$3,000 net decrease reflects (1) a \$2,000 increase to provide for salary and benefit increases, (2) a \$2,000 decrease in travel expenses, and (3) a \$3,000 decrease in operating expenses, which is approximately 1 percent of General Fund Support, as a special adjustment.

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

Our analysis indicates that the proposed expenditures for the board are consistent with its statutory mandate.

**AGRICULTURAL LABOR RELATIONS BOARD**Item 8300 from the General  
Fund

Budget p. GG 27

Requested 1987-88 .....	\$6,736,000
Estimated 1986-87 .....	7,892,000
Actual 1985-86 .....	7,877,000
Requested decrease (excluding amount for salary increases) \$1,156,000 (- 14.6 percent)	
Total recommended reduction .....	None
Recommendation pending .....	1,400,000

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

1. Results of Settlements and Compliance. Recommend that the Legislature adopt supplemental report language requiring the ALRB to compile statistics on the outcome of settlements and compliance efforts related to unfair labor practice cases. 1301
2. Office of the Board. Recommend that by April 1, 1987 the board submit to the Legislature a written plan to reduce the cost of the office's operation, and propose a set of standards for the timely processing of cases. Pending receipt of that plan, we withhold recommendation on \$1,400,000 proposed for the office. 1302

**GENERAL PROGRAM STATEMENT**

The Agricultural Labor Relations Board (ALRB) protects the rights of agricultural workers to join employee unions, bargain collectively with their employers, and engage in concerted activities through labor organizations of their own choosing. To fulfill its mission, the ALRB conducts and certifies elections for representation. In addition, it investigates informal charges, litigates formal 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 of 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 ALRB is 106.7 authorized personnel-years.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$6,736,000 from the General Fund for support of the ALRB in 1987-88. This is a decrease of \$1,156,000 or 14.6 percent, from estimated current-year expenditures. The reduction is due to (1) the elimination of one-time lay-off funding associated with the reduction of 33 authorized positions in the current year (\$1,088,000) and (2) the administration's special one percent reduction to all General Fund support budgets (\$68,000).

Table 1 shows personnel-years and expenditures for the board in the



past, current and budget years. The budget proposes the same number of authorized positions for the agency in 1987-88 that it has in 1986-87. The table has not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

**Table 1**  
**Agricultural Labor Relations Board**  
**Program Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Change from 1986-87</i>
	<i>Actual 1985-86</i>	<i>Est. 1986-87</i>	<i>Prop. 1987-88</i>	<i>Actual 1985-86</i>	<i>Est. 1986-87</i>	<i>Prop. 1987-88</i>	
Board Administration .....	51.9	42.9	42.9	\$3,805	\$3,745	\$3,238	-13.5%
General Counsel .....	64.8	52.5	52.5	4,080	4,147	3,566	-14.0
Administrative Services (distributed) .....	15.8	11.3	11.3	(719)	(741)	(646)	-12.8
Special Adjustment .....	—	—	—	—	—	-68	—
Totals .....	132.5	106.7	106.7	\$7,885	\$7,892	\$6,736	-14.6%

#### **Status of ALRB Position Reductions**

The 1986 Budget Act reduced the number of authorized ALRB positions for 1986-87 from 147.2 to 114.2. The reduction of 33 positions was taken as follows:

**Board (12 Positions).** The board lost three administrative law judges, one and one-half attorneys, six clerical positions and one and one-half professional staff services positions.

**General Counsel (17 Positions).** The Counsel's office lost one regional director, five attorneys, five field examiners and six clerical positions.

**Administration (4 Positions).** The administration program lost four clerical positions. In addition, the Oxnard regional office, which had the smallest workload of the regional offices, was closed.

The ALRB indicates that it was able to complete the position reductions by September 1, 1986 because many employees started to seek other employment by the spring of 1986, when the Legislature first contemplated elimination or reduction of the ALRB. Consequently, by July 1, 1986, 13 vacancies already existed. During the next three months, an additional 17 employees found other employment (mostly with other state agencies), two retired early, and 1 employee was laid off.

#### **ANALYSIS AND RECOMMENDATIONS**

##### **Status of ALRB Workload**

The ALRB has three general types of workload: (1) elections, (2) unfair labor practices (ULPs), and (3) compliance. Table 2 summarizes the resources proposed for each of these activities in 1987-88. In past years, the Legislature has been especially concerned about the agency's ability to perform its work in a timely manner. Below, we briefly summarize the current status of the ALRB's workload.

**AGRICULTURAL LABOR RELATIONS BOARD—Continued**

**Table 2**  
**Agricultural Labor Relations Board**  
**Personnel-Years and Cost by Activity**  
**1987-88**  
**(dollars in thousands)**

	<i>Elections</i>		<i>ULPS</i>		<i>Compliance</i>		<i>Total</i>	
	<i>Personnel-Years</i>	<i>Cost</i>	<i>Personnel-Years</i>	<i>Cost</i>	<i>Personnel-Years</i>	<i>Cost</i>	<i>Personnel-Years</i>	<i>Cost</i>
Board .....	9.6	\$644	32.7	\$2,177	5.7	\$384	48.0	\$3,206
General Counsel .....	7.1	424	32.9	1,977	18.8	1,130	58.7	3,530
Totals .....	16.7	\$1,068	65.5	\$4,154	24.5	\$1,514	106.7	\$6,736

**Elections.** Both the General Counsel and the board have responsibilities related to union representation elections. The General Counsel's regional office staff determine if an election petition meets the legal requirements necessary for an election to be held, and—if so—holds the election. In 1985-86, 68 election petitions were reviewed and 31 elections were held, the results of which were:

- 13 votes for no union representation,
- 12 votes for union representation,
- 5 elections undecided, and
- 1 election set aside.

The staff of the board is generally responsible for resolving election disputes and providing legal advice. The board's staff received formal objections to 18 of the 31 elections conducted in 1985-86. Of these 18 objections, half were dismissed upon administrative review by board staff, and half resulted in hearings before ALRB hearings officers.

**ULPs.** Typically, a ULP case involves a charge usually made by an agricultural worker who alleges that he or she suffered lost wages because farm management failed to bargain in good faith or took some form of punitive action, such as dismissal or demotion, due to his or her involvement in labor-related activities.

Table 3 provides summary information on ULP charge processing by the General Counsel. It indicates that the inventory of charges has dropped significantly in the last three years—from 981 in 1984-85 to 296 at the start of the current year. The decrease was due primarily to a reduction in incoming ULP charges.

Table 3 also shows that the estimated number of charges disposed in the current year is down dramatically from prior years. The dropoff is due to three factors. First, the 25 percent personnel reductions in the current year is having a commensurate impact on output. Second, the agency has diverted some staff from processing the existing ULP inventory to compliance cases. Finally, in past years, the agency reduced its backlog of cases by disposing—primarily through dismissals—of “easy” charges. The current workload consists of charges which will take more time to address.

**Table 3**  
**Agricultural Labor Relations Board**  
**Unfair Labor Practice Charges**  
**1979-80 through 1986-87**

	Beginning Inventory	New Charges	Charges Disposed				Total Charges Disposed
			Withdrawn	Dismissed	Settled	To Complaint	
1979-80 .....	289	1,302	279	260	16	438	193
1980-81 .....	598	938	160	411	6	426	1,003
1981-82 .....	533	930	195	492	12	366	1,065
1982-83 .....	398	1,218	164	393	33	192	783
1983-84 .....	834	882	102	424	81	162	769
1984-85 .....	981	732	58	680	59	136	933
1985-86 .....	780	452	70	720	60	86	936
1986-87 .....	296	276 <sup>a</sup>	14 <sup>a</sup>	258 <sup>a</sup>	18 <sup>a</sup>	44 <sup>a</sup>	334

<sup>a</sup> Estimates, based on six months of actual data.

**Compliance.** Compliance is the process of enforcing final orders of the board and the courts in unfair labor practice cases. Through compliance efforts, agricultural workers are reinstated to lost jobs and receive backpay to which they are entitled. In the 10 years of the ALRB's operations, 79 compliance cases have been completely closed. Another 48 cases are almost closed. Typically in these cases, most staff work and all litigation have been completed, but certain workers cannot be located or paid, final notices must be read, or some other problem exists. The ALRB staff is currently working on 58 active compliance cases to determine the amounts payable and to settle or litigate fiscal issues. The agency has identified 24 additional cases that it expects to become active compliance cases in the near future.

#### **Information Needed on Outcome of Cases**

*We recommend that the Legislature adopt supplemental report language requiring the ALRB to keep and report statistics on the outcome of settlement and compliance activities.*

Agricultural workers can be reinstated to lost jobs and receive backpay for lost wages either through litigation and compliance or through settlement. While few *active* charges are settled (please see Table 3 above), most charges which reach the *complaint* stage (a formal action by the General Counsel) end in settlement. Settlements are an important tool available to the ALRB to remedy the effects of unfair labor practices in a relatively timely manner. Through settlements, workers can be reinstated quickly to lost jobs and can be reimbursed for lost wages suffered as a result of an unfair labor practice, and growers can avoid the accumulation of large backpay awards, interest and legal fees.

Currently, the ALRB has very little summary information about the outcome of either settlements or compliance activities. For instance, the board in most cases does not know: how many workers were reinstated to jobs, how much money was collected and disbursed, what wages the average worker received, or how long it took to settle or close the case.

Compilation of basic data about the outcome of compliance and settlement cases would provide the Legislature with much more information than it now has about the overall effectiveness of the ALRB in remedying unfair labor practices. Consequently, we recommend that the Legislature adopt the following supplemental report language requiring the ALRB to

**AGRICULTURAL LABOR RELATIONS BOARD—Continued**

prepare and report information on the outcome of compliance and settlement cases.

The board shall gather and maintain the following information on each completed unfair labor practice settlement and compliance case: the case name and number, the date the initial ULP charge was filed, the date of the settlement or compliance closure, the nature of the charge, a general description of the terms of the settlement or compliance, the number of discriminatees, the number of individuals reinstated to lost jobs, the gross amount of backpay and make-whole, the number of employees who are to receive backpay and make-whole, and the average amount received per employee. The board shall make quarterly reports to the chairpersons of the fiscal committees and the Joint Legislative Budget Committee which summarizes the information on completed cases.

**The Office of the ALRB Board**

*We recommend that by April 1, 1987 the board (1) submit to the Legislature a written plan for reducing its costs over a two-year period, and (2) propose a set of standards for the timely processing of cases by the board and its staff. We withhold recommendation on \$1,400,000 proposed for the Office of the Board, pending receipt of the office's plan.*

The budget requests \$3.2 million and 45.9 authorized positions for the administration of the board. The budget divides the board into three parts: the Office of the Solicitor, the Office of the Executive Secretary and the Office of the Board (OB). This section focuses solely on the operations of the OB.

The budget proposes expenditures of approximately \$1.4 million in 1987-88 to support 20 positions in the OB: five full-time appointed members and three staff (two attorneys and one clerical position) for each member. The major responsibility of the office is to hear appeals of hearing officer decisions on representation and ULP cases. In addition, the OB considers a variety of motions, administrative matters, litigation, and other matters related to its decisions.

After reviewing the operations of the OB, we have some major concerns about the way the office addresses its workload. First, the output of the office has fallen significantly in recent years. As Table 4 shows, the board produced 96 decisions in 1982-83, only 31 decisions in 1985-86 and an estimated 31 decisions in the current year. The office did have an 18 percent staffing reduction in 1983-84 (as compared to a 29 percent reduction for the rest of the ALRB), but the OB was unaffected by the current-year 25 percent staffing reduction in the agency.

**Table 4**  
**Agricultural Labor Relations Board**  
**Decisions Issued by the Board**  
**1981-82 through 1986-87**

	<i>Election Decisions</i>	<i>ULP Decisions</i>	<i>Total</i>
1981-82 .....	20	62	82
1982-83 .....	13	83	96
1983-84 .....	19	49	68
1984-85 .....	5	31	36
1985-86 .....	6	25	31
1986-87 (Est.) .....	6	25	31

The office has a related problem of rendering decisions in a timely manner. In December of 1986, the board had 22 ULP cases under consideration. Six of those cases had been assigned to the board in 1983, one in 1984 and three in 1985. Such long delays can be costly to all parties, as workers typically are not reinstated to lost jobs while the case is undecided, and the amount of backpay and interest potentially owed by the growers continues to increase.

The office's problems in getting out work seem to be due—in large part—to its cumbersome process of rendering decisions. Currently, the attorneys assigned to members prepare written draft opinions, which are circulated to members and their staffs for review. Usually, one or more will disagree with aspects of the proposed decision, leading to the preparation of a dissenting opinion. The points raised by the dissenting opinion then cause the majority to rewrite its opinion, which—in turn—leads to a revision of the dissenting opinion. Apparently, it is not uncommon for four or five drafts of the majority and dissenting opinions to be prepared before a final decision can be reached.

This process appears to be an inefficient and exceedingly slow one. There are several options that the OB could consider to make the process faster and less costly. For instance, the staffing of the board could be reorganized so that individual attorneys did not report directly to board members. Instead, the executive secretary of the board could serve as chief of staff and assign workload to all attorneys on an as needed basis. The principle advantage of this approach is that it would be possible to manage and control the number of attorney hours invested in the review and writing of proposed decisions. In addition, the board could schedule formal meetings to discuss and vote on proposed decisions. Scheduled meetings would give all board members the opportunity to study each case in detail beforehand and present their opinions to other board members on how the case should be decided. This should reduce the number of draft opinions needed and the number of attorney hours devoted to writing and rewriting drafts.

In summary, our review of the office's operations indicates that (1) board decisions should be made in a more timely way to protect the interests of both agricultural workers and growers and (2) the operation of the board should become more efficient in order to reduce operating costs. In order to help the Legislature assess ways of addressing these concerns, we recommend that by April 1, 1987 the ALRB: (1) prepare and present to the Legislature a written plan outlining the steps it believes it can take to reduce the cost of OB operations over the next two years, and (2) propose a set of standards for the timely processing of elections objections and ULP cases that come to the board. Pending receipt of this information, we withhold recommendation on the OB's proposed 1987-88 budget of \$1.4 million.

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**PUBLIC EMPLOYMENT RELATIONS BOARD**

Item 8320 from the General

Fund

Budget p. CG 31

Requested 1987-88 .....	\$6,050,000
Estimated 1986-87 .....	6,155,000
Actual 1985-86 .....	5,526,000
Requested decrease (excluding amount for salary increases) —\$105,000 (—1.7 percent)	
Total recommended reduction .....	None

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

1. Collective Bargaining Information. Recommend adoption of supplemental report language directing the board to recover the costs of research activities that benefit school districts and employee groups. 1305

**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) State Employer-Employee Relations Act (SEERA), which affects state civil service employees, and (3) the Higher Education Employer-Employee Relations Act (HEERA), which affects University of California and California State University employees.

The board is authorized 95.3 personnel-years in 1986-87.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$6,050,000 from the General Fund for support of the Public Employment Relations Board (PERB) in 1987-88. This is a decrease of \$105,000, or 1.7 percent, below 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  
1985-86 through 1987-88  
(dollars in thousands)

Program	Expenditures							Percent Change From 1986-87
	Personnel-Years							
	Actual	Est.	Prop.	Actual	Est.	Prop.		
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1986-87	
Dispute Resolution .....	48.7	51.4	51.4	\$4,644	\$4,956	\$4,929	-0.5%	
Representation Determination .....	9.2	15	15	882	1,199	1,182	-1.4	
Administration (distributed) .....	27.4	28.9	28.9	(931)	(1,350)	(1,267)	-6.2	
Special Adjustment .....	—	—	—	—	—	-61	—	
Totals .....	85.3	95.3	95.3	\$5,526	\$6,155	\$6,050	-1.7%	

Table 2 explains changes in the board's expenditures between 1986-87 and 1987-88. The table shows that: (1) reductions were made to account for one-time, current-year expenses for a research project (\$59,000) and for equipment purchases (\$125,000), (2) funds were added for two program changes, and (3) the "special adjustment" resulted in a \$61,000 reduction.

**Table 2**  
**Public Employment Relations Board**  
**Proposed 1987-88 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>
1986-87 Expenditures (Revised) .....	\$6,155
<i>Baseline Adjustments</i>	
Reduction in funding for equipment .....	-125
<i>Workload Changes</i>	
Reduction in one-time research.....	-59
<i>Program Changes</i>	
Coding of collective bargaining agreements .....	41
Automated legal research .....	100
Subtotals, Program Changes .....	(\$141)
<i>Special Adjustment</i>	
One percent budget reduction .....	-\$61
1987-88 Expenditures (Proposed) .....	<u>\$6,050</u>
Change from 1986-87	
Amount.....	-\$105
Percent.....	-1.7%

## ANALYSIS AND RECOMMENDATIONS

### *We recommend approval.*

The funding proposed for the PERB's ongoing programs should allow the board to carry out its statutory responsibilities in 1987-88. Accordingly, we recommend approval.

### **Augmentation to Computerize Collective Bargaining Agreements**

*We recommend that the Legislature adopt supplemental report language requiring PERB to charge, to the extent feasible, user fees to support the ongoing costs of research activities that benefit school districts and employee groups.*

In May 1986, PERB signed a \$11,500 agreement which obligates the Department of Industrial Relations (DIR) to produce computerized information on 260 education collective bargaining agreements. The reports provide information on class size, grievance procedures, employee evaluations, layoff provisions, health care benefits, salary schedules and other areas covered by collective bargaining agreements. The PERB indicates that the comparison of the terms in the agreements provides information that is helpful to parties involved in the collective bargaining process.

**PUBLIC EMPLOYMENT RELATIONS BOARD—Continued**

The budget proposes an augmentation of \$41,000 to permit coding of additional education collective bargaining agreements. The DIR would code 900 agreements and produce 200 copies each of reports on bargaining agreements covering (a) classified employees and (b) certificated employees.

The budget-year proposal is consistent with PERB's role in public sector collective bargaining, and we recommend approval. Our analysis indicates, however, that if the information is indeed useful to school districts and employee groups, they should share most—or all—of the costs of maintaining and improving the data base. Accordingly, we recommend that the Legislature adopt the following supplemental report language directing PERB to charge, to the extent feasible, user fees to support the full cost of updating, expanding and improving the data on public education collective bargaining agreements.

It is the intent of the Legislature that the Public Employees' Relations Board charge, to the extent possible, users fees to individuals and entities in order to recover the full costs of maintaining its data base on public education collective bargaining agreements.

**DEPARTMENT OF INDUSTRIAL RELATIONS**

Item 8350 from the General  
Fund and various funds

Budget p. GG 34

Requested 1987-88 .....	\$107,688,000
Estimated 1986-87 .....	131,287,000
Actual 1985-86 .....	127,885,000
Requested decrease (excluding amount for salary increases) \$23,599,000 (—18.0 percent)	
Total recommended reduction .....	None
Recommendation pending .....	22,112,000

**1987-88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8350-001-001—Departmental support	General	\$93,219,000
8350-001-023—Regulation of farm labor contractors	General, Farm Labor Contractors' Special Account	50,000
8350-001-216—Enforcement of laws relating to the licensing of contractors	Industrial Relations Construction Industry Enforcement	618,000
8350-001-396—Regulation of self-insurance plans for workers' compensation	Self-Insurance Plans	1,421,000
8350-001-452—Elevator inspections	General, Elevator Safety Inspection Account	2,482,000
8350-001-453—Pressure vessel inspections	General, Pressure Vessel Inspection Account	2,908,000
8350-001-571—Workers' compensation benefits for employees of uninsured employers	Uninsured Employers', Employees' Account	1,038,000 <sup>a</sup>
8350-001-572—Workers' compensation benefits for asbestos workers	Uninsured Employers', Asbestos Workers' Account	308,000



8350-001-890—Departmental support	Federal Trust	3,474,000
Labor Code Section 96.6	Unpaid Wage	60,000
8350-001-973—Worker health and safety (school asbestos projects)	Asbestos Abatement	100,000
Ch 1571/84: Standards for firefighters' breathing apparatus	General	20,000
Reimbursements	—	1,990,000
Total		\$107,688,000

<sup>a</sup> The Budget Bill shows \$10,355,000 for this item, of which \$1,038,000 is appropriated from fines, penalties and recoveries from the Uninsured Employers' Fund, and the remaining \$9,317,000 is appropriated from Item 8350-001-001.

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Cal-OSHA Program. Withhold recommendation on the proposed transfer of the Cal-OSHA program to the federal government, pending receipt of additional information. 1317
2. "New" Health and Safety Program. Withhold recommendation on \$22.1 million proposed for the revamped state occupational safety and health program, pending receipt of a "zero-based" budget from the department. 1317

## 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." The department has three main programs:

- **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).
- **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.
- **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.

In addition, the department: (1) regulates self-insured workers' compensation plans, (2) provides workers' compensation payments to uninsured and special categories of employees, (3) offers conciliation services in labor disputes, and (4) promotes apprenticeship programs.

The department is authorized 2,215.9 personnel-years in 1986-87.

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$107,668,000 for support of the Department of Industrial Relations (DIR) in 1987-88. This is \$23,599,000, or 18 percent, below estimated current-year expenditures. The Gen-

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

eral Fund portion of the request is \$93,239,000, which is a decrease of \$9,350,000, or 9.1 percent, from current-year expenditures.

Table 1 shows the department's expenditures, by program, for the prior, current and budget years. The 18-percent reduction results almost entirely from a proposed transfer of the Cal-OSHA program (under "prevention of industrial injuries and deaths") to the federal government.

**Table 1**  
**Department of Industrial Relations**  
**Budget Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Program	Actual 1985-86	Estimated 1986-87	Proposed 1987-88	Change From 1986-87	
				Amount	Percent
Regulation of Workers' Compensation Self-Insurance Plans .....	\$1,375	\$1,684	\$1,680	-\$4	-0.2%
Conciliation of Labor Disputes .....	1,687	1,883	1,883	—	—
Adjudication of Workers' Compensation Disputes .....	44,635	46,099	45,526	-573	-1.2
Prevention of Industrial Injuries and Deaths	41,563	42,160	19,322	-22,838	-54.2
Enforcement of Laws Relating to Wages, Hours and Working Conditions .....	21,464	21,594	21,671	77	0.4
Apprenticeship and Other On-the-Job Training .....	5,061	5,228	5,231	3	0.1
Labor Force Research and Data Dissemination .....	3,098	3,072	3,072	—	—
Payment of Wages, Claims and Contingencies	9,002	9,567	10,245	678	7.1
Administrative Support Services (Distributed) .....	(12,450)	(11,217)	(11,217)	—	—
Special one percent reduction .....	—	—	-942	-942	—
Totals, Expenditures .....	\$127,885	\$131,287	\$107,688	-\$23,599	-18.0%
<b>Funding Sources</b>					
General Fund .....	\$97,801	\$102,589	\$93,239	-\$9,350	-9.1%
Farm Labor Contractors' Account .....	—	50	50	—	—
EDD Contingent Fund .....	2,015	—	—	—	—
Industrial Relations Construction Industry Enforcement Fund .....	535	622	618	-4	-0.6
Self-Insurance Plans Fund .....	1,177	1,425	1,421	-4	-0.3
Elevator Safety Inspection Account .....	2,445	2,482	2,482	—	—
Pressure Vessel Inspection Account .....	2,802	2,897	2,908	11	0.4
Asbestos Abatement Fund .....	9	100	100	—	—
Uninsured Employers' Fund, Employees' Account .....	920	1,062	1,038	-24	-2.3
Asbestos Workers' Account .....	274	317	308	-9	-2.8
Federal Trust Fund .....	17,802	17,633	3,474	-14,159	-80.3
Unpaid Wage Fund .....	35	60	60	—	—
Reimbursements .....	2,070	2,050	1,990	-60	-2.9

**Budget-Year Changes**

Table 2 summarizes the components of the \$23.6 million reduction in the department's budget request for 1987-88. The table shows that the proposed transfer of the Cal-OSHA program to the federal government accounts for almost 95 percent of the reduction. Other major changes

are the administration's one-percent Special Adjustment reduction (\$942,000), and an augmentation for projected increases in workers' compensations claims funded through the Uninsured Employers' Fund (\$678,000).

The table also shows workload changes related to the Cal-OSHA program. These proposals were made *prior* to the administration's decision to withdraw from the Cal-OSHA program; consequently, the two workload increases would be nullified by the proposed transfer.

**Table 2**  
**Department of Industrial Relations**  
**Proposed 1987-88 Budget Changes**  
**(dollars in thousands)**

	<i>All Funds</i>
1986-87 Expenditures (Revised) .....	\$131,287
<i>Baseline Adjustments</i>	
One-time equipment purchase .....	-\$318
Other adjustments .....	-58
Various programs:	
Cost of upgrading six attorney positions .....	33
Subtotal, Baseline Adjustments .....	(-\$343)
<i>Workload Changes</i>	
Labor Standards Enforcement:	
Increased legal workload .....	\$72
Workers' Compensation:	
Increased clerical efficiency due to automation .....	-233
Increased workers' compensation costs in Uninsured Employers' Fund .....	678
Various programs:	
Cost of upgrading six attorney positions .....	33
Cal-OSHA:	
Increased cost of contract with Building Standards Commission .....	17
Reduced regulation-review workload in Standards Board .....	-214
Increased legal workload in Standards Board .....	72
Subtotal, Workload Changes .....	(\$392)
<i>Program Changes</i>	
Elimination of mine inspections .....	-\$547
Transfer of Cal-OSHA to federal government .....	-22,159
Subtotal, Program Changes .....	(-\$22,706)
<i>Special Adjustment</i>	
One percent reduction .....	\$942
1987-88 Expenditures (Proposed) .....	\$107,688
Change from 1986-87:	
Amount .....	-\$23,599
Percent .....	-18.0%

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued****ANALYSIS AND RECOMMENDATIONS****THE ADMINISTRATION'S CAL-OSHA PROPOSAL**

Under the California Occupational Safety and Health Act (Cal-OSHA) program, the department inspects workplaces to ensure that the safety and health of California's workers are protected. Employers are subject to citations and penalties in cases where violations of health and safety requirements are found. The Governor's Budget proposes to withdraw funding and staffing from the Cal-OSHA program on July 1, 1987. While the budget presented only a very general outline of the proposal, the department has since provided more detailed information. The purpose of this section is to: (1) explain the program and budgetary aspects of the proposal as they are currently known, and (2) provide information that will be helpful to the Legislature in evaluating the merits of the proposal.

**A. DESCRIPTION OF THE PROPOSAL**

The administration's Cal-OSHA proposal has three elements: (1) the transfer of responsibility for inspecting *privately* owned and operated businesses to the federal government, (2) the maintenance of a state-operated *public sector* program focusing on the health and safety of state and local government workplaces, and (3) an expanded consultation services program, available to both public and private employers.

**Transferring Responsibility**

Public Law 91-596 (the Williams-Steiger Occupational Safety and Health Act of 1970) makes the federal government primarily responsible for the protection of the health and safety of American workers. The federal act, however, permits states to directly administer the program if they (1) have an approved state plan, (2) have enacted enabling state legislation and (3) are willing to pay for at least one-half the cost of the state program. California is one of 27 states which administer their own programs. California's plan, approved in 1973, was implemented in that same year by the California Occupational Safety and Health Act (Cal-OSHA).

The administration now plans to formally notify the federal government that it wishes to withdraw California's state plan. Federal regulations provide that a state may at any time voluntarily withdraw its plan by notifying the Assistant Secretary of the Department of Labor in writing of the reasons for the withdrawal and termination of the state's application for federal grants. Regulations further require the Assistant Secretary to publish a "notice of withdrawal of approval of the state plan" in the Federal Register upon receipt of the state's request, after which time the state plan ceases to be in effect and the federal government is responsible for administering the program.

**Impact of the Transfer on the DIR**

The transfer of responsibility for health and safety inspections of private-sector workplaces to the federal government would result in significant reductions in the budget of the Department of Industrial Relations. Tables 3 and 4 show, by DIR organizational unit, the staffing and funding reductions in all of the department's occupational safety and health activities. The tables show a total reduction of 394 positions, for a savings of \$22.8

million (\$8.7 million General Fund and \$14.2 million federal funds). These reductions are summarized briefly below.

**Table 3**  
**Department of Industrial Relations**  
**Occupational Safety and Health Program**  
**Proposed Budget-Year Reductions: Impact on Positions**

Div. of Occupational Safety & Health	Authorized	Eliminated	Remaining <sup>a</sup>
<b>Field Operations:</b>			
Regional Management .....	17.0	17.0	0.0
District Offices .....	271.0	206.0	65.0
Special Health Studies .....	13.0	13.0	0.0
Calibration Laboratories .....	4.0	4.0	0.0
<b>Headquarters Operations:</b>			
Administration .....	22.5	3.5	19.0
Research and Standards .....	14.0	8.0	6.0
Medical Units .....	5.0	3.0	2.0
Carcinogen Unit .....	5.0	3.0	2.0
Right-to-Know Unit .....	4.0	3.0	1.0
Bureau of Investigations .....	11.0	11.0	0.0
HESIS Coordination .....	1.0	1.0	0.0
Legal Units .....	18.0	17.0	1.0
External Education .....	2.0	2.0	0.0
<b>Specialized Inspection Programs:</b>			
Pressure Vessels .....	58.0	0.0	58.0
Elevators .....	59.0	0.0	59.0
Radiation Health .....	8.0	8.0 <sup>b</sup>	0.0
Mining and Tunneling .....	21.0	17.0	4.0
Subtotals .....	(533.5)	(308.5)	(217.0)
<b>Office of the Director</b>			
Cal-OSHA Program Office .....	5.0	1.0	4.0
Consultation Service .....	59.0	1.0	58.0
Cal-OSHA Appeals Board .....	26.5	26.5	0.0
Cal-OSHA Standards Board .....	21.0	21.0 <sup>c</sup>	0.0
<b>Division of Labor Standards Enforcement</b>			
Anti-Discrimination Unit .....	8.0	5.0	3.0
<b>Division of Labor Statistics &amp; Research</b>			
Safety Data Base .....	5.0	5.0	0.0
Other Units .....	44.6	0.0	44.6
<b>Division of Administration</b> .....	68.9	18.0	50.9
<b>Program Totals</b> .....	771.5	394.0	377.5

<sup>a</sup> Positions remaining before redirections to establish the new organizational structure.

<sup>b</sup> Proposed for transfer to the Department of Health Services.

<sup>c</sup> Includes positions reductions which are independent of the proposed Cal-OSHA transfer.

**DOSH Position Reductions.** The largest budget reduction is in the programs of the Division of Occupational Safety and Health (DOSH). At present, the division has 533.5 authorized positions located in 21 district offices and in headquarters. The budget eliminates 308.5 of these positions and \$17.2 million (all funds):

- **Compliance Program.** The "heart" of the Cal-OSHA program is its field inspection activity, as conducted by safety engineers and health inspectors. Field staff conduct health and safety inspections in a wide variety of public and private sector workplaces, generally in response to a complaint or an accident. The budget proposes to eliminate all field positions, except for the staff necessary to conduct the public sector health and safety compliance program.

## DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

**Table 4**  
**Department of Industrial Relations**  
**Occupational Safety and Health Programs**  
**Proposed Budget-Year Reductions: Impact on Expenditures**  
**(dollars in thousands)**

Unit	Baseline Budget			Proposed Reductions			Remaining Funding		
	General Fund	Federal Funds	Total Funds	General Fund	Federal Funds	Total Funds	General Fund	Federal Funds	Total Funds
Division of Occupational Safety and Health .....	\$16,851	\$11,287	\$33,983 <sup>a</sup>	\$6,145	\$11,081	\$17,226	\$10,706	\$206	\$16,757 <sup>a</sup>
Office of the Director .....	146	158	304	146	158	304	—	—	—
Consultation Service .....	883	3,062	3,945	—	587	587	883	2,475	3,358
Cal-OSHA Appeals Board .....	1,174	1,102	2,276	1,174	1,102	2,276	—	—	—
Cal-OSHA Standards Board .....	1,207	438	1,645	1,207	438	1,645	—	—	—
Division of Labor Standards and Enforcement .....	250	260	510	—	260	260	250	—	250
Division of Labor Statistics and Research .....	1,074	1,169	2,243	—	533	533	1,074	636	1,710
Division of Administration .....	—	—	(3,814)	—	—	(705)	—	—	(3,009)
Totals .....	\$21,585	\$17,476	\$44,906 <sup>a</sup>	\$8,672	\$14,159	\$22,831	\$12,913	\$3,317	\$22,075 <sup>a</sup>

<sup>a</sup> Includes \$5,845,000 in special fund expenditures.

- **Specialized Inspection Programs.** The budget also eliminates 17 positions in the specialized DOSH inspection programs. Eight mine inspector positions were eliminated because they duplicate existing federal mine inspector activities. (The Third District Court of Appeals recently ruled that Cal-OSHA has no jurisdiction in this area because mines are also inspected by the federal Mine Safety and Health Administration.) The budget also eliminates nine tunnel inspection positions because the administration's proposal assumes that the state law which mandates the specialized tunnel inspection program will be repealed.
- **Headquarters Operations.** DOSH headquarters staffing would also be significantly affected by the proposed transfer, losing 51.5 positions, a 62 percent reduction. Headquarters provides (1) general management of the program, (2) specialized services to employees and employers (many of which are required by state law) and (3) support services for the inspectors in the field. The following units would be eliminated or severely reduced: the research and standards development unit, the medical unit, the carcinogen unit, the right-to-know unit, the bureau of investigations, the legal unit, the external education unit and the asbestos abatement unit.

**The Standards and Appeals Boards.** The budget proposes to eliminate all positions and funding of the Cal-OSHA Standards Board and the Appeals Board. These boards establish workplace health and safety standards and hear employer appeals of penalty assessments, respectively. Under California's plan, the two boards were established as independent agencies, not subject to the direct authority of DOSH. Under the administration's proposal, the boards' functions for *public-sector* workplaces would no longer be performed by independent bodies. Until current law is changed, however, existing procedures for establishing standards and

hearing appeals presumably would remain in effect for the public sector compliance program, even though there would be no staff specifically budgeted to carry out the functions.

**Reductions in Other Divisions.** The budget reduces positions and funding in a number of other DIR units which support the main Cal-OSHA program. The Cal-OSHA safety data base unit and 5 positions would be eliminated because the department would no longer target high-hazard, private-sector industries for inspection. The Anti-Discrimination unit, which protects the employment rights of employees who have reported unsafe working conditions, would be reduced from eight to three positions. The Cal-OSHA Program Office, which works closely with federal OSHA on a variety of budget and program matters, would be reduced from five to four positions and transferred to the newly reconstituted DOSH (discussed below). The Administration Division would be reduced by 18 positions.

**Reductions in Other Departments.** The proposed Cal-OSHA transfer would also affect two programs operated by the Department of Health Services (DHS):

- **Laboratory Services.** Cal-OSHA pays DHS \$1.5 annually to perform laboratory analyses of samples of materials collected by Cal-OSHA health and safety staff during inspections. These funds, which support 23 positions in the DHS laboratories, would be eliminated.
- **HESIS.** In addition, Cal-OSHA now funds a \$1.3 million inter-departmental contract with DHS which supports the Hazard Evaluation System and Information Service (HESIS). HESIS provides information to employees, employers and health care providers about workplace chemicals that are potentially hazardous. The budget entirely eliminates the federal share (\$545,000) of HESIS contract funding. Although the budget also eliminates the General Fund share (\$759,000) from DIR's budget, the department indicates that the administration would support the transfer of these funds to the DHS budget. The DHS' 1987-88 budget, however, does not now reflect such a funding transfer. Current law requires the department to contract with DHS for HESIS services.

### The "New" State Occupational Safety and Health Program

In conjunction with the proposed Cal-OSHA transfer, the administration proposes a revamped Division of Occupational Safety and Health. The division, consisting of 279 positions, would be composed of the positions remaining from the "old" DOSH and from other positions redirected from outside the division. Table 5 shows the major organizational elements and positions proposed for the new program.

- **Field Operations.** This unit—staffed with 12 safety inspectors, 12 health inspectors, and 12 support staff—would be responsible for public-sector workplace inspections. This program would operate much like the current compliance program, except it would be governed basically by *federal* regulations. Its offices would be located in Los Angeles, San Francisco and Sacramento.
- **Consultation Program.** The DIR would continue to respond to the requests of both public and private sector employers for assistance in identifying and reducing unsafe working conditions. The administration proposes to expand this program from 59 to 74 positions because it believes that resources would be used most productively by working with employers who have expressed an interest in improving

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

the safety of their operations.

- **Specialized Inspection Services.** This unit inspects air tanks, boilers, elevators, escalators, ski lifts, amusement rides and construction cranes. The unit would receive an additional eight positions, for a total of 126.

**Table 5**  
**Proposed Division of**  
**Occupational Safety and Health**  
**1987-88**

	<i>Positions</i>
Field Operations:	
Public Sector Workplace Inspections .....	36
Consultation Services:	
Public and Private Employers.....	74
Specialized Inspection Services:	
Pressure Vessel, Elevators, and Other Inspections .....	126
Mine Safety Training Services.....	4
Technical Services:	
Research and Standards, Carcinogen Services, Medical Consultation and External Education .....	13
Division Management .....	5
Administrative Services:	
Federal Liaison, Legal, Appeals, Personnel, Etc. ....	21
Total Positions Proposed.....	279

In addition to the DOSH personnel, the new DIR occupational safety and health program would receive almost 100 positions in support from other units in the department (primarily the Divisions of Administration, and Labor Statistics and Research).

**B. EVALUATION OF THE ADMINISTRATION'S PROPOSAL**

The question of whether the Cal-OSHA program should be transferred to the federal government is a major policy question for the Legislature. In this section, we examine some of the fiscal and program issues which the Legislature will have to consider in making its decision.

**Fiscal Considerations**

**State Savings.** The primary benefit to the state from transferring the Cal-OSHA program to the federal government would be the savings to the General Fund. As noted in Table 4, the budget estimates these savings at \$8.7 million in 1987-88. This amount understates the ongoing savings by \$1 million to \$2 million, as DIR's 1987-88 budget includes one-time layoff and transition costs which would be incurred in implementing the transfer.

**Impact on the State Appropriations Limit.** Under the provisions of Article XIII B of the Constitution, the state normally must reduce its spending limit when it transfers the funding for a program to another level of government or to "nontax proceeds." In the case of program transfers to the federal government, however, the limit does *not* have to be adjusted. Consequently, the proposed Cal-OSHA program transfer would "free up" \$8 million under the state's limit, which could be used for other programs.



**Effect on State Revenues.** The administration's proposal would reduce state General Fund revenue by approximately \$1.7 million per year. This loss would occur because civil penalties imposed on employers, which are currently deposited in the General Fund, would no longer be collected. Consequently, the revenue loss reduces the net state savings from transferring the program.

### **Program Considerations**

Evaluation of the programmatic impact of the proposed Cal-OSHA transfer involves three major considerations:

- The level of resources the federal government is willing to commit to California,
- The differences in the ways the state and the federal government operate their occupational safety and health programs, and
- The impact of losing programs which are unique to Cal-OSHA.

**Federal Funding and Staffing Levels.** In order to judge the effect of the proposed transfer, the Legislature should know the kind and number of staff the federal government would assign to an occupational health and safety program in California. The Legislature could then compare projections of work output for the federal staff with the output of the current state staff. At this point, however, the federal government has made no commitments with respect to the level, or scope, of program activity it would establish in California.

In late January, the Director of DIR went to Washington, D.C., to discuss how the transfer of the program might be handled. The department reports that federal OSHA officials are planning to have their budget and personnel recommendations ready to present to the Office of Management and Budget by early February 1987, and that one of the options under consideration is the *early transfer* of a large part of California's health and safety inspector workforce under a contract arrangement with the state. The primary purposes of an early transfer would be to (1) prevent loss of experienced inspectors during a period of uncertainty, (2) give federal OSHA the opportunity to train the workforce in federal operating procedures, and (3) reduce start-up problems. If the early transfer option is selected, many of the 21 Cal-OSHA district offices and the existing equipment would be made available to the federal government through sublease arrangements. We anticipate that by the time budget hearings begin, more information will be available regarding the proposed federal takeover.

**Differences Between State and Federal OSHA Operations.** The federal government prepares reports which evaluate state-operated OSHA programs by comparing them with the federally operated program. From a recent California evaluation report, we can identify some of the differences between the state and the federal OSHA programs.

- **Response to Complaints.** Federal law requires onsite inspections only in response to formal written complaints. In contrast, Cal-OSHA responds to complaints taken over the telephone. Federal inspectors respond to approximately one-half of their complaints by letter, asking the employer to correct the alleged problem. A follow-up visit is made in 10 percent of these cases to verify that the correction has occurred.
- **Hours per Inspection.** Federal OSHA staff take much longer than Cal-OSHA staff to complete inspections in which there is a compli-

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

ance problem. Consequently, federal inspectors do not complete as many inspections as California inspectors do.

- **Targeted Inspections.** Federal OSHA staff place major emphasis on making *scheduled* visits to worksites that they suspect may have health or safety problems; in contrast, California inspectors spend most of their time responding to complaints. (California's volume of complaints requiring an inspection is, on a per capita basis, approximately twice that of federal OSHA.) State and federal staff find a roughly comparable number of problems during inspections, although federal staff find substantially more *serious* problems per 100 violations issued.

**Unique Cal-OSHA Programs.** In evaluating whether to retain or transfer the Cal-OSHA program, the Legislature should be aware that several unique Cal-OSHA program elements would be eliminated or greatly reduced if the transfer is effectuated.

- **Safety Standards.** Many California standards exceed federal standards or cover areas where there are either no corresponding, or more general, federal standards. For example, California bans the use of the short-handled hoe in agriculture; its use is not addressed in federal regulations. California also has specific sets of safety regulations that cover logging, sawmills, petroleum drilling, refining and transportation, ship building and tunneling. By contrast, the federal government has general safety regulations which would apply to these areas. We have *no analytical basis*, however, to conclude that workers in these industries would necessarily be less protected. This is because federal inspectors can cite any unsafe conditions using the authority of the federal "general duties clause."
- **Maximum Penalties.** California's maximum penalties for serious violations (\$2,000) and for repeated serious or willful violations (\$20,000) are higher than the corresponding \$1,000 and \$10,000 federal maximums. These higher maximum penalties may deter certain employers from using unsafe practices who would not be deterred by the smaller federal penalties.
- **Carcinogen Registration.** Current state law requires employers who use regulated carcinogenic substances to report that use to the Cal-OSHA Carcinogen Control Unit. This entity provides research and educational programs, and identifies workplaces that need to be inspected. Under the administration's proposal, only public employers would be required to report carcinogenic substances. Private sector reporting would not be required, although existing information and voluntarily submitted private-sector reports could be forwarded to federal OSHA for review.
- **Safety Data Sheets.** State law currently requires employers to provide employees with "material safety data sheets," which tell employees how to handle various chemicals under normal and emergency situations. Cal-OSHA's Right-to-Know unit reviews the manufacturer's sheets for completeness, follows up on complaints that manufacturers have failed to supply the required information and performs other related tasks. Under the proposed Cal-OSHA transfer, California would continue to enforce the law only for public sector workplaces. Federal OSHA would enforce its own right-to-know program, which applies to manufacturing industries only.

- **Permits for Hazardous Projects.** Existing state law requires employers who are engaged in certain dangerous construction and demolition work to obtain a permit in order to ensure that (1) employers are aware of applicable safety regulations before they start work and (2) Cal-OSHA knows when and where such work is in progress. No corresponding federal requirements exist, although the department indicates federal OSHA is considering similar regulations at this time.
- **Contractor Licensing.** In California a contractor may have his or her license revoked for disregard of employee safety. Cal-OSHA forwards a copy of accident investigation reports to the Contractors' State License Board in cases involving a fatality or injury to five or more employees. No parallel federal provision exists.
- **Yellow Tags.** Cal-OSHA staff may issue orders called "yellow tags" to prohibit *immediately* the use of equipment or workplaces that pose imminent hazards. Federal OSHA staff must seek a court injunction in order to take such action.

As evidenced by the unique Cal-OSHA programs described above, California has been innovative in the area of worker health and safety. If the program is transferred to the federal level, the Legislature would no longer be able to fashion modifications which respond to the particular needs of this state.

#### **Legislature Needs More Information on the Proposed Cal-OSHA Program Transfer**

*We withhold recommendation on the proposed transfer of the Cal-OSHA program, pending receipt of additional information.*

We withhold recommendation on the issue of transferring the Cal-OSHA program to the federal government, for two reasons. First, not enough information is available on the level of resources the federal government would commit to a California program. Consequently, we are unable to determine if the program would be maintained at its current level of activity and effectiveness. Second, a decision on the proposed transfer involves basic policy judgments that can be made only by the Legislature. In our view, the central issue to be determined is whether the savings that would result from the transfer of the program are worth (1) the risk that the federal program might not be as effective as the Cal-OSHA program, (2) the loss of state control over a sensitive program and (3) the loss of many of the special features of the existing Cal-OSHA program.

#### **Department Should Build the Budget from the Ground Up for Its "New" Program**

*We recommend that by April 1, 1987 the department prepare a zero-based budget for all elements of the administration's proposed new occupational safety and health program. Pending receipt of that information, we withhold recommendation on \$22.1 million requested in the department's budget for the proposed new program.*

After adjusting for transfer of the Cal-OSHA program, the budget proposes 377 positions and \$22.1 million to administer DIR's remaining occupational safety and health functions. The staffing request consists of: (1) 279 positions in the revamped DOSH (please see Table 5) to conduct the public sector program, an expanded consultation services and specialized inspections, and (2) 98 support positions from the department's other divisions.

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

Our review indicates that the level of resources proposed for the new division basically represents the "residual" left after positions were eliminated for the Cal-OSHA transfer. The department did not independently assess the needs of the new program by building its budget from the "ground up." As a consequence, there are many aspects of the budget request for the new program which need clarification.

**Division of Occupational Safety and Health.** The department has prepared an organization chart listing the units and specific employee classifications that it proposes for the new Division of Occupational Health and Safety. We do not, however, know what the operating cost of the new division would be. In addition, information should be supplied in order to address the following questions:

- **Expanded Staffing.** Why should the Consultation Service receive 15 additional positions and the Pressure Vessel and the Elevator units four additional positions each?
- **Technical Services.** Why should the technical services unit retain four research and standards positions if the new public-sector program is to operate basically under federal regulations? Why does the Technical Services unit require four clerical positions to support nine professional positions?
- **Mine Safety Training.** Why is a mine safety training unit with four positions necessary if the federal Mine Safety and Health Administration is responsible for mine safety?
- **Program Management.** Why do the division chief and the chief deputy each need administrative assistants?
- **Administrative Services.** What are the duties of the professional staff in the administrative services unit, and why does a unit with 11 professional positions require 10 clerical support positions?

**Administrative Division.** The base budget of the administrative division contained 69 personnel-years and \$3.8 million for support of the *existing* state program. After the Cal-OSHA reduction, 51 personnel years and \$3 million remain in the budget. In making this allocation, however, the department did not perform a workload analysis of the effects of the budget cuts on the various units of the administrative division. Without such information, we have no basis for recommending an appropriate level of resources for administrative support.

**Division of Labor Statistics and Research (DLSR).** The base budget identifies 49.6 personnel years and \$2.2 million in the DLSR to support the current program. After the Cal-OSHA reduction, 44.6 personnel years and \$1.7 million remain in the budget. Again, however, the department has not specifically identified how its workload (data processing, statistical analysis and report preparation) would be affected by the transfer.

In order to provide answers to these questions, we recommend that the department provide a "zero-based" budget for the new program to the Legislature by April 1, 1987. This budget should display in detail the salary, benefit and operating costs for each element of the new program and provide supporting justification for the staffing proposed. Pending receipt of this information, we withhold recommendation on the \$22.1 million in the budget for the new program.

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## DEPARTMENT OF INDUSTRIAL RELATIONS—CAPITAL OUTLAY

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

Budget p. GG 54

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Requested 1987-88 .....	\$448,000
Recommendation pending .....	448,000

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### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. Computer Room Upgrade. We withhold recommendation on Item 8350-301-036(1) \$448,000 for working drawings and construction of a computer room upgrade, pending explanation of the cost increase and the redesign of the air-conditioning system.

### ANALYSIS AND RECOMMENDATIONS

#### San Francisco—Computer Room Air Conditioning Upgrade

*We withhold recommendation on \$448,000 for working drawings and construction of DIR's San Francisco computer room upgrade.*

The 1986 Budget Act appropriated \$16,000 for the Department of Industrial Relations to prepare preliminary plans for installation of air conditioning and a one-hour rated fire wall in the computer room of the San Francisco State Office Building. The department's 1987-88 request for \$448,000 exceeds the future cost estimate submitted by the department in 1986 when the Legislature approved this project. In addition, the department's proposal now includes a 40-ton air-conditioning system rather than the 60-ton system the department specified was necessary in 1986. The department has not fully explained why the project cost for the smaller project has increased so dramatically.

Prior to budget hearings, the department should detail why the cost has increased and verify whether or not the 40-ton system will be adequate. Pending receipt of this information, we withhold recommendation.

#### Supplemental Report Language

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

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**DEPARTMENT OF PERSONNEL ADMINISTRATION**

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

Budget p. GG 54

Requested 1987-88 .....	\$10,196,000
Estimated 1986-87 .....	10,354,000
Actual 1985-86 .....	9,991,000
Requested decrease (excluding amount for salary increases) \$158,000 (-1.5 percent)	
Total recommended reduction .....	None

**1987-88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8380-001-001—Departmental Support	General	\$7,102,000
8380-001-915—For support of the deferred compensation insurance plan	Deferred Compensation Plan	796,000
8380-001-974—For support of the Child Care program	Child Care	250,000
Reimbursements	—	2,048,000
Total		\$10,196,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

Analysis  
page

1. Reclassification and Salary Survey. Recommend that the Legislature adopt supplemental report language directing the department to take certain steps to address employee turnover problems in state financial regulatory agencies.

1322

**GENERAL PROGRAM STATEMENT**

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

The State Employer-Employee Relations Act (SEERA) provides for collective bargaining for most state civil service employees. Under SEERA, the DPA, in cooperation with 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 is responsible for providing for the compensation, terms, and conditions of employment of managers and other state employees who are not represented in the collective bargaining process.

The DPA is authorized 169.5 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$10,196,000 from the General Fund, the Deferred Compensation Plan Fund, the Child Care Fund, and reimbursements for support of the department in 1987-88. This is \$158,000, or 1.5 percent, less than estimated expenditures for the current year.

Department expenditures in 1987-88 exclusive of reimbursements are proposed at \$8,148,000, which is \$293,000, or 3.5 percent, below estimated current-year expenditures. The General Fund portion of this request is \$7,102,000, which is \$275,000, or 3.7 percent, below the estimated 1986-87 level. This decrease is due primarily to the termination of \$373,000 in employee reparation payments (authorized under Ch 523/82), and the 1 percent General Fund "special adjustment" reduction of \$72,000. About one-third of the department's General Funds costs are recovered from special funds through "pro rata" assessments.

Table 1 presents expenditures and personnel-years for each of the DPA's five programs for the past, current, and budget years. The baseline adjustments, workload changes, and program changes proposed for the budget year are displayed in Table 2. These expenditure tables have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

**Table 1**  
**Department of Personnel Administration**  
**Budget Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent
	Actual	Est.	Prop.	Actual	Est.	Prop.	Change
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1986-87
Labor Relations .....	19.0	19.0	18.0	\$1,492	\$1,566	\$1,547	-1.2%
Legal.....	9.3	8.5	9.5	1,278	778	844	8.5
Administration (distributed) .....	44.5	46.0	45.1	(2,629)	(2,790)	(2,943)	(5.5)
Personnel Services .....	93.8	96.0	97.6	7,069	7,660	7,627	-0.4
Child Care.....	—	—	—	152	350	250	-28.6
Special Adjustment.....	—	—	—	—	—	-72	—
Totals .....	166.6	169.5	170.2	\$9,991	\$10,354	\$10,196	-1.5%
Funding Sources							
General Fund .....				\$5,250	\$7,377	\$7,102	-3.7%
Reimbursements .....				3,969	1,913	2,048	7.1
Deferred Compensation Plan Fund .....				620	714	796	11.5
Child Care Fund .....				152	350	250	-28.6

As Table 2 indicates, the DPA proposes several changes which would not result in any additional General Fund costs in 1987-88. These include: (1) the addition of resources to handle the increasing workload in the deferred compensation program, (2) the redirection of one position in the administration program to provide funds for a benefit programs consultant, and (3) the implementation of a flexible benefits pilot program. In addition, the budget requests the redirection of one position from the labor relations program to the legal services program due to increased workload.

## DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

Table 2  
Department of Personnel Administration  
Proposed 1987-88 Budget Changes  
(dollars in thousands)

	General Fund	Deferred Compensation Plan Fund	Child Care Fund (CCF)	Reim- bursements	Total
1986-87 Expenditures (Revised) .....	\$7,377	\$714	\$350	\$1,913	\$10,354
<i>Baseline Adjustments</i>					
Adjustment in Pro-rata Assessment .....	—	-25	—	—	-25
Termination of Employee Reparation Pay- ments .....	-373	—	—	—	-373
Decrease in Grants and Loans for Child Care .....	—	—	-100	—	-100
Subtotal, Baseline Adjustments .....	(-\$373)	(-\$25)	(-\$100)	(—)	(-\$498)
<i>Workload Changes</i>					
Facilities Relocation .....	\$170	\$13	—	\$17	\$200
Deferred Compensation Program .....	—	94	—	—	94
Benefit Programs Consultant .....	—	—	—	10	10
Subtotal, Workload Changes .....	(\$170)	(\$107)	(—)	(\$27)	(\$304)
<i>Program Changes</i>					
Flexible Benefits Program Administration ...	—	—	—	\$108	\$108
<i>Special Adjustment</i>					
1 Percent General Fund Reduction .....	-\$72	—	—	—	-72
1987-88 Expenditures (Proposed) .....	\$7,102	\$796	\$250	\$2,048	\$10,196
Change from 1986-87:					
Amount .....	-\$275	\$82	-\$100	\$135	-\$158
Percent .....	-3.7%	11.5%	-28.6%	7.1%	-1.5%

## ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

Our analysis indicates that the proposed expenditures are warranted.

**Action by Department Is Needed on Reclassification of Regulatory Agency Staff**

*We recommend that the Legislature adopt supplemental report language requiring the Department of Personnel Administration to assist certain financial regulatory agencies regarding the turnover problem among appraisers and examiners.*

During the last three years, state financial regulatory agencies, especially the Departments of Banking, Corporations, and Savings and Loan, have been experiencing unusually high turnover among their appraisers and examiners. Our analysis indicates that this retention problem could be ameliorated through administrative action by these departments to modify the existing classification and salary structures for these employees. (For a complete discussion of this issue, please see Items 2140, 2180, and 2340 earlier in this *Analysis*.) These actions, however, require the involvement and approval of the DPA before they can be implemented.

Accordingly, we recommend that the Legislature adopt the following supplemental report language:



Reclassification and salary survey. The Department of Personnel Administration shall assist the Departments of Banking, Corporations, and Savings and Loan in addressing the turnover problem among their appraisers and examiners by: (1) authorizing, no later than October 1, 1987, "deep class" and Modified Classification Review List I (MCR I) status for these departments' "Appraiser I" through "Appraiser IV" and "Examiner I" through "Examiner IV" classifications; and (2) conducting, with assistance from these departments, a survey of the salary and benefits provided to appraisers and examiners by similar federal and other state agencies in comparable geographic and cost-of-living areas. The Department of Personnel Administration shall report its survey findings and recommendations to the Legislature by November 1, 1987 to ensure that the state is competitive in recruiting and retaining qualified appraisers and examiners.

### WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

Item 8450 from the General

Fund

Budget p. GG 60

Requested 1987-88 .....	\$5,720,000
Estimated 1986-87 .....	5,720,000
Actual 1985-86 .....	5,298,000
Requested increase: None	
Recommended reduction .....	None
Recommend Funding Change <sup>a</sup>	

<sup>a</sup> Recommended funding change would result in \$1,180,000 savings to the General Fund.

#### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8450-001-001—Support	General	\$3,720,000
8450-001-016—Death-Without-Dependents Support	General, Subsequent Injuries Money's Account	2,000,000
Total		\$5,720,000

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Funding Adjustments. Reduce Item 8450-001-001 (General Fund) and increase Item 8450-001-016 by \$1,180,000. Recommend funding realignment to reflect current trends in death-without-dependents collections.*

1324

#### 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 as-

**WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued**

sumed 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—referred to as death-without-dependents revenues—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 \$5,720,000 to fund workers' compensation benefits paid under the subsequent injury program during 1987–88. This amount consists of (1) \$3,720,000 from the General Fund (Item 8450-001-001) and (2) \$2 million in death-without-dependents payments (Item 8450-001-016). These appropriations are identical to current-year appropriations.

Of the \$5.7 million budgeted in support of the program in 1987–88, \$4,626,000 is proposed to pay actual claims costs. The remaining funds are proposed to pay (1) a 5 percent service fee to the State Compensation Insurance Fund for adjusting claims (\$236,000), (2) the expenses of the DIR in acquiring claims investigative services on contract (\$250,000) and (3) the support costs of the DIR in monitoring and providing legal defense of the fund (\$608,000).

**ANALYSIS AND RECOMMENDATIONS**

*We recommend that the Legislature augment Item 8450-001-016 by \$1,180,000 to reflect current trends in death-without-dependents collections, resulting in a corresponding reduction in Item 8450-001-016 (General Fund savings of \$1,180,000).*

As noted above, the budget assumes that the state will collect and spend \$2 million from death-without-dependents revenues in both 1986–87 and 1987–88. Based on data covering the July-through-December-1986 period, however, we estimate that these collections will exceed projections by \$590,000 each year. Thus, the fund will have \$1,180,000 more in revenues in the Subsequent Injuries Moneys Account (SIMA) in 1987–88 than it has appropriation authority. Consequently, we recommend that the Legislature increase the appropriation for Item 8450-001-016 by \$1,180,000, the amount of the projected increase in collections. Correspondingly, the General Fund appropriation for this item can be reduced by a comparable amount, for a budget-year savings of \$1,180,000.

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## WORKERS' COMPENSATION BENEFITS FOR DISASTER SERVICE WORKERS

Item 8460 from the General  
Fund

Budget p. GC 61

Requested 1987-88 .....	\$663,000
Estimated 1986-87 .....	523,000
Actual 1985-86 .....	234,000
Requested increase \$140,000 (+ 27 percent)	
Total recommended reduction .....	None
Recommendation pending .....	663,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Updated Expenditure Estimates. Withhold recommendation pending receipt of updated information on expenditure trends.

1325

### GENERAL PROGRAM STATEMENT

This item provides funds for the payment of workers' compensation benefits to volunteer personnel (or their dependents) 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 based on the level of claims processed.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes \$663,000 to support the Disaster Service Workers' benefit program in 1986-87. Of this amount, approximately \$580,000 is proposed as benefits and the remaining \$83,000 is proposed for payment to the SCIF under the service fee agreement. The budget-year request is \$140,000, or 27 percent, more than estimated current-year expenditures. The increase is due entirely to the impact of recent legislation (Ch 554/86), which provided rehabilitation benefits to program recipients. After accounting for this legislation, the 1987-88 request is identical to estimated current-year expenditures.

### ANALYSIS AND RECOMMENDATIONS

#### More Data on Expenditure Trends Needed

*We withhold recommendation on this item until budget hearings, in order to provide updated estimates of program expenditure trends.*

The total amount of compensation paid on behalf of volunteer personnel in any given year fluctuates with (1) the number of training exercises and actual emergencies (such as fires, floods, or earthquakes) which occur in that year, and (2) the continuing compensation costs of emergencies in past years. Table 1 shows the costs of the program from 1978-79 through 1986-87.

As Table 1 shows, program costs have fluctuated substantially from year to year. From 1978-79 to 1983-84, costs grew consistently, with the exception of one year (1981-82). In the next two fiscal years, costs decreased, including a particularly sharp reduction (47 percent) in 1985-86. This trend, however, reversed itself in the first six months of 1986-87. Actual data for that period indicates that full-year expenditures will be \$564,000.

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

—Continued

**Table 1**  
**Disaster Service Workers' Compensation Expenditures**  
**1978-79 through 1986-87**  
**(dollars in thousands)**

	<i>Benefits</i>	<i>Other<sup>a</sup></i>	<i>Total</i>	<i>Percent Change</i>
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	-4.3
1985-86 .....	204	30	234	-47.2
1986-87 (Estimate) <sup>b</sup> .....	501	63	564	141.2

a. Includes service charges and miscellaneous adjustments.

b. Based on six month actuals ( $\$282,000 \times 2 = \$564,000$ ).

If that current-year estimate is correct, this item will experience a 1986-87 deficiency of \$41,000 (estimated costs of \$564,000 less the \$523,000 appropriation); and, the proposed budget-year appropriation will also be underfunded by a comparable amount. Program expenditures to date in 1986-87 may be artificially high, however, as there have been a small number of cases with exceptionally high medical expenses. In order to get better information on both current- and budget-year expenditure trends in this program, we withhold recommendation on this item until budget hearings.

## **BOARD OF CHIROPRACTIC EXAMINERS**

Item 8500 from the State Board  
of Chiropractic Examiners

Fund

Budget p. GG 62

Requested 1987-88 .....	\$839,000
Estimated 1986-87 .....	809,000
Actual 1985-86 .....	776,000
Requested increase (excluding amount for salary increases) \$30,000 (+3.7 percent)	
Total recommended reduction .....	None

## **1987-88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8500-001-152—Support	State Board of Chiropractic Examiners	\$836,000
Reimbursements		3,000
Total		\$839,000

### GENERAL PROGRAM STATEMENT

The seven-member Board of Chiropractic Examiners is responsible for licensing and regulating chiropractors practicing in California. The board is authorized 5.6 personnel-years in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures, including reimbursements, of \$839,000 to support the board's activities in 1987-88. This is \$30,000, or 3.7 percent, above estimated expenditures in 1986-87.

The \$30,000 increase reflects (1) a \$12,000 increase primarily for board-member per diem expenses and (2) an \$18,000 increase to allow for increased workload.

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

Our analysis indicates that the proposed expenditures for the board are warranted.

## BOARD OF OSTEOPATHIC EXAMINERS

Item 8510 from the Board of Osteopathic Examiners Contingent Fund

Budget p. GG 64

Requested 1987-88 .....	\$400,000
Estimated 1986-87.....	357,000
Actual 1985-86 .....	387,000
Requested increase (excluding amount for salary increases) \$43,000 (+12 percent)	
Total recommended reduction .....	None

### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8510-001-264—Support	Board of Osteopathic Examiners Contingent	\$392,000
Reimbursements		8,000
Total		\$400,000

### GENERAL PROGRAM STATEMENT

The seven-member Board of Osteopathic Examiners is responsible for licensing and regulating osteopaths in California. The board is authorized 3.1 personnel-years in the current year.

**BOARD OF OSTEOPATHIC EXAMINERS—Continued****OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures, including reimbursements, of \$400,000 to support the board's activities in 1987-88. This is an increase of \$43,000, or 12 percent, above estimated current-year expenditures. The \$43,000 increase reflects (1) an additional \$2,000 to cover salary increases, (2) a \$43,000 increase in central administrative services' costs, and (3) a \$2,000 decrease in various operating expenses.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

Our analysis indicates that the proposed expenditures for the board are warranted.

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

Item 8530 from the Board of Pilot Commissioners' Special Fund

Budget p. GG 65

Requested 1987-88 .....	\$304,000
Estimated 1986-87 .....	323,000
Actual 1985-86 .....	114,000
Requested decrease (excluding amount for salary increases) \$19,000 (-5.9 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 to provide services to vessels traveling those bays. The seven-member board licenses and regulates pilots and acts on complaints. It is supported by the Board of Pilot Commissioners' Special Fund from revenues derived under assessments on pilotage fees. The board is authorized one personnel-year in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$304,000 for support of the board in 1987-88. This is \$19,000 (5.9 percent) below estimated expenditures in 1986-87. After a reduction of \$10,000 in one-time 1986-87 legal expenses, the budget reflects a \$2,000 increase in staff costs and a reduction of \$11,000 in operating expenses.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

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

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**CALIFORNIA AUCTIONEER COMMISSION**

Item 8540 from the Auctioneer  
Commission Fund

Budget p. GG 66

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Requested 1987-88 .....	\$181,000
Estimated 1986-87 .....	181,000
Actual 1985-86 .....	169,000
Requested increase (excluding amount for salary increases) .....	None
Total recommended reduction .....	None

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

Analysis  
page

1. Elimination of the Commission: Recommend enactment of legislation (1) abolishing the commission because it does not serve a viable purpose and (2) requiring auctioneers to post bonds sufficient to cover the estimated proceeds of auctions. 1329

**GENERAL PROGRAM STATEMENT**

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

**OVERVIEW OF THE BUDGET REQUEST**

In 1987-88, the budget proposes expenditures of \$181,000 from the Auctioneer Commission Fund for support of the commission. This is the same level of expenditures anticipated in the current year.

**ANALYSIS AND RECOMMENDATIONS****Elimination of the California Auctioneer Commission**

*We recommend enactment of legislation to abolish the California Auctioneer Commission because it does not serve a viable purpose. We further recommend that the legislation require auctioneers to post bonds sufficient to cover the estimated proceeds of auctions in order to ensure that consignors will be paid for properties sold.*

The commission, which was created in 1983, regulates about 1,000 auctioneers and auction companies. The commission's licensing program requires applicants to pass an examination, post a \$10,000 surety bond, be fingerprinted, and pay initial fees totaling about \$300. Approximately 600 auctioneers were grandfathered-in without taking the examination. The law exempts from licensing, persons conducting (1) sales of real estate and motor vehicles; (2) sales conducted by charities, political candidates, or governmental agencies; (3) stockyard sales; and (4) sales by an owner of a self-service facility to enforce a lien or judgment.

**Workload.** In 1985-86, the commission received 178 complaints of which 60 percent were for unlicensed activities and administrative deficiencies. About 40 percent of the complaints were received from consumers—auction consignors and buyers. Consumer complaints usually fall in one of two categories—consignors not being paid by auctioneers for property sold or concerns over the manner in which the auction was conducted. In a few cases, the commission has contacted local law enforcement agencies to seek their assistance in stopping unlicensed ac-

**CALIFORNIA AUCTIONEER COMMISSION—Continued**

tivities. None of these requests, however, have resulted in misdemeanor citations.

The commission has revoked nine licenses and suspended one license over the last two and one-half years. The suspension and revocations were in conjunction with claims being filed by consignors against the licensees' bonds. Of the seven bond hearings conducted during the period, a majority have resulted from the auctioneer or auction company being insolvent or filing for bankruptcy. Table 1 displays the number of bond claimants and the total amounts claimed and recovered over the past two and one-half years.

**Table 1**  
**California Auctioneer Commission**  
**Bond Claims**  
**1984-85 through 1986-87**

	1984-85	1985-86	1986-87 <sup>a</sup>
Number of cases .....	1	3	3
Number of claimants .....	1	8	15
Number of claimants receiving full payment of claim .....	0	5	3
Total amount claimed .....	\$31,427	\$146,657	\$90,478
Amount paid by bond .....	30,000	28,682	27,295
Unrecovered amount .....	1,427	117,975	63,183
Percent of unrecovered amount to total amount claimed .....	4.5%	80.4%	69.8%

<sup>a</sup> Data for July 1, 1986 through December 31, 1986.

As the table shows, in 1985-86, three bond cases were closed resulting in payment of \$28,682 to eight individuals. Three of the eight claimants did not recover their full losses. The \$28,682 recovered represented only 20 percent of the total amount claimed (\$146,657). Moreover, in the first six months of 1986-87, bond payments totaled \$27,295. This amount represents approximately 30 percent of the total amount claimed (\$90,478).

It is evident from Table 1 that the \$10,000 bond posted by a licensed auctioneer or auction company is not sufficient to protect the public from potential losses. This is because most auctions involve medium-to-large sized estates, businesses and farms where the prices of personal belongings, business, farm or construction equipment often exceed \$10,000. Thus, there is minimal incentive for many consignors to submit claims to the commission for recourse against auctioneers. Instead, they must go to the courts to seek recovery of losses.

**Viability of Commission.** Our analysis indicates that the commission could be eliminated without adversely affecting the public. The commission's licensing and bonding programs do not appear to protect the public adequately against fraudulent practices, insolvencies or bankruptcies. This is because the \$10,000 bond is too low to protect many consignors who have sale property valued in excess of that amount. As a consequence, the court system appears to offer a better avenue for the public to seek redress against auctioneers. Moreover, state licensing of auctioneers may be misleading to the public because it provides the appearance of state protection despite the insufficiency of the bond requirement.

For these reasons, we recommend that legislation be enacted to abolish the commission. We also recommend that such legislation require auctioneers to post bonds in amounts sufficient to protect the estimated auction



proceeds from the sale of properties received from consignors.

Elimination of the commission should result in special fund savings of about \$181,000 annually. Additionally, a fund reserve of up to \$90,000 could be transferred to the General Fund upon termination of the commission.

### CALIFORNIA HORSE RACING BOARD

Item 8550 from the Fair and Exposition Fund and various funds

Budget p. CG 68

Requested 1987-88 .....	\$6,906,000
Estimated 1986-87 .....	6,113,000
Actual 1985-86 .....	4,655,000
Requested increase (excluding amount for salary increases) \$793,000 (+13.0 percent)	
Total recommended reduction .....	None
Recommendation pending .....	1,244,000

#### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8550-001-191—Horse Racing Board	Fair and Exposition	\$2,687,000
8550-001-942—Horse Racing Board	Special Deposit, Racetrack Security Account	310,000
8550-011-942—Transfer to the General Fund	Special Deposit, Racetrack Security Account	(1,390,000)
—Continuing Appropriation—Allocations to Horsemen's Organizations	Horsemen's Organization Special Deposit, Welfare Special Account	1,700,000
Reimbursements	—	2,209,000
Total		\$6,906,000

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Implementation of New Legislation. We withhold recommendation on \$1,244,000 and 9.5 personnel-years proposed to implement new legislation pending receipt of workload data which justifies the board's request.

1333

#### GENERAL PROGRAM STATEMENT

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

Responsibilities of the board include promoting horse racing, regulating wagering, and maximizing the horse racing revenues collected by the

**CALIFORNIA HORSE RACING BOARD—Continued**

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 48 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total appropriations of \$4,697,000 from the Fair and Exposition Fund and other state funds to support the California Horse Racing Board in 1987-88. This is an increase of \$293,000 or 6.7 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 \$2,209,000 in 1987-88, and will bring the board's total program expenditures to \$6,906,000. This amount is \$793,000, or 13 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**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Program Elements	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual	Est.	Prop.	Actual	Est	Prop.	
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	
Licensing.....	11.7	15.0	15.0	\$732	\$806	\$806	—
Enforcement .....	13.9	20.5	24.0	699	984	1,102	12.0%
State Stewards Program .....	14.0	—	—	1,236	1,709	2,209	29.3
Administration .....	9.9	12.5	15.0	646	921	1,089	18.2
Horsemen's Organization Welfare Special Account, Special Depos- it Fund.....	—	—	—	1,342	1,693	1,700	0.4
Totals, Program Costs .....	49.5	48.0	54.0	\$4,655	\$6,113	\$6,906	13.0%
Funding Sources							
Fair and Exposition Fund.....				\$1,703	\$2,401	\$2,687	11.9%
Horsemen's Organization Welfare Special Account, Special Deposit Fund .....				1,342	1,693	1,700	0.4
Racetrack Security Account, Special Deposit Fund.....				374	310	310	—
Reimbursements .....				1,236	1,709	2,209	29.3

The proposed increase in the board's expenditures for 1987-88 primarily reflects the addition of funds to implement recent legislation expanding the number of racing days and the number of "simulcast" wagering locations.

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following program change proposed for 1987-88 which is not discussed elsewhere in this analysis:

- **Equipment (\$88,000).** These funds would be used to purchase additional personal computers (\$65,000) and simulcast receiving equipment (\$23,000).

**Implementation of Recent Legislation**

*We withhold recommendation on \$1,244,000 and 9.5 personnel-years proposed to implement new legislation pending receipt of workload data which justifies the board's request.*

The budget requests \$1,244,000 and 9.5 personnel years to implement recently enacted legislation. This legislation includes: (1) Ch 1285/86 (AB 604) which increases the number of racing weeks that may be licensed by the board; (2) Ch 1284/86 (SB 1499) which authorizes an increase in the number of "simulcast wagering" locations in the northern zone; and (3) Ch 1283/86 (SB 1511) which changed the distribution of wagering revenues at simulcast wagering facilities for which the board has oversight responsibilities. A simulcast wagering facility is a location where patrons may wager on horse races being conducted at a distant host location, and then observe these races on video equipment.

The board's request also includes funds for the implementation of proposed legislation (SB 36, Maddy) which would authorize simulcast wagering in the southern zone. In our view, this legislation should contain an appropriation to provide for its costs of implementation.

It is clear that the implementation of the already-enacted legislation will result in some additional enforcement, oversight and administrative workload for the board. However, the board has failed to justify the magnitude of its request.

At the time these measures were being considered by the Legislature, the board's staff advised the Legislature that its costs for these measures would not exceed \$100,000. The board's original justification for the proposed budget increase does not identify the anticipated workload increases or adequately document how the board arrived at the requested level of funds. The additional information provided by the board at our request also does not provide an adequate explanation of the proposed funding level. Specifically, information is needed which indicates: (1) what portion of the board's request would fund recently enacted legislation compared to that which is being proposed; (2) the anticipated level of workload (i.e. the number of simulcast wagering facilities) in the budget year; and (3) the number of additional investigators that are needed to handle overlapping racing weeks versus the number needed to handle the increased number of simulcast facilities. Pending receipt of this information, we withhold recommendation on \$1,244,000 and 9.5 personnel-years requested by the board.

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**CALIFORNIA EXPOSITION AND STATE FAIR**

Item 8560 from the California  
Exposition and State Fair En-  
terprise Fund and other state  
funds

Budget p. GG 72

Requested 1987-88 .....	\$11,067,000
Estimated 1986-87 .....	10,311,000
Actual 1985-86 .....	11,279,000
Requested increase (excluding amount for salary increases) \$756,000 (+7.3 percent)	
Total recommended reduction .....	None

**1987-88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8560-001-510—Support	California Exposition and State Fair Enterprise Fund	\$10,302,000
8560-001-660—Transfer to the General Fund	State Exposition Revenue Bond Account, Public Building Construction	(3,987,000)
8560-011-466—Transfer to Cal Expo Enterprise Fund	State Fair Police Special Ac- count	(6,000)
Business and Professions Code Sec. 19622(a)—An- nual Subsidy	Fair and Exposition	265,000
Reimbursements		500,000
Total		\$11,067,000

**GENERAL PROGRAM STATEMENT**

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

The budget indicates that Cal Expo is authorized 154.8 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$11,067,000 for support of Cal Expo in 1987-88. This represents an increase of \$756,000, or 7.3 percent, over estimated expenditures for the current year. Of the total proposed expenditures, \$9.8 million, or 89 percent, is requested from operating revenues generated by Cal Expo and deposited in the California Exposition and State Fair Enterprise Fund. Under the provisions of Ch 8/86, revenues received by Cal Expo are deposited in the California Exposition and State Fair Enterprise Fund, created by that act, and are available to Cal Expo upon appropriation by the Legislature.

The budget proposes to finance the balance of \$1.3 million in proposed expenditures from the following sources:

- \$500,000 from the Satellite Wagering Account in the Fair and Exposition Fund to be allocated by the Director of Food and Agriculture and deposited in the Cal Expo Enterprise Fund. Section 19596.5 of the Business and Professions Code authorizes the director to allocate satellite wagering funds to fairs and continuously appropriates the ac-

count for that purpose. The account derives its revenue from a state levy on satellite wagering at fairs, including Cal Expo.

- \$500,000 in reimbursements, primarily for services to exhibitors.
- \$265,000 from the Fair and Exposition Fund, which Cal Expo receives annually under Section 19622(a) of the Business and Professions Code.
- \$6,000 from the State Fair Police Account, which receives its revenue from fines issued by the State Fair Police on the Cal Expo grounds.

Table 1 summarizes expenditures and sources of funds for Cal Expo from 1985-86 through 1987-88.

**Table 1**  
**Cal Expo**  
**Budget Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

	<i>Actual</i> <i>1985-86</i>	<i>Estimated</i> <i>1986-87</i>	<i>Proposed</i> <i>1987-88</i>	<i>Percent</i> <i>Change</i> <i>From</i> <i>1986-87</i>
Operating expenditures .....	\$11,279	\$10,311	\$11,067	7.3%
Staff (personnel-years) .....	199.7	154.8	154.8	—
Funding Sources				
Appropriated Revenue .....	\$7,568 <sup>a</sup>	\$8,548 <sup>b</sup>	\$9,796 <sup>b</sup>	14.6%
General Fund .....	2,056	—	—	—
Satellite Wagering Account .....	1,203	992	500	-49.6
Fair and Exposition Fund .....	265	265	265	—
State Fair Police Account .....	2	6	6	—
Reimbursements .....	185	500	500	—

<sup>a</sup> Deposited in, and appropriated from, the General Fund.

<sup>b</sup> Deposited in, and appropriated from, the California Exposition and State Fair Enterprise Fund.

**Transfer to General Fund.** The budget also proposes to transfer \$3,987,000 to the General Fund from the State Exposition Revenue Bond Account in the Public Building Construction Fund. The State Public Works Board issued a total of \$13 million of revenue bonds in 1966 and 1967 to construct facilities at Cal Expo. Because Cal Expo was unable to generate sufficient revenue to service the bond debt, the payments were made from the General Fund. The board retired the balance of outstanding bonds in 1985. The Department of Finance indicates that the \$3,987,000 proposed for transfer to the General Fund represents the estimated remaining balance and accrued interest in the account (as of July 1, 1987).

**Satellite Wagering Improves Revenue.** Chapter 1148, Statutes of 1980, specified that Cal Expo "shall work toward a goal of fiscal independence from the state General Fund support." Through 1985-86, however, Cal Expo required annual General Fund subsidies (\$1.8 million in 1985-86). In contrast, the budget indicates that Cal Expo will not require any General Fund subsidy in either the current year or 1987-88.

Cal Expo's improved fiscal situation is due largely to the introduction of satellite wagering. Cal Expo estimates that satellite wagering at its own track will generate approximately \$801,000 and \$916,000 in *direct* revenue to the Cal Expo Enterprise Fund in 1986-87 and 1987-88, respectively. In addition, Cal Expo received \$992,000 in 1986-87 from the Satellite Wagering Account, which receives revenue from satellite wagering at fairs gen-

**CALIFORNIA EXPOSITION AND STATE FAIR—Continued**

erally, and is requesting another \$500,000 from the account in 1987–88 for deferred maintenance projects.

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

Cal Expo proposes an expenditure of \$9.8 million from operating revenues in 1987–88. This amount would be derived from (1) \$9.3 million in projected revenue for 1987–88 and (2) \$500,000 to be obtained by reducing reserves in the Cal Expo Enterprise Fund from \$2.2 million to \$1.7 million.

Our review indicates that Cal Expo's revenue projections are reasonable. Furthermore, the proposed reserve of \$1.7 million in the Cal Expo Enterprise Fund should be adequate to cover any deficit in the event revenue in 1987–88 is less than anticipated.

Cal Expo's expenditure plan appears to be consistent with the goals and purposes established by the Legislature for Cal Expo. In addition, the proposed transfer of excess funds to the General Fund from the revenue bond account is appropriate.

**DEPARTMENT OF FOOD AND AGRICULTURE**

Item 8570 from the General

Fund and various funds

Budget p. GG 75

Requested 1987–88 .....	\$96,716,000
Estimated 1986–87 .....	96,136,000
Actual 1985–86 .....	85,629,000
Requested increase (excluding amount for salary increases) \$580,000 (+0.6 percent)	
Total recommended reduction .....	300,000
Recommended funding shift .....	1,898,000
Recommended fund transfer .....	1,730,000

**1987–88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8570-001-001—Support	General	\$68,925,000
8570-001-111—Support	Agricultural	9,865,000
8570-001-191—Support	Fair and Exposition	1,129,000
8570-001-601—Support	Agriculture Building	1,202,000
8570-001-890—Support	Federal Trust	2,061,000
8570-011-112—Support	Agricultural Pest Control	110,000
	Research Account	
8570-011-191—Transfer to General Fund for health benefits of retired local fair em- ployees	Fair and Exposition	(626,000)
8570-011-192—Transfer to General Fund in lieu of loan repayments	Fair and Exposition, Satel- lite Wagering Account	(5,000,000)
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	950,000

8570-111-001—Local Assistance, salaries of county agricultural commissioners	General	383,000
8570-495—Reversion Reimbursements	General	(20,000)
	—	1,115,000
Total		\$96,716,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. **Apple Maggots.** *Add Ch 228/85 to reversion Item 8570-495.* 1341  
Recommend reversion of the remaining balance (\$492,000) of the appropriation made by Ch 228/85 for Apple Maggot eradication because the department has discontinued the program.
2. **New Vehicles.** *Reduce Item 8570-001-001 by \$300,000.* 1341  
Recommend a reduction of \$300,000 requested from the General Fund to purchase new vehicles because the department can use vehicles recently purchased for the Apple Maggot program.
3. **Affirmative Action.** *Reduce Item 8570-001-001 by \$71,000 and Increase Item 8570-001-111 by the same amount.* 1342  
Recommend a funding shift of \$71,000 from the General Fund to the Agricultural Fund so that the Agricultural Fund will pay its proportionate share of affirmative action programs.
4. **Veterinary Laboratory Fees.** *Reduce Item 8570-001-001 by \$1,227,000 and increase reimbursements by the same amount.* 1342  
Recommend a reduction of \$1,227,000 from the General Fund and an equivalent increase in scheduled reimbursements because the users of the veterinary laboratory should pay at least 25 percent of the ongoing costs of the laboratories.
5. **Registration Fee Surplus.** *Reduce Item 8570-001-001 by \$600,000 and increase Item 8570-001-111 by the same amount.* 1344  
Recommend a funding shift of \$600,000 from the General Fund to the Agricultural Fund in order to utilize additional revenue from pesticide registration fees.
6. **Local Fairs.** *Add Item 8570-012-191 to transfer \$1,730,000 from Fair and Exposition Fund to the General Fund.* 1344  
Recommend a transfer of \$1,730,000 from the Fair and Exposition Fund to the General Fund in order to repay the full amount of loans to local fairs that the budget proposes to forgive.

### 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.

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

- 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. Its current staffing level totals 2,163 personnel-years.

**OVERVIEW OF THE BUDGET REQUEST**

The Budget Bill proposes ten appropriations totaling \$96,716,000 from various funds and reimbursements for support of the Department of Food and Agriculture, county agricultural commissioners, local fairs and county sealers in 1987-88. This is an increase of \$580,000, or 0.6 percent, above comparable estimated current-year expenditures.

**Total Expenditures**

Total expenditures proposed from all funding sources in 1987-88 amount to \$161.1 million (excluding marketing order expenditures). This is a decrease of \$13.6 million, or 7.8 percent, below current-year estimated total expenditures. The decline in total spending is due primarily to a \$12.5 million reduction in funding for local fairs. Table 1 shows the sources of funds for these expenditures. In addition to the \$96.7 million requested in the Budget Bill, total expenditures include \$48.1 million from Agricultural Fund continuing appropriations and \$15.3 million from Fair and Exposition (F&E) Fund continuing appropriations. The General Fund portion of the budget has been reduced by \$696,000 (approximately 1 percent of the General Fund support) as a "Special Adjustment."

The expenditure tables which follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

**Table 1**  
**Department of Food and Agriculture**  
**Sources and Uses of Funds**  
**1987-88**  
**(dollars in thousands)**

<b>A. Support</b>		
1. General Fund .....		\$68,925
2. Agricultural Fund:		
(a) Item 8570-001-111 .....	\$9,865	
(b) Continuing Appropriations <sup>a</sup> .....	39,557	
Total Agricultural Fund .....		\$49,422
3. Acala Cotton Fund <sup>a</sup> .....		410
4. Agricultural Pest Control Research Account .....		110
5. Fair and Exposition Fund .....		1,129
6. Agriculture Building Fund .....		1,202
7. Federal Trust Fund .....		2,061
8. Satellite Wagering Account <sup>a</sup> .....		103
9. Reimbursements .....		1,223
10. Less loan repayments .....		-219
Total Support .....		\$124,365



## B. Assistance to Counties

## 1. General Fund Subventions:

(a) Pesticide regulation .....	\$2,881	
(b) Pest detection .....	7,586	
(c) Salaries of agricultural commissioners.....	383	
(d) Weights and measures .....	475	
Total General Fund.....		\$11,325

## 2. Agricultural Fund:

(a) Item 8570-101-111 .....	\$34	
(b) Pesticide Mill Tax <sup>a</sup> .....	4,633	
(c) Unclaimed gas tax refunds <sup>a</sup> .....	4,000	
(d) Other .....	45	
Total Agricultural Fund .....		\$8,712

Total Assistance to Counties .....

\$20,037

## C. Assistance to Local Fairs

## 1. Fair and Exposition Fund:

(a) Item 8570-101-191 .....	\$950	
(b) Continuing appropriations <sup>a</sup> .....	15,275	
Total Fair and Exposition Fund .....		\$16,225

2. Satellite Wagering Account <sup>a</sup> .....

452

Total Assistance to Local Fairs.....

\$16,677

Total Expenditures .....

\$161,079

<sup>a</sup> These funds are not included in the Budget Bill.

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**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent
	Actual 1985-86	Est. 1986-87	Prop. 1987-88	Actual 1985-86	Est. 1986-87	Prop. Change From 1987-88	1986-87
1. Pesticide regulation .....	266.3	280.1	293.0	\$26,031	\$30,282	\$30,244	0.1%
2. Agriculture plant pest and disease prevention ..	581.0	573.9	517.7	42,229	42,732	39,061	-8.6
3. Animal pest and disease prevention/inspection services.....	279.6	287.4	221.7	16,055	18,518	21,905	18.3
4. Agricultural marketing services.....	212.1	221.7	221.7	10,912	12,682	12,497	-1.5
5. Food and agricultural standards/inspection ser- vices .....	486.2	510.8	514.1	21,067	22,126	21,856	-1.2
6. Measurement standards..	82.6	76.4	76.4	5,103	5,603	5,473	-2.3
7. Financial and administra- tive assistance to local fairs .....	19.7	20.5	20.5	18,174	30,500	18,007	-41.0
8. Executive, management and administrative services.....	178.3	184.0	173.0	9,661	10,108	9,493	-6.1
Amount distributed to other programs.....	—	—	—	-9,600	-10,014	-8,721	-12.9

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

9. General agricultural activities.....	4.7	7.7	7.7	8,268	12,163	11,960	-1.6
10. Special Adjustment.....	—	—	—	—	—	-696	NMF <sup>a</sup>
Totals .....	2,110.5	2,162.5	2,045.8	\$147,900	\$174,700	\$161,079	7.8%
<b>Funding Sources</b>							
General Fund .....				\$72,410	\$80,451	\$80,250	0.3%
Agriculture Fund .....				53,462 <sup>b</sup>	59,004 <sup>b</sup>	58,433 <sup>b</sup>	1.0
Fair and Exposition Fund .....				17,560	21,328	17,354	-18.6
Agricultural Pest Control Research Account .....				169 <sup>b</sup>	114 <sup>b</sup>	1 <sup>b</sup>	-99.1
Agriculture Building Fund .....				896	1,235	1,202	2.7
Federal Trust Fund .....				2,103	4,094	2,061	-49.7
Environmental License Plate Fund .....				—	90	—	NMF <sup>a</sup>
Satellite Wagering Account.....				—	7,073	555	-92.1
Reimbursements.....				1,300	1,271	1,223	3.8

<sup>a</sup> Not a meaningful figure.<sup>b</sup> Expenditures shown are net of annual loan repayments in order to reconcile with the figures in the Governor's Budget.

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

**Table 3**  
**Department of Food and Agriculture**  
**Proposed 1987-88 Budget Changes**  
**By Program and Funding Source**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Other</i>	<i>Totals</i>
1986-87 Expenditures (Revised) .....	\$80,451	\$94,249	\$174,700
<b>A. Workload and Administrative Adjustments:</b>			
1. Deletion of one-time expenditures .....	-801	-2,000	-2,801
2. Reduced funds available for financial assistance to local fairs .....	—	-5,520 <sup>a</sup>	-5,520
3. Retirement rate reduction .....	-631	-479	-1,110
4. Full-year implementation of program to evaluate pesticides as potential groundwater contaminants (3 PYs) ....	233	—	233
5. Miscellaneous adjustments.....	229	-421	-192
6. Special Adjustment .....	-696	—	-696
<b>B. Program Changes:</b>			
1. Pesticide regulation			
a. Expand program to evaluate pesticides as potential groundwater contaminants (3.8 PYs) .....	300	—	300
b. Increase pesticide registration staff (7.1 PYs) .....	247	—	247
2. Terminate Apple Maggot program (-57.2 PYs) .....	-2,982	—	-2,982
3. Transfer operation of veterinary laboratories to UC Davis (-67.7 PYs) .....	3,900	—	3,900
4. Reduce fair funding by transferring satellite wagering funds to the General Fund for loan repayments .....	—	-5,000	-5,000
1987-88 Expenditures (Proposed) .....	\$80,250	\$80,829	\$161,079
<b>Change from 1986-87:</b>			
Amount .....	-\$201	-\$13,420	-\$13,621
Percent .....	-0.3%	-14.2%	-7.8%

<sup>a</sup> Fair and Exposition Fund and Satellite Wagering Account.

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following proposed budget change and reversion that are not discussed elsewhere in this analysis:

**Groundwater Contaminants.** The department requests an increase of \$300,000 and 3.8 personnel-years to expand a program begun in the current year to prevent pesticides from polluting groundwater. Chapter 1298, Statutes of 1985, requires pesticide registrants to submit detailed information on the likelihood of groundwater contamination resulting from the use of the pesticide, and requires the department to take appropriate actions to regulate use to prevent such contamination. The budget also requests \$233,000 and 3 personnel-years for full-year funding of positions authorized for this program in the current year.

**Reversion of Hydrilla Funds.** In addition to the proposed budget change discussed above, we also recommend approval of the proposed reversion of the unexpended balance (about \$20,000) remaining from the \$667,000 appropriated by Ch 435/85 for hydrilla eradication in Spring Lake, Sonoma County. The department has completed the eradication project and will continue monitoring the site as part of its ongoing program.

**Apple Maggot Funds Should Be Reverted**

*We recommend amending reversion Item 8570-495 to include reversion of the remaining balance (\$492,000) of the appropriation made by Ch 228/85 for Apple Maggot eradication because the department has discontinued the program and does not plan to use the funds for this purpose.*

The department advises that it has discontinued the Apple Maggot eradication program because "the program cannot be implemented in 1987-88 unless an exemption from California Environmental Quality Act requirements is obtained." This decision was prompted by a recent court ruling which requires the department to prepare an environmental impact report before it can proceed with any additional eradication activities. A more fundamental reason for terminating the program, however, is that the department's own scientific advisory panel has determined that eradication of the Apple Maggot is not feasible.

In accordance with the department's decision to discontinue the program, the budget does not request any new funds for Apple Maggot eradication in 1987-88. Nevertheless, \$492,000 of unspent General Fund money appropriated for the program by Ch 228/85 remains available. Since there is no further need for these funds, they should be reverted.

**New Vehicles Not Needed**

*We recommend a reduction of \$300,000 requested from the General Fund to purchase new vehicles because the department can use vehicles recently purchased for the Apple Maggot program, which has been discontinued. (Reduce Item 8570-001-001 by \$300,000.)*

The budget requests \$481,000 from the General Fund to purchase 48 new vehicles, consisting of 26 trucks, 18 automobiles, and 4 vans. Our analysis indicates that instead of purchasing new vehicles, the department could use 26 trucks and 3 automobiles purchased in 1985-86 for the Apple Maggot eradication program. As noted in the preceding issue, the budget indicates the Apple Maggot eradication project has been discontinued. The request for new vehicles in the budget year, however, does not take into account the availability of the vehicles purchased for the Apple Mag-

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

got program. Using these existing vehicles would result in a General Fund savings of approximately \$300,000, based on the actual cost of the new vehicles requested for 1987–88. Accordingly, we recommend a reduction of \$300,000 from the General Fund.

**Affirmative Action Costs Should be Shared**

*We recommend a funding shift of \$71,000 from the General Fund to the Agricultural Fund in order to allocate the cost of affirmative action programs on a proportionate basis. (Reduce Item 8570-001-001 by \$71,000 and increase Item 8570-001-011 by an equivalent amount.)*

Based on a recently completed evaluation of its administrative costs, the department has reallocated support for various administrative functions among its funding sources (primarily the General Fund and the Agricultural Fund). The revised allocation of administrative costs generally appears to be reasonable, with one exception: The budget proposes to finance the entire cost (\$210,000) of the department's affirmative action programs (equal employment opportunity and women's coordinator) solely from the General Fund in 1987–88.

Existing law requires all state agencies to maintain affirmative action programs. Employees who are supported from special funds—such as the Agricultural Fund—have equal access to those programs. Accordingly, the Agricultural Fund should bear its proportionate share of the costs. Based on the department's proposed expenditures for personal services, the Agricultural Fund's proportionate share of affirmative action costs is \$71,000 (33.8 percent). Accordingly, we recommend a funding shift of \$71,000 from the General Fund to the Agricultural Fund.

**Veterinary Laboratory Fees Should Be Increased**

*We recommend a reduction of \$1,227,000 from the General Fund and an equivalent increase in scheduled reimbursements because the users of the veterinary laboratories should pay at least 25 percent of the ongoing support costs of the laboratories. (Reduce Item 8570-001-001 by \$1,227,000 and increase reimbursements by a like amount.)*

The budget requests \$9.1 million for support of veterinary laboratory services in 1987–88. The General Fund will provide 94 percent of this amount (\$8.5 million), and the remainder will come from fee reimbursements (\$361,000) and federal funds (\$150,000). The total amount requested is about \$3.7 million, or 68 percent above estimated current-year expenditures. The increase is due primarily to (1) the transfer of the existing veterinary laboratories from CDFA to the University of California at Davis (UCD), which will operate the laboratories under contract (\$400,000), and (2) full-scale operation of the new Thurman Veterinary Laboratory at UCD (\$3.1 million).

*UCD Will Now Operate Veterinary Laboratories Under Contract.* Chapter 1536, Statutes of 1982, authorized a central veterinary laboratory facility on the Davis campus and directed the department to contract with the university to take over full operation of CDFA's laboratory system upon completion of the new central laboratory. Construction and equipping of the new \$10.7 million John E. Thurman Veterinary Laboratory at UCD is essentially complete, and UCD will assume full operation of the veterinary laboratory system (including four branch laboratories) in July 1987.

**Purposes of the Veterinary Laboratories.** The veterinary laboratories perform a variety of diagnostic services for the livestock and poultry industries as well as for state and federal animal health regulatory programs. The department indicates that the primary purposes of the laboratories are to:

- **Protect public health.** Diagnose animal diseases that can affect humans in order to prevent their spread.
- **Protect the state's livestock and poultry from exotic diseases.** Through early detection, the department and federal authorities can prevent the spread of these diseases and thus avoid widespread economic losses.
- **Aid private veterinarians.** Assist private veterinarians in the diagnosis of diseases.
- **Protect the livestock and poultry industries from diseases that cause economic losses.** By diagnosing specimens of dead or diseased livestock and poultry, the laboratories enable ranchers to take appropriate action to limit economic losses.

**Fee Revenues Support Only 4 Percent of Costs.** Chapter 1536 requires the university, in consultation with the department, to "establish a schedule of fees to help defray the cost of the operations of the laboratories." Since the enactment of Chapter 1536, however, the portion of laboratory support provided from fees has declined from 8.7 percent to 4.0 percent. During the same time period (1982-83 through 1987-88), the annual cost of the laboratory system (excluding capital outlay) has more than tripled and the General Fund has paid for essentially all of the increase. Although the department is authorized to adjust fees administratively, it has chosen to raise fees only slightly, thus leading to an ever increasing General Fund subsidy. The veterinary laboratories currently impose fees ranging from \$2 to \$35 for *some* laboratory services, while most services are provided free of any charge.

In the Supplemental Reports of the 1985 and 1986 Budget Acts, the Legislature directed the department and the university to evaluate fee options to fund a larger portion of the costs of the laboratory system. The department submitted one report last year and has completed a draft of a second report that was due January 1, 1987. Last year's report did not recommend any fee increase. The new draft report indicates that the livestock and poultry industries receive about 25 percent of the benefits from the veterinary laboratories. The report, however, recommends fee increases totaling only \$25,000 annually. The reason the additional revenue is so small is that the department chose to apply the 25-percent share only to the cost of those services for which it currently charges fees.

**Conclusion.** Based on the functions of the laboratory system, the department's estimate of the industry's share of benefits appears too conservative. Furthermore, we see no reason to exclude the great majority of the laboratories' services from the application of this benefit ratio. We believe that laboratory users should pay at least 25 percent of the *total* ongoing costs of the veterinary laboratory services. The 1987-88 budget request for \$9.1 million includes \$2.7 million in one-time costs; thus, ongoing costs are budgeted at \$6.3 million. In order to provide a 25-percent share of these costs, fee reimbursements should total \$1,588,000 in 1987-88, or \$1,227,000 above the amount budgeted. Accordingly, we recommend a General Fund reduction of \$1,227,000 and an equivalent increase in scheduled reimbursements.

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued****Pesticide Registration Fees Reduce General Fund Needs**

*We recommend a funding shift of \$600,000 from the General Fund to the Agricultural Fund in order to utilize additional revenue available from pesticide registration fees. (Reduce Item 8570-001-001 by \$600,000 and increase Item 8570-001-111 by a like amount.)*

The budget requests \$4.8 million (\$2.8 million from the General Fund and \$2 million from the Agricultural Fund) to support pesticide registration activities in 1987–88, an increase of \$254,000 over estimated current-year expenditures. The proposed increase is due primarily to the addition of 7.1 personnel-years, at a General Fund cost of \$247,000, to address a growing backlog of registration applications and related correspondence.

All pesticides sold in California must be registered. As part of the registration process, the department determines the conditions under which pesticides may be used. Registration specialists evaluate the efficacy of pesticides and determine whether the label instructions are appropriate. They also coordinate the department's communications with registrants concerning health and safety issues that other units evaluate. The department's request for additional registration staff appears justified. We believe, however, that the Agricultural Fund should provide a larger share of the program's support.

**Revenue Estimates Do Not Reconcile.** The \$2 million requested from the Agricultural Fund is derived from the annual pesticide registration fee of \$200 which is collected for each registered pesticide. To justify its proposed staff increase, the department states that an estimated 13,000 pesticides will be registered in California next year. Based on that estimate, however, the department would receive \$2.6 million from pesticide registration fees in 1987–88, or \$600,000 more than the \$2 million reflected in the budget from this source of funds. On the other hand, the department's estimate of revenue from registration fees in 1987–88 is based on a projection that only 10,000 pesticides will be registered in California next year. The department has been unable to reconcile these differences.

Since the *current* number of registered pesticides is 13,000, \$2.6 million is a more reasonable estimate of registration fee revenues in 1987–88 than the \$2 million on which the funding split in the budget is based. By increasing Agricultural Fund support to \$2.6 million, the General Fund contribution can be reduced by \$600,000. Accordingly, we recommend a funding shift of \$600,000 from the General Fund to the Agricultural Fund for support of the pesticide registration program.

**Forgiveness of Fair Loans**

*We recommend a transfer of \$1,730,000 from the Fair and Exposition Fund to the General Fund in order to repay the full amount of loans which have been made to local fairs. (Add Item 8570-012-191 to transfer \$1,730,000 to the General Fund.)*

The budget proposes to transfer \$5 million from the Satellite Wagering Account to the General Fund for repayment of loans made to fairs (through a diversion of General Fund revenues) between 1974 and 1980. Satellite wagering occurs when a racetrack accepts bets on races televised from other tracks. The account receives revenue from satellite wagering at fairs and is continuously appropriated to the department, which allocates these funds to fairs that require assistance for health and safety

repairs and deferred maintenance projects. Fairs will receive approximately \$7 million from the account in the current year to address a backlog of health and safety and deferred maintenance projects. After the proposed \$5 million transfer to the General Fund, the account will have \$452,000 remaining for allocation to local fairs in 1987-88.

During the six-year period cited above, the Director of Finance made 14 loans totaling \$9.3 million to local fairs for capital improvements and deferred maintenance projects. The fairs agreed to repay the loans in annual installments over 10 or 15 years. All loan repayments are to be deposited in the General Fund. Currently, a total of \$6.7 million, or 72 percent, remains unpaid. Two fairs—the Big Fresno Fair and the Orange County Fair—owe 95 percent, or \$6.4 million, of this unpaid balance.

The Department of Finance indicates that after the \$5 million transfer is made, it intends to forgive the entire amount of unpaid principal (\$6.7 million). Thus, the proposed transfer is \$1.7 million less than the outstanding loan balance. (The fairs would continue to be liable for repaying accrued interest of about \$3 million on the loans.)

**Other Funds Available.** The department has other funds available that can be used to repay the loans. The Fair and Exposition Fund receives a portion of the state's regular horse racing revenue. The budget estimates that the department will have approximately \$16.2 million available for allocation to local fairs from this fund for general support, capital improvements, and health and safety and deferred maintenance.

We see no reason to forgive the entire loan balance owed to the General Fund, since the \$1.7 million shortfall could be paid from the Fair and Exposition Fund. Accordingly, we recommend adding the following new transfer Item 8570-012-191 to the Budget Bill, as shown below, to transfer \$1,730,000 from the Fair and Exposition Fund to the General Fund in order to make the General Fund whole when the loans are forgiven:

"8570-012-191—For transfer by the State Controller from the Fair and Exposition Fund to the General Fund ..... (\$1,730,000)"

## DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY

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

Budget p. GG 105

Requested 1987-88 .....	\$1,033,000
Recommended approval .....	177,000
Recommended reduction .....	856,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. **Sacramento Veterinary Laboratory.** Reduce Item 8570-301-036 (1) by \$856,000. Recommend reduction in funds to remodel the Sacramento Veterinary Laboratory, because only preliminary plans should be funded at this time. 1346

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

The budget proposes \$1,033,000 for the Department of Food and Agriculture's capital outlay program in 1987-88. This amount includes one major and one minor (under \$200,000) capital outlay project.

**Sacramento Vet Lab Conversion**

*We recommend reduction of \$856,000 from funds for the Sacramento Veterinary Laboratory conversion project to eliminate funds for working drawings and construction, because only preliminary planning money is needed at this time. (Reduce Item 8570-301-036(1) by \$856,000.)*

When construction of the John E. Thurman Veterinary Laboratory, located on the University of California, Davis campus is completed in October 1987, the department's veterinary laboratory program will be transferred to Davis from Sacramento. The budget provides \$903,000 for preliminary plans, working drawings and construction of a project to remodel the Sacramento veterinary laboratory building into a chemistry lab. This remodeling involves 7,400 assignable square feet and includes removing walls, upgrading the mechanical and electrical systems, installing fume hoods and making minor interior alterations. The department indicates that this remodeling will correct the space deficiencies noted by the Commission on California State Government Organization and Economy and others.

Our review of the department's proposal indicates that the remodeling is needed. The project, however, is not scheduled to be advertised for construction bids until mid-June 1988. Based on the complexity of the remodeling work and the Department of General Services' track record of implementing projects, it is highly unlikely that construction funds will be needed in the budget year. Furthermore, the Legislature should limit initial project funds to preliminary planning only, because the Director of Finance has recently articulated a policy of expending working drawing funds *even if the project exceeds legislatively approved scope and/or cost*. Accordingly, we recommend that the Legislature reduce the amount proposed by \$856,000. The remaining \$47,000 will be sufficient to prepare preliminary plans during the budget year. A request for working drawings and construction in 1988-89, based on completed preliminary plans, would warrant legislative consideration.

**Crash Cushions—Truckee Inspection Station**

*We recommend approval.*

The department requests \$130,000 to purchase and install four crash cushions for the entrance to the vehicle bays at the Truckee Agriculture Border Station. Usually, the department places a large array of sand barrels in front of the inspection stations. At Truckee, however, space is very limited. The crash cushions will provide protection to the inspection employees in less space. We recommend approval.

**Supplemental Report Language**

For purpose of project definition and control, we recommend that the fiscal subcommittees adopt supplemental report language which de-



scribes the scope of each of the capital outlay projects approved under this item.

## FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT

Items 8620-8640 from the General Fund

Budget p. GG 106

Requested 1987-88 .....	\$2,779,000
Estimated 1986-87 .....	2,804,000
Actual 1985-86 .....	2,705,000
Requested decrease (excluding amount for salary increases) —\$25,000 (—0.9 percent)	
Total recommended reduction .....	None

### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8620-001-001—Fair Political Practices Commission, support	General	\$801,000
8640-001-001—	General	1,978,000
Secretary of State .....		\$624,000
Franchise Tax Board .....		1,044,000
Attorney General .....		310,000
Statutory Appropriation—Fair Political Practices Commission, support	General	(2,823,000)
Total		\$2,779,000

### 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 authorized staffing in the current year is 95.7 personnel-years.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$2,779,000 from the General Fund to carry out the provisions of the PRA in 1987-88. This is \$25,000, or 0.9 percent, less than estimated current year expenditures. The total amount of funds, however, proposed in the Budget Bill for support of the FPPC and to carry out the provisions of the PRA in 1987-88 totals \$5,602,000, or 3.7 percent more than the total amount that will be spent for these

# **FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT** **—Continued**

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.

**Table 1**  
**Political Reform Act of 1974**  
**General Fund Support**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

				<i>Expenditures</i>			<i>Percent</i>
				<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Change</i>
<i>Function</i>				<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>From</i>
							<i>1986-87</i>
1. Budget Act Appropriations							
Secretary of State .....	Filing of documents	\$605	\$624	\$624	—		
Franchise Tax Board.....	Auditing statements	998	1,041	1,044	0.2%		
Attorney General.....	Criminal enforcement	295	310	310	—		
Fair Political Practices Commission .....	Local Enforcement/ Support	807	829	801	-3.4		
Subtotals.....				\$2,705	\$2,804	\$2,779	-0.9%
2. Statutory Appropriation—							
Fair Political Practices Commission .....	Administration of Act	\$2,271	\$2,598	\$2,823	8.7%		
Totals, Political Reform Act ....				\$4,976	\$5,402	\$5,602	3.7%

## **ANALYSIS AND RECOMMENDATIONS**

### **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. In recent years, the commission also has received a Budget Act appropriation to fund its Local Enforcement Division which was established by Ch 1681/84.

For the budget year, the commission proposes to spend \$3,596,000. This is \$169,000, or 4.9 percent, above estimated current year expenditures. The proposed increase in expenditures reflects the *net* effect of: a \$61,000 increase for salaries and wages, a \$13,000 increase in staff benefits, a \$131,000 increase in operating expenses and equipment, and a \$36,000 reduction as a "special adjustment" in the budget year.

### **SECRETARY OF STATE**

#### *We recommend approval.*

Responsibilities assigned to the Secretary of State by the Political Reform Act include receiving campaign expenditure statements and regis-

tering lobbyists. In addition, the Secretary of State prints and distributes information listed in lobbyist registration statements.

The budget proposes expenditures of \$632,000 by the Secretary of State for work arising under the act during 1987-88. This amount includes a General Fund appropriation of \$624,000 and reimbursements of \$8,000. This is \$4,000, or 0.6 percent, below estimated total current year expenditures.

### FRANCHISE TAX BOARD

#### *We recommend approval.*

The Political Reform Act requires the Franchise Tax Board (FTB) to audit the financial transaction statements of (1) lobbyists, (2) candidates for state office and their committees, (3) committees supporting or proposing statewide ballot measures, and (4) specified elected officials. The board indicates that it will conduct 273 PRA audits in the budget year.

The budget proposes \$1,044,000 as FTB's portion of administering the Political Reform Act in 1987-88, which is an increase of \$3,000 over estimated current year expenditures.

### 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. Budget year expenditures to provide required services are estimated at \$310,000, the same as for the current year.

## PUBLIC UTILITIES COMMISSION

Item 8660 from various special funds

Budget p. GG 108

Requested 1987-88 .....	\$66,021,000
Estimated 1986-87 .....	68,130,000
Actual 1985-86 .....	59,925,000
Requested decrease (excluding amount for salary increases) \$2,109,000 (-3.1 percent)	
Total recommended reduction .....	89,000

### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8660-001-042—Railroad grade crossing safety	State Transportation, State Highway Account	\$1,501,000
8660-001-046—Rail passenger service and enforcement of federal railroad track and freight car equipment standards	State Transportation, Transportation Planning and Development Account	2,138,000
8660-001-412—Freight transportation regulation	Transportation Rate	17,496,000
8660-001-461—Passenger transportation regulation	Public Utilities Commission Transportation Reimbursement Account	3,938,000

**PUBLIC UTILITIES COMMISSION—Continued**

8660-001-462—Utility regulation	Public Utilities Commission Utilities Reimbursement Ac- count	37,642,000
8660-001-890—Various purposes	Federal Trust	260,000
Revenue and Taxation Code Section 44181: Uni- versal Telephone Service Program	Universal Telephone Ser- vice	73,000
Reimbursements		2,973,000
Total		\$66,021,000

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

1. *Passenger Carrier Licensing. Reduce Item 8860-001-461 by \$89,000.* Recommend deletion of \$89,000 and three positions budgeted for passenger carrier licensing because the workload has not been demonstrated. 1354

**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.

The commission is authorized 970.6 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

Proposed expenditures in 1987-88 from all funding sources, including federal funds and reimbursements, total \$66,021,000, which is \$2,109,000, or 3.1 percent, less 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 only proposed increase (1.8 percent) is in the regulation of transportation tariffs, reflecting the commission's recent (April 1986) "reregulation" decision. (This decision is discussed more fully later in this analysis.)

**Table 1**  
**Public Utilities Commission**  
**Budget Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Program	Actual 1985-86	Estimated 1986-87	Proposed 1987-88	Change From 1986-87	
				Amount	Percent
Regulation of Utilities:					
Certification .....	\$1,199	\$1,540	\$1,515	-\$25	-1.6%
Rates .....	32,773	36,981	35,402	-1,579	-4.3
Safety .....	1,163	1,306	1,257	-49	-3.8
Service and facilities .....	2,433	2,828	2,648	-180	-6.4
Subtotals, Utilities .....	(\$37,568)	(\$42,655)	(\$40,822)	(-\$1,833)	(-4.3%)
Regulation of Transportation:					
Licensing .....	\$7,926	\$9,368	\$9,007	-\$361	-3.9%
Rates .....	10,017	11,385	11,594	209	1.8
Safety .....	3,489	3,720	3,662	-58	-1.6
Service and facilities .....	925	1,002	936	-66	-6.6
Subtotals, Transportation .....	(\$22,357)	(\$25,475)	(\$25,199)	(-\$276)	(-1.1%)
Administration (Distributed):					
Utilities .....	\$11,148	\$14,196	\$13,391	-\$805	-5.7%
Transportation .....	6,963	8,815	7,847	-968	-11.0
Subtotals, Administration .....	(\$18,111)	(\$23,011)	(\$21,238)	(-\$1,773)	(-7.7%)
Totals .....	\$59,925	\$68,130	\$66,021	-\$2,109	-3.1%
Funding Sources					
Public Utilities Commission, Transportation Reimbursement Account .....	\$3,298	\$3,651	\$3,938	\$287	7.9%
Public Utilities Commission, Utilities Reimbursement Account ....	33,319	38,142	37,642	-500	-1.3
Transportation Rate Fund .....	15,482	18,001	17,496	-505	-2.8
Transportation Planning & Development Account, State Transportation Fund .....	2,100	2,302	2,138	-164	-7.1
State Highway Account, State Transportation Fund .....	1,374	1,415	1,501	86	6.1
Universal Telephone Service Fund	65	70	73	3	4.3
Federal Funds .....	233	239	260	21	8.8
Reimbursements .....	4,054	4,310	2,973	-1,337	-31.0
Personnel-years .....	930.6	970.6	989.9	19	2.0%

### Proposed Budget-Year Changes

Table 2 shows the changes in the PUC's proposed budget for 1987-88. The largest *baseline adjustments* are reductions to account for the following one-time current-year costs: (1) \$1.9 million for a nuclear reasonableness review consultant contract; (2) \$1.8 million for office automation projects, and (3) \$1.1 million for various legislative initiatives. Proposed workload and program changes are discussed below.

**PUBLIC UTILITIES COMMISSION—Continued**

**Table 2**  
**Public Utilities Commission**  
**Proposed 1987-88 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>
1986-87 Expenditures (Revised) .....	\$38,142	\$18,001	\$3,651	\$4,026	\$4,310	\$68,130
<i>Baseline Adjustments</i>						
Central Administrative Services .....	\$699	-\$85	-\$24	-\$12	—	\$578
Replacement Copier .....	-67	-30	-6	—	—	-103
Relocation Costs .....	-371	-190	-38	—	—	-599
Office Automation .....	-1,160	-530	-110	—	—	-1,800
Data Processing .....	-115	-54	-11	—	—	-180
Transportation Data Base Design .....	—	-195	-15	—	—	-210
Zero Interest Weatherization .....	-101	—	—	—	—	-101
Rapid Transit Safety .....	—	—	—	-263	—	-263
Telecommunications Consultants .....	-500	—	—	—	—	-500
Nuclear Reasonableness Reviews .....	—	—	—	—	-\$1,870	-1,870
Various Legislation .....	-262	-807	-72	—	—	-1,141
Subtotals, Baseline Adjustments .....	(\$-1,877)	(\$-1,891)	(\$-276)	(\$-275)	(\$-1,870)	(\$-6,189)
<i>Workload Changes</i>						
CEQA Compliance .....	—	—	—	—	\$33	\$33
Rapid Transit Safety .....	—	—	—	\$118	—	118
Rail/Highway Crossing Safety .....	—	—	—	103	—	103
Nuclear Reviews .....	—	—	—	—	500	500
Capital Investment Review .....	\$500	—	—	—	—	500
Low Income Weatherization .....	48	—	—	—	—	48
Utility Diversification .....	297	—	—	—	—	297
Passenger Carrier Regulation .....	—	—	\$122	—	—	122
Subtotals, Workload Changes .....	(\$845)	(—)	(\$122)	(\$221)	(\$533)	(\$1,721)
<i>Program Changes</i>						
Professional Training .....	\$64	\$13	\$5	—	—	\$82
Research Internship Program .....	70	—	—	—	—	70
Transportation Management Infor- mation System .....	—	899	292	—	—	1,191
Recent Legislation:						
Public Advisor (Ch 651/86) .....	162	—	—	—	—	162
CPUC Decisions/Orders (Ch 893/ 86) .....	146	4	20	—	—	170
Highway Carrier Regulation (Ch 1160/86) .....	—	470	—	—	—	470
Utility Contracts (Ch 1259/86) .....	90	—	—	—	—	90
Tour Bus Safety (Ch 1306/86) .....	—	—	124	—	—	124
Subtotals, Program Changes .....	(\$532)	(\$1,386)	(\$441)	(—)	(—)	(\$2,359)
1987-88 Expenditures (Proposed) .....	\$37,642	\$17,496	\$3,938	\$3,972	\$2,973	\$66,021
Changes From 1986-87:						
Amount .....	-\$500	-\$505	\$287	-\$54	-\$1,337	-\$2,109
Percent .....	-1.3%	-2.8%	7.9%	-1.3%	-31.0%	-3.1%

**ANALYSIS AND RECOMMENDATIONS****Budget-Year Requests**

The budget proposes several augmentations to the PUC's budget in 1987-88. We recommend approval of the following requests for *commissionwide* activities:

- Three positions in the Administrative Law Judge Division to comply with time limits for issuing decisions and orders imposed by Ch 893/86 (\$170,000);

- Three positions on the staff of the Public Advisor to establish an office of the Public Advisor in the PUC's Los Angeles office, pursuant to Ch 651/86 (\$162,000);
- Funding for a training program to provide professional staff with practical knowledge about the most recent developments in utility regulation (\$82,000); and
- Funds for an intern program that would support Ph.D. candidates working on research projects of interest to the commission (\$70,000).

In addition, we recommend approval of the following budget-year requests proposed in the area of *utility regulation*:

- Five positions to enable the commission to better prevent ratepayer subsidization of competitive, non-regulated businesses into which telephone utilities are diversifying (\$297,000);
- Four limited-term positions to administer and process workload associated with environmental impact reports for electrical transmission lines and cellular telephone projects, as required under the California Environmental Quality Act (\$208,000);
- Two positions for a program to ensure that utilities implement programs to encourage women and minority business contracts, pursuant to Ch 1259/86 (\$90,000);
- Consulting services to complete an ongoing contract to examine the efficiency and reasonableness of Pacific Bell's capital investment program (\$500,000); and
- Consulting services to enable the commission to examine the reasonableness of major capital additions to various nuclear power plants (\$500,000 in reimbursements).

Finally, we recommend approval of the following budget-year augmentations request in the area of *transportation regulation*:

- Two positions to enable the commission to adopt and implement safety standards for light rail rapid transit systems (\$118,000), and
- Two positions to provide safety inspections, enforcement and accident investigation due to increased railroad grade crossing activity in Southern California (\$103,000).

### REGULATION OF TRANSPORTATION

The Public Utilities Commission regulates the rates, services, and safety of intrastate, privately owned, for-hire highway carriers (trucks) and passenger carriers (primarily buses). 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. The passenger carrier workload is supported from the Public Utilities Commission Transportation Reimbursement Account. The budget proposes expenditures of \$21.5 million from these funds and authorization for 277 personnel-years.

#### Trucking Industry Should Be Deregulated

In *The 1987-88 Budget: Perspectives and Issues* we analyze the commission's motor carrier regulatory program. The impetus for our review was a recent commission decision (April 1986) to *increase* the level of rate regulation for trucks. The increased regulation was intended to address concerns regarding profitability, safety and service. Our review of the information available on the impact of trucking deregulation indicates that (1) the industry does not fit the criteria for an industry in need of regulation, (2) states that have deregulated have not experienced the problems alleged to occur under deregulation, and (3) the link between

**PUBLIC UTILITIES COMMISSION—Continued**

economic regulation and safety is weak. We conclude from this information that economic regulation of the trucking industry is both unnecessary and inefficient.

Accordingly, we recommend enactment of legislation terminating the PUC's economic regulation of this industry, at a savings to the industry of about \$17.5 million in 1987-88. We further recommend that the Legislature address concerns regarding truck safety through increased *direct* enforcement.

**Budget-Year Requests Based on Continued Motor Carrier Regulation**

The budget proposes the following three augmentations in support of the commission's regulation of motor carriers:

**Highway Carriers.** The budget requests nine positions and \$470,000 to enforce the commission's new truck regulatory program. The augmentation reflects the full-year cost of implementing Ch 1160/86. Initially, five positions would be located in San Francisco to process new tariff filings required under the new regulatory program. The four remaining positions would be allocated to field offices to do carrier compliance audits. After the tariff filings are processed, the commission proposes to move at least two additional positions to the field to augment compliance staff.

**Tour Buses.** The budget requests three positions and \$124,000 for the regulation of passenger motor carriers (primarily buses). The augmentation represents the full-year cost of activities required by Ch 1306/86. One proposed position would administer a new fee to pay for bus and maintenance facility inspections. These fees are collected by the PUC but are paid into the Motor Vehicle Account to fund the California Highway Patrol inspection program. Two positions are budgeted for general enforcement of commission rules and regulations. These personnel would be assigned as field investigators and would be engaged primarily in determining whether carriers are operating while under suspension due to a lack of insurance or a bad inspection report.

**Transportation Management Information System.** The budget requests \$1.2 million to continue development of a management information system to automate the Transportation Division's paper flow, and to provide for improved access to data used in enforcing tariff, entry and other regulations. The system's total cost would be \$3.2 million and would be fully operational by 1989-90.

All three of these requests assume that the commission will continue its involved economic regulation of motor carriers. As we note above, we believe that state spending in this area is ineffective and unnecessary. Consequently, it is difficult for us to recommend approval of *additional* expenditures for commission activities that we see as generating little or no state benefits. Until such time, however, as legislation is enacted which terminates the PUC's regulatory requirements, we recommend approval of the resources requested to carry out the commission's existing regulatory program.

**Passenger Carrier Licensing Workload Overstated**

*We recommend a reduction of \$89,000 and three positions in bus licensing activity because the commission overestimated its workload. (Reduce Item 8660-001-461 by \$89,000.)*

The budget requests \$122,000 and four positions to ensure that passen-



ger carriers are licensed as required by commission rules and regulations. The passenger carrier industry has experienced significant growth in the last few years, and the staff devoted to passenger carrier licensing has not kept pace with that growth. The commission indicates in its budget proposal that all four positions are to be used to meet the existing and anticipated licensing workload.

Our analysis indicates that the commission currently has enough people to handle its *ongoing* licensing workload, but that there is a need to eliminate an existing *backlog* in paperwork. Based on information provided by the PUC, however, it appears that this backlog could be eliminated with a one-time augmentation of only 1 personnel-year (\$33,000). Consequently, we recommend that the budget be reduced by \$89,000 and three positions to reflect the need for only one limited-term position.

### BOARD OF CONTROL

Item 8700 from the General  
Fund and various other special funds

Budget p. GG 120

Requested 1987-88 .....	\$46,477,000
Estimated 1986-87 .....	48,998,000
Actual 1985-86 .....	48,838,000
Requested decrease (excluding amount for salary increases) \$2,521,000 (-5.2 percent)	
Total recommended reduction .....	300,000
Recommendation pending .....	1,680,000

### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8700-001-001—Support	General	\$1,093,000
8700-001-214—Support	Restitution	7,349,000
8700-001-890—Support	Federal Trust	(5,200,000)
Reimbursements	—	117,000
Total, Budget Bill Appropriations		\$8,559,000
Continuing Appropriation—Claims	Restitution	37,904,000
Continuing Appropriation—Claims	Missing Children Reward	14,000
Total, State Funds		\$46,477,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. **Flood Damage Claims.** Reduce Item 8700-001-001 by \$300,000. Recommend reduction of contract services for processing flood damage claims because the board has not justified the need for the expenditure. 1357
2. **Victim Claims Fund Shortage.** Recommend that prior to budget hearings, the Department of Finance explain how it plans to address the funding deficiency in the Citizen Indemnification program. 1358
3. **Victim Claims Workload.** Withhold recommendation on 1359

**BOARD OF CONTROL—Continued**

\$1,680,000 proposed for increased workload in the Citizen Indemnification program pending resolution of the fund shortage problem in the Restitution Fund.

**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.

The board has 120 authorized personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures of \$46.5 million from the General Fund (\$1.1 million), the Restitution Fund (\$45.3 million) and reimbursements (\$117,000) for support of Board of Control activities in 1987-88. This is \$2.5 million, or 5.2 percent less than estimated current-year expenditures. Including federal funds, total expenditures are estimated to be \$51.7 million in 1987-88. This is \$2.5 million, or 4.6 percent less than estimated total current-year expenditures. The change between the current and budget years, however, largely reflects a significant one-time expenditure of \$3.5 million to pay Mediterranean Fruit Fly claims in the current year. If the budget is adjusted to eliminate the effect of this one-time expenditure, the 1987-88 budget would increase by \$1 million, or 2 percent, over 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**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Percent</i>
<i>Program Expenditures</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>Change From</i>
				<i>1986-87</i>
1. Citizen Indemnification .....	\$47,986	\$49,769	\$50,467	1.4%
2. Hazardous Substance Claims.....	14	20	20	—
3. Civil Claims Against the State .....	838	4,354	1,153	-73.5
4. Statewide Pro Rata Agreement .....	—	40	45	12.5
5. Administration (distributed) .....	(357)	(273)	(278)	1.8
6. Special Adjustment .....	—	—	-8	NMF <sup>a</sup>
Totals, Expenditures.....	\$48,838	\$54,183	\$51,677	-4.6%
Personnel-years .....	126.1	120.0	132.8	10.7%
<b>Funding Sources</b>				
1. General Fund .....	\$669	\$770	\$1,093	41.9%
2. Restitution Fund .....	47,986	44,574	45,253	1.5
3. Mediterranean Fruit Fly Claims Fund.....	42	3,534	—	-100.0
4. Missing Children Reward Fund.....	—	10	14	40.0
5. Federal Trust Fund .....	—	5,185	5,200	0.3
6. Reimbursements.....	141	110	117	6.4

<sup>a</sup> Not a meaningful figure.

The budget proposes a General Fund appropriation of \$1.1 million in 1987-88. This is \$323,000, or 42 percent, more than estimated current-year expenditures. Most of this increase is attributable to a proposal to fund the processing costs of flood damage claims.

Table 2 identifies, by funding sources, the changes in expenditure levels proposed for 1987-88.

**Table 2**  
**Board of Control**  
**Proposed 1987-88 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	<i>Total</i>
1986-87 Expenditures (Revised) .....	\$770	\$48,118	\$5,185	\$110	\$54,183
A. Workload Changes					
1. Government claims processing .....	27	—	—	4	31
2. Flood claims appraisals .....	300	—	—	—	300
3. EDP staffing .....	—	82	—	—	82
4. EDP equipment .....	—	267	—	—	267
5. Victim claims clerical positions .....	—	254	—	—	254
6. Victim claims processing .....	—	1,077	—	—	1,077
7. Missing children reward payments .....	—	4	—	—	4
8. Victim claims payments .....	—	-911	15	—	-896
B. Other Adjustments					
1. Lease increase .....	17	95	—	3	115
2. Prorata charges .....	—	-58	—	—	-58
3. Eliminate one-time costs .....	-10	-130	—	—	-140
4. Medfly claims one-time costs .....	—	-3,534	—	—	-3,534
5. Distributed administration .....	-3	3	—	—	—
6. Special Adjustment .....	-8	—	—	—	-8
1987-88 Expenditures (Proposed) .....	\$1,093	\$45,267	\$5,200	\$117	\$51,677
Change from 1986-87					
Amount .....	\$323	-\$2,851	\$15	\$7	-\$2,506
Percentage .....	41.9%	-5.9%	0.3%	6.4%	-4.6%

## ANALYSIS AND RECOMMENDATIONS

### Augmentation for Flood Damage Claims is Not Justified

*We recommend deletion of \$300,000 from the General Fund budgeted to review and appraise flood damage claims because the board has not been able to justify the need for this expenditure. (Reduce Item 8700-001-001 by \$300,000.)*

Following the major flooding that occurred in Northern California in early 1986, over 1,800 claims were filed with the Board of Control seeking payment for damages in excess of \$3 billion. Based on the board's policy to deny any claims involving complex questions of law or fact, nearly all of these claims were denied between June and September 1986. According to the Attorney General's Office, a significant number of these claimants have filed legal actions against the state.

The budget proposes an augmentation of \$300,000 from the General Fund to process these claims. The budget indicates that the funds would be used for contract personnel to review and appraise the claims. At the time this analysis was prepared, however, no written justification of the proposal had been submitted. Further, the board could not explain why it needs additional funds when it has already processed and denied nearly

**BOARD OF CONTROL—Continued**

all of the claims it has received; and does not expect to receive any new claims in the future. Without an explanation of the need for these funds, we have no basis to recommend approval of the proposal. Accordingly, we recommend that the funding be deleted for a savings of \$300,000 from the General Fund.

**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 administrative costs of the program appropriated from the Restitution Fund are subject to review in the annual budget process.

**Budget Provides Inadequate Funding for Claims of Crime Victims**

*We recommend that prior to the budget hearings, the Department of Finance explain to the fiscal committees how it plans to address the potential funding deficiency in the Citizen Indemnification program.*

The budget estimates that \$50.5 million will be spent on the Citizen Indemnification program in 1987–88, including \$45.3 million from the Restitution Fund and \$5.2 million from federal funds. This is about \$700,000, or 1.4 percent, more than estimated current-year expenditures.

The Governor's Budget reports that at the *end* of the budget year, the Restitution Fund will be depleted. In addition, the budget states that the board is evaluating the status of the fund to determine what legislative or administrative actions may be necessary to address this problem. Our analysis indicates, however, that the fund will be depleted *before* the end of the budget year, thereby placing this program in a deficiency position in 1987–88.

Our review suggests that the estimates in the Governor's Budget understate claim payments to crime victims. For instance, the budget estimates that the number of new claims received by the board will be 22,200 in 1987–88. This is an increase of 3,700, or 20 percent, more than the estimated number of claims to be received in the current year. *In contrast to the 20 percent growth in the number of claims projected, the budget estimates that the amount required for payment of claims will decline by 2 percent, from \$44 million in 1986–87 to \$43.1 in 1987–88.*

We asked the board to explain how claim payments could decrease while the number of new claims is growing so rapidly. The board advised that the basis for the estimates of claims payments shown in the Governor's Budget is that there will be insufficient funds to pay any claims above the levels shown. If additional funds are made available for the program, the board indicates that \$4 million in the current year and \$7 million in the budget year would be required in addition to the amounts shown in the budget to pay the estimated 18,500 new claims in 1986–87 and the projected 22,200 new claims in 1987–88. Thus, if the board's estimates are correct, there will be an \$11 million deficiency facing the program by the end of the budget year.

There are several options for correcting the problem of inadequate funding for the Citizen Indemnification program that could be addressed through changes to the Budget Bill or other legislation. One approach, would be to provide additional revenues to support the program. This could be accomplished by generating additional revenue to the Restitution Fund by increasing penalty assessments, or by providing additional financing from other sources. Another option would be to reduce program expenditures by restricting eligibility requirements or limiting the dollar amounts of payments to crime victims.

Because of the potential adverse impact of a shortfall in the funds available to pay claims of victims of violent crimes, we recommend that, prior to the budget hearings, the Department of Finance explain to the fiscal committees how it plans to address the potential funding deficiency for the Citizen Indemnification program in the budget year.

#### **Augmentations Should Be Deferred Until Program Funding is Assured**

*We withhold recommendation on \$1,680,000 requested from the Restitution Fund to address increased workload in the Citizen Indemnification program pending resolution of the fund shortage problem in the Restitution Fund.*

For 1987-88, the Board of Control requests \$1.7 million from the Restitution Fund to address workload increases in the Citizen Indemnification program. The board indicates that these increases are necessary to process new claims that are growing at an annual rate of 20 percent. The board's request includes:

- An augmentation of \$1.1 million for two positions and additional *contract* funds to review and verify an increasing number of victims of crimes claims by expanding the number of local victims centers that perform this work.
- An additional \$254,000 for 11 clerical positions for the board to handle workload related to the increasing number of claims.
- An increase of \$267,000 to purchase new data processing equipment to assist the board in processing the claims more efficiently.
- An additional \$82,000 for two positions to make more effective use of the board's data processing equipment.

As noted above, there will be insufficient funds available to pay all claims in 1987-88 unless corrective action is taken. As a result, we cannot recommend approval of substantial increases to the board's operating budget for the processing of new claims, until the administration addresses the issue of how such claims would be paid. Accordingly, we withhold recommendation on \$1,680,000 requested to address increased workload, pending resolution of the funding problem.

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**BOARD OF CONTROL—REVERSION**

Item 8700-495 to the General  
Fund

Budget p. GG 120

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

This item reverts the unencumbered balance of the appropriation provided to the Board of Control in Chapter 713, Statutes of 1985 (AB 590) to the unappropriated surplus of the General Fund at the beginning of the budget year.

The Citizen Indemnification program provides compensation to citizens of the state who are injured and suffer financial hardship as a result of a crime of violence. Chapter 713 expanded eligibility for the program by authorizing *nonresidents* of the state to receive indemnification. This provision, however, is operative only during those time periods when federal funds are available to the state to pay compensation to victims of crimes. This change was made to ensure state eligibility for federal Victims of Crime Act (VOCA) funds, which would not otherwise be available.

Chapter 713 also appropriated \$32,000 to the board to be used for the purposes of the act. The board advises that the appropriation was erroneously made from the General Fund rather than the Restitution Fund, which is traditionally used to finance the program. As a result, the board proposes to return the \$32,000 to the General Fund. Our analysis indicates that the request is reasonable and we recommend approval.

**COMMISSION ON STATE FINANCE**

Item 8730 from the General  
Fund

Budget p. GG 125

Requested 1987-88 .....	\$792,000
Estimated 1986-87 .....	749,000
Actual 1985-86 .....	691,000
Requested increase (excluding amount for salary increases) \$43,000 (+5.7 percent)	
Total recommended increase .....	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, Ch 1027/85, 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 is authorized eight personnel-years during the current year.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

The budget proposes an appropriation of \$792,000 from the General Fund for support of the Commission on State Finance in 1987-88. This is an increase of \$43,000, or 5.7 percent, over the level of expenditures identified in the budget for the current year.

The increase in the commission's budget for 1987-88 reflects the net effect of an increase of \$4,000 for merit salary adjustments, an increase of \$47,000 for operating expenses, and a reduction of \$8,000, or 1 percent, as a special adjustment.

Our analysis indicates that the proposed expenditures for the commission are reasonable.

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## COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

Item 8780 from the General  
Fund

Budget p. GG 126

Requested 1987-88 .....	\$465,000
Estimated 1986-87 .....	470,000
Actual 1985-86 .....	577,000
Requested decrease (excluding amount for salary increases) \$5,000 (-1.1 percent)	
Total recommended reduction .....	None

### 1987-88 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 conducts program reviews, holds hearings and sponsors legislation 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 expenses, but receive no salary.

The commission currently is authorized seven personnel-years of support staff.

# COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY—Continued

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$465,000 (\$463,000 from the General Fund and \$2,000 from reimbursements) for support of the commission in 1987–88. The proposed budget is \$5,000 less than estimated 1986–87 expenditures due to a Special Adjustment reduction of 1 percent.

## ANALYSIS AND RECOMMENDATIONS

### *We recommend approval.*

Each year the commission undertakes several program reviews, issues reports and sponsors implementing legislation. Table 1 summarizes information on reports issued by the commission since January 1986.

The proposed budget appears reasonable and would allow the commission to conduct approximately the same number of projects in 1987–88 as it conducted in the current year. Therefore, we recommend approval.

**Table 1**  
**Little Hoover Commission**  
**Reports Issued**  
**January 1986–January 1987**

<i>Report Subject</i>	<i>Public Hearing(s) Dates</i>	<i>Report Date</i>	<i>Commission Sponsored Legislation<sup>a</sup></i>
Government Competition with Private Enterprise	June 1984	January 1986	
Financial Accountability in Community Colleges	November 1985	February 1986	AB 2910—Early Warning System (Chapter 1486)
State Management of Real Property	August, October 1985	March 1986	AB 3932—Office of Assets Management (Chapter 907) AB 3972—Property Management Pilot Project (Chapter 444)
Revenue and Tax Collections and Cash Management	March 1986	April 1986	—
Public Schools' Use of Lottery Funds	May 1986	June 1986	Legislation will be proposed during 1987 session
The Liability Insurance Crisis	February, April 1986	July 1986	SB 1590—MPAs and JPAs (Chapter 1331); AB 4406—Consumer Information (Chapter 1329); AB 3554—Public Entities (Chapter 1327)
Lack of Financial Accountability in K–12 Education	June 1985	December 1986	SB 327—Deferred Maintenance (Chapter 886)
Property Management and the State Controller's Office		December 1986	AB 2861—School Accountability (Chapter 1150)



Review of Lottery Operations	October, November 1986	January 1987	Legislation will be proposed during 1987 session
Children's Services in California	July, September, November 1986	January 1987	Legislation will be proposed during 1987 session

<sup>a</sup> Excludes 10 pieces of legislation enacted or vetoed during 1986 which related to previously issued reports on nursing homes, pesticides, telecommunications, toxics and the underground economy.

## MEMBERSHIP IN INTERSTATE ORGANIZATIONS

Item 8800 from the General Fund

Budget p. GG 127

Requested 1987-88 .....	\$525,000
Estimated 1986-87 .....	514,000
Actual 1985-86 .....	490,000
Requested increase \$11,000 (+2.1 percent)	
Total recommended reduction .....	None

## ANALYSIS AND RECOMMENDATIONS

### *We recommend approval.*

The budget proposes an appropriation of \$525,000 from the General Fund to support four interstate organizations in 1987-88. 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 \$11,000, or 2.1 percent, over the amount appropriated for this purpose in 1986-87.

Table 1 displays the amount of funding the state provided for these organizations in the past, current, and budget years. Table 1 also shows that the 1987-88 budget for membership in interstate organizations has been reduced by \$5,000, which is approximately 1 percent of the General Fund support, as a "Special Adjustment."

**Table 1**  
**Membership in Interstate Organizations**  
**Budget Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

	Actual 1985-86	Est. 1986-87	Prop. <sup>a</sup> 1987-88	Percent Change from 1986-87
<i>Memberships</i>				
Council of State Governments .....	\$196	\$207	\$215	3.9%
National Conference of State Legislatures .....	272	222	224	0.9
Western States Legislative Forestry Task Force .....	22	22	22	—
Governmental Accounting Standards Board .....	(63) <sup>b</sup>	63	64	1.6
Totals .....	\$490	\$514	\$525	2.1%

<sup>a</sup> These totals were reduced to reflect the Special Adjustment, and were provided by the Department of Finance.

<sup>b</sup> The assessment for 1986 was paid by the Department of Finance.

**MEMBERSHIP IN INTERSTATE ORGANIZATIONS—Continued**

**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 \$4,202,000 for 1987–88. Assessments imposed on member states pay for about \$3,278,000, or 78 percent, of the council's operations. 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 base amount—\$31,400—plus an additional amount based upon the state's population—currently \$7.25 per 1,000 residents. The CSG indicates that it has increased the base rate from \$28,500 to \$31,400 in 1987–88, in order to reduce the financial burden on states with large populations, such as California. The CSG estimates that 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.

Due to the 1 percent Special Adjustment, the budgeted amount of \$215,000 will not be sufficient to pay California's assessment of \$217,000 in 1987–88. CSG staff indicate that the reduced amount will not affect their operations or the state's membership in the council.

**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 1987–88 is projected to be \$8,766,000, of which \$3,682,000 will be derived from assessments on member states and \$5,084,000 will come from other sources.

The NCSL determines each state's assessment by combining a flat rate of \$39,017 with an additional charge of \$7.52 per 1,000 residents. Due to the 1 percent Special Adjustment, the budgeted amount of \$224,000 will not be sufficient to pay California's assessment of \$226,000 in 1987–88. NCSL staff indicate that the reduced amount should not affect California's membership in the council.

**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. The budgeted amount is sufficient to pay California's assessment in 1987–88.

**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 three years.

Due to the 1 percent Special Adjustment, the budgeted amount of \$64,000 will not be sufficient to pay California's assessment of \$65,000 in 1987–88. The Department of Finance indicates that the reduction in support will not adversely affect the state's participation in the GASB.

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**COMMISSION ON THE STATUS OF WOMEN**

Item 8820 from the General  
Fund and the Displaced  
Homemaker Emergency Loan  
Fund

Budget p. GG 128

Requested 1987-88 .....	\$679,000
Estimated 1986-87 .....	685,000
Actual 1985-86 .....	626,000
Requested decrease (excluding amount for salary increases) \$6,000 (-0.9 percent)	
Total recommended reduction .....	None

**1987-88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8820-001-001—Support	General	\$579,000
8820-001-811—Support	Displaced Homemaker Emergency Loan	100,000
Total		\$679,000

**GENERAL PROGRAM STATEMENT**

The Commission on the Status of Women (CSW) 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 pilot loan guarantee program established by Ch 1596/84.

The Commission has 10.5 authorized personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$679,000 from the General Fund and the Displaced Homemaker Emergency Loan Fund (DHELF) for support of the Commission in 1987-88. This is a reduction of \$6,000, or 0.9 percent, from estimated current-year expenditures. The reduction is due entirely to the 1 percent "Special Adjustment" in the commission's General Fund appropriation.

The commission proposes to consolidate its administration, legislation, and research units into one unit in the budget year.

**COMMISSION ON THE STATUS OF WOMEN—Continued****ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The CSW's proposed expenditures appear to be warranted, and would allow the commission to maintain its current level of activity.

**CALIFORNIA LAW REVISION COMMISSION**

Item 8830 from the General

Fund	Budget p. GG 130
Requested 1987-88 .....	\$524,000
Estimated 1986-87 .....	536,000
Actual 1985-86 .....	548,000
Requested decrease (excluding amount for salary increases) \$12,000 (-2.2 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.

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

The budget proposes an appropriation of \$524,000 from the General Fund for support of the commission in 1987-88. This is \$12,000, or 2.2 percent, *below* estimated current-year expenditures. The reduction includes a Special Adjustment of \$5,000, which is about 1 percent of the General Fund support. Commission staff indicate that the budget reductions primarily will reduce the amount available for expenditure on printing.

**COMMISSION ON UNIFORM STATE LAWS**

Item 8840 from the General

Fund

Budget p. GG 131

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Requested 1987-88 .....	\$98,000
Estimated 1986-87.....	99,000
Actual 1985-86 .....	95,000
Requested decrease \$1,000 (-1 percent)	
Total recommended reduction .....	None

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**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. Currently, the commission consists of 10 members—six appointed by the Governor, two members of the Legislature (one selected by each house), the Legislative Counsel, and a California life member of the National Conference of Commissioners on Uniform State Laws. Under the provisions of Ch 429/86, California life members of the national conference or persons who meet certain other criteria are members of the commission. Currently, one person qualifies under the provisions of the measure.

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

The budget proposes an appropriation of \$98,000 from the General Fund for support of the commission in 1987-88. This is \$1,000, or 1 percent, less than estimated current-year expenditures. The budget has been reduced by this amount as a Special Adjustment.

Much of the commission's budget is used to pay the state's annual membership fee to the national conference. California's fee will be \$47,800 in the budget year. The balance of the commission's budget covers travel and per diem expenses in connection with commission meetings, as well as general administrative costs.

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## DEPARTMENT OF FINANCE

Item 8860 from the General  
Fund

Budget p. GG 132

Requested 1987-88 .....	\$24,791,000
Estimated 1986-87 .....	24,958,000
Actual 1985-86 .....	23,879,000
Requested decrease (excluding amount for salary increases) \$167,000 (-0.7 percent)	
Total recommended reduction .....	None
Recommendation pending .....	339,000

## 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8860-001-001—Support	General	\$24,457,000
Reimbursements	—	334,000
Total		\$24,791,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Office Relocation. Withhold recommendation on \$339,000 budgeted for office relocation pending receipt of space needs assessment and further review of alternatives to the department's move. 1370

## GENERAL PROGRAM STATEMENT

The Department of Finance (DOF) is responsible for (1) advising the Governor on the fiscal condition of the state, (2) assisting in the preparation and enactment of the Governor's Budget and legislative programs, (3) evaluating state programs for efficiency and effectiveness and (4) providing economic, financial and demographic information.

The department also provides state agencies with consultation and coordination services for management, organizational planning and development and application of staff and cost controls.

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 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 1986-87, the department is authorized 359 personnel-years.

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$24,791,000 to support the Department of Finance in 1987-88. This amount is \$167,000 less than estimated current-year expenditures. General Fund expenditures in 1987-88 are proposed at \$24,457,000, a \$2,000 decrease from the current year.

Table 1 summarizes the department's budget, by program, for the past,

current and budget years. Table 2 summarizes the changes in the department's budget between 1986-87 and 1987-88. Neither table has been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

**Table 1**  
**Department of Finance**  
**Budget Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Program	Expenditures			Change from 1986-87	
	Actual 1985-86	Est. 1986-87	Prop. 1987-88	Amount	Percent
Annual Financial Plan .....	\$9,524	\$10,465	\$10,564	\$99	0.9%
Program and Information Assessment ....	5,351	6,048	6,108	60	1.0
Supportive Data .....	8,962	8,390	8,309	-81	-1.0
Administration (distributed) .....	(3,424)	(3,320)	(3,330)	(10)	(0.3)
Administration (undistributed) .....	42	55	57	2	3.6
Special Adjustment .....	—	—	-247	-247	—
Totals .....	\$23,879	\$24,958	\$24,791	-\$167	0.7%
Funding Source					
General Fund .....	\$23,191	\$24,459	\$24,457	-\$2	— <sup>a</sup>
Reimbursements .....	688	499	334	-165	-33.1%
Personnel-Years .....	360.8	359.1	367.9	8.8	2.5

<sup>a</sup> Less than 0.05 percent.

**Table 2**  
**Department of Finance**  
**Proposed 1987-88 Budget Changes**  
**(dollars in thousands)**

	General Fund	Reimbursements	Totals
1986-87 Expenditures (Revised) .....	\$24,459	\$499	\$24,958
Baseline Adjustments			
Reduced reimbursements .....	—	-\$190	-\$190
Workload Changes			
Consultant funds .....	-\$435	—	-\$435
FPA <sup>a</sup> audit staff .....	25	25	50
CALSTARS data processing staff .....	77	—	77
Data Processing support services .....	39	—	39
OIT <sup>b</sup> planning and policy staff .....	200	—	200
Relocation to leased facility .....	339	—	339
Subtotals, Workload Changes .....	(\$245)	(\$25)	(\$270)
Special Adjustment			
One percent reduction .....	-\$247	—	-\$247
1987-88 Expenditures (Proposed) .....	\$24,457	\$334	\$24,791
Change from 1986-87:			
Amount .....	-\$2	-\$165	-\$167
Percent .....	— <sup>c</sup>	-33.1%	-0.7%

<sup>a</sup> Financial and Performance Accountability.

<sup>b</sup> Office of Information Technology.

<sup>c</sup> Less than 0.05 percent.

**DEPARTMENT OF FINANCE—Continued****ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following staff increases proposed for the budget year:

- Two positions in the Financial and Performance Accountability Unit to provide more supervisory staff for audit coordination and training of department and internal auditors at other departments (\$50,000),
- One position in data processing user support to accommodate increased workload from automation projects (\$39,000),
- Two positions in the CALSTARS unit to support increased workload due to addition of departments to the system (\$77,000), and
- Four positions at OIT to support an increased level of planning activity identified by the Auditor General (\$200,000).

The cost for these new positions, \$366,000, is proposed to be funded through the redirection of funds from consulting services (\$341,000) and from increased reimbursements (\$25,000).

**Office Relocation**

*We withhold recommendation on \$339,000 for office relocation expenses, pending receipt of information on the department's space needs and further review of alternatives to a relocation.*

The budget proposes \$339,000 to pay for the department's relocation to a leased building. These costs would be financed with a General Fund augmentation of \$245,000 and the redirection of \$94,000 from consulting services.

The department proposes the move because of: (1) concerns about the physical inadequacies of its existing building (such as structural problems, and fire and safety deficiencies), and (2) a need for more space. With regard to the former, the department is currently housed in an old building that has many shortcomings. It may be, however, that it is still more cost-effective—at least in the short run—for the state to spend funds on minor repairs and alterations to the building rather than pay the cost of more expensive privately leased space.

With regard to space requirements, the department is contracting with the Office of Space Management (OSM) to perform a study of its space needs. That report should be available by April. Without it, however, we have no basis for determining whether the proposed space is adequate for the department.

Accordingly, we withhold recommendation on the \$339,000 budgeted for the office relocation, pending the outcome of the OSM space requirements study and further review of alternatives to the department's relocation.

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**COMMISSION ON STATE MANDATES**

Item 8885 from the General

Fund	Budget p. 000
Requested 1987-88 .....	\$58,994,000
Estimated 1986-87 .....	133,359,000
Actual 1985-86 .....	110,063,000
Requested decrease (excluding amount for salary increases) — \$74,365,000 (—55.8 percent)	
Total recommended reduction .....	None
Recommendation pending .....	74,359,000

**1987-88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8885-001-001—Support	General	\$546,000
8885-011-360—Transfer to General Fund	State Mandates Claims	(10,000,000)
8885-101-001—Local Assistance	General	58,108,000
8895-101-214—Local Assistance	Restitution	340,000
Total		\$58,994,000

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

1. Mandate Determination Process. Recommend adoption of supplemental report language requesting the commission to report on options for improving the mandate determination process. 1372
2. Mandate Reform Proposal. Withhold recommendation on the Governor's proposal to eliminate funding for state-mandated program reimbursements, pending receipt and review of the proposed legislation. 1374

**GENERAL PROGRAM STATEMENT**

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 commission is authorized six personnel-years 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.

**COMMISSION ON STATE MANDATES—Continued****OVERVIEW OF THE BUDGET REQUEST**

The budget requests appropriations totaling \$58,994,000 from the General Fund (\$58,654,000) and the Restitution Fund (\$340,000) for support of the commission and for payment of state-mandated costs incurred by local agencies in 1987–88. This is a decrease of \$74,365,000, or 56 percent, below estimated current year expenditures.

**State Operations.** The budget proposes an appropriation of \$546,000 from the General Fund for support of the Commission on State Mandates in 1987–88. This is \$6,000, or 1 percent, below estimated current year expenditures and is attributable to the Special Adjustment reduction.

**Local Assistance.** The budget proposes appropriations totaling \$58.4 million from the General Fund and the Restitution Fund for the various state-mandated local programs in 1987–88. Of the total, \$58.1 million is requested from the General Fund. This is a decrease of \$74.4 million, or 56 percent, below the level of *estimated* current year General Fund expenditures for payment of mandated costs.

This decrease reflects the Governor's proposal to significantly reduce the number of state-mandated local programs for which state reimbursement is provided. Briefly, the Governor intends to sponsor legislation which would: (a) repeal 29 mandates; (b) make 15 mandates optional with local government and/or funded through fees for services; (c) retain five mandates but shift the funding for them to sources other than the General Fund; and (d) exempt local government from one mandate. The remaining 12 mandates would continue to be funded through the Budget Act.

**Transfer to General Fund—State Mandates Claims Fund.** The budget proposes to transfer \$10 million from the State Mandates Claims Fund (SMCF) to the General Fund, effective June 30, 1987. These funds were appropriated to the SMCF by Ch 1459/84 to provide a source of funds to be used by the commission for the payment of certain reimbursement claims. Approval of the Governor's proposal would leave \$5 million in this fund.

**ANALYSIS AND RECOMMENDATIONS****Commission on State Mandates—State Operations**

*We recommend that the Legislature adopt supplemental report language requiring the commission to report to the Legislature on options for shortening the mandate determination process.*

The commission proposes no program changes for 1987–88. We believe that the amount requested for support of the commission is reasonable, and we recommend that it be approved.

We are concerned, however, about the amount of time required to process test claims through the mandate determination process. Since January 1, 1985, the date on which commission was established, 14 test claims have been determined to contain reimbursable state mandates. Due to the cumbersome nature of the mandate determination process, the commission has only completed its work on five of these 14 mandates. Table 1 tracks the progress of the 14 mandates.

Under the existing procedure, each mandate must be heard before the commission three times. First, the test claim is heard to determine whether or not a reimbursable mandate exists. Second, the commission must adopt "parameters and guidelines," which delineate the types of

costs which are eligible for reimbursement. Finally, the commission must adopt a statewide cost estimate of the amount required to reimburse local agencies and school districts for costs mandated by the state.

**Table 1**  
**Test Claim Progress Dates**  
**1985 through 1987**

	<i>Filed</i>	<i>Test Claim Action</i>	<i>Parameters and Guidelines Adopted</i>	<i>Statewide Cost Estimate Adopted<sup>a</sup></i>
1. Maximum Contaminant Levels .....	2/25/85	9/25/86	9/25/86	1/22/87
Title 22, CAC, Section 64435				
2. Judicial Arbitration .....	6/17/85	9/26/85	5/29/86	11/20/86
Ch 743/78 & Ch 1006/75				
3. Superior Court Judgeships .....	8/9/85	4/24/86	8/21/86	11/20/86
Ch 1018/79				
4. Marriage Mediator Programs .....	10/18/85	1/23/86	4/24/86	7/24/86
Ch 48/80				
5. Health Fee Elimination .....	11/26/85	11/20/86		
Ch 1/84, 2nd E.S.				
6. Minimum Tire Tread .....	11/26/85	3/27/86	4/24/86	
Ch 1567/85				
7. Mandate Reimbursement Process .....	11/27/85	3/28/86	11/20/86	
Ch 486/85 & Ch 1459/84				
8. Graduation Requirements .....	11/27/85	11/20/86		
Ch 498/83 (EC 51225)				
9. Patient Aftercare Plans .....	11/27/85	9/25/86		
Ch 556/74				
10. Individual Sewage Disposal .....	11/29/85			
Water Quality Control Bd. 81-89				
11. Business Tax Report Requirements....	2/4/86	7/24/86	8/21/86	
Ch 1490/84				
12. Motorist Assist .....	4/11/86	8/21/86	9/23/86	1/22/87
Ch 1293/85				
13. Election Materials .....	5/21/86	8/21/86	1/22/87	
Ch 1042/85				
14. Domestic Violence .....	6/23/86	11/20/86		
Ch 1609/84 & Ch 668/85				

<sup>a</sup> Commission's actions completed.

As Table 1 indicates, the amount of time required for the commission to process the five completed mandates ranged from nine to 20 months. Five of the remaining nine uncompleted mandates have been under the commission's jurisdiction for more than one year.

The delays experienced by the commission can often be attributed to the failure of local agencies to provide necessary documentation to the commission in a timely manner. In these instances, it may be appropriate to authorize the commission to impose sanctions on local agencies which fail to provide necessary documentation within a reasonable time period. The commission's delays are also attributable in part to the fact that most of the test claims are filed in November, which is the deadline for qualifying for reimbursement costs incurred in any given year. The test claims received in November must be parcelled out for hearing over the commission's meetings during the following year.

In order to assist the Legislature in determining what changes might be

**COMMISSION ON STATE MANDATES—Continued**

available to expedite the process, we recommend that the following supplemental report language be adopted:

"The commission shall submit to the Joint Legislative Budget Committee, by September 1, 1987, a report on options for reducing the time period required by the mandate determination process."

**Local Assistance—State-Mandated Local Programs.****Governor's Mandate Reform Proposal.**

*We withhold recommendation on the Governor's mandate reform proposal, pending review of the accompanying legislation which will be necessary for its implementation.*

Table 2 outlines the Governor's mandate reform proposal. At the time this analysis was prepared, the legislation necessary to implement this proposal had not yet been introduced. Due to the extensive nature of the Governor's proposal, this legislation will be rather complex, and will require a thorough review. Therefore, we withhold recommendation on the Governor's proposal to eliminate funding for these mandates pending our review of the accompanying legislation. We anticipate that an additional \$85,479,000 from the General Fund would be necessary to fully fund the mandate reimbursement program in the absence of the Governor's proposal.

We recommend approval of the funding for the 12 mandates included in the budget (\$58,108,000 from the General Fund and \$340,000 from the Restitution Fund).

**Table 2**  
**Governor's Mandate Reform Proposal**

**A. Repeal existing mandates:**

1. Ch 1355/76—Compensation to Justice Court Judges .....	\$26
2. Ch 1088/82—Juvenile Felony Arrests .....	636
3. Ch 1640/84—Increase in Juror Compensation .....	10,070
4. Ch 1032/80—Deaf Teletype Equipment .....	23
5. Ch 462/78—Dental Records .....	43
6. Ch 1011/84—Juvenile Court Records .....	22
7. Ch 454/74—Signatures in Lieu of Filing Fees .....	29
8. Ch 704/75—Voter Registration Procedures .....	840
9. Ch 1401/76—Voter Registration Roll Purge .....	—
10. Ch 494/79—Handicapped Voter Accessibility Information .....	16
11. Ch 1143/80—Regional Housing Needs Assessments .....	72
12. Ch 941/75—Health Care Services Plans .....	4
13. Ch 453/74—Sudden Infant Death Syndrome Notices .....	6
14. Ch 498/77—Coroners' Responsibilities .....	50
15. Ch 1061/73—Short-Doyle Program .....	3,818
16. Department of Social Services Regulations .....	225
17. Department of Youth Authority Regulations .....	16
18. Ch 1253/75—Transcripts of Expulsion Hearings .....	1
19. Ch 1176/77—Pupil Immunization Records .....	1,314
20. Ch 965/77—Parent Notification of Pupil Suspensions .....	645
21. Ch 894/77—Pupil Proficiency in Basic Skills .....	3,731
22. Ch 282/79—School Crossing Guards in Santa Cruz County .....	3
23. Ch 1347/80—Scoliosis Screening .....	586
24. Ch 459/85—Fingerprinting Kindergartners .....	1,340
25. Ch 1021/73—Reduced Waiting Period for Workers' Comp. ....	7,367
26. Ch 1023/73—Increased Life Pension Under Workers' Comp. ....	636

27. Ch 1220/83—Employees Access to their Personnel Files .....	18
28. Cal/OSHA Regulations on Firefighters' Personal Alarms .....	164
29. Ch 1281/80—Involuntary Lien Notices .....	1,050
Subtotal .....	\$32,751

B. Make existing mandates optional with local government and/or funded through fees for services:

1. Ch 158/78—Court Interpreters .....	\$12
2. Ch 1262/78—Victims' Statements .....	600
3. Ch 718/78—Limitation on Juror Days Served .....	521
4. Ch 743/78—Judicial Arbitration.....	4,000
5. Ch 889/81—Lis Pendens .....	5
6. Ch 952/76—Destruction of Marijuana Records .....	106
7. Ch 77/78—Absentee Ballots .....	2,512
8. Ch 1330/76—Local Coastal Plans .....	424
9. Ch 694/75—Attorney Services for Developmentally Disabled .....	77
10. Ch 1252/80—Representation of Mentally Retarded Persons .....	69
11. Ch 1304/80—Conservatorships.....	63
12. Ch 1036/78—Court Costs for MDSO Recommitments .....	85
13. Ch 961/75—Collective Bargaining in Schools .....	12,133
14. Ch 845/78—Filipino Employee Surveys .....	2
15. Ch 1357/76—Guardianship/Conservatorship Filings .....	4,558
Subtotal .....	\$25,167

C. Retain mandate but shift to funding from sources other than the General Fund:

1. Ch 1399/76—Custody of Minors .....	\$1,009
2. Ch 810/81—Parent-Child Counsel .....	117
3. Ch 238/74—Substandard Housing Tax Deductions .....	10
4. Ch 2/78—Unemployment Insurance .....	25,900
5. Ch 1242/77—Senior Citizens' Property Tax Deferral .....	200
Subtotal .....	\$27,236

D. Retain mandate, but exempt local government from its coverage:

1. Ch 854/76—Health Planning .....	\$325
Total, Mandate Reform Proposal .....	\$85,479

**General Fund Transfer—State Mandates Claims Fund.**

*We recommend that the proposed \$10 million transfer from the State Mandates Claims Fund to the General Fund be approved.*

The budget proposes to transfer \$10 million from the State Mandates Claims Fund (SMCF) to the General Fund. The budget justifies this request on the grounds that the SMCF is overfunded.

The SMCF was created by Ch 1459/84, which specified that \$10 million be continuously appropriated to this fund for designated purposes. Reimbursement for a bill determined by the Legislature to contain state-mandated costs may be made directly from this fund rather than from an appropriation in that legislation, if the statewide costs for the bill do not exceed \$500,000 statewide during the first 12 months of its implementation. Funding for legislation costing more than \$500,000, or previously disclaimed legislation which is determined by the commission to contain state-mandated costs in any amount, continues to be paid through the claims bill process.

The Governor proposes to transfer \$10 million from the SMCF to the General Fund, effective June 30, 1987. This action would leave \$5 million in the SMCF. Our analysis indicates that it is not likely that these funds

**COMMISSION ON STATE MANDATES—Continued**

will need to be expended prior to June 30, 1988. Accordingly, we recommend that the transfer of \$10 million from the SMCF to the General Fund be approved.

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**COMMISSION ON STATE MANDATES—REVERSION**

Item 8885-495 to the General  
Fund

Budget p. GG 144

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval of the proposed reversion to the General Fund of \$44 million appropriated for local agency Unemployment Insurance reimbursements. We further recommend modification of proposed language to provide that \$25 million appropriated for this purpose in the 1986 Budget Act also revert to the General Fund.*

In 1978, the Legislature required that all public entities—cities, counties and special districts—provide coverage to their employees under the Unemployment Insurance (UI) program. The Legislature took this action in response to a federal law which gave the state no reasonable alternative to requiring such coverage. The California Court of Appeal (*City of Sacramento v. State of California*) eventually ruled that the cost of providing UI benefits to local public entity employees was a state-mandated cost for which the state must reimburse local public entities.

In response to the court decision, the Legislature appropriated a total of \$69 million from the General Fund to pay these costs. This amount consists of: (1) \$44 million appropriated by Ch 1217/85 for costs incurred in 1984-85 and 1985-86; and (2) \$25 million appropriated by the 1986 Budget Act for the 1986-87 UI costs.

The budget proposes to revert to the General Fund the \$44 million appropriated in Ch 1217/85 for reimbursement of local agency costs. The budget also proposes that an appropriation be made from the Unemployment Insurance Fund to make these reimbursements, which would effectively shift the cost of those reimbursements from the state General Fund to private employers. Elsewhere in this *Analysis* (please see our analysis of Item 5100—Employment Development Department), we recommend the enactment of urgency legislation to revert the \$69 million of funds already appropriated for these reimbursements. Due to a recent court decision (*County of Los Angeles v. State of California, City of Sonoma v. State of California*), our analysis indicates that the state is *not* required to reimburse local agencies for their costs of providing UI benefits to their employees. In order to ensure that this reversion is accomplished in the event that passage of the legislation is delayed, we also recommend that the language proposed in this item be approved. We further recommend modification of the proposed budget language to provide that the \$25 million appropriated for this purpose in the 1986 Budget Act also revert to the General Fund.

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## OFFICE OF ADMINISTRATIVE LAW

Item 8910 from the General

Fund

Budget p. GG 144

Requested 1987-88 .....	\$2,772,000
Estimated 1986-87 .....	2,885,000
Actual 1985-86 .....	2,505,000
Requested decrease (excluding amount for salary increases) \$113,000 (-3.9 percent)	
Total recommended reduction .....	524,000
Recommendation pending .....	1,562,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. **"AB 1013" Program. Reduce by \$252,000.** Recommend elimination of four positions because of decreased workload. 1379
2. **"AB 1111" Program. Reduce by \$272,000.** Recommend elimination of six positions because review of existing regulations has been completed. 1379
3. **Regulations Review. Withhold recommendation on \$1,562,000 and 23 positions, pending the receipt of additional workload information.** 1380

## 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 ("AB 1111" Program).** The OAL oversees the multiyear 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. All agencies were required by statute to complete their reviews by June 30, 1986.
- (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 Ch 61/82, 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 is authorized 51.5 personnel-years in the current year.

## OFFICE OF ADMINISTRATIVE LAW—Continued

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$2,772,000 from the General Fund for support of the Office of Administrative Law in 1987-88. This is \$113,000, or 3.9 percent, less 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 2 shows the proposed changes in OAL's budget for 1987-88. The major changes are (1) a \$50,000 increase in facilities operation due to the office's relocation, (2) the completion in the current year of a project to improve the format of the California Administrative Code and (3) a one percent General Fund "Special Adjustment" reduction of \$28,000.

These expenditure tables have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

**Table 1**  
**Office of Administrative Law**  
**Budget Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From 1986-87
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	
Regulatory Oversight:							
Regulations Review.....	21.0	26.9	26.9	\$1,623	\$1,880	\$1,833	-2.5%
Regulatory Determina- tions (AB 1013) .....	1.4	3.8	3.8	218	323	312	-3.4
Subtotals, Regulatory							
Oversight.....	(22.4)	(30.7)	(30.7)	(1,841)	(2,203)	(2,145)	(-2.6)
Public Programs.....	9.0	9.4	9.4	664	682	655	-4.0
Administration (distribut- ed) .....	10.6	11.4	11.4	(531)	(580)	(589)	(1.6)
Special Adjustment .....	—	—	—	—	—	-28	—
Totals .....	42.0	51.5	51.5	\$2,505	\$2,885	\$2,772	-3.9%

**Table 2**  
**Office of Administrative Law**  
**Proposed 1987-88 Budget Changes**  
**(dollars in thousands)**

1986-87 Expenditures (Revised) .....	\$2,885
<i>Baseline Adjustments</i>	
Increase in Facilities Operation .....	50
Contract for Administrative Code Project .....	-117
Other Adjustments .....	-18
Subtotal, Baseline Adjustments .....	(-\$85)
<i>Special Adjustment</i>	
1 Percent General Fund Reduction .....	-28
1987-88 Expenditures (Proposed) .....	\$2,772
Change from 1986-87:	
Amount .....	-\$113
Percent .....	-3.9%



**ANALYSIS AND RECOMMENDATIONS****AB 1013 Positions Not Justified by Existing Workload**

*We recommend the deletion of \$252,000 requested for regulatory determinations because these resources are not justified by program workload. (Reduce Item 8910-001-001 by \$252,000.)*

In 1986-87 the OAL requested \$214,000 for three professional staff positions in its regulatory determinations division. At the time of last year's budget hearings, the AB 1013 program had been operating for only a short while, and the OAL could not provide workload data to support the proposal for these three positions (a deputy director plus two attorneys). In addition, the office had been very slow in implementing AB 1013, which became law in January 1983. Accordingly, the Legislature added Budget Bill language withholding the second six months' funding for the positions (that is, \$107,000) until the OAL reported to the Joint Legislative Budget Committee on the actual workload of the division during 1986. The Governor approved this language in signing the 1986 Budget Act.

The office's report on the AB 1013 program was inadequate. While it did list the regulatory determinations processed by the division in the past twelve months, it did *not* provide a list of the amount of staff time spent on each determination, data which was specifically required by the Budget Act and which is essential in ascertaining the program's actual workload. Thus, the OAL technically has not fulfilled its statutory reporting requirement.

Our analysis indicates that the volume of AB 1013 workload to date does not justify continuing the three staff positions in 1987-88. The office received only 26 requests for regulatory determination between November 1985, when the program effectively began, and January 1987. Pursuant to these requests, the office:

- Issued 10 determinations in 1985-86 and *one* determination in the first seven months of 1986-87 (as compared to a 1986-87 budget estimate of 30 for the full year),
- Returned three cases to the requestors due to procedural deficiencies, and
- Has 12 cases pending.

Clearly, the workload has not approached the levels projected by the OAL. The office apparently recognizes this, as it has redirected resources budgeted for a deputy director position in the regulatory determinations division to other purposes.

Our analysis further indicates that the low level of activity in this area could be absorbed easily by the office's main legal staff. Therefore, we recommend the deletion of the AB 1013 program's three professional positions (\$214,000), along with one senior legal typist position (\$28,000) and \$10,000 in associated overhead, for a General Fund savings of \$252,000.

**End of OAL Review of Pre-1980 Regulations Justifies Staff Reduction**

*We recommend the deletion of \$272,000 for the review of existing regulations because these positions are no longer necessary. (Reduce Item 8910-001-001 by \$272,000.)*

Chapter 567, Statutes of 1979 (AB 1111), requires that state agencies review all of their regulations that existed as of June 30, 1980. The statute

**OFFICE OF ADMINISTRATIVE LAW—Continued**

requires that all titles of the Administrative Code be reviewed by specific dates, ranging from June 30, 1981 to June 30, 1986. The OAL now reports that it considers *all* state agencies to have completed their reviews of regulations which existed prior to July 1980. Accordingly, the office is no longer conducting evaluations of agencies' reviews.

Currently, the OAL has 20.5 legal positions assigned to "regulations review," which includes evaluation of pre-1980 and new regulations. As in past years, we could not determine how many of those positions were dedicated to the pre-1980 regulations review, since the office did not maintain separate workload statistics on its two review programs. In its 1984-85 budget proposal, however, the OAL identified the staff then assigned to AB 1111 review as one Staff Counsel III, one Staff Counsel II, and two Legal Counsel positions, plus two clerical positions. These positions are still in the office's baseline budget. Following a reclassification in its legal division, the attorney positions now are equivalent to one Senior Staff Counsel and three Staff Counsel positions.

As these positions are no longer needed for AB 1111 review and the office has not shown a need for staffing in other areas, we recommend deletion of the six positions, and associated overhead, for a General Fund savings of \$272,000.

**Budget Proposal Provides Inadequate Workload Information**

*We withhold recommendation on \$1,562,000 and 23 positions requested for review of new regulations, pending the receipt of additional workload information.*

The budget proposes 23 positions and \$1.6 million for the OAL's review of new regulations proposed by state agencies. In the past we have requested that the OAL provide workload information on the amount of professional staff time spent on new regulations review and its other two regulatory oversight programs. The office has yet to furnish such data. Without this information, we have no analytical basis on which to evaluate the office's proposed level of staffing for its ongoing review of new regulations. Consequently, we withhold recommendation on \$1,562,000 and 23 positions in the regulations review division, pending receipt of specific workload information justifying the budget proposal.

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**DEPARTMENT OF ECONOMIC OPPORTUNITY**

Item 8915 from the General  
Fund and Federal Trust Fund

Budget p. GG 147

Requested 1987-88 .....	\$134,792,000
Estimated 1986-87 .....	137,345,000
Actual 1985-86 .....	148,372,000
Requested decrease (excluding amount for salary increases) \$2,552,000 (-1.9 percent)	
Total recommended increase .....	143,000

**1987-88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8915-001-001—DEO, support	General	\$84,000
8915-001-890—DEO, support	Federal	7,914,000
8915-101-890—DEO, local assistance	Federal	126,794,000
Total		\$134,792,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

Analysis  
page

1. Salary Savings. Recommend that the department report to the fiscal committees on how it proposes to (a) maintain its current level of service given its proposal to increase its salary savings rate in 1987-88 and (b) fund administrative costs in the future. 1383
2. *Collection of Audit Overpayments. Increase Item 8915-101-890 by \$143,000.* 1384
  - (a) Recommend an increase of \$143,000 to reflect funding for Low-Income Home Energy Assistance (LIHEA) programs which will be available due to collection from contractors of overpayments.
  - (b) Recommend adoption of Budget Bill language which requires the department to augment its local assistance budget to the extent that additional funds are collected from contractors.
3. *Technical Budgeting Recommendations. Reduce Item 8915-001-890 by \$70,000; Increase Item 8915-101-890 by \$70,000.* 1385  
Recommend a reduction of \$70,000 in departmental support to correct technical budgeting errors and increase local assistance by a like amount.

**GENERAL PROGRAM STATEMENT**

The Department of Economic Opportunity (DEO) administers both the Low-Income Home Energy Assistance (LIHEA) block grant program and the Community Services Block Grant (CSBG). In addition, DEO plans, coordinates, and evaluates programs that provide services to the poor, and advises the Governor on the needs of the poor.

The LIHEA block grant provides cash grants and weatherization services which assist 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 1986 Budget Act authorized 169.9 personnel-years for the department.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$134,792,000 from all funds for programs administered by the department in 1987–88, as shown in Table 1. This is a net decrease of \$2,553,000, or 1.9 percent, below estimated current-year expenditures. Most of this reduction is due to the following factors:

- A decrease of \$6.1 million because funds carried over into the current year in the CSBG and LIHEA programs will not be available in 1987–88.
- An increase of \$3.5 million in the amount of Petroleum Violation Escrow Account (PVEA) funds which DEO proposes to spend in 1987–88.

**Table 1**  
**Department of Economic Opportunity**  
**Budget Summary**  
**1985–86 through 1987–88**  
**(dollars in thousands)**

<i>Program</i>	<i>Actual 1985–86</i>	<i>Est. 1986–87</i>	<i>Prop. 1987–88</i>	<i>Percent Change from 1986–87</i>
Energy Programs .....	\$118,624	\$105,406	\$103,649	–1.7%
Administration .....	(6,856)	(6,236)	(6,361)	2.0
Program .....	(111,768)	(99,170)	(97,288)	–1.9
Special Programs .....	128	85	84	–1.2
Administration .....	(78)	(85)	(84)	–1.2
Program .....	(50)	(–)	(–)	
Community Services .....	29,620	31,854	31,059	–2.5
Administration .....	(1,379)	(1,532)	(1,553)	1.4
Program .....	(28,241)	(30,322)	(29,506)	–2.7
Executive and Administration .....	2,685	2,891	2,990	3.4
Distributed Administration .....	–2,685	–2,891	–2,990	3.4
DEO administration .....	8,313	7,853	7,998	1.8
Programs .....	140,059	129,492	126,794	–2.1
Totals .....	\$148,372	\$137,345	\$134,792	–1.9%
Funding Sources				
General Fund .....	78	85	84	–1.2%
LIHEA <sup>a</sup> .....	112,829	80,527	75,264	–6.5
DOE .....	5,795	3,879	3,885	0.2
CSBG .....	29,620	31,854	31,059	–2.5
PVEA .....	0	21,000	24,500	16.7
Other federal funds .....	50	0	0	–100.0

<sup>a</sup> These amounts do not include LIHEA funds that are transferred to the Department of Social Services (Item 5180-151-890).

The proposed expenditure level of \$134.8 million includes \$8 million for administration and \$126.8 million for direct service programs. The amount proposed for administration includes \$5.9 million for management of the LIHEA block grant. The amount proposed for LIHEA administration exceeds the 5 percent limit established in state law by \$1.7 million. 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 department. The budget has been reduced by \$1,000, which is approximately 1 percent of the General Fund support, as a Special Adjustment.

Table 2 shows the number of personnel-years by program for the department from 1985-86 through 1987-88.

**Table 2**  
**Department of Economic Opportunity**  
**Personnel-Year Summary**  
**1985-86 through 1987-88**

Program	Personnel-Years		
	Actual 1985-86	Est. 1986-87	Prop. 1987-88
Energy programs.....	85.6	89.7	88.4
Community services.....	16.7	18.1	18.5
Special programs.....	1.0	0.8	0.8
Executive and administration.....	58.2	61.3	60.2
Totals.....	161.5	169.9	167.9

## ANALYSIS AND RECOMMENDATIONS

### DEO POSITION AND EXPENSE NEEDS

#### Impact on Services of DEO Salary Savings Is Unclear

*We recommend that prior to budget hearings, the department provide the fiscal committees with specific information on its proposal to leave 13 positions vacant in the budget year. We further recommend that the department report to the fiscal committees on alternative methods for fully funding its administrative costs in the future.*

Under current state and federal law, the amount of funds available to the department to support its administrative costs is based primarily on a fixed percentage of the CSBG and LIHEA block grant funds received by the state. If these block grant awards increase, then the amount of funds available for administration increase; if the grant awards decrease, then available administrative funds decline.

The department indicates that in 1987-88 its LIHEA block grant will be 20 percent lower than the amount received in 1985-86, resulting in a decrease in the amount of administrative funds permitted by federal and state law. The federal limit on administrative costs is lower than the state limit, and therefore controls the amount of funds that DEO can spend on those costs. In order to live within the federal limit on administrative funds, the department proposes to hold 13 positions vacant in 1987-88, thereby not incurring costs for these positions. The department indicates that it can hold the positions vacant without reducing its ability to administer the workload associated with the CSBG and LIHEA programs. This is because the activities performed by some positions have been automated, or absorbed into other positions. Some of the positions have been vacant for more than one year. We have been unable to determine how many positions the department can hold vacant, and maintain its current workload.

Based on our review, we conclude that the department will not experience a shortfall in administrative funds in 1987-88 as it has predicted. This is because when the department calculated the amount of available ad-

**DEPARTMENT OF ECONOMIC OPPORTUNITY—Continued**

ministrative funds, it failed to include \$5.5 million in Petroleum Violation Escrow Account (PVEA) funds that the budget proposes for LIHEA programs. Under federal law, the department can use a percentage of these funds for administrative costs.

We believe there are two uncertainties surrounding the department's budget. First, we do not know whether, given these additional administrative funds, the department will (1) retain the 13 positions, but continue to hold them vacant, (2) abolish the positions, or (3) fill the positions. Second, because the amount of administrative funds available to the department are a fixed percentage of the block grant awards, the problem of fully funding administrative costs is unlikely to disappear in the future. This is because:

- The federal government may decrease the block grant amounts in federal fiscal year 1988 and in future years.
- The costs of running the department (due to salary increases, for example) may increase at a faster rate than increases in the block grant awards.

To the extent that the department continues to leave positions vacant in order to pay for the increases, it may be unable to continue to operate all of its programs. The Legislature may consider several alternatives to fund increased administrative costs, such as permitting DEO to continue to leave positions vacant, or providing additional General Fund support for specific administrative costs, such as salary increases.

Given these uncertainties, we recommend that prior to budget hearings, the department advise the fiscal committees on (1) whether it will leave the 13 positions vacant, abolish some of these positions, or fill the positions and (2) the impact of its decision on its current level of service. We further recommend that the department report to the fiscal committees on alternative methods for fully funding its administrative costs in the future.

**Collection of Overpayments Provides Increased Funds for Local Programs**

*We recommend that local assistance funds for the LIHEA program be increased by \$143,000 to reflect the collection of funds which were overpaid to contract agencies in prior years. In addition, we recommend that (1) the department provide specified information to the fiscal committees on overpayment collections and (2) the Legislature adopt Budget Bill language which requires the department to augment its local assistance budget in 1987-88 to the extent that additional funds are collected from contractors due to overpayments.*

In May 1986, the Department of Finance (DOF) issued a report which in part identified several problems with DEO's audit resolution process. The report recommends that DEO collect up to \$2 million that is owed to it by contract agencies. These funds are owed to the department because (1) cash advances by DEO were in excess of contractors' reported final expenditures and (2) contractor costs were disallowed by audits. These debts accumulated over a period of several years, beginning in 1978.

In response to the DOF report, DEO has established a new audit resolution process. By implementing the new procedures, DEO expects to collect at least \$143,000 from LIHEA contractors in 1987-88. In addition, the department may collect up to an additional \$60,000 from LIHEA contractors and \$340,000 from CSBG contractors in 1987-88. It is likely that DEO

will collect additional sums in excess of these amounts based on audits of contracts for 1984-85, and 1985-86 which are not yet completed. Audits will be completed for most of the 1984-85 contracts by April 1987, and for some of the 1985-86 contracts during 1987-88.

The amounts identified above by DEO total \$543,000 which is lower than the \$2 million identified by DOF for the following reasons:

- Some contractors are bankrupt, and therefore cannot repay the outstanding funds.
- DEO must return to the federal government all funds collected from LIHEA block grants prior to federal fiscal year 1984, and all funds collected from Department of Energy (DOE) contractors. This is due to a federal requirement that all LIHEA block grant funds which are not spent within three years of the grant award, and all unspent DOE funds must be returned to the federal government.

The department indicates that it will advise each contractor by February 1987 of the amount it owes DEO. To the extent that the contractor does not remit these funds within 90 days, or establish a repayment schedule, DEO may reduce the amount of funds which it provides to the contractor for its current contract, or initiate collection procedures. Due to the marginal financial status of some contract agencies, collection of these funds could result in bankruptcy for some agencies. We do not know what criteria the department proposes to utilize to (1) determine the potential effect on contractors of collecting the overpayments and (2) perform its collections from all agencies in an equitable manner.

Because the 1987 Budget Bill does not reflect the \$143,000 in LIHEA funds which will be available to DEO in 1987-88, we recommend that these funds be included in the budget. The Legislature could appropriate these funds to the Home Energy Assistance Program (HEAP), the Energy Crisis Intervention Program (ECIP), or the weatherization programs. Adoption of this recommendation will increase Item 8915-101-890 by \$143,000.

We also recommend that the department report to the fiscal committees during budget hearings on (1) the total amount of funds that it expects to collect from contractors in 1987-88 due to overpayments in prior years, (2) its criteria for determining from which agencies it will collect the outstanding funds, and (3) its method for collecting the funds from all agencies in an equitable manner. We further recommend that the Legislature adopt Budget Bill language that requires the department to use all funds collected from contractors due to overpayments to support local energy and CSBG programs in 1987-88. The following Budget Bill language is consistent with this recommendation:

"Funds collected by the department from energy contractors as a result of overpayments shall be used for local assistance for energy programs, and funds collected from CSBG contractors as a result of overpayments shall be used for local assistance for CSBG programs in 1987-88."

#### **Technical Recommendations**

*We recommend redirection of \$70,000 from state operations to local assistance, due to unjustified expenditure adjustments for out-of-state travel, facilities operations, the Health and Welfare Data Center, and data processing. Adoption of this recommendation would decrease Item 8915-001-890 by \$70,000 and increase Item 8915-101-890 by \$70,000.*

**DEPARTMENT OF ECONOMIC OPPORTUNITY—Continued****LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT**

The DEO administers the Low-Income Home Energy Assistance (LIHEA) Block Grant, which provides direct assistance to low-income households in order to help them finance their heating, cooling, and lighting bills. A total of \$97.3 million from all funds is proposed for the LIHEA programs in 1987–88. This is a decrease of \$1.9 million, or 1.9 percent, from the current-year funding level. This reduction is primarily due to the fact that funds carried over from prior years into 1986–87 will not be available in 1987–88. The \$97.3 million consists of the following: (1) \$69.4 million in LIHEA block grant funds; (2) \$3.4 million in DOE funds; and (3) \$24.5 million in Petroleum Violation Escrow Account (PVEA) funds. Of the \$24.5 million in PVEA funds, \$19 million is carried over from PVEA funds appropriated by Ch 1342/86, and \$5.5 million is an additional amount of PVEA funds that the 1987 Budget Bill proposes for DEO.

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. In 1985–86, HEAP provided 423,309 households with an average grant of \$141. The department proposes to spend \$41.5 million for direct assistance payments in 1987–88, which is \$9.8 million (19 percent) lower than the amount which the budget estimates for the current year. The decrease is due to: (1) a reduction in the amount of PVEA funds for HEAP in 1987–88 and (2) funds carried over into 1986–87 which will not be available in 1987–88. The total amount budgeted for HEAP in 1987–88 includes \$36 million (43 percent) of the LIHEA block grant and \$5.5 million in PVEA funds. The department indicates that it will use the PVEA funds to increase the average payment received by each household.

*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 about 106,950 households was \$121 in 1985–86. The 1987–88 budget proposes nearly \$21 million, or 25 percent of the LIHEA block grant, in support of ECIP grants, which is the same amount currently estimated for ECIP grants in 1986–87.

*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 with LIHEA funds to 27,927 households was \$504 per household and the average cost of 8,188 households weatherized by DOE funds was \$585 in 1985–86. The budget proposes a total of \$34.9 million in 1987–88 for weatherization grants from three sources, as follows:

- \$12.5 million of LIHEA funds.
- \$3.4 million in federal weatherization funds for local programs from DOE.
- \$19 million in PVEA funds carried over from 1986–87.

Total expenditures for weatherization programs are \$8 million more than the budget estimates in 1986–87. This is due to the proposed carry-over of a portion of PVEA funds appropriated by Ch 1342/86 for weatherization activities.



**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 state's enabling legislation for the CSBG program (Ch 4x/83) expires on January 1, 1988. The budget proposes the expenditure of \$29.5 million in CSBG funds by DEO during 1987-88. This is a decrease of 2.8 percent from DEO's current-year expenditure level.

**Budget Bill Proposes To Direct \$3 Million of CSBG Funds To the GAIN Program**

The 1987 Budget Bill proposes that the CSBG provide \$3 million for the Greater Avenues for Independence (GAIN) program in the Department of Social Services (DSS). This proposal and our recommendation are discussed as part of our analysis of the GAIN program in the DSS, Item 5180-151-001. This proposal is the first attempt by the state to require CSBG-funded agencies to perform specified activities. In the past, although the Legislature has set general guidelines and priorities for CSBG programs, it has not mandated the performance of particular functions by local agencies.

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**DEPARTMENT OF ECONOMIC  
OPPORTUNITY—REAPPROPRIATION**

Item 8915-490 from the General  
Fund and the Federal Trust  
Fund

Budget p. GG 150

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

This item reappropriates Low-Income Home Energy Assistance (LIHEA) block grant, Department of Energy (DOE), and Community Services Block Grant (CSBG) local assistance funds. The item allows the Department of Economic Opportunity (DEO) to carry forward into 1987-88 all local assistance funds for energy programs and CSBG programs which are unexpended in the current year. Without this language, DEO would be required to notify the Legislature of its intent to carry over these funds through the process established by Section 28 of the Budget Bill. The Budget Bill language requires DEO to report to the Legislature by September 1, 1987 on the actual amount of local assistance funds carried over into 1987-88.

In general, the department will use these funds for the same programs in 1987-88 as it supports with these funds in the current year. We recommend approval of the reappropriation.

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**MILITARY DEPARTMENT**

Item 8940 from the General  
Fund and various special  
funds

Budget p. GG 151

Requested 1987-88 .....	\$21,731,000
Estimated 1986-87 .....	21,950,000
Actual 1985-86 .....	20,973,000
Requested decrease (excluding amount for salary increases) \$219,000 (-1.0 percent)	
Total recommended reduction .....	None

**1987-88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8940-001-001—Support	General	\$19,903,000
8940-001-485—Support	Armory Discretionary Im- provement	110,000
8940-001-890—Support	Federal Trust	(23,076,000)
Reimbursements		<u>1,718,000</u>
Total		\$21,731,000

**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 (21,660 authorized officers and enlisted personnel), the Air National Guard (5,943 authorized personnel), and the Office of the Adjutant General. The department is authorized 623.7 personnel-years in 1987-88.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes the expenditure of \$21.7 million from various state funding sources for support of the Military Department in 1987-88. This is a decrease of \$219,000, or 1 percent, below estimated current-year expenditures. The amount includes \$19.9 million from the General Fund, \$110,000 from the Armory Discretionary Improvement Fund, and \$1.7 million in reimbursements that the department expects to receive in the budget year.

Table 1 summarizes the department's proposed funding and expenditures, by program, for the past, current and budget years. The table has not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

**Table 1**  
**Military Department**  
**Budget Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

<i>Program</i>	<i>Actual 1985-86</i>	<i>Est. 1986-87</i>	<i>Prop. 1987-88</i>	<i>Percent Change from 1986-87</i>
Army National Guard .....	\$185,214	\$200,769	\$209,066	4.1%
Air National Guard .....	94,544	96,576	99,486	3.0
Adjutant General				
undistributed .....	1,850	1,900	2,000	5.3
(distributed) .....	(4,573)	(4,939)	(4,969)	0.6
Support to Civil Authority .....	548	222	120	-45.9
Military Retirement .....	1,852	1,978	1,996	0.9
California Cadet Corps .....	438	479	493	2.9
State Military Reserve .....	263	278	278	—
Farm and Home Loan .....	51	66	66	—
IMPACT Program .....	1,602	1,665	1,664	-0.1
Special Adjustment .....	—	—	-201	NMF <sup>a</sup>
Totals, Expenditures .....	\$286,362	\$303,933	\$314,968	3.6%
Funding Sources				
General Fund .....	\$19,257	\$20,130	\$19,903	-1.1%
Federal Funds .....	265,339	281,983	293,237	4.0
Armory Discretionary Improvement Fund .....	—	110	110	0.0
Reimbursements .....	1,716	1,710	1,718	0.5
General Fund share of total .....	6.7%	6.6%	6.3%	

<sup>a</sup> Not a meaningful figure.

As Table 1 shows, the total proposed budget for the Military Department, including state and federal funds, is approximately \$315 million. This is \$11 million, or 3.6 percent, above estimated current-year expenditures. Of the \$293 million in federal funds, only \$23 million is appropriated through the Budget Bill. The remainder is administered directly by the federal government. The proposed General Fund appropriation accounts for 6.3 percent of the department's total proposed expenditures in 1987-88.

## ANALYSIS AND RECOMMENDATIONS

### *We recommend approval.*

The requested decrease in the department's General Fund budget for 1987-88 is \$227,000, or 1.1 percent less than current-year expenditures. This primarily reflects the fact that the budget has been reduced by \$201,000, which is approximately 1 percent of General Fund support, as a Special Adjustment.

In addition, the budget proposes an augmentation of \$100,000 to provide funding for the costs of State Active Duty emergency missions, such as search and rescue, medical evacuations, forest fire support and water transport. Currently, these costs are paid by the department from funds budgeted for other programs until they can be financed from a deficiency allocation. Since the deficiency bill is often enacted late in the fiscal year, the department indicates that it has difficulty managing its resources for most of the fiscal year because it cannot be sure that it will receive addi-

**MILITARY DEPARTMENT—Continued**

tional funds to cover these costs. Our review of this proposal indicates that it is reasonable and we recommend approval.

**Cal-Guard Farm and Home Loan Program**

Chapter 1274, Statutes of 1978, established the California National Guard Members' Farm and Home Purchase program to provide low interest loans to eligible members of the National Guard. The Military Department has the responsibility to administer the program. The department has assigned most of that responsibility to the Department of Veterans Affairs, retaining only the responsibility for determining member eligibility and for selling bonds. As a result, most of the expenditures for this program are shown in the Department of Veterans Affairs budget.

In our analysis of the Department of Veterans Affairs budget, we report that the administration has decided to stop accepting new applications for loans in the Cal-Guard program. In order to ensure that the Legislature has the information it needs to understand the factors that caused the administration to make this decision, we recommend that both the Veterans Affairs and Military departments report to the Legislature on the status of the program. For a more detailed discussion of the need for this report, please see our analysis of the Department of Veterans Affairs budget (Item 1960) on page 192.

**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 1987-88 .....	\$715,000
Recommended approval .....	319,000
Recommended reduction .....	396,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

Analysis  
page

1. *Project Planning. Funding Shift. Item 8940-301-036(1) (\$157,000) and add Item 8940-301-604(2) (\$157,000).* 1391  
Recommend the Legislature fund planning from the Armory Fund, rather than the General Fund, Special Account for Capital Outlay. (Delete Item 8940-301-036(1) and Add Item 8940-301-604(2)).
2. *Sacramento Vehicle Storage Compound. Reduce Items 8940-301-036(2) by \$176,000 and 8940-301-890(1) by \$163,000.* 1391  
Recommend project funds be deleted, because the Legislature previously funded a project to correct these problems.
3. *Ukiah Armory. Reduce Item 8940-301-604(1) by \$83,000 and Item 8940-301-890(2) \$72,000.* 1392  
Recommend that the project scope and cost be reduced to conform with the

project that was approved by the Legislature and that only preliminary planning money be appropriated at this time.

### **ANALYSIS AND RECOMMENDATIONS**

The budget requests a total of \$715,000 for three major capital outlay projects for the Military Department's capital outlay program in 1987-88. This amount consists of \$333,000 from the General Fund, Special Account for Capital Outlay (SAFCO), \$123,000 from the Armory Fund and \$259,000 from the Federal Trust Fund. The department also proposes to spend \$35.3 million in federal construction funds, which are not subject to state appropriation, for construction of 11 projects throughout the state.

#### **Project Planning Should Be Funded From the Armory Fund**

*We recommend that Statewide Project Planning be funded from the Armory Fund, instead of the Special Account for Capital Outlay. (Delete Item 8940-301-036(1), \$157,000 and add Item 8940-301-604(2), \$157,000).*

The department requests \$157,000 to develop plans and specifications for armory projects which will be eligible for federal financing. Funds for this purpose are necessary to undertake the advanced planning required for federal financing of construction projects. Our analysis indicates that this planning effort should be financed through the Armory Fund rather than SAFCO.

The Armory Fund was created by Ch 296/83, with the intent of permitting the department to dispose of unused or improperly located armories and use the revenue to construct new armories. All proceeds from the disposal of armories are deposited in the Armory Fund and are available for construction of replacement armories or for other purposes when appropriated by the Legislature. According to the department, the Armory Fund will have a \$3.7 million balance at the start of the budget year. We recommend that \$157,000 of this balance be appropriated under Item 8940-301-890(2) for planning. Correspondingly, we recommend deletion of Item 8940-301-036(1), for a reduction of \$157,000 from SAFCO.

#### **Sacramento Vehicle Storage Compound Not Justified**

*We recommend deletion of \$339,000 for working drawing and construction to provide surface paving at the Meadowview Armory, because the Legislature already funded a project to correct the drainage problems. (Delete Item 8940-301-036(2) and Item 8940-301-890(1)).*

The department requests a total of \$339,000 (\$176,000, SAFCO and \$163,000, Federal Trust Fund) to install catch basins, connector lines to the storm drains and pave over four acres of land at the Meadowview Armory, Sacramento.

The department contends that personal cars and military vehicles sink in mud during period of heavy rains, making it difficult for the department to carry on its activities.

The poor drainage at the Meadowview is not a new problem. In 1981, the Office of the State Architect studied the area and recommended construction of a storm drainage system. In 1985, the Legislature funded a \$301,000 storm drainage project based on the State Architect's design. In requesting the funds for the drainage system, the department stated that the system "will provide year-round use" of the Meadowview Armory land.

The department now informs us that the storm drainage system which the Legislature funded in 1985 "will serve no purpose" without the

**MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued**

proposed paving, new catch basins and connector lines.

We have several concerns with this project. First, the department has not explained *why* the 1985 project will “serve no purpose”. Second, if the 1985 project truly “serves no purpose”, it is not clear why the department did not request *reversion* of the \$301,000, rather than contract for the project’s construction in October 1986. Third, the construction of the storm drainage system is not yet complete, hence the department has no experience on which to base its claims.

We recommend that the Legislature delete funding for this project, because the department has not adequately justified its request. Should the Meadowview Armory have a drainage problem after completion of the approved project the department should evaluate the minimum improvements that will be necessary to provide drainage and submit the project for the Legislature’s consideration for the 1988–89 budget year.

**Ukiah—Armed Forces Reserve Center**

*We recommend reduction of a total of \$155,000 from a project to build a Ukiah Armory, because the department has not adequately justified the increased project size and the request for working drawing funds is premature. (Reduce Item 8940-301-604 (1) by \$83,000 and Item 8940-301-890 (2) by \$72,000. Future savings: \$575,000.)*

The 1986 Budget Act appropriated \$321,000 to acquire land in Ukiah for the purpose of constructing a 33,508 gross square foot reserve center. Total estimated project cost, as approved by the Legislature and specified in the *Supplemental Report of the 1986 Budget Act*, is \$2.3 million.

The department requests \$219,000 (\$123,000 from the Armory Fund and \$96,000 from the Federal Trust Fund) for preliminary plans and working drawings for the new reserve center. The department’s proposal calls for increasing the building’s size by 1,317 gross square feet (3.9 percent) and increasing the total project cost by \$632,000 (27 percent), over the size and cost specified by the Legislature. The department contends that the increased size is necessary for the building to conform with interim space guidelines published by the National Guard Bureau and the increased costs are based on the department’s recent experience in constructing the Fairfield Armory.

We have two concerns with the department’s proposal.

First, the department has not been unable to verify the changes in the space guidelines that would require the increased space. Second, the Office of State Architect’s cost estimate was based on *very incomplete* information and provided no explanation for the increase in costs. Consequently, we recommend that the size and cost of the armory be reduced to conform with the *Supplemental Report of the 1986 Budget Act*.

We further recommend that the Legislature limit initial project funds to preliminary planning only, because the Director of Finance has recently articulated a policy of expending working drawing funds *even if the project exceeds legislatively approved scope and/or cost*. Accordingly, the department’s request should be reduced to a total of \$64,000. This will enable the department to prepare preliminary plans, based on the scope and cost of the project as approved by the Legislature.

**Supplemental Report Language**

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

**SENIOR CITIZENS' PROPERTY TAX ASSISTANCE**

Item 9100-101 (a) from the  
General Fund

Budget p. GG 162

Requested 1987-88 .....	\$4,166,000
Estimated 1986-87 .....	5,161,000
Actual 1985-86 .....	6,377,000
Requested decrease \$995,000 (-19.3 percent)	
Total recommended reduction .....	None

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

Analysis  
page

1. Supplemental Report Language. Recommend that the Legislature adopt supplemental report language requiring the Franchise Tax Board to prepare and submit to the Legislature, by December 1, 1987, an analysis of the participation trends for this program and the characteristics of program beneficiaries.

1393

**GENERAL PROGRAM STATEMENT**

The Senior Citizens' Property Tax Assistance (SCPTA) program provides partial reimbursement for property taxes paid by homeowners with less than \$12,000 of household income who are (1) 62 years old and over, or (2) totally disabled, regardless of age. Assistance varies inversely with income, and ranges from 96 percent of the tax for homeowners with household incomes not exceeding \$3,000, to 4 percent of the tax for those with incomes between \$11,500 and \$12,000. The state provides this assistance only for taxes paid on the first \$34,000 of property value, after taking into account the \$7,000 homeowners' property tax exemption. Assistance provided in 1987-88 will be based on taxes paid in 1986-87.

**OVERVIEW OF THE BUDGET REQUEST**

The Governor's Budget proposes an appropriation of \$4,166,000 for this program in 1987-88, or \$995,000 less than estimated current year expenditures. The budget assumes that participation in the program will drop from 57,520 in the current year to 47,284 in the budget year.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend that the Legislature adopt supplemental report language requiring the Franchise Tax Board to prepare and submit to the Legislature, by December 1, 1987, an analysis of the participation trends for this program and the characteristics of program beneficiaries.*