

## OFFICE OF CRIMINAL JUSTICE PLANNING

Item 8100 from the General  
Fund and various funds

Budget p. GG 1

Requested 1989-90 .....	\$99,005,000
Estimated 1988-89 .....	77,768,000
Actual 1987-88 .....	66,024,000
Requested increase (excluding amount for salary increases) \$21,237,000 (+27 percent)	
Total recommendation pending.....	\$20,000,000

## 1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8100-001-001—Support	General	\$4,914,000
8100-001-241—Support	Local Public Prosecutors and Public Defenders Training	73,000
8100-001-425—Support	Victim/Witness Assistance	1,835,000
8100-001-890—Support	Federal Trust	1,259,000
8100-101-001—Local assistance	General	26,040,000
8100-111-001—Local assistance	General	16,734,000
8100-101-196—Local assistance	Asset Forfeiture Distribution	1,000,000
8100-101-241—Local assistance	Local Public Prosecutors and Public Defenders Training	908,000
8100-101-425—Local assistance	Victim/Witness Assistance	12,520,000
8100-101-890—Local assistance	Federal Trust	28,293,000
Reimbursements		5,429,000
Total		\$99,005,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Suppression of Drug Abuse in Schools Program. Withhold recommendation on the proposed \$20 million augmentation pending the administration's explanation for expanding this program rather than other state substance abuse programs, and other specified information. 880
2. Gang Risk Intervention Pilot Program. Recommend the Office of Criminal Justice Planning report prior to budget hearings on its plan for the implementation of this pilot program in the budget year. 881

## 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 currently is divided into two programs—Administration and Local Project Awards. In the current year, OCJP has 103.2 personnel-years.

**OVERVIEW OF THE BUDGET REQUEST**

The proposed expenditure program for the OCJP in 1989-90 is \$99 million, consisting of \$47.7 million from the General Fund, \$1 million from the Asset Forfeiture Distribution Fund, \$981,000 from the Local Public Prosecutors and Public Defenders Training Fund, \$14.4 million from the Victim/Witness Assistance Fund, \$29.6 million from the Federal Trust Fund, and \$5.4 million in reimbursements.

Table 1 summarizes OCJP expenditure levels for the prior, current and budget years. The table shows that total expenditures from all funds are proposed to increase by \$21.2 million, or 27 percent, above estimated expenditures in 1988-89. The proposed increase in expenditures from the General Fund is \$16.4 million, or 53 percent.

**Table 1**  
**Office of Criminal Justice Planning**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

<i>Program</i>	<i>Actual 1987-88</i>	<i>Est. 1988-89</i>	<i>Prop. 1989-90</i>	<i>Change From 1988-89</i>
Local Project Awards.....	\$66,024	\$77,768	\$99,005	27.3%
Administration (Distributed).....	(2,299)	(2,744)	(2,936)	7.0
Totals, Expenditures .....	\$66,024	\$77,768	\$99,005	27.3%
Funding Sources				
General Fund.....	\$28,032	\$31,279	\$47,688	52.5%
Asset Forfeiture Distribution Fund .....	—	—	1,000	— <sup>a</sup>
Local Public Prosecutors and Public Defenders				
Training Fund .....	840	876	981	12.0
Victim/Witness Assistance Fund.....	13,582	13,948	14,355	2.9
Federal Trust Fund.....	22,480	29,461	29,552	0.3
Reimbursements .....	1,090	2,204	5,429	146.3
Personnel-years .....	86.5	103.2	108	4.7%

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

The proposed increase in OCJP expenditures results primarily from an augmentation to the Suppression of Drug Abuse in Schools Program, including \$16.7 million from the General Fund and \$3.3 million in federal Drug Free Schools and Communities Act funds. The budget also proposes an appropriation of \$1 million for the Gang Risk Intervention Pilot Program from the Asset Forfeiture Distribution Fund. We discuss these augmentation proposals below.

For the budget year, the office requests an increase of 7.4 staff positions. This includes 5.4 positions to comply with federal equal employment opportunity requirements, administer a Medical Protocol program, perform legal and advocacy work, handle personnel services, and edit reports. An additional two positions are requested for the administration of three programs—the Campaign Against Marijuana Planting, the Serious Habitual Offender Program, and the Suppression of Drug Abuse in Schools Program. Four of the positions are proposed to be funded by a redirection of \$271,000 from consulting services and local assistance. The remainder of the positions are proposed to be funded with a budget augmentation totaling \$183,000 from various funds.

Table 2 identifies, by funding source, the changes in expenditure levels proposed for 1989-90.

## OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

Table 2  
Office of Criminal Justice Planning  
Proposed 1989-90 Budget Changes  
(dollars in thousands)

	General Fund	Local Prosecutors and Public Defenders Training Fund	Victim/ Witness Assistance Fund	Federal Trust Fund	Asset Forfeiture Distribution Fund	Reimburse- ments	Total
1988-89 Expenditures (revised) .....	\$31,279	\$876	\$13,948	\$29,461	—	\$2,204	\$77,768
<i>Workload Changes</i>							
Equal employment opportunity ...	—	—	—	66	—	—	66
Medical protocol .....	—	—	27	17	—	—	44
Personnel .....	38	—	15	20	—	—	73
Subtotals .....	(\$38)	(—)	(\$42)	(\$103)	(—)	(—)	(\$183)
<i>Cost Adjustments</i>							
One-time reductions .....	\$215	—	—	\$99	—	—	\$314
Employee compensation .....	138	\$1	\$46	33	—	—	218
Price increases .....	—	1	15	10	—	—	26
Pro rata adjustment .....	—	3	104	—	—	—	107
Other .....	-286	—	—	44	—	-\$23	-265
Subtotals .....	(\$363)	(\$5)	(\$165)	(\$12)	(—)	(\$23)	(\$228)
<i>Program Adjustments</i>							
Suppression of drug abuse in schools .....	\$16,734	—	—	—	—	\$3,266	\$20,000
Toxics training .....	—	\$100	—	—	—	—	100
Victim/witness and sexual assault ..	—	—	\$200	—	—	—	200
Gang risk intervention pilot project .....	—	—	—	—	\$1,000	—	1,000
Other .....	—	—	—	—	—	-18	-18
Subtotals .....	(\$16,734)	(\$100)	(\$200)	(—)	(\$1,000)	(\$3,248)	(\$21,282)
1989-90 Expenditures (proposed) ....	\$47,688	\$981	\$14,355	\$29,552	\$1,000	\$5,429	\$99,005
Change from 1988-89:							
Amount .....	\$16,409	\$105	\$407	\$91	\$1,000	\$3,225	\$21,237
Percent .....	52.5%	12.0%	2.9%	0.3%	— <sup>a</sup>	146.3%	27.3%

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

## ANALYSIS AND RECOMMENDATIONS

## Major Program Expansion Still on the Drawing Board

*We withhold recommendation on the office's request to augment the Suppression of Drug Abuse in Schools program by \$20 million from the General Fund and federal funds pending an explanation by the administration of the need to expand this program rather than other state substance abuse programs, and other specified information.*

The office has requested a \$20 million augmentation to the Suppression of Drug Abuse in Schools program (SDA) which is financed with \$3 million of General Fund money in the current year. The augmentation includes \$16.7 million from the General Fund (a portion of the monies available for education programs pursuant to Proposition 98, approved in November 1988), and \$3.3 million in federal Drug Free Schools and Communities Act funds budgeted as reimbursements from the Depart-

ment of Alcohol and Drug Programs (DADP). The budget indicates that the funds will be used for direct grants to school districts for drug prevention curricula aimed at students in grades 3 through 6. We have several concerns with this request.

First, the \$20 million augmentation to the SDA program represents a major infusion of resources to the state's substance abuse programs. Our analysis indicates that this augmentation would represent a significant share of the state's expenditures for drug and alcohol abuse prevention programs in the budget year. In view of the magnitude of the augmentation, it is particularly important that the expenditure proposal be considered in the context of the other activities that the state is engaged in in the substance abuse area. The administration has provided no explanation to the Legislature regarding the reasons for its decision to augment OCJP's SDA program rather than the various other substance abuse programs administered by the State Department of Education (SDE) or the DADP.

In addition, at the time this analysis was prepared, the office had not provided the Legislature with a plan for the program which details its proposed expenditures, and identifies how the program would be administered. For example, the OCJP had not determined the amount of staff or resources necessary to administer the new grant funds.

Accordingly, we withhold recommendation on the \$20 million augmentation to the SDA program pending justification by the administration of the need to expand this program rather than the state's other substance abuse programs, an explanation of how this augmentation will further the state's efforts to comprehensively address the problems of drug and alcohol abuse, and a detailed expenditure plan for the program.

#### **Gang Risk Intervention Pilot Program**

*We recommend that the OCJP report to the Legislature prior to budget hearings on its expenditure plan for the Gang Risk Intervention Pilot Program (GRIPP), its plans for administering the program and the likelihood that funds will be available to support GRIPP in 1989-90.*

In the 1989-90 Governor's Budget, the OCJP proposes to spend \$1 million from the Asset Forfeiture Distribution Fund for a new program—GRIPP. This pilot program was established by Ch 1250/88 (AB 3723, Katz) as a two-year pilot to engage youth in various community activities as an intervention intended to reduce gang activity.

Chapter 1250 requires the SDE to contract with the Los Angeles County Office of Education for the development, administration, and implementation of community-based pilot programs for elementary and secondary school students. The statute directs the Los Angeles County Office of Education to award grants, not to exceed \$100,000 per proposal, through a competitive bidding process to private nonprofit organizations in cooperation with elementary and secondary public schools. The programs would be required to include, at a minimum, specified counseling, community activities, and job training.

Subsequent legislation—Ch 1492/88 (AB 4162, Katz)—established the funding mechanism for GRIPP. The measure established a new fund—the Asset Forfeiture Distribution Fund—which will receive revenues according to a specified schedule from the sale of real property which has been seized by law enforcement in drug raids. The legislation

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**

provides that the Department of Mental Health (DMH) will receive a continuous appropriation of the first \$1.5 million deposited in the new fund each fiscal year. The next \$1 million deposited in the fund will be available for appropriation in the annual Budget Acts for 1989 and 1990 for GRIPP.

We have two concerns with this proposal. First, OCJP has not provided the Legislature with any details on its plan to implement GRIPP in the budget year. The office has provided no expenditure plan, and has not indicated how it intends to administer the program in light of existing statutory requirements that the SDE contract with the county office for its implementation.

Second, the Department of Finance advises that there is significant uncertainty regarding the level of funding, if any, that will be available to implement GRIPP in the budget year. This is because it is unknown how much property subject to forfeiture will be seized by law enforcement officials, how much revenue the sale of the property will generate for state programs, and how long it will take to convert the property into revenues that will be available for expenditure on GRIPP. We also note that the DMH has budgeted \$89,000, not \$1.5 million, from this fund source in 1989-90. This discrepancy is further indication of the uncertainty of this fund source.

To ensure that the Legislature is fully informed about the Governor's Budget proposal to appropriate \$1 million for the new GRIPP program in the budget year and how it relates to the requirements of existing law, we recommend that OCJP report to the Legislature prior to budget hearings, on its expenditure plan, its plans for administering the program (including coordinating with the SDE) and the likelihood that funds will be available to support GRIPP in 1989-90.

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### **COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING**

Item 8120 from the Peace  
Officers' Training Fund

Budget p. GG 8

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Requested 1989-90 .....	\$41,382,000
Estimated 1988-89 .....	39,818,000
Actual 1987-88 .....	38,572,000
Requested increase (excluding amount for salary increases) \$1,564,000 (4 percent)	
Total recommended reduction .....	300,000

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**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8120-001-268—Support	Peace Officers' Training	\$7,332,000
8120-011-268—Support	Peace Officers' Training	1,995,000
8120-101-268—Local assistance	Peace Officers' Training	32,000,000
Reimbursements		55,000
Total		\$41,382,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
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1. *Driver Training Simulator. Reduce Item 8120-001-268 by \$300,000.* Recommend deletion of \$300,000 for prototype driver training simulator, because proposal is insufficiently developed. 884

**GENERAL PROGRAM STATEMENT**

The Commission on Peace Officer Standards and Training (POST) is responsible for raising the level of professional competence of local law enforcement agencies. It does so by establishing minimum recruitment and training standards, and by providing management 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 has 87.3 personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS**

The proposed expenditure program for the commission in 1989-90 is \$41.4 million, consisting of \$41.3 million from the Peace Officers' Training Fund and \$55,000 from reimbursements. This is an increase of \$1.6 million, or 4 percent, above estimated current-year expenditures. Of the proposed increase, \$1.5 million is attributable to the commission's local assistance program.

**Table 1**  
**Commission on Peace Officer Standards and Training**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Percent Change From 1988-89
<i>Program Expenditures</i>				
Standards.....	\$3,012	\$3,397	\$3,515	3.5%
Training.....	4,716	5,610	5,800	3.4
Peace Officer Training Reimbursement....	30,571	30,582	32,067	4.9
Administration (Distributed) .....	(2,320)	(2,452)	(2,492)	1.6
Peace Officers' Memorial.....	273	229	—	—
Totals, Expenditures .....	\$38,572	\$39,818	\$41,382	3.9%
<i>Funding Sources</i>				
Peace Officers' Training Fund.....	\$38,298	\$39,476	\$41,327	4.7%
Peace Officers' Memorial Account.....	273	229	—	-100.0
Reimbursements .....	1	113	55	-51.3
<i>Personnel-years</i>				
Standards.....	23.1	26.2	26.7	1.9%
Training.....	24.7	24.1	27.8	15.4
Administration.....	36.6	37.0	37.0	—
Totals .....	84.4	87.3	91.5	4.8%

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

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

The budget contains two significant program changes:

- An increase of \$136,000 and 2.5 positions to produce training videotapes for law enforcement agencies and coordinate their distribution.
- An increase of 1.5 positions, funded by redirection from external consulting services, to establish a Supervisory Leadership Institute to improve the leadership capabilities of first line supervisors within the state's law enforcement agencies.

**Proposed Contract Expenditure for Driver Training Simulator Premature**

*We recommend deletion of \$300,000 in proposed contract expenditures from the Peace Officer Training Fund, because the commission's plan to contract for construction of a prototype driver training simulator is insufficiently developed at this time. (Reduce Item 8120-001-268 by \$300,000.)*

The commission's budget request includes \$736,000 in external contract expenditures. The commission indicates that these funds will be used for a variety of ongoing needs and future projects. As one of the proposed expenditures, the commission advises that it intends to spend \$300,000 for development of a prototype driver training simulator to be used as part of the commission's ongoing program for driver training for peace officers.

The commission advises that it recently awarded a contract to Hughes Aircraft to draw up a design for the simulator. The commission initially anticipated that it would have to pay approximately \$300,000 for this design. However, the commission advises that Hughes Aircraft was willing to provide a design for the simulator for \$1 because of the research and development benefits that the company would gain in working on the project.

Having obtained an agreement to design the simulator at virtually no cost, the commission proposes to spend \$300,000 in the budget year toward actual construction of a prototype simulator. At the time this analysis was prepared, however, the commission could not specify what sort of prototype could be developed for \$300,000, when it would be constructed, or whether it would be fully developed for use in training officers. Further, the commission indicates that although the total amount needed to fund construction of a full-scale simulator that could be used for training purposes is unknown, the costs are likely to *exceed* \$1 million.

While it is possible that a simulator could be of use in assisting officers to practice their skills in a variety of hazardous driving situations, in our judgment the proposal is premature at this time. We are concerned by the uncertainties of the commission's proposal, and the significant additional expenditures that could be needed to bring the project to fruition. For these reasons, we recommend that the commission's proposal not be approved at this time, and that the proposed \$300,000 expenditure be deleted from the commission's budget.

**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 \$1.5 million, or approximately 5 percent, more than the amount estimated to be expended for that purpose in the current year.

In the current year, the commission estimates that it will reimburse about 40 percent of salaries for participants in basic training, and about 50 percent of salaries for participants in other types of training. The amount proposed in the budget year would enable POST to reimburse about 36 percent of salaries for all types of training, notwithstanding a projected reserve in the Peace Officer Training Fund of \$3.1 million for the budget year.

POST advises that the reason the percentages proposed for training reimbursement are decreasing in the budget year is because the commission was unable to incorporate a recent increase in revenues to the Peace Officer Training Fund into its spending proposal in time for issuance of the Governor's Budget. However, the Budget Bill, consistent with past practice, gives the Department of Finance the authority to augment this item, 30 days after notifying the Legislature, if additional revenue becomes available. The augmentation would be limited to the amounts needed to reimburse local agencies for 100 percent of salaries.

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**STATE PUBLIC DEFENDER**

Item 8140 from the General  
Fund

Budget p. GG 13

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Requested 1989-90 .....	\$7,281,000
Estimated 1988-89 .....	6,976,000
Actual 1987-88 .....	6,230,000
Requested increase (excluding amount for salary increases) \$305,000 (+4.4 percent)	
Total recommended reduction .....	None

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**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. **Automation and Workload Data.** Recommend that the State Public Defender report during budget hearings on its progress toward implementing an automated case management system and on the results of a study to develop workload standards. 886
2. **Death Penalty Appeals.** Recommend that the State Public Defender report prior to budget hearings on its plans to represent persons sentenced to the death penalty and the impact of its capital caseload in the federal courts. 888
3. **Criminal Appellate Defense System.** Recommend that the Legislature reexamine its policy of providing for the defense of indigent criminal appellants through the Office of the 889



**STATE PUBLIC DEFENDER—Continued**

State Public Defender because it appears that the office no longer performs a significant role.

**GENERAL PROGRAM STATEMENT**

The Office of State Public Defender (SPD) was established 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, has 101 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures of \$7.3 million from the General Fund for support of the SPD in 1989-90. This is \$305,000, or 4.4 percent, more than estimated current-year expenditures.

The proposed increase in total expenditures results from an increase in personal services costs (\$469,000) that primarily reflects the full-year costs of salary increases granted in the current year. In addition, the increase results from the proposed establishment of two positions—an office technician to track capital cases in the trial courts and a personnel analyst to perform services currently performed on a contract basis by the Department of General Services. The increase is partially offset by a decrease in operating expenses and equipment costs (\$164,000), primarily due to a reduction in interdepartmental consulting and professional services.

Table 1 shows the office's expenditures and staffing levels in the prior, current, and budget years.

**Table 1**  
**State Public Defender**  
**Expenditures and Personnel-Years**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Percent Change From</i>
	1987-88	1988-89	1989-90	1988-89
Expenditures .....	\$6,230	\$6,976	\$7,281	4.4%
Personnel-years .....	81.7	101.0	102.8	1.8%

**ANALYSIS AND RECOMMENDATIONS****Case Management System and Proposed Attorney Workload Standard Near Completion**

*We recommend that the SPD report to the Legislature during budget hearings on its progress in implementing an automated case management system and on the results of a study to develop an attorney workload standard.*

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. The Legislature directed the SPD to undertake these activities in order to develop data by which to assess the cost-effectiveness of SPD services and the type of cases handled by the office. The *Supplemental Report of the 1985 Budget Act* further required the SPD and the Judicial Council to develop measures that would allow the Legislature to examine the complexity of cases handled by court-appointed counsel and the SPD, and to incorporate these measures into their automated case-tracking systems.

**Case Management System Now Scheduled for Implementation by July 1989.** The SPD indicates that, although automated timekeeping and docketing systems are in place at all of its three offices, various operational problems remain to be resolved. The SPD estimates that the system will be implemented and operational by July 1989.

Once it is completed, the case management system should aid the SPD in handling and tracking its cases. Specifically, the system would allow the office to accurately measure the productivity of its staff, and therefore, to better estimate its workload capacity. In addition, the system would allow the SPD to more fully report information about its operations to the Legislature.

**Results of Study to Develop an Attorney Workload Standard Expected in March.** In order to fulfill the requirements of the 1983 *Supplemental Report*, the SPD must also complete the preparation of guidelines and standards for its casework. Specifically, the SPD still has not developed a workload standard for its attorneys. The SPD reports that it has contracted with the National Center for State Courts to examine the management of the office and to develop an attorney workload standard. Last year, the SPD advised that this work would be completed in June 1988. The office currently reports that this study will be final in March 1989.

An established standard would help the SPD to develop its caseload goals more realistically. Table 2 displays the office's caseload goals and the actual number of cases accepted in recent years.

**Table 2**  
**State Public Defender**  
**Office Caseload**  
**1986-87 through 1989-90**

	1986-87	1987-88	Estimated 1988-89	Proposed 1989-90
Caseload Goal .....	675	674	500	480
Number Cases Accepted .....	470	378	425	—
Percent of Goal .....	69.6%	56.1%	85.0%	—

Table 2 shows that the SPD lowered its estimate of the number of cases it will accept in 1988-89 from the goal it had established for 1987-88. Notwithstanding the lower caseload goal in the current year, the SPD indicates that it will be unable to accept the number of cases it projected. In addition, the table shows that the SPD has again lowered its caseload goal for the budget year as well.

**Recommendation.** Completion of its automation project and development of a workload standard would help the SPD more accurately assess

**STATE PUBLIC DEFENDER—Continued**

its ability to accept cases and help the Legislature better evaluate the SPD's operations. Accordingly, we recommend that the SPD report to the Legislature during budget hearings on its continued progress in implementing an automated case management system. In addition, we recommend that the SPD report to the Legislature at that time on the results of the National Center for State Courts' study and how this information will be used to improve the office's ability to estimate its caseload capacity.

**State Public Defender Not Fulfilling Mission to Handle Death Penalty Appeals**

*We recommend that the SPD report to the Legislature prior to budget hearings on its plan to fulfill its mission of representing persons sentenced to the death penalty and its capacity to accept additional appointments in these cases during 1989-90.*

The legislation that established the SPD in 1976 specified that the office would represent indigents in appeals and petitions before appellate courts and the United State Supreme Court and in all proceedings following the imposition of a death sentence. It would also perform several other types of legal work. In 1983-84, however, the Governor reduced the office's staffing by one-half and indicated that the SPD would concentrate on the most complex cases, including capital cases and the most serious noncapital offenses.

Our review indicates that although the SPD is charged with representing defendants in the most complex cases, and specifically in appeals of capital convictions, the SPD is not fulfilling this mission. Table 3 shows the number of new capital cases appealed to the Supreme Court and the percentage of these cases accepted by the SPD since 1979-80. As the table indicates, the SPD is accepting a decreasing share of the increasing capital caseload. In fact, *the office reports that it will not accept any death penalty appeals in the current year.*

**Table 3**  
**State Public Defender**  
**Share of New Capital Cases Appealed to the Supreme Court**  
**1979-80 through 1989-90**

Year	Total Cases <sup>a</sup>	Cases Accepted by the SPD	
		Amount	Percent
1979-80.....	20	6	30%
1980-81.....	24	6	25
1981-82.....	40	13	33
1982-83.....	39	11	28
1983-84.....	37	1	3
1984-85.....	29	10	34
1985-86.....	18	8	44
1986-87.....	26	6	23
1987-88.....	29	5	17
1988-89.....	36	0	0
1989-90 (est.).....	35-50	4-6	8-17

<sup>a</sup> Total cases are on a calendar-year basis.

**Persons Sentenced to Death Lack Attorney Representation.** According to the Judicial Council, as of January 5, 1989, 27 death judgments on

*appeal to the California Supreme Court are without defense counsel.* Our review indicates that the small number of capital appeals being handled by the SPD contributes to a lack of representation for defendants sentenced to the death penalty. The problem is compounded by the unavailability of private counsel to accept the cases that the SPD cannot carry. Due to the complexity of these cases and the likelihood that they will be pursued in the federal courts, there is a limited number of attorneys who are both qualified to handle these cases and willing to make the time commitment that these cases require. According to the California Appellate Project, which contracts with the Supreme Court to recruit attorneys to handle these appeals, most private attorneys who defend capital appeals are already carrying one or more cases, and are not available for additional appointments.

***Impact of Federal Appeals on SPD Workload Uncertain.*** The SPD suggests that its capacity to accept additional capital cases is limited because it will be pursuing capital appeals that have been affirmed by the state Supreme Court into the federal courts. The Judicial Council reported that, as of January 6, 1989, the SPD was handling 14 capital cases that had been affirmed by the California Supreme Court and would enter post-affirmance proceedings in the federal courts. It is unclear how these cases will affect the SPD's workload in the budget year.

Although the SPD has provided general information about the status of most of these cases, the office has not provided specific projections of the impact of these cases on its capacity to accept additional capital appointments. For example, the office has not projected the length of time that each case might remain at any given stage of the post-affirmance process. In addition, the office has not estimated the amount of time an attorney may have to dedicate to a case in the federal courts. Consequently, it is difficult to assess the impact of these cases on the office's capacity to accept additional capital cases.

In view of the above, we recommend that prior to budget hearings the State Public Defender report to the Legislature on its plans to fulfill its mission to represent persons sentenced to the death penalty and its capacity to handle the appeals of capital cases. Specifically, we recommend that the SPD provide information regarding:

1. The SPD's plans to represent persons who have received the death penalty on appeal to the California Supreme Court and in the federal courts, including the office's plan for increasing its capacity to accept additional appointments.

2. The impact of the capital cases that the SPD is currently pursuing in the federal courts on its capital caseload, including an estimate of the amount of attorney time that will be devoted to cases in the federal courts during the budget year.

### **Need to Reexamine Criminal Appellate Defense System**

*We recommend that the Legislature reexamine its policy of providing for the defense of indigent criminal appellants through the Office of the State Public Defender because the office no longer performs a significant role in the state's system for criminal appellate defense.*

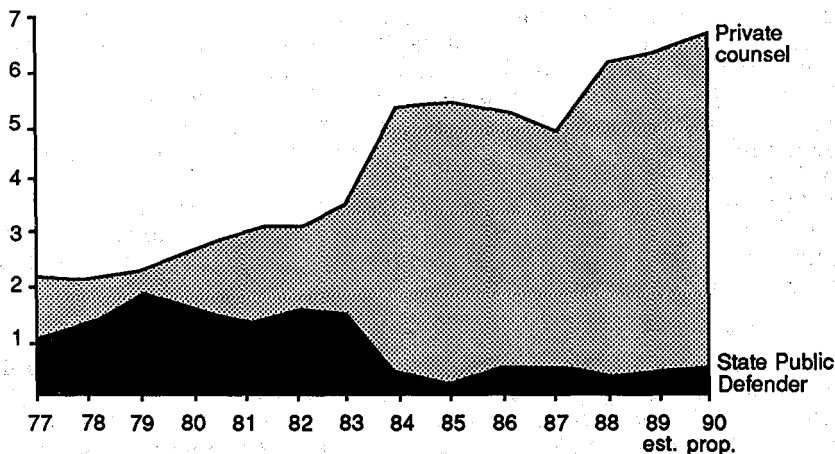
Our analysis indicates that the Legislature may wish to reexamine the present system by which California provides legal representation for indigent criminal appellants, because the SPD's role in the system is diminishing. As we note above, the SPD is accepting few of the most

**STATE PUBLIC DEFENDER—Continued**

complex cases, those in which a defendant has received the death penalty. In addition, the office is taking a decreasing proportion of the total indigent criminal appellate caseload. It appears that the court-appointed counsel program within the judicial branch has assumed the primary role within this system, and provides its services at a much lower cost than the SPD. This diminishing role of the SPD raises concerns about how the state may best provide representation for indigent persons whose criminal convictions are appealed.

**Background.** The SPD was established in 1976 to correct perceived deficiencies in the representation of criminal defendants before the appellate courts. Prior to 1976, criminal appeals were handled solely by private attorneys appointed by the courts. This system generally was criticized for providing low quality representation, primarily because most of the participating attorneys lacked experience and received little or no assistance in developing issues or writing briefs.

The legislation that created the SPD specified the specific types of legal issues on which the office would concentrate. As originally conceived, the SPD was expected to serve as the primary resource for the defense of indigent criminal appellants. In prior years, the SPD indicated that the goal of the office was to handle at least 50 percent of the appeals by indigent criminal appellants and provide assistance to private attorneys who would handle the remaining cases. The office's role was further defined in 1983-84, when the administration reduced the staffing of the

**Chart 1****Indigent Criminal Appellate Defense Caseload  
State Public Defender and Private Counsel**1976-77 through 1989-90 (appointments in thousands)<sup>a</sup><sup>a</sup> Data are for fiscal years ending in year specified.

SPD and indicated that the SPD's caseload be restricted to the most complex cases, including capital cases and the most serious noncapital offenses.

***SPD Accepting a Decreasing Share of the Total Caseload.*** As we note above, the SPD is accepting appointment in a decreasing share of the growing death penalty caseload. Our analysis also indicates that the office is carrying a decreasing share of the increasing caseload of all indigent criminal appeals. Chart 1 shows the number of cases to which the SPD and private attorneys were appointed from 1976-77 through 1989-90.

Our analysis indicates that the proportion of the indigent criminal appeals in the Supreme Court and the courts of appeal that have been handled by the SPD has declined dramatically since the office was established. This decrease primarily results from the rapid growth in the number of these cases and from the major reduction of the SPD's staff in 1983-84. Prior to the reduction in that year, the office annually carried at least 30 percent of the total caseload, including a 46 percent share in 1978-79. In 1983-84, however, the proportion of cases accepted by the SPD dropped to 5.1 percent. The office's smallest share of the total caseload was 3.1 percent in 1984-85.

Since 1985-86, the SPD has continued to accept a small percentage of the total caseload. The largest share during this most recent period was 9.1 percent in 1986-87. In the current year, the SPD estimates that it will accept 6.5 percent of all indigent criminal appeals. This figure is projected to grow slightly, to 6.7 percent, in the budget year.

***Alternative Structure Within the Judiciary Has Assumed Primary Role in Criminal Appellate Defense System.*** In response to the growth in the number of criminal appeals and the SPD's reduced capacity for representing criminal appellants, an alternative structure has been created within the Judiciary to handle this caseload. This alternative structure, the court-appointed counsel program, has assumed the primary role in the indigent criminal defense system, including representing defendants and assisting private counsel.

In order to assure the quality of representation by private attorneys, the Judicial Council has established contracts with organizations to provide administrative and oversight services to the attorneys appointed by the courts. These organizations, known as appointed counsel projects, employ permanent staff attorneys who provide a variety of services, including recruiting private counsel, reviewing cases, assisting attorneys, certifying compensation claims, and directly representing defendants in a small number of cases. Since 1987, projects have operated in each of the six court of appeal districts. One project also provides these services for cases heard by the Supreme Court. In most of the court of appeal districts and the Supreme Court, the projects work with the SPD to determine which entity will accept cases of various types.

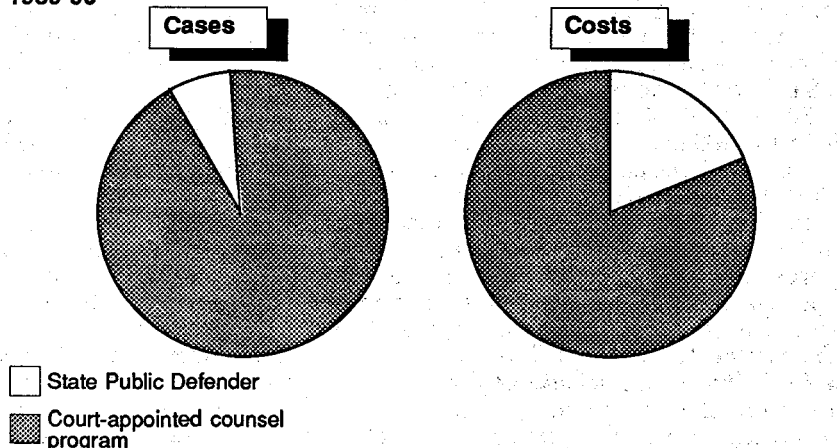
***It is projected that the court-appointed counsel program will account for most of the costs of the indigent criminal appellate defense system and handle most of the caseload in the budget year.*** The Governor's Budget proposes expenditures of \$39.8 million for the system in 1989-90. This amount includes \$32.5 million for the cost of the court-appointed counsel program. Expenditures for the SPD are projected to be \$7.3 million of the total amount proposed in the budget year. The Judicial Council and the SPD estimate that the court-appointed counsel program will accept 6,717 cases before the Supreme Court and the courts of appeal, and the SPD will accept 485 cases.

**STATE PUBLIC DEFENDER—Continued**

Chart 2 shows the share of costs and cases projected for the court-appointed counsel program and the SPD during 1989-90.

**Chart 2**

**Indigent Criminal Appellate Defense System  
Comparison of the Share of Cases and Costs for the State  
Public Defender and the Court-Appointed Counsel Program<sup>a</sup>  
1989-90**



<sup>a</sup> Costs of the court-appointed counsel program do not include the costs of administrative functions performed by the Supreme Court, the courts of appeal, and the Judicial Council because they are unknown at this time.

As Chart 2 indicates, the SPD estimates that it will provide representation in just 6.7 percent of the projected indigent criminal appeals in the Supreme Court and the courts of appeal in 1989-90. At the same time, however, the Governor's Budget proposes that the SPD operations will account for 18 percent of the costs of representing indigent criminal appellants.

**Cases Handled by the SPD Are More Costly and More Complex Than Cases Handled by Private Attorneys.** A wide disparity exists between the average cost of cases handled by the SPD and cases handled by private attorneys through the court-appointed counsel program. During the budget year, each of the 485 cases that the SPD anticipates accepting will cost an average of \$15,012. In contrast, each case in the appellate courts that is handled by the court-appointed counsel program will cost, on average, \$4,799. (This figure would be slightly higher if the administrative costs of the courts and the Judicial Council were included.)

Traditionally, a wide disparity has existed between the cost of each case handled by the SPD and the cost of a case handled by private counsel. Our review suggests the disparity has resulted primarily because the SPD's caseload is more complex. Table 4 contains data provided by the SPD and the Judicial Council about the complexity of the cases handled by the SPD and by the court-appointed counsel program. Generally, the sentence received by the defendant reflects the complexity of the case. It

should be noted that the SPD data includes all cases during 1985-86 and 1986-87. The Judicial Council data includes cases for only the last six months of 1985-86 and all of 1986-87.

**Table 4**  
**Distribution of Cases by Sentence Category**  
**State Public Defender and Court-Appointed Counsel Program**  
**1985-86 and 1986-87**

<i>Sentencing Category</i>	<i>Percentage of SPD Caseload<sup>a</sup></i>	<i>Percentage of Private Counsel Caseload<sup>b</sup></i>
Death penalty .....	0.3%	0.1%
Life without possibility of parole .....	3.1	1.4
15 years to life .....	48.9	15.1
5 years to 15 years .....	35.0	33.9
Probation to 5 years .....	12.7	38.1
Other .....	—	11.4
Totals .....	100.0%	100.0%

<sup>a</sup> Includes 779 cases in which briefs had been filed in the Supreme Court and the courts of appeal during 1985-86 and 1986-87.

<sup>b</sup> Includes 5,866 cases closed in the Supreme Court and the courts of appeal from January 1, 1986 through 1986-87.

As Table 4 indicates, the SPD's caseload has included a greater proportion of complex cases than the caseload of private counsel. Specifically, the table shows that 52 percent of the SPD's cases carried sentences in which the defendant could receive life in prison or the death penalty. In contrast, only 17 percent of the cases handled by private counsel during this period contained such sentences.

Data is not currently available to determine whether the greater complexity of the SPD's caseload fully explains the cost differential between cases handled by the SPD and the court-appointed counsel program. This is the type of information that the Legislature was seeking in 1983 when it required the SPD to implement an automated case tracking system. As we note above, the office reports that this tracking system will be operational by July 1989. At that time, the SPD should be able to compile data that will allow a more detailed comparison of per-case costs, including the cost of cases by the level of complexity.

#### **Little Hoover Commission Recommends Merger of the SPD and the Court-Appointed Counsel Program**

In October 1988, the Commission on California State Government Organization and Economy (the "Little Hoover Commission") published a review of the operation and performance of the SPD. In its review, the commission examined both the SPD and the court-appointed counsel program.

The commission found that the SPD's caseload is more complex than the caseload of private attorneys handling indigent criminal appeals and that the SPD's work was at least comparable in quality to the work of private attorneys. However, the review also noted several deficiencies in the operation of the SPD. The commission concluded that the SPD and the court-appointed counsel program duplicate administrative functions within the indigent criminal appellate defense system, thereby resulting in greater costs and less effective handling of cases.



**STATE PUBLIC DEFENDER—Continued**

In order to address the shortcomings of the SPD and to provide representation in a cost-effective manner, the commission recommended that the functions of the SPD and the court-appointed counsel program be merged into a single agency within the judicial branch.

**LAO Recommendation.** Based on our review, we also question the present system by which the state provides for the representation of indigent criminal appellants. Our analysis indicates that the SPD is handling a decreasing share of indigent criminal appellate cases. Furthermore, it is apparent that the court-appointed counsel program has assumed the primary role in the indigent criminal appellate defense system, and provides representation of indigent appellants at a much lower cost. Given the diminishing role of the SPD, we recommend that the Legislature reexamine its current policy of providing for the defense of indigent criminal appellants through the SPD.

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**ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS**

Item 8160 from the General  
Fund

Budget p. CG 14

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Requested 1989-90 .....	\$13,000,000
Estimated 1988-89 .....	10,000,000
Actual 1987-88 .....	12,063,000
Requested increase \$3,000,000 (+30 percent)	
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 requires that counties submit claims for reimbursement to the state within six months after disbursement of funds for these purposes is authorized by the court or made by the county. In addition, the Budget Bill requires that payment of claims under this item shall be made pursuant to specified regulations which 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 \$13 million from the General Fund for assistance to counties for the defense of indigents in 1989-90. This is \$3 million, or 30 percent, more than the level of expenditures estimated for the current year.

The Department of Finance advises that the budget-year proposal is higher than the level of expenditures estimated in the current year because it intends to defer until the budget year the payment of \$1.5 million in claims that it estimates will be submitted during the current year. The department also expects the ongoing level of claims to increase by an additional \$1.5 million due to an increase in the number of claims and an increase in the amount of the average claim.

**Proposed Funding May Not Be Adequate**

Data provided by the State Controller's Office indicates that several million dollars above the proposed \$13 million level may be necessary to reimburse counties under this program during 1989-90.

This disparity between the amount requested in the budget and the State Controller's estimate results from two factors. First, the Controller's Office indicates that the budget underestimates the amount of the current-year deficiency. According to Department of Finance estimates, counties will submit claims for \$1.5 million more than is available for reimbursement in 1988-89. The Controller's Office, however, estimates that the deficiency in the current year could reach over \$5 million.

Second, the budget does not include any funding for certain claims currently under review. During 1987-88, Los Angeles County submitted claims for reimbursement of indigent defense costs that it had incurred in previous years. Prior to that time, the county had not submitted claims since 1983-84. At the time this analysis was written, the Controller's Office indicated that \$2.5 million in claims from Los Angeles County remain under review. It is unlikely the Controller's Office will find that the county is eligible for reimbursement of the full amount of these claims. Nevertheless, the amount of funding necessary for this program in the budget year will increase by any amount that the Controller determines is reimbursable.

Consequently, our analysis indicates that the funding proposed in the budget may not be adequate to reimburse counties for indigent defense costs in 1989-90. However, given the uncertainties about the claims that all counties may submit during the budget year, we do not have an analytical basis to recommend a specific adjustment to the proposed amount at this time.

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**PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS**Item 8180 from the General  
Fund

Budget p. GG 15

Requested 1989-90 .....	\$3,875,000
Estimated 1988-89 .....	2,000,000
Actual 1987-88 .....	2,000,000
Requested increase: \$1,875,000 (+94 percent)	
Total recommended reduction.....	None

**GENERAL PROGRAM STATEMENT**

The state reimburses counties for 80 percent to 100 percent of the costs attributable to homicide trials once trial costs reach a specified percentage of countywide property tax revenues. This percentage varies between counties, depending on county population. 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 1987-88, the last year for which the State Controller has data, the state paid \$2 million for claims submitted by nine counties for 12 homicide trials.

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

The budget proposes an appropriation of \$3.9 million from the General Fund to reimburse counties for the state's share of specified costs resulting from homicide trials. This is \$1.9 million, or 94 percent, more than estimated current-year expenditures for this purpose. The increase represents deferred payment of \$1.9 million in claims that the State Controller's Office estimates counties will submit during the current year. Table 1 displays state reimbursement for homicide trial expenses from 1979-80 through 1989-90.

**Table 1**  
**Reimbursements to Counties for Costs of Homicide Trials**  
**1979-80 through 1989-90**  
**(dollars in thousands)**

	<i>Expense</i>
1979-80 .....	\$1,209
1980-81 .....	1,121
1981-82 .....	1,325
1982-83 .....	1,325
1983-84 .....	728
1984-85 .....	669
1985-86 .....	914
1986-87 .....	2,000
1987-88 .....	2,000
1988-89 (estimated).....	2,000
1989-90 (proposed) .....	3,875

**Proposed Funding May Not Be Adequate**

The funding necessary for state reimbursement for homicide trial expenses in the budget year is uncertain, but could be higher than the amount proposed in the budget.

Two factors suggest that the amount proposed in the budget may not be adequate. First, program costs are increasing. Specifically, the State Controller's Office advises that the dollar amount of individual county claims is increasing, because trial costs are rising on the local level. In addition, the state's share of homicide trial costs generally have increased as a result of Ch 32/86 (AB 1988, Norman Waters), which revised provisions of law related to reimbursement of these costs. However, the budget request only provides funding to meet the level that has been appropriated annually since 1986-87 (\$2 million) and to pay claims deferred from the current year (\$1.9 million).

Second, Ch 987/88 (AB 3600, Farr), allows the Department of Finance to waive the county share of trial costs for one year for any county with a population of 150,000 or less. Since 1985-86, 14 of the 17 counties that have received state reimbursement under this program have contained 150,000 or fewer residents. At the time this analysis was written, the department had not yet developed standards to implement this waiver procedure. Therefore, the additional amount of funding that may be required for this program if counties receive waivers of their share of trial costs in the budget year is unknown.

Consequently, our analysis indicates that the funding proposed in the budget may not be adequate to reimburse counties for the cost of homicide trials in 1989-90. However, given the uncertainties about the number and costs of homicide trials at the local level, we do not have an analytical basis to recommend a specific adjustment to the proposed amount at this time.

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## ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS

Item 8190 from the General  
Fund

Budget p. GG 15

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Requested 1989-90 .....	\$1,000
Estimated 1988-89 .....	925,000
Actual 1987-88 .....	1,416,000
Requested decrease \$924,000 (-99.9 percent)	
Total recommended decrease .....	None

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### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Tort Liability Claims Significantly Underfunded. We recommend that the Department of Finance report on its reasons for modifying the process for paying routine tort claims against the state, and identify for the Legislature the fiscal and programmatic implications of its approach.

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### 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

# ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued

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 (DOF) approval must be obtained for the payment of any claim between \$35,000 and \$70,000. Claims above \$70,000 generally are funded separately, through legislation containing an appropriation. Special fund agencies reimburse the General Fund for payments made under the program on their behalf.

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$1,000 from the General Fund for payment of tort liability claims in 1989-90. This is \$890,000, or 99.9 percent, *less* than the amount appropriated by the 1988 Budget Act.

**Table 1**  
**Administration and Payment of Tort Liability Claims**  
**Summary of Statewide Activity**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i> 1987-88	<i>Est.</i> 1988-89	<i>Prop.</i> 1989-90	<i>Percent</i> <i>Change</i> <i>From</i> <i>1988-89</i>
<i>Claims Payments</i>				
Department of Justice				
General Fund.....	\$1,183	\$918	\$1	-99.9%
Special funds.....	233	7	—	-100.0
Department of Transportation				
(Special funds).....	25,566	36,690	37,556	2.4
Legislative Claims				
General Fund.....	1,140	10	—	-100.0
Special funds.....	185	—	—	—
Subtotals, claims payments.....	(\$28,307)	(\$37,625)	(\$37,557)	(-0.2%)
<i>Staff Services</i>				
Department of Justice				
General Fund.....	\$5,652	\$5,952	\$5,964	0.2%
Special funds.....	4,147	3,753	3,598	-4.1
Board of Control (General Fund).....	127	1	1	—
Department of Transportation (Special Funds).....	8,551	9,000	9,000	—
Subtotals, staff services.....	(\$18,477)	(\$18,706)	(\$18,563)	(-0.8%)
<i>Insurance Premiums</i>				
General Fund.....	\$431	\$442	\$440	-0.5%
Special funds.....	819	773	779	0.8
Subtotals, insurance premiums.....	(\$1,250)	(\$1,215)	(\$1,219)	(0.3%)
Totals, expenditures.....	\$48,034	\$57,546	\$57,339	-0.4%

Proposed Budget Bill language provides that, in the event that expenditures exceed the amount appropriated, the Director of Finance may allocate sufficient amounts (up to \$1.2 million) from the Special Fund for Economic Uncertainties to pay the claims.

Table 1 summarizes statewide tort liability claims and related administrative costs in the past, current, and budget years. In addition to the \$1,000 appropriated for claims against General Fund state agencies in this item, \$37.6 million is budgeted for claims against Caltrans in 1989-90. Thus, the total amount proposed in the budget for claims against state agencies is \$37.6 million.

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 \$1.2 million on such policies in 1989-90. This amount is \$4,000, or less than 1 percent, more than the amount estimated for this purpose in 1988-89. Funds for these premiums are included in the support appropriations of the various state agencies that purchase the insurance.

### **ANALYSIS AND RECOMMENDATIONS**

#### **Budget Provides \$1 Thousand to Pay Nearly \$1 Million of Routine Tort Claims**

*We recommend that the Department of Finance report on its reasons for modifying the process for paying routine tort claims against the state, and identify for the Legislature the fiscal and programmatic implications of its approach.*

The budget proposes an appropriation of \$1,000 from the General Fund for payment of routine tort liability claims (amounts under \$70,000) in 1989-90. (Claims in excess of this amount generally are funded separately, through legislation containing an appropriation.) Associated Budget Bill language provides that, in the event that expenditures exceed the amount appropriated, the Director of Finance may allocate sufficient amounts (up to \$1.2 million) from the Special Fund for Economic Uncertainties to pay the claims. The DOF proposes to receive quarterly estimates from the Department of Justice on the amount that is needed to pay the claims, and advises it will make its allocation decisions after reviewing this information.

We have several concerns with this proposal. First, our analysis indicates that annual expenditures on tort liability claims have been in the range of \$900,000 for many years, and sometimes significantly in excess of this amount. Specifically, in 1985-86 nearly \$900,000 was expended from this item. In both 1986-87 and 1987-88, the Budget Act appropriations of approximately \$900,000 were insufficient to pay the tort claims eligible for funding under this item, and deficiency allocations from the reserve for contingencies and emergencies totaling \$300,000 and \$450,000, respectively, were provided to supplement the Budget Act appropriations. The Legislature has no reason to assume that expenditures from this item in the budget year will be less than the \$891,000 appropriated for this purpose in the current year.

Secondly, the Governor's Budget proposal essentially does not fund this item, but instead allows the Director of Finance to allocate funds from

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

the Special Fund for Economic Uncertainties to pay these claims. This approach to budgeting for routine claims that almost certainly will total \$900,000 or more distorts the amount available in the reserve to meet the many unanticipated expenditures that the state will face in the budget year.

Finally, it is likely that this approach will result in payment delays because the claims will be paid on a quarterly, rather than an ongoing, basis. According to the Department of Justice legal staff, this potentially will make it more difficult to settle cases outside of court, and thus could result in increased state costs to the extent that more cases must go to trial.

For these reasons, we recommend that the Department of Finance report on its reasons for modifying the process for paying routine tort claims against the state, and identify for the Legislature the fiscal and programmatic implications of its approach.

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### COMMISSION FOR ECONOMIC DEVELOPMENT

Item 8200 from the General  
Fund

Budget p. GG 17

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Requested 1989-90 .....	\$589,000
Estimated 1988-89 .....	569,000
Actual 1987-88 .....	619,000
Requested increase (excluding amount for salary increases) \$20,000 (+3.5 percent)	
Total recommended reduction .....	None

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### 1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8200-001-001—Support	General	\$586,000
Reimbursements	—	3,000
Total		\$589,000

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### 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 has nine personnel-years in the current year.

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

The budget proposes total expenditures of \$589,000 (\$586,000 from the General Fund and \$3,000 from reimbursements) to support the commission during 1989-90. This is \$20,000, or 3.5 percent, more than estimated current-year expenditures. This increase is attributable to increases in salaries and benefits.

**CALIFORNIA ARTS COUNCIL**

Item 8260 from the General  
Fund and various funds

Budget p. GG 19

Requested 1989-90 .....	\$12,610,000
Estimated 1988-89 .....	15,529,000
Actual 1987-88 .....	14,590,000
Requested decrease (excluding amount for salary increases) \$2,919,000 (-19 percent)	
Total recommended reduction .....	None

**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8260-001-001-Support	General	\$2,759,000
8260-001-890-Support	Federal Trust	349,000
8260-101-001-Local assistance	General	8,000,000
8260-101-890-Local assistance	Federal Trust	547,000
8260-111-001-Local assistance	General	930,000
Subtotal, Budget Bill Appropriations		\$12,585,000
Foundation Grant	Special Deposit	25,000
Total, all funds		\$12,610,000

**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 54.8 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$12.6 million from the General Fund, Federal Trust Fund, and the Special Deposit Fund for the California Arts Council in 1989-90. This is \$2.9 million, or 19 percent, less than estimated total expenditures in 1988-89. The reduction is a direct result of a \$3 million unallocated reduction proposed for the budget year.



**CALIFORNIA ARTS COUNCIL—Continued**

The proposed General Fund appropriations for 1989-90 total \$11.7 million. This represents a decrease of \$2.9 million, or 20 percent, below estimated General Fund expenditures in the current year.

The council is requesting a Special Deposit Fund appropriation of \$25,000, the second portion of a three-year grant of \$75,000 from Skaggs Foundation, for a traditional folk art program.

Table 1 summarizes the council's expenditures by funding source for the past, current, and budget years.

**Table 1**  
**California Arts Council**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Percent Change From</i>
	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1988-89</i>
<i>Program Expenditure</i>				
Artists in residence.....	\$2,702	\$2,792	\$2,806	0.5%
Grant expenditure.....	(2,099)	(2,078)	(2,042)	-1.7
Administrative costs.....	(603)	(714)	(764)	7.0
Organizational grants.....	8,344	8,356	8,384	0.3
Grant expenditures.....	(7,254)	(7,130)	(7,094)	-0.5
Administrative costs.....	(1,090)	(1,226)	(1,290)	5.2
Performing arts touring/ presenting.....	1,136	1,114	1,121	0.6
Grant expenditures.....	(767)	(727)	(715)	-1.7
Administrative costs.....	(369)	(387)	(406)	4.9
Statewide projects.....	2,408	2,267	2,297	1.3
Grant expenditures.....	(1,719)	(1,696)	(1,696)	—
Administrative costs.....	(689)	(571)	(601)	5.3
California challenge.....	—	1,000	1,002	0.2
Grant expenditures.....	—	—	(930)	— <sup>a</sup>
Administrative costs.....	—	(1,000)	(72)	-92.8
Central administration (distributed).....	(1,466)	(1,356)	(1,499)	(10.5)
Totals, Expenditures.....	\$14,590	\$15,529	\$15,610	0.5%
Grant expenditures.....	(11,839)	(11,631)	(12,477)	7.3
Administrative costs.....	(2,751)	(3,898)	(3,133)	-19.6
Unallocated General Fund reduction.....	—	—	-3,000	— <sup>a</sup>
Net Totals.....	\$14,590	\$15,529	\$12,610	-18.8%
<i>Funding Sources</i>				
General Fund.....	\$13,621	\$14,608	\$11,689	-20.0%
Federal Trust Fund.....	952	896	896	—
Special Deposit Fund (Skaggs Foundation Grant).....	—	25	25	—
Reimbursements.....	17	—	—	—

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

**ANALYSIS AND RECOMMENDATIONS****Review of the California Arts Council Administrative Costs**

The *Supplemental Report of the 1988 Budget Act* requested the Legislative Analyst's Office to compare the Arts Council's grant process and the cost of grant administration to those of other states' arts agencies. In addition, the report requested the office to explore ways to reduce

expenses for the administration of the council's grant programs. We have developed comparisons with other states based on 1987 data, which are the most recent nationwide statistics available. Because the 1987 data represents only one year, it does not reflect any trends in the relative administrative costs. Furthermore, depending on how the proposed \$3 million reduction to the California Arts Council's budget is allocated between grants and administrative expenditures, a similar comparison for the budget year could yield very different findings.

### **Comparison with Other States**

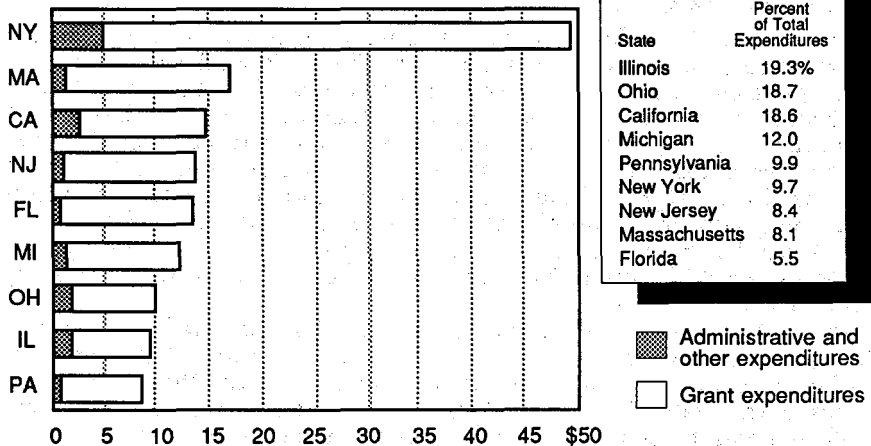
The best available data that we identified for this review is comparative information from a survey conducted by the National Assembly of State Arts Agencies, entitled *The State Arts Agency Profile 1987*. This survey is published approximately every three years, and the previous edition was prepared in 1984. In addition, we followed up with discussions with staff from other states' arts agencies. We selected nine of the largest state arts agencies in the United States and compared the amount of money they spent on grants, and administrative or other expenditures. We excluded one of the 10 largest arts agencies (Puerto Rico) from our review because its programs and expenditure patterns differ in major ways from the other largest agencies.

The National Assembly of State Arts Agencies cautioned that, because state programs and regulations vary widely, one cannot define administrative costs precisely for purposes of comparison with other states. As an example, the State of Illinois includes the cost of coordinating a state arts conference in its administrative expenses, while other state arts agencies do not include this expense in administrative costs. Therefore, we have not defined which costs are only administrative in nature, but rather, have combined all administrative and other costs together, and contrasted these expenses to direct grant expenditures across the states.

***Comparison of California Arts Council's Expenditures with Expenditures of the Largest State Arts Agencies.*** Our review found that in 1987 California's was the third largest state arts agency in our sample (expenditures totalled \$14.6 million), and it had the third largest percentage of administrative and other expenditures (19 percent of total expenditures). However, when we examined the expenditure patterns of the five arts agencies with total expenditures between \$10 million and \$20 million, we found that the California Arts Council had the largest percentage of administrative and other expenditures. When California's expenditure patterns are compared with those of the agencies with budgets over \$10 million in 1987, the California Arts Council again had the highest percentage of administrative and other expenditures. This information is summarized in Chart 1.

***Comparison of Grant Selection and Review Processes.*** In addition to a comparison of state arts agencies administrative and other expenditures, the Legislature requested a comparison of the processes used by state arts agencies to distribute grants. Our findings indicate that California uses a grant selection and review process similar to most other state arts agencies.

California's grant selection and review processes begin with the selection of grant recipients through a competitive application process. Applications are first reviewed by staff for completeness. Peer panels, selected for their expertise in a particular art discipline, review the

**CALIFORNIA ARTS COUNCIL—Continued****Chart 1****Comparison of State Arts Agency Expenditures  
Selected States**1987 (dollars in millions)<sup>a</sup><sup>a</sup> Source: State Arts Agency Profile 1987.

applications for the organizations' artistic excellence and financial viability. The panels rank the applications in terms of quality. The panels provide these ranks to staff, and the staff determines the level of funding by rank. The proposal with the highest rank receives the highest percentage of its request for funds. The council advises that it allocates funds to as many applicants as possible.

From the *State Profile* and discussions with staff in other arts agencies, we found that California's application review process is almost identical to the process used in other states. The *State Profile* indicates that 52 of the 53 state and territorial arts agencies surveyed use a grant evaluation panel or a committee review process. The actual process varies between states, but in most of the states we contacted, the staff does a preliminary review of the applications for completeness. In half of the states staff provides a funding recommendation—in one case, *before* the panel reviews applications, and in the other cases, *after* panels review applications. In all of the arts agencies which we contacted, the panels make recommendations to the councils for the applications which should receive funding, with a rank or some other indication.

**Council Considering Options for Reducing Administrative Expenses**

As we note above, the Governor's Budget proposes an unallocated General Fund reduction of \$3 million from the council's budget for 1989-90. This amount represents a 20 percent reduction from current-

year spending levels. Clearly a reduction of this magnitude will have a major impact on the council's various grant programs, as well as on the administration of those programs.

The Governor's Budget indicates that the council's local assistance grants programs will absorb the entire \$3 million budget reduction. However, given the Legislature's concerns about the administrative expenses of the council, and California's relatively high ratio of administrative and other expenses to grant expenditures in comparison with similarly sized arts councils in other states, there may be opportunities for the council to achieve a portion of the proposed budget savings by reexamining its methods of operation and reducing administrative expenses, rather than by merely reducing the size of the council's grant expenditures.

The council indicates that, since the Governor's Budget was submitted to the Legislature, it has developed a plan for reducing both its administrative and grant expenditures to achieve the \$3 million reduction. Staff advise that the plan entails a 22 percent reduction in operating expenses, and prorated reductions across all of its grant programs. The council advises that it plans to maintain its staff at current levels—54.8 personnel-years.

The council advises that the specifics of its plan for absorbing the budget reduction will be submitted to the Legislature in a Department of Finance budget amendment letter in the spring. At that time we will review the council's plan and advise the Legislature of the implications of the proposal on both the council's grant programs and administrative expenditures. Because of the likelihood that the council's expenditure plan for its grant programs and administration will change significantly as a result of the unallocated budget reduction, we will make any appropriate recommendations for reducing administrative expenditures once we have reviewed the council's revised expenditure plan.

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### NATIVE AMERICAN HERITAGE COMMISSION

Item 8280 from the General  
Fund

Budget p. GG 27

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Requested 1989-90 .....	\$309,000
Estimated 1988-89 .....	305,000
Actual 1987-88 .....	262,000
Requested increase (excluding amount for salary increases) \$4,000 (+1.3 percent)	
Total recommended reduction .....	None

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### GENERAL PROGRAM STATEMENT

The nine-member Native American Heritage Commission 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

**NATIVE AMERICAN HERITAGE COMMISSION—Continued**

mediate disagreements between Native Americans and landowners, developers, or public agencies in order to mitigate any adverse impact to sacred sites.

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

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes total expenditures of \$309,000 for support of the commission in 1989-90. This is \$4,000, or 1.3 percent, above estimated expenditures in 1988-89.

The \$4,000 increase is the result of (1) a \$17,000 increase to provide for salary and benefit increases and (2) a \$13,000 decrease in various operating and equipment expenses.

**AGRICULTURAL LABOR RELATIONS BOARD**

Item 8300 from the General  
Fund

Budget p. GG 28

Requested 1989-90 .....	\$ 6,545,000
Estimated 1988-89 .....	6,260,000
Actual 1987-88 .....	6,516,000
Requested increase (excluding amount for salary increases) \$285,000 (+4.6 percent)	
Total recommended reduction .....	180,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. **Current-Year Workload.** Recommend that the board provide the fiscal committees, prior to budget hearings, with an explanation of why the number of charges dismissed has doubled in the current year. 908
2. **Unjustified Staffing. Reduce Item 8300-001-001 by \$180,000.** 910  
Recommend reduction to more accurately reflect anticipated workload.

**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.

The ALRB has 97.4 personnel-years in the current-year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$6.5 million from the General Fund for support of the ALRB in 1989-90. This is a net increase of \$285,000 or 4.6 percent, above estimated current-year expenditures. The increase is due primarily to employee compensation increases granted in the current-year.

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

**Table 1**  
**Agricultural Labor Relations Board**  
**Program Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change from 1988-89</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	
	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	
Board Administration .....	40.1	34.9	34.4	\$2,915	\$2,758	\$2,869	4.0%
General Counsel .....	54.9	52.1	51.4	3,600	3,502	3,676	5.0
Administrative Services (distributed) .....	11.5	10.4	10.3	(583)	(559)	(583)	4.3
Reimbursements .....	—	—	—	1	—	—	—
Totals .....	106.5	97.4	96.1	\$6,516	\$6,260	\$6,545	4.6%

Table 2 summarizes the components of the \$285,000 increase in the agency's budget request for 1989-90. As Table 2 shows, the net increase is due to (1) an increase of \$332,000 for employee compensation, and (2) a decrease of \$47,000 for various administrative adjustments.

**Table 2**  
**Agricultural Labor Relations Board**  
**Department Support**  
**Proposed 1989-90 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>
1988-89 Expenditures (Revised) .....	\$6,260
<i>Baseline Adjustments</i>	
Compensation increases .....	332
Administrative adjustments .....	-47
1989-90 Expenditures (Proposed) .....	\$6,545
Change from 1988-89	
Amount .....	\$285
Percent .....	4.6%

## AGRICULTURAL LABOR RELATIONS BOARD—Continued

### ANALYSIS AND RECOMMENDATIONS

#### Status of Current-Year Budget

*We recommend that the board provide the fiscal committees, prior to budget hearings, with an explanation of why the number of charges disposed due to dismissal has doubled in the current year.*

The Legislature in enacting the 1988 Budget Act reduced the ALRB's budget by \$1.4 million, or 26 percent below the amount proposed by the Governor. Subsequently, Chapter 974, Statutes of 1988, partially restored this reduction by augmenting the board's budget by \$600,000. The board's current-year budget, therefore, reflects a spending level that is \$800,000, or 14 percent below the Governor's original 1988 proposal. The reduction was based on a legislative determination that the board's workload had significantly declined in recent years. To accommodate the reduction, the board eliminated approximately 12 positions: six positions from board services, five positions from general counsel, and one position from administrative services.

Based on workload data provided by the board, our review indicates that the board is able to absorb this reduction in the current year because its workload is expected to decrease. Based on its experience to date, (1) the number of new charges filed will decrease by 50 percent below the number filed in the past year and (2) the number of charges disposed due to dismissal will increase 99 percent over the past year. While this increase in dismissals may be due to the board receiving a greater number of cases that do not have sufficient grounds for further action, it may also be due to administrative policies adopted in order to accommodate reduced staffing levels. At the time this analysis was written, we were unable to determine the specific reason. Consequently, we recommend that the board provide the fiscal committees, prior to budget hearings, with an explanation for the significant increase in dismissals in the current year.

#### Status of ALRB Workload

The ALRB has three general types of workload: (1) elections, (2) unfair labor practices (ULPs), and (3) compliance. Table 3 summarizes the resources proposed for each of these components in 1989-90.

**Table 3**  
**Agricultural Labor Relations Board**  
**Personnel-Years and Cost By Activity**  
**1989-90**  
**(dollars in thousands)**

	Elections		ULPS		Compliance			
	Personnel-Years	Personnel-Cost	Personnel-Years	Personnel-Cost	Years	Cost	Years	Cost
Total								
Board.....	7.8	\$574	26.6	\$1,951	4.7	\$344	39.1	\$2,869
General Counsel.....	4.5	294	29.7	1,912	22.8	1,470	57.0	3,676
Totals.....	12.3	\$868	56.3	\$3,863	27.5	\$1,814	96.1	\$6,545

**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 1987-88, 43 election petitions were reviewed and 30 elections were held, the results of which were:

- Five votes for no union representation,
- Eleven votes for union representation,
- Eleven elections undecided, and
- Three elections 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 15 of the 30 elections conducted in 1987-88. Of these 15 objections, 5 were dismissed upon administrative review by board staff, and 10 resulted in hearings before ALRB hearing officers.

**Unfair Labor Practices (ULP).** Typically, a ULP case involves a charge made by an agricultural worker who alleges a personal loss of 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 4 provides summary information on ULP charge processing by the General Counsel. It indicates that the inventory of charges has dropped significantly in recent years—from a high of 981 in 1984-85 to 277 at the start of the current year. The decrease is due primarily to a reduction in incoming ULP charges.

**Table 4**  
**Agricultural Labor Relations Board**  
**Unfair Labor Practices Charges**  
**1979-80 through 1988-89**

	<i>Beginning Inventory</i>	<i>New Charges</i>	<i>Charges Disposed</i>				<i>Total Charges Disposed</i>
			<i>Withdrawn</i>	<i>Dismissed</i>	<i>Settled</i>	<i>To Complaint</i>	
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	264	22	206	30	46	304
1987-88 .....	256	282	61	111	38	51	261
1988-89 .....	277	142 <sup>a</sup>	62 <sup>a</sup>	216 <sup>a</sup>	34 <sup>a</sup>	46 <sup>a</sup>	358 <sup>a</sup>

<sup>a</sup> Estimates, based on six months of actual 1988-89 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 12 years of the ALRB's operations (through December 1988), 143 compliance cases have been completely closed. Another 37 cases are almost closed. Typically in these latter cases, most staff work and all litigation has 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 41 active compliance cases to determine the amounts payable—referred to



**AGRICULTURAL LABOR RELATIONS BOARD—Continued**

as calculations— and to settle or litigate fiscal issues. The agency has identified 19 additional cases that it expects to become active compliance cases in the future.

**Workload Does Not Justify Proposed Staffing**

*We recommend a reduction of \$180,000 and 3 positions from the General Fund to more accurately reflect anticipated workload. (Reduce Item 8300-001-001 by \$180,000.)*

The budget estimates that the board will receive 40 election petitions to review in 1989-90. This estimate is based on the assumption that the board will receive approximately the same number of petitions in 1989-90 that it received in 1988-89.

Our analysis indicates that the budget has overestimated the number of petitions that will be received in the budget year. As of January 1 of the current year, the board had received only nine election petitions rather than the 20 petitions that could be expected if the full-year estimate of 40 petitions is accurate. Generally, the experience in the first half of the year is an indicator of the workload that can be expected for the second half. For example, in the first half of 1987-88 the board had received 24 petitions and it received 19 in the second half.

The board has stated that it has no reason to believe that there will be more petitions filed next year than will be received in the current year. Based on our review, we believe the board is more likely to receive 20 petitions for review in the current year rather than the 40 anticipated by the budget. Assuming that this level continues into the budget year, we recommend a reduction of \$180,000 and three positions from the General Fund to more accurately reflect this workload level.

**PUBLIC EMPLOYMENT RELATIONS BOARD**

Item 8320 from the General  
Fund

Budget p. GG 32

Requested 1989-90 .....	\$6,198,000
Estimated 1988-89 .....	5,967,000
Actual 1987-88 .....	5,827,000
Requested increase (excluding amount for salary increases) \$231,000 (+3.9 percent)	
Total recommended reduction .....	None

**GENERAL PROGRAM STATEMENT**

The Public Employment Relations Board guarantees to public education and state employees the right to join employee organizations and engage in collective negotiations with their employers regarding salaries, wages, and working conditions. It does so by administering three state laws: (1) the Education Employment Relations Act (EERA), which affects public education employees (K through 14), (2) 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 has 87.3 personnel-years in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$6.2 million from the General Fund for support of the Public Employment Relations Board (PERB) in 1989-90. This is an increase of \$231,000, or 3.9 percent, above estimated current-year expenditures. Table 1 shows the board's proposed expenditures and personnel-years, by program, for the prior, current and budget years.

**Table 1**  
**Public Employment Relations Board**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1987-88	1988-89	1989-90	1987-88	1988-89	1989-90	
Dispute resolution.....	44.9	47.5	47.0	\$4,648	\$4,865	\$4,944	1.6%
Representation determination....	12.0	12.0	13.1	1,179	1,102	1,254	13.8
Administration (distributed).....	<u>28.2</u>	<u>27.8</u>	<u>26.2</u>	<u>(1,218)</u>	<u>(1,275)</u>	<u>(1,300)</u>	<u>2.0</u>
Totals.....	85.1	87.3	86.3	\$5,827	\$5,967	\$6,198	3.9%

Table 2 shows changes in the board's expenditures between 1988-89 and 1989-90. The table shows that the net increase in the board's expenditures proposed for 1989-90 is due to increased employee compensation costs.

**Table 2**  
**Public Employment Relations Board**  
**Proposed 1989-90 Budget Changes**  
**(dollars in thousands)**

	General Fund
1988-89 Expenditures (Revised) .....	\$5,967
<i>Baseline Adjustments</i>	
Employee compensation increases .....	324
Reduction in retirement contribution.....	-56
Reduction in communication costs .....	-37
Subtotal, baseline adjustments.....	(231)
1989-90 Expenditures (Proposed) .....	\$6,198
Change from 1988-89:	
Amount .....	\$231
Percent .....	3.9%

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

Our review indicates that the board's proposed expenditures are appropriate.

## DEPARTMENT OF INDUSTRIAL RELATIONS

Item 8350 from the General  
Fund and various funds

Budget p. GG 35

Requested 1989-90 .....	\$157,106,000
Estimated 1988-89 .....	130,247,000
Actual 1987-88 .....	116,904,000
Requested increase (excluding amount for salary increases) \$26,859,000 (+21 percent)	
Total recommended reduction .....	None

## 1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8350-001-001—Departmental Support	General	\$108,245,000
8350-011-001—Workers' Compensation Benefits for employees of uninsured employers	General	19,800,000
8350-001-023—Regulation of farm labor contrac- tors	General, Farm Labor Contrac- tors' Special Account	50,000
8350-001-216—Enforcement of laws relating to the licensing of contractors	Industrial Relations Construc- tion Industry Enforcement	607,000
8350-001-396—Regulation of self-insurance plans for workers' compensation	Self-Insurance Plans	1,543,000
8350-001-452—Elevator inspections	General, Elevator Safety In- spection Account	3,313,000
8350-001-453—Pressure vessel inspections	General, Pressure Vessel In- spection Account	3,098,000
8350-001-481—Garment Manufacturers' employ- ees	General, Garment Manufac- tures Special Account	50,000
8350-001-571—Workers' compensation benefits for employees of uninsured employers	Uninsured Employers', Employ- ees' Account	22,916,000
—Less Transfer from General Fund		—19,800,000
8350-001-890—Departmental support	Federal Trust	14,496,000
8350-001-973—Worker health and safety (school asbestos projects)	Asbestos Abatement	246,000
Labor Code Section 96.6	Unpaid Wage	60,000
Reimbursements	—	2,482,000
Total		\$157,106,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- |  |                          |
|--|--------------------------|
|  | <i>Analysis<br/>page</i> |
| 1. Cal-OSHA—Start Up Delayed. Recommend that the DIR report to the fiscal committees, during budget hearings, on when it expects to have a full complement of staff on board.  | 917                      |
| 2. Cal-OSHA—Staffing. Recommend that the department report to the fiscal committees, during budget hearings, on the programmatic impact that the transfer of 15 positions would have on the consultation services program. | 918                      |
| 3. Cal-OSHA—Federal Funds. Recommend that the DIR report to the fiscal committees, during budget hearings, on the amount of federal matching funds the state will receive in the current and budget years.                 | 918                      |

4. Asbestos Registration Funding. Recommend that the DIR 920  
report to the fiscal committees, during budget hearings, on  
how the department will meet its statutory obligations if  
funding from the Asbestos Abatement Fund is unavailable.
5. Statutory Reporting Requirement. Recommend that the 920  
DIR and the Department of Finance report to the Legisla-  
ture, during budget hearings, on why the Governor's Budget  
fails to comply with statutory reporting requirements.

### GENERAL PROGRAM STATEMENT

Existing law states that the purpose of the Department of Industrial Relations (DIR) 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 DIR has three main programs:

- ***Adjudication of Workers' Compensation Disputes.*** This program, administered by the Division of Industrial Accidents (DIA) and the Workers' Compensation Appeals Board (WCAB), 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, administered by the Division of Labor Standards and Enforcement (DLSE), 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 DIR: (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 DIR has 1,960.4 personnel-years in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$157.1 million for support of the DIR in 1989-90. This is \$26.9 million, or 21 percent, above estimated current-year expenditures. The General Fund portion of the request is \$128 million, which is an increase of \$15.3 million, or 14 percent, above estimated current-year expenditures.

Table 1 shows the department's expenditures, by program, for the prior, current and budget years.

## DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Table 1  
Department of Industrial Relations  
Budget Summary  
1987-88 through 1989-90  
(dollars in thousands)

Program	Personnel Years			Expenditures			Percent Change From 1988-89
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1987-88	1988-89	1989-90	1987-88	1988-89	1989-90	
Regulation of workers' compensation self-insurance plans....	27.1	31.9	31.9	\$1,516	\$1,723	\$1,812	5.2%
Conciliation of labor disputes.....	26.5	30.9	30.9	1,818	1,911	1,995	4.4
Adjudication of workers' compensation disputes.....	838.6	838.8	841.6	45,415	48,013	52,057	8.4
Prevention of industrial injuries and deaths.....	343.6	433.9	674.9	22,843	29,923	46,604	55.7
Enforcement of laws relating to wages, hours and working conditions.....	420.7	459.3	465.0	22,520	22,027	23,380	6.1
Apprenticeship and other on-the-job training.....	100.9	105.1	105.1	5,143	5,391	5,624	4.3
Labor force research and data dissemination.....	59.0	60.5	65.3	2,538	2,703	2,974	10.0
Payment of wages, claims and contingencies.....	—	—	—	15,111	18,556	22,660	22.1
Administrative support services (distributed).....	(183.0)	(202.4)	(219.5)	(10,796)	(11,026)	(12,559)	(13.9)
Totals, Expenditures.....	1,816.4	1,960.4	2,214.7	\$116,904	\$130,247	\$157,106	20.6%
Funding Sources							
General Fund.....				\$102,049	\$112,732	\$128,045	13.6%
Farm Labor Contractors' Account.....				4	50	50	—
Industrial Relations Construction Industry Enforcement Fund.....				596	559	607	8.6
Self-Insurance Plans Fund.....				1,341	1,465	1,543	5.3
Elevator Safety Inspection Account.....				2,358	3,175	3,313	4.3
Pressure Vessel Inspection Account.....				2,079	3,015	3,098	2.8
Asbestos Abatement Fund.....				3	174	246	41.4
Uninsured Employers' Fund, Employees' Account.....				2,264	2,199	3,116	41.7
Asbestos Workers' Account.....				142	157	—	-100.0
Federal Trust Fund.....				4,048	4,467	14,496	224.5
Unpaid Wage Fund.....				90	60	60	—
Garment Manufacturers' Special Account.....				—	50	50	—
Reimbursements.....				1,930	2,144	2,482	15.8

Table 2 summarizes the components of the department's (1) current-year adjustments and (2) \$26.9 million increase in its budget request for 1989-90.

**Table 2**  
**Department of Industrial Relations**  
**Proposed 1989-90 Budget Changes**  
**(dollars in thousands)**

1988-89 Expenditures (Budget Act) .....	\$118,586
<i>Adjustments, 1988-89</i>	
Cal-OSHA (current-year restoration) .....	\$8,365
Deficiencies:	
Uninsured Employers' Fund (UEF) .....	3,790
Asbestos contractor registration .....	74
Subtotal, deficiency adjustments .....	(\$3,864)
Employee compensation .....	\$910
Retirement contribution reduction .....	-1,086
Telephone reduction .....	-290
Asbestos workers' claims (savings) .....	-156
Allocation to Board of Control .....	-6
Allocation Unpaid Wage Fund .....	60
1988-89 Expenditures (Revised) .....	\$130,247
<i>Baseline Adjustments</i>	
One-time appropriations (Cal-OSHA and deficiencies) .....	-\$12,229
Increase UEF General Fund support .....	6,400
Increase UEF recoveries .....	1,590
Salary increase .....	3,445
One-time equipment purchases .....	-1,676
Staff benefits .....	771
Increased reimbursements radiation health .....	246
Miscellaneous adjustments .....	-129
Subtotal, baseline adjustments .....	(-\$1,582)
<i>Workload Changes</i>	
Claims bureau case processing .....	109
Asbestos contractor registration .....	146
Subtotal, workload changes .....	(\$255)
<i>Program Changes</i>	
Cal-OSHA restoration (full-year costs) .....	\$24,663
Workers' compensation on-line case tracking .....	2,700
Automated claims system .....	841
Asbestos workers' claims .....	-157
Office equipment replacement (legal) .....	139
Subtotal, program changes .....	(\$28,186)
1989-90 Expenditures (Proposed) .....	\$157,106
Change from 1988-89 Expenditures (Revised)	
Amount .....	\$26,859
Percent .....	20.6%

### Current-Year Adjustments

As Table 2 shows, the department's current-year expenditures include proposed allocations of \$12.2 million from the General Fund reserve for costs associated with (1) the restoration of the private sector Cal-OSHA enforcement program, (2) the payment of claims under the Uninsured Employers' Fund (UEF) and (3) the registration of asbestos contractors.

- **Cal-OSHA Restoration.** The DIR received authorization to spend an additional \$8.4 million in the current year in order to reestablish the private sector enforcement program as required by Proposition 97 (November 1988). Of the \$8.4 million, \$5.7 million is for salaries and staff benefits, \$1.4 million is for operating expenses and equipment, and \$1.3 million for start-up costs.

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

- **Uninsured Employers' Fund (UEF).** The UEF pays benefits to injured workers whose employers are uninsured for workers' compensation liability. The UEF is funded from (1) recoveries of benefit payments from uninsured employers and (2) an annual General Fund appropriation. Recoveries account for only about 14 percent of the benefits that are actually paid. In recent years, the UEF has incurred annual deficiencies due to unanticipated costs associated with workers' compensation. The current-year deficiency totals \$3.8 million.
- **Asbestos Contractor Registration.** The Division of Occupational Safety and Health is required to register employers and contractors to protect workers and the public from asbestos exposure caused by asbestos-related work. Staffing and enforcement activity are funded out of the Asbestos Abatement Fund. In the current year, there was insufficient funding to cover these costs, thereby creating a deficiency of \$74,000.

**Budget-Year Changes**

Table 2 shows, that the budget-year request includes (1) a net decrease of \$1.6 million in the department's baseline funding, (2) \$255,000 in new staffing to support increased workload, and (3) program changes totalling \$28.2 million. Specifically, the major increases include:

- Full-year funding for the Cal-OSHA private-sector enforcement program (\$24.7 million);
- An augmentation to the General Fund baseline support for the Uninsured Employers' Fund (\$6.4 million);
- An increase in UEF recoveries from uninsured employers (\$1.6 million);
- Salary and wages, and staff benefit increases totalling \$4.2 million; and
- Funds for office automation (\$3.5 million).

Major decreases that partially offset the proposed budget increases include adjustments for (1) current year deficiencies (\$3.9 million), (2) phase-in of the Cal-OSHA private-sector enforcement program (\$8.4 million), and (3) one-time, current-year expenditures for equipment purchases.

**ANALYSIS AND RECOMMENDATIONS****The Administration's Implementation Of Proposition 97**

Effective July 1, 1987, the Governor abolished the private-sector enforcement component of the Cal-OSHA program by transferring responsibility to the federal government and eliminating all positions and funds budgeted for the private sector program. On November 8, 1988, the voters of California approved a ballot measure, Proposition 97, which restored the private-sector Cal-OSHA enforcement program. The administration plans to (1) reestablish the program at the service level in place prior to the Governor's 1987-88 veto and (2) reorganize the field operations structure.

The administration's Cal-OSHA proposal has four elements: (1) phase-in of the program to coordinate the hiring of staff with the acquisition of space, furniture, supplies and equipment; (2) restoration of the staffing level that existed prior to the Governor's 1987-88 veto; (3) the securing of

the maximum amount of federal matching funds that are available; and (4) reorganization of the field operations program to enhance its effectiveness and accountability.

The administration's proposal for the Cal-OSHA program includes the establishment of 380.5 positions for private-sector enforcement activity. Table 3 compares the Cal-OSHA program positions reduced and redirected to other program areas by the Governor in 1987-88 with the program positions proposed for 1989-90. As the table shows, the Governor reduced a total of 403 positions in 1987-88. Specifically, 379 positions were eliminated and 24 positions were redirected from field enforcement to the elevator, pressure vessel and consultation units.

**Table 3**  
**Department of Industrial Relations**  
**California Occupational Safety and Health**  
**Private-Sector Program**  
**Comparison of Governor's 1987-88 Reductions**  
**and Proposed 1989-90 Restoration**

<i>Program Area</i>	<i>Positions Reduced by the Governor in 1987-88</i>	<i>Positions Proposed for Restoration in 1989-90</i>
Field enforcement.....	318.5 <sup>a</sup>	303.5
Consultation services.....	1.0	1.0
Mineral industries.....	17.0	17.0
Administrative services.....	—	1.0
Program office.....	1.0	—
Appeals board.....	22.5	19.0 <sup>b</sup>
Standards board.....	15.0	11.0 <sup>c</sup>
Subtotals.....	(375.0)	(352.5)
Division of Labor Standards		
Enforcement: Anti-Discrimination Unit.....	5.0	5.0
Division of Labor Statistics and Research.....	5.0	5.0
Administration.....	18.0	18.0
Totals.....	403.0	380.0

<sup>a</sup> Includes 24 positions redirected to other programs prior to the Governor's veto.

<sup>b</sup> Three and one-half positions were reestablished in 1988-89.

<sup>c</sup> Five positions were reestablished in 1988-89.

### **Program Start-Up Delayed**

*We recommend that the DIR report to the fiscal committees, during budget hearings, on when it expects to have a full complement of staff on board.*

The department's original proposal called for a phase in of the program in the current year. The hiring of staff was to be coordinated with the acquisition of space, furniture, supplies and equipment. The department anticipated hiring approximately 351 staff by June 30 of the current year and the remaining 30 staff on July 1.

At the time this analysis was written (mid-February 1989), the department had not hired *any* staff. The department was in the process of contacting former Cal-OSHA employees identified on various reinstatement and reemployment lists, by phone, to determine their desire to return and preferred locale for work. The department is required by civil service laws to give preference for work locale to former employees



**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

according to seniority. Questionnaires mailed to these employees in late December, however, did not ask employees to state their preference. Consequently, the department is resurveying former staff and its timetable for hiring staff will be delayed by approximately six weeks.

When this analysis was written, the department did not know when they would be at full program staffing. In addition, the department indicated that initial inquiries suggest that not all of the former employees will return to the program. The department was not, however, able to provide information on the number that may not return. If the number of nonreturnees is substantial, it poses two potential problems. First, the department will have to hire significant numbers of new staff. This is likely to cause additional delays in restaffing the program because the department will have to follow various civil service testing procedures to hire them which have yet to be initiated. Second, hiring new staff will require more time for training because staff will not be familiar with Cal-OSHA laws.

Our review indicates that DIR is not likely to have restored the program in the current year. As a result, it will not spend a significant amount of the \$8.4 million authorized for restoration in the current year. Therefore, we recommend that the DIR report to the fiscal committees, during budget hearings, on when it expects to be at full program staffing.

**Staffing Level**

*We recommend that the DIR report to the fiscal committees, during budget hearings, on the programmatic impact that position transfers will have on the consultation services program.*

Table 3 shows that the number of staff proposed for 1989-90 does not differ significantly from the number reduced in 1987-88 except in the area of *field enforcement*. The major activity of the Cal-OSHA program was its field inspection and enforcement activity, which is conducted by field inspectors. Field staff conduct health and safety inspections in a variety of private-sector workplaces, generally in response to a complaint or an accident.

Our review indicates that an additional 15 positions would be needed in field enforcement to provide the pre-1987-88 staffing level. The department has informed us that these 15 positions are to be transferred from the consultation services program and the budget inadvertently does not reflect this transfer. The department could not, however, tell us how the consultation services program would be affected by the loss of 15 positions. Before the Legislature can evaluate the merits of these staffing changes, it needs more information. Consequently, we recommend that the DIR report to the fiscal committees, during budget hearings, on the programmatic impact that position transfers will have on the consultation services program.

**Matching Federal Funds**

*We recommend that the DIR report to the fiscal committees, prior to budget hearings, on the amount of federal matching funds the state will receive in the current and budget years.*

The department submitted an amended federal funds grant application to federal OSHA for the costs of operating the Cal-OSHA private-sector program from December 31, 1988 to September 30, 1989. The

amended grant application covers the last six months of the current year and the first three months of the budget year. The department has informed the Legislature that it expects to receive \$3 million to \$4 million in federal matching funds for this period.

**Current-Year Impact.** Our review indicates that it is unlikely that the state will receive any federal funds for 1988-89. The availability of federal funding is dependent upon the timely phase-out of the federal program. Currently, funds that would have been available to the state are instead dedicated to operating a federal-OSHA program in California. Consequently, the sooner the federal program is phased-out, the greater the likelihood of the state receiving federal funds in the current year. However, federal phase-out can not be completed until the state's program is restored and approved by the federal government. Given the delays in restaffing the state's program, discussed earlier, it appears unlikely that the federal phase-out will be completed prior to the end of the current year. Accordingly, current-year program costs will have to be borne entirely by the General Fund.

**Budget-Year Impact.** The budget assumes that of the \$24.7 million proposed for Cal-OSHA in the budget year, the state will receive approximately \$10 million in federal funds. As stated above, the first three months of the budget-year funding is included in the amended grant application for federal fiscal year 1989. If federal program phase-out is not completed shortly after the beginning of the budget year, the General Fund rather than federal funds will bear the additional program costs for this period.

The department also indicates that certain program functions, including the Bureau of Investigations, Standards Board, and Hazard Evaluation System and Information Service, which previously received federal funds may not receive federal support in 1989-90. If federal support of these program functions is not provided, the General Fund portion of the program's costs will increase by approximately \$1.1 million. The department indicates that a final federal decision on funding these functions has not been reached. In view of this uncertainty, we recommend that the DIR report to the fiscal committees, prior to budget hearings, on the amounts of federal matching funds the state will receive in the current and budget years.

### **Reorganization**

As discussed earlier, one of the components of the administration's Cal-OSHA proposal is a reorganization of the department's field operations. A summary of the proposal follows.

The department proposes to reorganize the field operations component of the program to enhance the program's effectiveness and increase accountability.

**Past Program Structure.** Prior to 1987-88, the Cal-OSHA enforcement program consisted of four regions which contained a total of 21 district offices and six field offices. The Division of Occupational Safety and Health (DOSH), which includes the field enforcement program, had additional offices which housed non-OSHA activities. These included the Elevator and Pressure Vessel Inspection Programs, and the Radiation Health Unit. In addition, separate offices were maintained for the Cal-OSHA Consultation Services Program.

**New Program Structure.** In reestablishing a full Cal-OSHA program, the department proposes to modify the previous organization. The

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

reorganization plan proposed by the department integrates all DOSH functions in the field under a *regional structure*. The state would be divided into 10 regions with approximately the same number of employees and high hazard industries to be inspected. Some regions would have satellite offices in outlying areas depending on the regional workload of the area and the travel distances from the regional office to inspection sites. Each regional manager would have responsibility for all DOSH functions including the Cal-OSHA Consultation Services Program. However, the regional manager's authority over the consultation services program would be limited to housekeeping matters. In order to maintain continuity on substantive policy and functional matters, the consultation services program's area managers would continue to report to the chief of the consultation program in San Francisco.

**Reclassification of Regional Manager.** The department proposes to use the Career Executive Assignment (CEA) II classification for the position of regional manager rather than the previous civil service classification. The department indicates that the use of the CEA class would help to increase accountability and provide greater management control to the DIR administrators. In addition, the department indicates the CEA class would afford greater promotional opportunities within the Cal-OSHA structure.

**Other Issues****Questionable Funding To Register Asbestos Contractors**

*We recommend that the DIR report to the fiscal committees, during budget hearings, on how the department will meet its statutory obligations if funding for positions supported from the Asbestos Abatement Fund is unavailable.*

The budget proposes to increase funding by \$146,000 from the Asbestos Abatement Fund (AAF) and to permanently establish three positions to register asbestos contractors pursuant to Ch 1587/85. The department's funding request from the AAF is predicated on the possibility that funds, currently earmarked for school asbestos abatement programs, will be unencumbered.

Our review indicates that it is highly unlikely that funds currently earmarked for school asbestos abatement programs will become available. The State Allocation Board indicates that even if the requests from schools currently designated to receive funding for school asbestos abatement are rescinded, the requests of other schools will more than exhaust all available funds. Consequently, the department will have to either absorb the budget year request or reduce its statutorily required program activity related to asbestos registration or some other program area. Therefore, we recommend that the DIR report to the fiscal committees, during budget hearings, on how the department will meet its statutory obligations if funding for the positions does not become available through the AAF.

**Governor's Budget Fails to Comply With Statutory Requirement**

*We recommend that the DIR and the Department of Finance report to the fiscal committees, during budget hearings, on why the Governor's Budget once again fails to comply with statutory requirements.*

Chapter 633, Statutes of 1980, requires the Governor's Budget to include detailed statements of (1) the cost of regulating garment manufacturers and (2) revenues accruing to the state from the regulatory program. In the *Analysis of the 1988-89 Budget Bill*, page 1162, we indicated that (1) the Governor's Budget had failed to provide the required statutory detail in every year since enactment of the statute and (2) as a result, the Legislature was not able to conduct any budget review of the garment industry enforcement program.

Our analysis indicates that the Governor's Budget once again fails to provide the detail for the costs of the garment industry regulation and enforcement program. The department has informed us that, as in the past, this was a technical oversight. We believe, however, that due to: (1) an eight-year continuation of this oversight and (2) the department's assurances during the 1988-89 budget hearing that this information would be displayed in the 1989-90 budget, it is appropriate for the Department of Finance and DIR to report to the Legislature during budget hearings on this matter. We therefore recommend that the DIR and Department of Finance report to the fiscal committees during budget hearings on why the Governor's Budget fails to comply with the statutory requirement.

## DEPARTMENT OF PERSONNEL ADMINISTRATION

Item 8380 from the General

Fund and various funds

Budget p. GG59

Requested 1989-90 .....	\$12,010,000
Estimated 1988-89 .....	11,295,000
Actual 1987-88 .....	10,490,000
Requested increase (excluding amount for salary increases) \$715,000 (+6.3 percent)	
Total recommended reduction .....	None

### 1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8380-001-001—Departmental Support	General	\$7,929,000
8380-001-821—Support	Flexelect Benefit	108,000
8380-001-915—For support of the deferred compensation plan	Deferred Compensation Plan	1,098,000
Gov.Code 19822.5—For support of the Child Care program	Child Care	250,000
Reimbursements	—	2,625,000
Total		\$12,010,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- |   |                             |
|---|-----------------------------|
| 1. Child Care Program. Recommend adoption of supplemental report language directing the department to evaluate the State Employees' Child Care Program. | <i>Analysis page</i><br>923 |
|---|-----------------------------|

# DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

## GENERAL PROGRAM STATEMENT

The Department of Personnel Administration (DPA) was established in 1981 to manage the *nonmerit* aspects of the state's personnel system. The State Personnel Board 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 is also responsible for providing for the compensation, terms, and conditions of employment of managers and other state employees who are not represented in the collective bargaining process.

The DPA has 172.6 personnel-years in the current year.

## OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$12 million from the General Fund, the Deferred Compensation Plan Fund, the Child Care Fund, the Flexelect Benefit Fund, and reimbursements for support of the department in 1989-90. This is \$715,000, or 6.3 percent, above estimated expenditures for the current year.

The budget proposes General Fund expenditures of \$7.9 million, which is \$749,000, or 10 percent, more than the estimated 1988-89 level. The General Fund increase is due to the \$384,000 transfer of the Department of General Services' workers' compensation program to this department, \$312,000 for salary and benefit increases, and \$53,000 for increased rent.

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 and workload changes proposed for the budget year are displayed in Table 2.

**Table 1**  
**Department of Personnel Administration**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent
	Actual	Est.	Prop.	Actual	Est.	Prop.	Change
	1987-88	1988-89	1989-90	1987-88	1988-89	1989-90	From 1988-89
Labor Relations.....	17.2	18.0	17.6	\$1,455	\$1,516	\$1,610	6.2%
Legal.....	9.9	9.5	9.2	1,047	950	992	4.4
Administration (distributed).....	40.4	46.9	45.9	(3,143)	(3,108)	(3,297)	6.1
Personnel Services.....	92.1	98.2	104.2	7,887	8,479	9,158	8.0
Child Care.....	—	—	—	101	350	250	-28.6
Totals.....	159.6	172.6	176.9	\$10,490	\$11,295	\$12,010	6.3%
Funding Sources							
General Fund.....				\$6,992	\$7,180	\$7,929	10.4%
Reimbursements.....				2,607	2,518	2,625	4.2
Deferred Compensation Plan Fund.....				763	1,139	1,098	-3.6
Child Care Fund.....				101	350	250	-28.6
Flexelect Benefit Fund.....				27	108	108	—

**Table 2**  
**Department of Personnel Administration**  
**Proposed 1989-90 Budget Changes**  
**(dollars in thousands)**

	<i>General</i>	<i>Deferred</i>	<i>Child</i>	<i>Flexelect</i>	<i>Reim-</i>	<i>Total</i>
	<i>Fund</i>	<i>Compensation</i>	<i>Care</i>	<i>Benefit</i>	<i>bursements</i>	
	<i>Fund</i>	<i>Plan</i>	<i>Fund</i>	<i>Fund</i>		
1988-89 Expenditures (Revised).....	\$7,180	\$1,139	\$350	\$108	\$2,518	\$11,295
<i>Baseline Adjustments</i>						
Price increase.....	—	10	—	—	20	30
Adjustments in pro rata assessment.....	—	-10	—	—	—	-10
Employee compensation.....	312	20	—	—	76	408
Increased rent (State Training Center).....	53	17	—	—	7	77
Subtotals, Baseline Adjustments ..	(\$365)	(\$37)	(—)	(—)	(\$103)	(\$505)
<i>Workload Changes</i>						
Workers' Compensation (transfer from General Svc).....	\$384	—	—	—	—	\$384
Child Care Program (decrease in grants and loans).....	—	—	-\$100	—	—	-100
Other changes.....	—	-\$78	—	—	\$4	-74
Subtotals, Workload Changes .....	(\$384)	(\$78)	(\$100)	—	(\$4)	(\$210)
1989-90 Expenditures (Proposed) .....	<u>\$7,929</u>	<u>\$1,098</u>	<u>\$250</u>	<u>\$108</u>	<u>\$2,625</u>	<u>\$12,010</u>
Change From 1988-89:						
Amount.....	\$749	-\$41	-\$100	—	\$107	\$715
Percent.....	10.4%	-3.6%	-28.6%	—	4.2%	6.3%

## ANALYSIS AND RECOMMENDATIONS

### State Employee Child Care Program

*We recommend that the Legislature adopt supplemental report language directing the Department of Personnel Administration to submit a report by September 15, 1989 that evaluates: (1) the problems the State Employee Child Care Program has encountered in reaching its objectives; (2) ways the program could be improved, including how the department could take a more active approach in helping employee groups to organize and implement new child care services; and (3) whether the program should be continued when it sunsets on June 30, 1991.*

**Background.** Chapter 236, Statutes of 1985, established the State Employee Child Care Fund. Subsequently, state collective bargaining agreements established the State Employee Child Care Program and provided \$1 million to the fund for its support. This program provides grants and loans to qualifying employee groups that choose to develop new child care services and programs. The program is administered by the Department of Personnel Administration (DPA) and will sunset on June 30, 1991.

**Analysis.** Our analysis indicates that, in recent years, the child care programs approved for funding by the DPA have been slow in expending

**DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued**

their funds. In 1986-87, the DPA provided \$159,000 to qualifying employee groups to implement child care programs. As of August 1988, these groups had expended only \$101,000, about 64 percent of the amount available. Similarly, the DPA provided \$131,000 in 1987-88 and only \$70,000, about 53 percent had been spent by August 1988. According to statute, the funds provided by DPA are available for expenditure through June 30, 1991.

Our analysis indicates that these expenditure patterns reflect the difficulties that employee groups have in organizing effectively to implement child care programs, without adequate assistance from the DPA. The program as it is currently administered requires significant initiative, time, and continuing effort by employees in order to successfully implement a program. The DPA indicates that its efforts to assist employees in this regard have been limited.

In order for the program to be successful, we believe, the DPA must actively assist employee groups to organize, and then follow-through by offering technical assistance and other support needed to successfully implement the child care services. Based on our review, the DPA should be able to provide more active assistance by using its existing resources more effectively. Accordingly, we recommend that the Legislature adopt supplemental report language directing the Department of Personnel Administration to submit a report by September 15, 1989 that evaluates: (1) the problems the child care program has encountered in reaching its objectives; (2) ways the program could be improved, including how the department could take a more active approach in helping employee groups to organize and implement new child care services; and (3) whether the program should be continued when it sunsets on June 30, 1991.

The following supplemental report language is consistent with this recommendation:

The Department of Personnel Administration shall submit a report to the fiscal committees and the Joint Legislative Budget Committee by September 15, 1989 that evaluates (1) problems the child care program has encountered in reaching its stated goals; (2) ways the program could be improved, including how the department could take a more active approach in helping employee groups to organize and implement new child care services; and (3) whether the program should be continued when it sunsets on June 30, 1991.

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## WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

Item 8450 from the General  
Fund

Budget p. GG 66

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Requested 1989-90.....	\$5,720,000
Estimated 1988-89 .....	5,720,000
Actual 1987-88 .....	5,485,000
Requested increase: None	
Total recommended reduction.....	None

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### 1989-90 FUNDING BY ITEM AND SOURCE

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

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### GENERAL PROGRAM STATEMENT

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

The cost of this program is paid from an annual General Fund appropriation and from workers' compensation payments made to the state by employers and insurance companies on behalf of workers who die leaving no surviving heirs. These payments—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.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

The budget proposes \$5,720,000 to fund workers' compensation benefits paid under the subsequent injury program during 1989-90. 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). The budget-year request is identical to current-year estimated expenditures.

Of the \$5.7 million requested for 1989-90, \$4,626,000 is to pay actual claims costs. The remaining funds are to pay: (1) a 5 percent service fee to the State Compensation Insurance Fund for adjusting claims (\$236,000), (2) DIR expenses for claims investigative services (\$170,000) and (3) DIR costs to monitor and provide legal defense of the fund (\$688,000).



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

Our review indicates that the proposed expenditures are appropriate. We will review, however, updated expenditure estimates for the current year as they become available and advise the Legislature of any necessary changes.

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

Item 8460 from the General  
Fund

Budget p. GG 66

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Requested 1989-90.....	\$663,000
Estimated 1988-89 .....	663,000
Actual 1987-88 .....	540,000
Requested increase: None	
Total recommended reduction .....	None

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**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 12.5 percent service fee based on the total award of each claim.

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

The budget proposes \$663,000 to support the Disaster Service Workers' benefit program in 1989-90. 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 identical to estimated current-year expenditures.

Our review indicates that the proposed expenditures are appropriate. We will review, however, updated expenditure estimates for the current year as they become available and advise the Legislature of any necessary changes.

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**BOARD OF CHIROPRACTIC EXAMINERS**

Item 8500 from the State Board  
of Chiropractic Examiners  
Fund

Budget p. GG 67

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Requested 1989-90 .....	\$906,000
Estimated 1988-89 .....	929,000
Actual 1987-88 .....	1,058,000
Requested decrease (excluding amount for salary increases) \$23,000 (-2.5 percent)	
Total recommended reduction .....	None

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**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8500-001-152—Support	State Board of Chiropractic Examiners	\$903,000
Reimbursements	—	<u>3,000</u>
Total		\$906,000

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**GENERAL PROGRAM STATEMENT**

The seven-member Board of Chiropractic Examiners is responsible for licensing and regulating chiropractors practicing in California. The board has 6.6 personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes total expenditures of \$906,000 to support the board's activities in 1989-90. This is \$23,000, or 2.5 percent, below estimated expenditures in 1988-89. The proposed expenditures include \$3,000 from reimbursements.

The decrease reflects (1) a \$39,000 reduction for central administrative services, offset by (2) a \$16,000 increase for personal services and operating expenses.

**BOARD OF OSTEOPATHIC EXAMINERS**

Item 8510 from the Board of  
Osteopathic Examiners  
Contingent Fund

Budget p. GG 69

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Requested 1989-90 .....	\$448,000
Estimated 1988-89 .....	491,000
Actual 1987-88 .....	373,000
Requested decrease (excluding amount for salary increases) \$43,000 (-8.8 percent)	
Total recommended reduction .....	None

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**BOARD OF OSTEOPATHIC EXAMINERS—Continued**  
**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8510-001-264-Support	Board of Osteopathic Examiners Contingent	\$446,000
Reimbursements	-	2,000
Total		\$448,000

**GENERAL PROGRAM STATEMENT**

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

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

The budget proposes total expenditures of \$448,000 to support the board's activities in 1989-90. This is a decrease of \$43,000, or 8.8 percent, below estimated current-year expenditures. The decrease is a result of (1) an \$8,000 increase to cover salary increases, (2) a \$37,000 increase in various operating expenses, and (3) an \$88,000 decrease in central administrative services costs.

**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 71

Requested 1989-90 .....	\$589,000
Estimated 1988-89 .....	530,000
Actual 1987-88 .....	469,000
Requested increase (excluding amount for salary increases) \$59,000 (+11 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. The board is supported by the Board of Pilot Commissioners' Special Fund which derives its revenues from assessments on pilotage fees. The board has one personnel-year in the current year.

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

The budget proposes total expenditures of \$589,000 for support of the board in 1989-90. This is \$59,000 (11 percent) above estimated current-year expenditures. The budget reflects increases of (1) \$42,000 for pro rata charges for central administrative services, (2) \$10,000 for compensation of board members and staff, and (3) \$7,000 for other minor cost adjustments.

**CALIFORNIA AUCTIONEER COMMISSION**

Item 8540 from the Auctioneer  
Commission Fund

Budget p. GG 72

Requested 1989-90 .....	\$269,000
Estimated 1988-89 .....	246,000
Actual 1987-88 .....	169,000
Requested increase (excluding amount for salary increases) \$23,000 (+9.3 percent)	
Total recommended reduction .....	None

**GENERAL PROGRAM STATEMENT**

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

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

The budget proposes expenditures of \$269,000 from the Auctioneer Commission Fund for support of the commission in 1989-90. This is an increase of \$23,000, or 9.3 percent, over estimated current-year expenditures. This increase consists of (1) a \$6,000 increase in staff salaries, and (2) a \$17,000 increase in various operating expenses.

**CALIFORNIA HORSE RACING BOARD**

Item 8550 from the Fair and  
Exposition Fund and the  
Racetrack Security Account

Budget p. GG 74

Requested 1989-90 .....	\$8,333,000
Estimated 1988-89 .....	7,859,000
Actual 1987-88 .....	6,589,000
Requested increase (excluding amount for salary increases) \$474,000 (+6.0 percent)	
Total recommended reduction resulting in subsequent transfer to the General Fund .....	1,763,000

### CALIFORNIA HORSE RACING BOARD—Continued 1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8550-001-191—Support	Fair and Exposition	\$8,023,000
8550-001-942—Support	Special Deposit, Racetrack Security Account	310,000
8550-011-942—Transfer to General Fund	Special Deposit, Racetrack Security Account	(1,800,000)
Total		\$8,333,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. *Veterinarians and Stewards Contracts. Reduce Item 8550-001-191 by \$85,000.* Recommend that budgeted contractual expenses for veterinarians and stewards be reduced to correct technical budgeting errors. 931
2. *Funding for Intertrack Stewards. Reduce Item 8550-001-191 by \$1,678,000.* Recommend deletion of \$1,678,000 for contractual expenses for Intertrack Stewards to eliminate funding for unnecessary workloads. 931

### GENERAL PROGRAM STATEMENT

The California Horse Racing Board (CHRB) regulates all horse racing 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 state. The board's activities consist of (1) licensing all horse racing participants, (2) contracting with stewards and veterinarians to officiate at all races, (3) enforcing the regulations under which racing is conducted, and (4) collecting the state's horse racing revenues.

In addition, Ch 1273/87 (SB 14, Maddy) requires the board to assume responsibility for payment of stewards' salaries and fringe benefits, veterinary services provided at the tracks, and laboratory testing services. These costs were formerly financed by the racing associations.

The board is composed of seven members appointed by the Governor and has 55 personnel-years in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$8.3 million from the Fair and Exposition Fund and the Racetrack Security Account to support the California Horse Racing Board in 1989-90. This is an increase of \$474,000, or 6 percent, above estimated current-year expenditures. This increase includes: (1) \$139,000 for program changes, (2) \$102,000 for price increases, and (3) \$233,000 for increases in salaries, benefits and other baseline changes.

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**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

Program Elements	Personnel-Years			Expenditures			Percent
	Actual	Est.	Prop.	Actual	Est.	Prop.	Change
	1987-88	1988-89	1989-90	1987-88	1988-89	1989-90	From 1988-89
Licensing.....	10.3	14.0	14.0	\$903	\$987	\$1,011	2.4%
Enforcement.....	19.8	26.0	26.0	1,121	5,961	6,157	3.3
Administration.....	12.4	15.0	17.9	786	911	1,165	27.9
State Stewards Program.....	—	—	—	1,974	—	—	—
Horsemen's Organization Welfare Special Account, Special Deposit Fund.....	—	—	—	1,805	—	—	—
Totals, Program Costs.....	42.5	55.0	57.9	\$6,589	\$7,859	\$8,333	6.0%
Funding Sources							
General Fund.....				—	\$807	—	-100.0%
Fair and Exposition Fund.....				\$2,500	6,742	\$8,023	19.0
Horsemen's Organization Welfare Special Account, Special Deposit Fund.....				1,805	—	—	—
Racetrack Security Account, Special Deposit Fund.....				310	310	310	—
Reimbursements.....				1,974	—	—	—

## ANALYSIS AND RECOMMENDATIONS

### Technical Budget Issue

*We recommend that the budgeted amount for contracts with veterinarians and stewards be reduced by \$85,000 to correct for technical budgeting errors. (Reduce Item 8550-001-191 by \$85,000.)*

The budget requests \$503,000 to contract for veterinary services and \$22,000 for contract-processing costs for stewards and veterinarians. Our analysis indicates that the actual amounts required for these expenses will be \$438,000 and \$2,000, respectively. Accordingly, we recommend a total reduction of \$85,000 to correct for these technical budgeting errors.

### Intertrack Stewards No Longer Needed

*We recommend a reduction of \$1,678,000 to delete unnecessary funding for stewards at satellite facilities. (Reduce Item 8550-001-191 by \$1,678,000.)*

The CHRB currently provides stewards services at satellite facilities by contract with board-licensed stewards. These "intertrack" stewards are required to supervise all activities at satellite wagering facilities and uphold the board's rules and regulations. (A satellite 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 budget proposes \$1.7 million for contracts with intertrack stewards in the budget year.

The CHRB is currently in the process of adopting regulations to require each satellite facility to establish a new position entitled "Satellite Facilities Supervisor" for the budget year. As a condition for approval to conduct satellite wagering activities, the board will require the facilities to fund these positions at no additional cost to the state. The responsibil-

**CALIFORNIA HORSE RACING BOARD—Continued**

ities of the Satellite Facilities Supervisor will be to provide supervision for all satellite wagering activities and to uphold the rules and regulations of the board, which are the same responsibilities of the Intertrack Stewards. In addition, these new positions will be required to be licensed by the CHRB, as are the Intertrack Stewards.

In anticipation of the passage of the board's regulations, the Department of Food and Agriculture (DFA) has already established new classifications for "Satellite Facilities Supervisors" and "Assistant Satellite Facilities Supervisors" at 12 of the 23 satellite wagering facilities. The department has indicated that it is currently in the process of filling these positions. A supervisor *and* assistant will be placed at each of these facilities, and the department expects the hiring process to be completed prior to the end of the current year. The remaining 11 facilities are not under the jurisdiction of DFA, and will be required to hire supervisors upon the passage of CHRB's regulations.

Our analysis indicates that funding for intertrack stewards is both costly and duplicative. The contractual expenses for intertrack stewards in the budget year are estimated at \$1.7 million. This amount may actually *increase* because of contract negotiations. Given that the Satellite Facilities Supervisors will be performing the same duties as the Intertrack Stewards, we believe that funding for Intertrack Stewards is unnecessary and should be discontinued. On this basis, we recommend the deletion of \$1,678,000 provided for this purpose. Because of the CHRB's funding mechanism, any reduction in support funds to the board from the Fair and Exposition Fund will result in a transfer to the General Fund.

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**CALIFORNIA EXPOSITION AND STATE FAIR**

Item 8560 and 8560-490 from the  
California Exposition and  
State Fair Enterprise Fund  
and other funds

Budget p. GG 78

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Requested 1989-90 .....	\$16,381,000
Estimated 1988-89 .....	14,124,000
Actual 1987-88 .....	11,797,000
Requested increase (excluding amount for salary increases) \$2,257,000 (+16 percent)	
Total recommended reduction .....	None

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**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8560-001-510—Support	California Exposition and State Fair Enterprise	\$14,696,000
8560-011-466—Support	State Fair Police Special Account	20,000
8560-490—Reappropriation	California Exposition and State Fair Enterprise	500,000
Business and Professions Code Sec. 19622(a)—Annual Subsidy	Fair and Exposition	265,000
Reimbursements	—	900,000
Total		\$16,381,000

**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. Cal Expo is governed by an 11-member board of directors who are appointed for four-year terms. Chapter 8, Statutes of 1986 (AB 2581, N. Waters), specifies that the Governor appoints nine of the directors and that the Speaker of the Assembly and the Senate Committee on Rules each appoints one director.

In the current year, Cal Expo has 221.9 personnel-years.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$16.4 million for support of Cal Expo in 1989-90. This represents an increase of \$2.3 million, or 16 percent, over estimated current-year expenditures. The increase primarily reflects workload adjustments from increased event attendance, an increase for deferred maintenance and special repair projects, replacement of the livestock barns, baseline adjustments to maintain Cal Expo's current level of activity, and an increase in reimbursements.

Of the total proposed expenditures, \$15.2 million, or 93 percent, is requested from operating revenues generated by Cal Expo. Under the provisions of Chapter 8, all revenues received by Cal Expo are deposited in the California Exposition and State Fair Enterprise Fund, and are available to Cal Expo upon appropriation by the Legislature. The proposed expenditures consist of: (1) \$12.3 million in projected revenue for 1989-90; (2) \$2.4 million obtained by reducing reserves in the Cal Expo Enterprise Fund from \$5.4 million to \$3 million; and (3) a \$500,000 reappropriation for the livestock barns project.

The budget proposes to finance the balance of \$1.2 million in requested expenditures from the following sources:

- \$900,000 in reimbursements, primarily from services to exhibitors.
- \$265,000 from the Fair and Exposition Fund; Section 19622(a) of the Business and Professions Code continuously appropriates this amount annually to Cal Expo.
- \$20,000 from the State Fair Police Special 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 1987-88 through 1989-90.



**CALIFORNIA EXPOSITION AND STATE FAIR—Continued**

**Table 1**  
**California Exposition and State Fair**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Percent Change From</i>
	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1988-89</i>
Operating expenditures.....	\$11,797	\$14,124	\$16,381	16.0%
Staff (personnel-years).....	217.3	221.9	234.5	5.7
Funding Sources				
Cal Expo Enterprise Fund.....	\$10,865	\$13,253	\$15,196	14.7%
Fair and Exposition Fund.....	265	265	265	—
State Fair Police Account.....	6	6	20	233.3
Reimbursements.....	661	600	900	50.0

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

Our review indicates that Cal Expo's revenue projections are reasonable, and that its expenditure plan appears to be consistent with the goals and purposes established by the Legislature for Cal Expo. Furthermore, the proposed reserve of \$3 million in the Cal Expo Enterprise Fund should be adequate to cover any deficit in the event that revenue in 1989-90 is less than anticipated.

In addition, the proposed reappropriation appears reasonable, as it would allow for the needed replacement of the livestock barns when combined with additional funds from the California Fairs Financing Authority.

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**DEPARTMENT OF FOOD AND AGRICULTURE**

Item 8570 from the General  
Fund and various funds

Budget p. GG 82

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Requested 1989-90 .....	\$187,454,000
Estimated 1988-89 .....	182,878,000
Actual 1987-88 .....	177,458,000
Requested increase (excluding amount for salary increases) \$4,576,000 (+ 2.5 percent)	
Total recommended reduction .....	107,000
Recommendation pending .....	1,947,000

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**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8570-001-001—Support	General	\$75,745,000
8570-001-111—Support	Agriculture	10,676,000
8570-001-191—Support	Fair and Exposition	1,222,000
8570-001-601—Support	Agriculture Building	1,258,000
8570-001-890—Support	Federal Trust	1,893,000
8570-011-112—Support	Agricultural Pest Control Research Account, Agriculture	374,000
8570-011-191—Transfer to General Fund for benefits of retired local fair employees	Fair and Exposition	(698,000)
8570-012-192—Support	Satellite Wagering Account, Fair and Exposition	277,000
Sections 221 and 226 <sup>a</sup> —Support	Agriculture	42,913,000
Section 625 <sup>a</sup> —Loan interest expense	Agriculture Building	155,000
Section 58582—Export promotion	Agricultural Export Promotion Account, Agriculture	15,000
Loan repayments from local agencies per Sec. 505 <sup>a</sup>	Agricultural Pest Control Research Account, Agriculture	—33,000
Reimbursements <sup>b</sup>	—	2,486,000
Subtotal, support		(\$136,981,000)
8570-101-001—Subventions for pest control and pesticide regulation	General	\$10,942,000
8570-101-111—County Assistance	Agriculture	34,000
8570-111-001—Salaries of county agricultural commissioners	General	383,000
Section 12844 <sup>a</sup> —Pesticide regulation	Agriculture	4,633,000
Section 12539 <sup>c</sup> —County sealers	Agriculture	45,000
Section 29032 <sup>a</sup> —Bee disease control	Agriculture	61,000
Section 224 <sup>a</sup> Transfer from Motor Vehicle Fuel Account—General agricultural assistance	Agriculture	4,700,000
Subtotal, county assistance		(\$20,798,000)
8570-101-191—Unemployment benefits, and health and safety improvements for local fairs	Fair and Exposition	\$4,690,000
Section 19596.5 <sup>c</sup> —Satellite wagering facilities and health and safety repairs for local fairs	Satellite Wagering Account, Fair and Exposition	15,400,000
Sections 19622-19627.3 <sup>c</sup> —Local fairs assistance	Fair and Exposition	9,585,000
Subtotal, local fairs assistance		(\$29,675,000)
Total		\$187,454,000

<sup>a</sup> Food and Agricultural Code.<sup>b</sup> Includes reimbursements from continuous appropriations programs.<sup>c</sup> Business and Professions Code.**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. *Veterinary Laboratory Fees Too Low. Reduce Item 8570-001-001 by \$107,000 and increase reimbursements by the same amount.* Recommend a reduction of \$107,000 from the General Fund and an equivalent increase in scheduled reimbursements from fees in order to conform with legislative intent that the veterinary laboratory system be funded annually with reimbursements equal to at least 10 percent of the prior year's operating budget. 938
2. *Proposition 65 Proposal Lacks Justification.* Withhold recommendation on \$1,869,000 from the General Fund (Item 939

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

8570-001-001) and \$78,000 from the Agriculture Fund (Item 8570-001-111) requested for implementation of the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65), pending receipt and review of workload information to justify the amount requested.

**GENERAL PROGRAM STATEMENT**

The Department of Food and Agriculture (DFA) promotes and protects the state's agricultural industry, develops California's agricultural policies, and assures true weights and measures in commerce.

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

- Identifying and controlling agricultural pests,
- Regulating pesticide use and protecting the health and safety of farmworkers,
- Forecasting harvests,
- Supervising and funding local fairs,
- Enforcing quality, quantity, and safety standards for agricultural commodities and petroleum products,
- Administering marketing orders, and
- Enforcing weights and measures laws.

The department supervises the county agricultural commissioners and county sealers of weights and measures. Many programs are operated jointly with these officials. The department has 1,964.7 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget requests a total of \$187 million from all funding sources (excluding marketing order expenditures) for support and local assistance in 1989-90. This is an increase of \$4.6 million, or 2.5 percent, from estimated current-year expenditures. Estimated expenditures for the current year reflect a \$3 million net unallocated reduction. Proposed appropriations from the General Fund in 1989-90 amount to \$87 million. This is a net increase of \$3.8 million, or 4.6 percent, above estimated current-year General Fund expenditures. Table 1 summarizes staffing and funding for the department by program, for the past, current, and budget years. The table shows that the budget proposes a General Fund unallocated reduction in support for the DFA totaling \$800,000.

The expenditures proposed for the department budget fall into three categories:

**Support Costs**

The budget proposes to spend a total of \$137 million for DFA's support costs in 1989-90. This amount is \$5 million, or 3.8 percent, more than estimated current-year expenditures. This increase is the result of baseline adjustments totaling \$3.2 million and proposed program changes resulting in an additional increase of \$1.8 million. Major program changes include (1) \$1.9 million to contract for additional veterinary laboratory staff at UC Davis, (2) \$600,000 for increased monitoring of groundwater contamination, and (3) a decrease of \$1 million in reimbursements for activities related to implementation of Proposition 65 (the Safe Drinking Water and Toxic Enforcement Act of 1986).

**Table 1**  
**Department of Food and Agriculture**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

<i>Program</i>	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change From 1988-89</i>
	<i>Actual 1987-88</i>	<i>Est. 1988-89</i>	<i>Prop. 1989-90</i>	<i>Actual 1987-88</i>	<i>Est. 1988-89</i>	<i>Prop. 1989-90</i>	
Pesticide regulation .....	323.4	325.3	317.3	\$32,270	\$34,725	\$35,174	1.3%
Agricultural plant pest and dis- ease prevention .....	584.6	529.6	529.6	42,444	41,025	41,160	0.3
Animal pest and disease preven- tion/inspection .....	225.2	228.8	228.8	20,772	21,859	24,717	13.1
Agricultural marketing services ..	202.1	231.7	231.7	12,057	13,547	14,521	7.2
Food and agricultural standards/inspection services .....	384.1	358.5	358.5	20,550	20,744	21,287	2.6
Measurement standards .....	80.3	80.4	80.4	5,278	6,284	6,480	3.1
Financial and administrative as- sistance to local fairs .....	24.8	23.4	23.4	31,569	31,812	31,274	-1.7
Executive, management and ad- ministrative services .....	166.3	173.4	174.2	9,390	9,760	10,232	4.8
Amount distributed to other pro- grams .....	—	—	—	-8,678	-8,937	-9,245	3.4
General agricultural activities and emergency funding .....	11.7	13.6	13.6	11,806	12,059	12,654	4.9
Unallocated reduction .....	—	—	—	—	—	-800	— <sup>a</sup>
<b>Totals .....</b>	<b>2,002.5</b>	<b>1,964.7</b>	<b>1,957.5</b>	<b>\$177,458</b>	<b>\$182,878</b>	<b>\$187,454</b>	<b>2.5%</b>
<b>Funding Sources</b>							
<i>General Fund</i> .....				\$82,253	\$83,239	\$87,070	4.6%
<i>Agriculture Fund</i> .....				56,910	60,789	63,062	3.7
<i>Fair and Exposition Fund</i> .....				23,774	14,545	15,497	6.5
<i>Satellite Wagering Account</i> .....				7,600	17,166	15,677	-8.7
<i>Agriculture Building Fund</i> .....				909	1,388	1,413	1.8
<i>Agricultural Pest Control Research Account</i> .....				7	330	341	3.3
<i>California Agricultural Export Promotion Account</i> .....				8	15	15	—
<i>Environmental License Plate Fund</i> .....				300	117	—	-100.0
<i>Special Account For Capital Outlay</i> .....				500	—	—	—
<i>Federal Trust Fund</i> .....				3,739	2,020	1,893	-6.3
<i>Reimbursements</i> .....				1,458	3,269	2,486	-24.0

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

### **Assistance to County Agricultural Commissioners**

The department proposes to spend \$20.8 million from all funding sources for assistance to county agricultural commissioners in 1989-90. This amount is \$179,000, or 0.9 percent, more than estimated current-year expenditures. This increase is the net result of the deletion of funds for the kosher meat inspection program (\$70,000) and (2) a \$249,000 increase in funding available from the Motor Vehicle Fuel Account to the department (this funding is allocated to the DFA based on the amount of account revenues attributable to agricultural off-highway vehicle use).

### **Assistance to Local Fairs**

The department proposes to spend \$29.7 million for assistance to local fairs in 1989-90. This amount is \$599,000, or 2 percent, less than estimated

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

current-year expenditures because the department is proposing a reduction in support of local fairs in order to reestablish a reasonable reserve in the Fairs and Exposition Fund (FEF). The fund's reserve was depleted when a total of \$7.5 million from the General Fund was incorrectly deposited into the FEF in 1987-88 and 1988-89. A portion of these funds was subsequently spent by the department for support of local fairs. When the accounting error was discovered, the department repaid the entire \$7.5 million, resulting in a deficit in the FEF. In order to correct the deficit and reestablish a reserve in the fund, the DFA is proposing reduced expenditures in 1988-89 and 1989-90.

Table 2 summarizes proposed budget changes for 1989-90, by funding source.

**Table 2**  
**Department of Food and Agriculture**  
**Proposed 1989-90 Budget Changes**  
**By Program and Funding Source**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Other</i>	<i>Totals</i>
1988-89 Expenditures (Revised) .....	\$83,239	\$99,639	\$182,878
<i>Baseline Adjustments</i>			
Full-year cost of employee compensation increases and other administrative adjustments .....	2,824	2,320	5,144
Deletion of one-time costs .....	-254	—	-254
Miscellaneous adjustments .....	-1,256	-835	-2,091
Subtotals, baseline adjustments .....	(\$1,314)	(\$1,485)	(\$2,799)
<i>Program Changes</i>			
Increased monitoring for groundwater contamination .....	600	—	600
Proposition 65 workload adjustment .....	—	-1,037	-1,037
Additional UC staff for veterinary laboratories ....	1,917	—	1,917
Marketing program for marine fisheries mitigation .....	—	200	200
Structural pest control enforcement .....	—	97	97
Subtotals, program changes .....	(\$2,517)	(\$-740)	(\$1,777)
1989-90 Expenditures (Proposed) .....	\$87,070	\$100,384	\$187,454
Change from 1988-89:			
Amount .....	\$3,831	\$745	\$4,576
Percent .....	4.6%	0.7%	2.5%

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the proposed changes shown in Table 2 that are not discussed elsewhere in this analysis.

**Veterinary Laboratory Fees Should be Increased**

*We recommend a reduction of \$107,000 from the General Fund and an equivalent increase in scheduled reimbursements from fees because the Legislature has stated its intent that the veterinary laboratory system be funded annually with reimbursements equal to at least 10 percent of the prior year's operating budget. (Reduce Item 8570-001-001 by \$107,000 and increase reimbursements by the same amount.)*

In October of 1988, the department formally opened its new central veterinary diagnostic laboratory in Davis. The department contracts with

the University of California at Davis to operate and manage the new facility as well as branch laboratories in Turlock, Tulare, Fresno, and San Bernardino. The veterinary laboratory system provides a variety of diagnostic services for the livestock and poultry industries as well as for state and federal animal health regulatory programs.

The budget requests a total of \$10.6 million for support of the veterinary diagnostic laboratory system in 1989-90. This amount is \$2.4 million, or 29 percent, more than estimated current-year expenditures for ongoing program expenses. Of this additional expense, \$1.9 million is for salaries, benefits, and operating expenses associated with additional laboratory staff. The Legislature approved these additional staff for 1988-89, but the department temporarily delayed hiring them in order to absorb a portion of the \$3 million unallocated budget reduction imposed on the department in the current year. The remaining \$500,000 is for additional departmental overhead associated with laboratory operations.

Last year, the Legislature adopted language in the *Supplemental Report of the 1988 Budget Act* specifying that (1) fees should pay for a portion of the cost of the laboratory system and (2) these fees should be set at a level to generate funding equivalent to at least 10 percent of the prior year's operating budget for the veterinary laboratories. Based on estimated 1988-89 operating costs, the necessary fee revenue would equal \$822,000 in the budget year. The budget, however, includes only \$715,000 from fees to pay for the laboratory system in 1989-90. Consequently, the department's budget request should include \$107,000 of additional fee reimbursements. These additional reimbursements would offset General Fund costs to support the laboratories in 1989-90. Accordingly, we recommend a reduction of \$107,000 from the General Fund and an equivalent increase in scheduled reimbursements to apportion costs to laboratory system users as envisioned by the Legislature.

#### **Proposition 65 Proposal Lacks Justification**

*We withhold recommendation on \$1,869,000 from the General Fund and \$78,000 from the Agriculture Fund requested for implementation of the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65), pending receipt and review of workload information to justify the amount requested. (Withhold recommendation on \$1,869,000 from Item 8570-001-001 and \$78,000 from Item 8570-001-111.)*

The budget requests a total of \$1,947,000 (\$1,869,000 from the General Fund and \$78,000 from the Agriculture Fund) to support the department's 1989-90 activities related to the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65). The department proposes to use these funds to (1) conduct risk assessments of pesticides and develop analytical methods to detect and measure the level of pesticide residues in food, soil, and water samples, (2) provide technical assistance, primarily to pesticide registrants, and (3) monitor the use and environmental fate of pesticides.

During hearings on the 1988 Budget Bill, the Legislature expressed concern over the administration's implementation of Proposition 65 and the level and source of funding for the program because it appeared that the program's actual workload differed from the original workload projections. Consequently, the Legislature adopted language in the *Supplemental Report of the 1988 Budget Act*, requiring the Health and Welfare Agency (HWA) (which is the lead agency for implementing

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

Proposition 65) to submit to the Legislature, by January 10, 1989, a report on the program's implementation. The report was to include a workplan for the budget year, including a description of and justification for proposed activities, personnel and funding.

**Report is Incomplete.** The HWA submitted its report to the Legislature on January 10, 1989, including a workplan for 1989-90. The agency's report, however, does not provide specific workload data, as required by the Legislature, to justify the funding or positions requested by the department for activities related to Proposition 65 in 1989-90. Furthermore, the workplan submitted by the agency for 1989-90 is inconsistent with the DFA's workplan for the current year.

Without detailed workload information to justify the department's request for 1989-90, the Legislature has no basis to determine whether the department actually requires the personnel and funding it has requested. Accordingly, we withhold recommendation on the department's request, pending receipt and review of detailed workload information on the department's proposal. In our analysis of the funding requested for implementation of Proposition 65 by the Department of Health Services (Item 4260) and the State Water Resources Control Board (Item 3940), we also withhold recommendation, pending receipt of comparable information for those agencies.

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**FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT**

Items 8620 and 8640 from the  
General Fund

Budget p. GG 114

Requested 1989-90 .....	\$7,529,000
Estimated 1988-89 .....	5,907,000
Actual 1987-88 .....	5,616,000
Requested increase (excluding amount for salary increases) \$1,622,000 (+27 percent)	
Total recommended reduction .....	None

**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8620-001-001—Support	General	\$2,520,000
8640-001-001—	General	2,157,000
Secretary of State.....		\$686,000
Franchise Tax Board.....		1,136,000
Attorney General.....		335,000
Statutory Appropriation—Support	General	2,852,000
Total		\$7,529,000

**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, (5) newsletter and mass mailing restrictions, (6) gifts and honoraria limitations, and (7) 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. (The Secretary of State receives an additional amount for administration of the act in its own support appropriation, which is not discussed here.)

The Secretary of State, Franchise Tax Board and the Fair Political Practices Commission have 113 personnel-years in the current year to carry out the provisions of the PRA.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes total appropriations of \$7.5 million from the General Fund to carry out the provisions of the PRA in 1989-90. This is \$1.6 million, or 27 percent, more than the total amount that will be spent for these purposes in the current year. Table 1 identifies the agencies that will spend funds appropriated in support of the act, the function each performs, and the estimated General Fund support provided to each during the prior, current and budget years. The large increase in proposed expenditures for the commission reflects the passage of Propositions 68 and 73 by the voters on June 7, 1988. Both initiatives set limitations on campaign contributions and mandate a variety of duties and responsibilities on candidates, campaign contributors and political committees. Because Propositions 68 and 73 amend the Political Reform Act, the Fair Political Practices Commission is required by law to interpret and enforce these new provisions of the act.

**Table 1**  
**Political Reform Act of 1974**  
**General Fund Support**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

		<i>Expenditures</i>			<i>Percent Change From</i>
<i>Function</i>		<i>Actual 1987-88</i>	<i>Est. 1988-89</i>	<i>Prop. 1989-90</i>	<i>1988-89</i>
<b>Budget Bill Appropriations</b>					
Secretary of State .....	Filing of documents	\$643	\$657	\$686	4.4%
Franchise Tax Board .....	Auditing statements	1,063	1,088	1,136	4.4
	Criminal enforcement	314	321	335	4.4
Attorney General .....	Local enforcement/				
Fair Political Practices Commis- sion .....	support	773	1,110	2,520	127.0
Subtotals .....		(\$2,793)	(\$3,176)	(\$4,677)	(47.3%)
<b>Statutory Appropriation—Fair Political Practices Commission</b>					
	Administration of				
	Act .....	\$2,823	\$2,731	\$2,852	4.4%
Totals, Political Reform Act .....		\$5,616	\$5,907	\$7,529	27.5%



**FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT—Continued****ANALYSIS AND RECOMMENDATIONS****FAIR POLITICAL PRACTICES COMMISSION***We recommend approval.*

The FPPC 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 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.

For the budget year, the commission proposes total expenditures of \$5.4 million from the General Fund. This is \$795,000, or 17 percent, above estimated current-year expenditures. The proposed increase in expenditures reflects the *net* effect of: an increase of \$1.4 million for implementation of Propositions 68 and 73, a decrease of \$741,000 for the funding deficiency requested to implement Propositions 68 and 73 in the current year, and an increase of \$163,000 for salaries, benefits and other baseline adjustments.

**SECRETARY OF STATE***We recommend approval.*

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

The budget proposes expenditures of \$686,000 by the Secretary of State from this item for work arising under the act during 1989-90. This is \$29,000, or 4.4 percent, above estimated total current-year expenditures.

**FRANCHISE TAX BOARD***We recommend approval.*

The PRA requires the Franchise Tax Board (FTB) to audit the financial transaction statements of (1) lobbyists, (2) candidates for state office and their committees, (3) committees supporting or proposing statewide ballot measures, and (4) specified elected officials. The board indicates that it will conduct 276 PRA audits in the budget year.

The budget proposes \$1.1 million for FTB to administer its portion of the PRA in 1989-90. This is an increase of \$48,000, or 4.4 percent, over estimated current-year expenditures.

**ATTORNEY GENERAL***We recommend approval.*

The PRA 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 \$335,000. This is an increase of \$14,000, or 5.3 percent, over estimated current-year expenditures.

### PUBLIC UTILITIES COMMISSION

Item 8660 from various funds

Budget p. GC 117

Requested 1989-90.....	\$69,864,000
Estimated 1988-89 .....	71,910,000
Actual 1987-88 .....	69,232,000
Requested decrease (excluding amount for salary increases) \$2,046,000 (—2.8 percent)	
Total recommended reduction .....	None

#### 1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8660-001-042—Railroad grade crossing safety	State Highway Account, State Transportation	\$1,636,000
8660-001-046—Rail passenger service and enforcement of federal railroad track and freight car equipment standards	Transportation Planning and Development Account, State Transportation	2,564,000
8660-001-412—Freight transportation regulation	Transportation Rate	18,347,000
8660-001-461—Passenger transportation regulation	Public Utilities Commission Transportation Reimbursement Account	4,228,000
8660-001-462—Utility regulation	Public Utilities Commission Utilities Reimbursement Account	40,283,000
8660-001-890—Various purposes	Federal Trust	129,000
Ch 1105/88 Limousine operators-alcoholic beverages	Public Utilities Commission Transportation Reimbursement Account	72,000
Ch 1122/88 Metallic balloons-service disruptions	Public Utilities Commission Utilities Reimbursement Account	31,000
Reimbursements		2,524,000
Total		\$69,864,000

#### 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 transpor-

**PUBLIC UTILITIES COMMISSION—Continued**

tation 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. Commission decisions may be appealed only to the California Supreme Court, whose review power generally is limited to questions of law.

The commission has 1,006 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

Proposed expenditures in 1989-90 from all funding sources, including federal funds and reimbursements, total \$69.9 million, which is \$2 million,

**Table 1**  
**Public Utilities Commission**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent
	Actual 1987-88	Esti-	Proposed 1989-90	Actual 1987-88	Esti-	Proposed 1989-90	Change From 1988-89
		mated 1988-89			mated 1988-89		
Regulation of Utilities:							
Certification.....	22.1	18.9	18.9	\$2,797	\$1,637	\$1,605	-2.0%
Rates.....	367.5	382.6	382.6	38,091	39,015	37,172	-4.7
Safety.....	15.1	13.3	13.3	1,252	1,475	1,349	-8.5
Service and facilities.....	30.6	31.5	31.5	2,700	2,964	2,841	-4.1
Subtotals, utilities.....	(435.3)	(446.3)	(446.3)	(\$44,840)	(\$45,091)	(\$42,967)	(-4.7%)
Regulation of Transportation:							
Licensing.....	124.0	142.2	147.9	\$8,600	\$9,906	\$9,782	-1.3%
Rates.....	122.3	133.3	130.3	10,537	11,988	11,945	-0.4
Safety.....	49.2	50.1	51.1	4,290	3,884	4,147	6.8
Service and facilities.....	11.3	11.3	11.3	965	1,041	1,023	-1.7
Subtotals, transportation.....	(306.8)	(336.9)	(340.6)	(\$24,392)	(\$26,819)	(\$26,897)	(0.3%)
Administration (distributed):							
Executive.....	60.6	45.5	45.5	\$4,808	\$4,960	\$5,132	3.5%
Strategic planning.....	10.4	12.2	12.2	552	654	684	4.6
Public affairs.....	37.8	40.6	42.5	1,536	1,525	1,673	9.7
General office.....	34.3	34.2	34.2	4,052	4,598	4,801	4.4
Personnel.....	17.1	18.5	18.5	693	721	760	5.4
Fiscal.....	15.1	15.1	12.2	396	419	487	16.3
Data processing.....	40.4	39.7	40.7	3,168	2,388	2,514	5.3
Reporting.....	17.4	17.0	17.0	1,038	1,193	1,249	4.7
Subtotals, administration.....	(233.1)	(222.8)	(222.8)	(\$16,243)	(\$16,458)	(\$17,300)	(5.1%)
Totals.....	975.2	1,006.0	1,009.7	\$69,232	\$71,910	\$69,864	-2.8%
Funding Sources							
Public Utilities Commission Transportation Reimbursement Account.....							
				\$3,524	\$4,706	\$4,300	-8.6%
Public Utilities Commission Utilities Reimbursement Account.....							
				38,123	42,433	40,314	-5.0
Transportation Rate Fund.....							
				17,107	18,126	18,347	1.2
Transportation Planning & Development Account, State Transportation Fund.....							
				2,170	2,272	2,564	12.9
State Highway Account, State Transportation Fund.....							
				1,523	1,589	1,686	6.1
Federal Funds.....							
				207	260	129	-50.4
Reimbursements.....							
				6,578	2,524	2,524	-

or 2.8 percent, below estimated current-year expenditures. Table 1 summarizes 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.

## ANALYSIS AND RECOMMENDATIONS

### *We recommend approval.*

Table 2 shows the changes in the PUC's proposed budget for 1989-90. The table shows a net decrease of \$2 million due primarily to the elimination of one-time costs which were incurred in the current year. The largest of these one-time costs is \$3.6 million for interest paid on loans made when the PUC converted to regulatory fee funding. The reductions are partially offset by increased costs for employee compensation (\$2.6 million) and price increases (\$262,000).

The proposed 1989-90 budget also reflects *workload* and *program changes* totaling \$713,000. The largest single increase (\$198,000) is for the final implementation phase of the Transportation Management Information System (TMIS). The budget also proposes a total of \$252,000 to implement several legislative measures enacted during 1988, which are primarily in the area of transportation regulation.

**Table 2**  
**Public Utilities Commission**  
**Proposed 1989-90 Budget Changes**  
(dollars in thousands)

	PUC Utilities Reim- burse- ment Account	Transportation Rate Fund	PUC Transportation Reim- burse- ment Account	Other Funds	Reim- burse- ments	Total
1988-89 Expenditures (Revised).....	\$42,433	\$18,126	\$4,706	\$4,121	\$2,524	\$71,910
<i>Baseline Adjustments</i>						
Employee compensation adjustments.....	\$1,562	\$715	\$160	\$152	—	\$2,589
Central administrative services.....	-409	-182	-4	-63	—	-658
Price increase.....	158	72	16	16	—	262
Loan interest repayment.....	-3,037	—	-592	—	—	-3,629
Building alterations.....	-120	-60	-10	—	—	-190
Transportation management information system.....	—	-213	-49	-107	—	-369
Electromagnetic hazards study.....	-100	—	—	—	—	-100
Telecommunication plant utilization review.....	-250	—	—	—	—	-250
Utility pension accounting.....	-50	—	—	—	—	-50
Highway carrier self-insurance study.....	—	-95	—	—	—	-95
Deregulated commodities monitoring.....	—	-124	—	—	—	-124
Transportation management information system efficiencies.....	—	-120	-25	—	—	-145
Subtotals, baseline adjustments...	(-\$2,246)	(-\$7)	(-\$504)	(-\$2)	(—)	(-\$2,759)

**PUBLIC UTILITIES COMMISSION—Continued***Workload Changes*

Rail transit safety.....	—	—	—	\$54	—	\$54
Consumer complaints.....	\$78	—	—	—	—	78
Out-of-state travel.....	46	—	—	8	—	54
Subtotals, workload changes.....	(\$124)	(—)	(—)	(\$62)	(—)	(\$186)

*Program Changes*

Computer operations.....	—	\$27	\$3	—	—	\$30
Remittance processing.....	\$2	38	7	—	—	47
Transportation management information system.....	—	—	—	\$198	—	198
PUC Enforcement Act (Ch 916/88).....	—	29	16	—	—	45
Commercial Motor Vehicle Safety Act (Ch 1586/88).....	—	80	—	—	—	80
Workers' compensation insurance for highway carriers (Ch 1175/88).....	—	54	—	—	—	54
Metallic balloons-service disruptions (Ch 1122/88).....	1	—	—	—	—	1
Limousine operators-alcoholic beverages (Ch 1105/88).....	—	—	72	—	—	72
Subtotals, program changes.....	(\$3)	(\$228)	(\$98)	(\$198)	(—)	(\$527)
1989-90 Expenditures (Proposed).....	\$40,314	\$18,347	\$4,300	\$4,379	\$2,524	\$69,864
Changes from 1988-89:						
Amount.....	-\$2,119	\$221	-\$406	\$258	—	-\$2,046
Percent.....	-5.0%	1.2%	-8.6%	6.3%	—	-2.8%

**BOARD OF CONTROL**

Item 8700 from the General  
Fund and various other  
special funds

Budget p. GG 128

Requested 1989-90 .....	\$77,976,000
Estimated 1988-89 .....	80,340,000
Actual 1987-88 .....	49,749,000
Requested decrease (excluding amount for salary increases) \$2,364,000 (-2.9 percent)	
Total recommended reduction .....	None

**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8700-001-001—Support	General	\$902,000
8700-001-214—Support	Restitution	14,273,000
8700-001-890—Support	Federal Trust	10,500,000
Reimbursements		299,000
Subtotal, Budget Bill Appropriations		(\$25,974,000)
Continuing Appropriation—Claims	Restitution	52,000,000
Continuing Appropriation—Claims	Missing Children Reward	2,000
Total		\$77,976,000

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

1. New Claims Backlog. Recommend board report at budget hearings on size of claims backlog and plans to eliminate it. Further recommend board estimate costs of paying backlogged claims in budget year. 949
2. Verification of Low Value Claims. Recommend board report prior to budget hearings on options to streamline verification of low value claims. 951

**GENERAL PROGRAM STATEMENT**

The Board of Control is a three-member body consisting of the Director of General Services, the State Controller, and a third member appointed by and serving at the pleasure of the Governor. The board oversees diverse activities, including state administrative regulation and claims management through the following programs: (1) Administration, (2) Citizen Indemnification, (3) Civil Claims Against the State, (4) Hazardous Substance Claims and (5) Statewide Pro Rata Interagency Agreement.

The board has 226.4 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures totaling \$78 million for the Board of Control in 1989-90. This is a decrease of \$2.4 million, or 2.9 percent, below estimated current-year expenditures. The change between the current and budget years, however, reflects a significant one-time current-year expenditure of \$3.5 million to pay Mediterranean Fruit Fly claims. (This expenditure is reflected in the current year so that funds will be available

**Table 1**  
**Board of Control**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

	<i>Actual</i> <i>1987-88</i>	<i>Est.</i> <i>1988-89</i>	<i>Prop.</i> <i>1989-90</i>	<i>Change</i> <i>From</i> <i>1988-89</i>
<i>Program Expenditures</i>				
Citizen Indemnification .....	\$48,811	\$75,578	\$76,775	15.8%
Hazardous Substance Claims .....	15	21	20	-4.8
Civil Claims Against the State .....	878	4,695	1,181	-74.8
Statewide Pro Rata Agreement .....	45	46	—	-100.0
Administration (distributed) .....	(369)	(1,011)	(1,504)	48.8
Totals, Expenditures .....	\$49,749	\$80,340	\$77,976	-2.9%
<i>Funding Sources</i>				
General Fund .....	\$640	\$936	\$902	-3.6%
Restitution Fund .....	42,458	58,886	66,275	12.5
Mediterranean Fruit Fly Claims Fund .....	—	3,535	—	-100.0
Missing Children Reward Fund .....	—	1	2	100.0
Federal Trust Fund .....	6,353	16,691	10,500	-37.1
Reimbursements .....	298	291	299	2.7
Personnel-years .....	138.8	226.4	234.8	3.7%

**BOARD OF CONTROL—Continued**

to pay claims in the event that long-standing litigation on these claims is resolved in 1988-89. If the litigation is not resolved in the current year, the board advises that the funds will be carried over to the budget year.) If the budget is adjusted to eliminate the effect of this one-time expenditure, the 1989-90 budget would *increase* by \$1.2 million, or 1.5 percent over estimated current-year expenditures. Table 1 shows the board's proposed funding and expenditures, by program, for the past, current, and budget years.

The budget proposes a General Fund appropriation of \$902,000 in 1989-90. This is \$34,000, or 3.6 percent, *below* estimated current-year expenditures. This decrease reflects the net effect of employee compensation increases, and some minor cost reductions. There are no program or workload changes proposed from the General Fund.

The budget proposes expenditures from special funds totaling \$66.3 million in 1989-90. This is \$3.9 million, or 6.2 percent, above current year expenditures. This increase reflects the net effects of the \$3.5 million reduction from the Mediterranean Fruit Fly Claims Fund, and various changes in Restitution Fund expenditures.

The board proposes expenditures from the Restitution Fund totaling \$66.3 million, for an increase of \$7.4 million, or 13 percent, above estimated current-year expenditures. Significant changes from the Restitution Fund include (1) an increase of \$6.2 million for the payment of victim claims, (2) a net increase of \$544,000 to continue 51 limited-term positions and establish eight new limited-term positions to administer and process an increase in the number of claims, and (3) an increase of \$268,000 to add five permanent positions to the board's audit unit staff. The changes in expenditure levels proposed for 1989-90 are shown in Table 2.

**Table 2**  
**Board of Control**  
**Proposed 1989-90 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	<i>Total</i>
1988-89 Expenditures (Revised) .....	\$936	\$62,422	\$16,691	\$291	\$80,340
<i>Workload Changes</i>					
Audit staff .....	—	268	—	—	268
Victim claims processing .....	—	2,102	—	—	2,102
Missing children reward payments .....	—	1	—	—	1
Victim claims payments .....	—	6,191	-6,191	—	—
Subtotals, Workload Adjustments .....	(—)	(\$8,562)	(—\$6,191)	(—)	(\$2,371)
<i>Other Adjustments</i>					
Employee compensation .....	\$37	\$263	—	\$17	\$317
Price increase .....	—	121	—	—	121
Limited-term positions .....	—	-1,558	—	—	-1,558
One-time costs .....	-29	—	—	-9	-38
Medfly claims .....	—	-3,535	—	—	-3,535
Transfer of pro rata workload .....	-42	—	—	—	-42
Subtotals, Other Adjustments .....	(—\$34)	(—\$4,709)	(—)	(\$8)	(—\$4,735)
1989-90 Expenditures (Proposed) .....	\$902	\$66,275	\$10,500	\$299	\$77,976
Change from 1988-89:					
Amount .....	—\$34	\$3,853	—\$6,191	\$8	—\$2,364
Percentage .....	—3.6%	6.2%	—37.1%	2.8%	—2.9%

## ANALYSIS AND RECOMMENDATIONS

### Citizen Indemnification Program

The Citizen Indemnification program compensates those citizens who are injured and suffer financial hardship as a result of crimes of violence, or who sustain damage or injury while performing acts which benefit the public. The program is financed primarily by appropriations from the Restitution Fund, which receives a portion of the revenues collected from penalty assessments levied on criminal and traffic fines. In addition, federal funds from the Victims of Crime Act are available to pay claims.

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.

The budget proposes \$62.5 million for the payment of claims in 1989-90 consisting of \$52 million from the Restitution Fund and \$10.5 million from federal funds. For administration of the program, the budget proposes \$14.3 million from the Restitution Fund.

### New Claims Backlog Identified

*We recommend that the board report during budget hearings on (1) the size of its victims' claims backlog, (2) its plans to eliminate this backlog, and (3) an estimate of the costs it will incur to pay all or part of these backlogged claims in the budget year.*

The board proposes to spend \$62.5 million in Restitution Fund and federal Victims of Crime Act moneys for payments to victims of crime in its Victims of Crime (VOC) program in 1989-90. This is the same amount estimated to be spent in the current year for this purpose, and is based on the assumption that the number of claims processed in the budget year will be the same as in the current year.

Our review suggests that these assumptions could be inaccurate, because they do not take into account a recently identified backlog of claims being held in 21 county victim/witness centers that verify claims for the VOC under contract with the Board of Control. As we discuss below, at this time it appears likely that this backlog will not be processed until the budget year, and that it could add to the VOC program's budget year expenditures from the Restitution Fund by as much as \$7 million.

***Claims Processing Delays and Backlogs a Chronic Problem.*** By statute, the VOC program is required to process victims' claims within 90 days. However, the VOC program historically has had difficulty in meeting this requirement. In November 1988, the board reported that its average processing time for all claims was 235 days. The board advises that a more recent sample of claims, drawn at the time this analysis was prepared, averaged 130 days processing time, although claims processed through county victim/witness assistance centers under contract with the board were still averaging 237 days.

***Background.*** Historically, the Legislature has been concerned with the large backlog of victims' claims and the length of time it takes to process them. Between 1981 and 1987, the Legislature included provisions in each Budget Act requiring the board to report to the Joint Legislative Budget



**BOARD OF CONTROL—Continued**

Committee within 30 days at the end of any quarter in which the backlog increased. In 1985-86, the Legislature approved an augmentation to provide additional positions and funds to allow the board to establish "joint powers" contracts with county victim/witness assistance centers to assist in verifying new claims before the final steps of approval and payment were completed in the board's central office. As a result, in that year the board was able to eliminate the backlog and reduce the time it needed to process a new claim to 90 days.

However, the number of claims submitted to the program increased significantly in 1986-87 and has continued to increase since then. The board advises that this increase has resulted primarily from increased public awareness of the program, and an expansion of the number of eligible victims resulting from the enactment of new legislation. Notwithstanding major staffing augmentations to keep pace with this increase, the board's claims backlog returned in 1987, reaching a high of 9,300 claims in April 1988. For this reason, and because the board had been slow in reporting on quarterly backlogs as originally required by the Legislature, the Legislature adopted language in the 1988 Budget Act requiring the board to report *each month* on the status of the VOC program.

***County Victim/Witness Center Backlog Not Included in Reports to Legislature.*** In its monthly reports to the Legislature, the board states that between July 31 and December 31, 1988, the VOC program reduced its claims backlog from 8,000 to just under 3,000 claims, while average time to process a claim declined from 288 days to 235 days. The board advises that this reduction was accomplished partly through a mandatory overtime policy in September and October 1988.

*While this reduction represents some progress, our analysis indicates that the board's actual backlog remains much larger than indicated in the board's reports.* This is because the board's figures only report the status of claims in its central office. The backlog of claims in county victim/witness assistance centers is not included. This omission of the county-level backlog from the board's reports significantly *understates* the real magnitude of the board's claims backlog. Because the centers must transfer all claims to the central office for approval and payment after processing and verification are complete, claims received by the county victim/witness centers ultimately become part of the central office workload.

Currently, the board's ability to track the claims workload at the county level appears limited. Based on phone surveys, in the fall of 1988 the board estimated that the centers had on hand about 10,000 claims, of which the board defined approximately 5,500 as backlog. At the time this analysis was prepared, the board advised that it believed that the backlog had decreased somewhat, but was unable to provide firm data on the number of claims still unprocessed at the county level. Similarly, the board was unable to provide data on the number of claims being received each month by the centers. The board advises that it is currently attempting to improve its data collection from the county victim/witness centers.

***Board Proposes to Continue Limited-Term Positions into Budget Year.*** For the current year, in order to eliminate the backlog of 8,000 claims in its central office, the board received an augmentation of 18 permanent claims specialist positions and 32 limited-term positions which

were to terminate in December 1988. The 32 limited-term positions, plus an additional 19 positions originally proposed to terminate in January 1989, have been approved by the Department of Finance for continuation through the remainder of the current year in order to address the *additional* backlog of roughly 5,500 claims that was recently identified in the county victim/witness assistance centers. The Governor's Budget proposes to continue these 51 limited-term positions, and add 8 more, through 1990-91. The board advises that these positions will be needed to address projected growth in the number of new claims, after elimination of the backlog.

Our analysis indicates that at current rates of progress, it is likely that the VOC program will be able to eliminate its backlog of *central office* claims that was originally reported in July 1988. However, it is unclear at this time whether central office staff will be able to achieve any reductions in the backlog of claims at the *county* level, even if centers begin an expeditious transfer of these claims to the central office for processing. Further, our review suggests that claims received and backlogged at the county level have not been included in the board's estimates of the number of victims' claims it will need to pay, either in the current year or in the budget year. Using current average costs per claim, we estimate that if these additional claims are processed in the budget year, they could increase the board's costs for claims payments by roughly \$7 million.

Accordingly, we recommend that the board report to the Legislature during budget hearings on the size of its victims' claims backlog, both in its central office and in county victim/witness assistance centers, its plans to eliminate this backlog, and an estimate of the costs it will incur to pay all or part of these backlogged claims in the budget year.

#### **Expedite Processing of Low Value Claims**

*We recommend that the board report to the Legislature prior to budget hearings on the feasibility, costs, and benefits of options to streamline its verification procedures for victims' claims involving amounts under \$300.*

As stated earlier, at the time this analysis was prepared, it took 130 days to process some claims and 237 days to process victims' claims through county victim/witness assistance centers which are under contract with the board. The board advises that the time that elapses in obtaining verification of claims is one major contributor to claim processing delays. The board has recently undertaken various initiatives to reduce claims processing time, including hiring of additional staff and reorganizing the program's internal structure. In particular, the board advises that it has established an "applications unit" to ensure that claims processing is not delayed because needed verifications are missing. Currently, the VOC program requires written verification of an alleged crime against a victim and of all related expenses claimed by the victim. Such verification may involve, for example, copies of police reports to verify that the crime occurred, or confirmation of bills from providers of medical care that services were actually provided, and were related to the crime. If verification is not included with the claim as submitted, the applications unit sends letters to the parties involved requesting a written response.

By law, providers and other respondents are required to provide the requested verification to the VOC program within 10 days. However,

**BOARD OF CONTROL—Continued**

under current law there are no provisions for enforcing this requirement. The board reports that no data currently are available on the average length of time that elapses before verifications are received, but that a new computer system that will be installed in April 1989 should allow retrieval of this information.

Verification of claims is an important part of the board's procedure, and is necessary to protect the integrity of the program. External audits of the victims' program have uncovered evidence of improperly verified claims in the past. However, the dollar amount of these claims was small in relation to the total claims paid. Our review suggests that through expediting its verification process for *low value* claims, the board might be able to reduce its average processing time without incurring major risks.

Under current law, the maximum amount that can be paid on a claim is \$46,000. However, our review of data suggests that a significant number of claims awarded involve sums of less than \$300. Out of a sample of 225 claims paid in 1988, about one-quarter were for amounts under \$300. We estimate that the total dollar value involved in these low-value claims in 1989-90 would not exceed \$4 million, or about 6 percent, of the total amount paid for victims' claims.

The board advises that it does not have data on the number of claims that are rejected because they were found to be fraudulent upon verification, but it believes that the number is small. Data provided by the board indicate that the board's *overall* denial rate for claims is low. Between October 1987 and October 1988, 82 percent of all claims submitted were approved for payment under current verification practices.

The board indicates that it has begun exploring ways to expedite its verification of low value claims. Options to accomplish this include substituting telephone verification for written verification of certain types of claims, and establishing a system of post-payment audits.

Given the board's continuing difficulty in meeting the statutory 90-day processing requirement, we believe the board should identify for the Legislature various options to expedite verification of claims where dollar amounts involved are low. Accordingly, we recommend that the board report to the Legislature prior to budget hearings on the feasibility, costs, and benefits of options to streamline its verification process for victims' claims under \$300. In its report the board should address how these options might be implemented by the county victim/witness centers that verify claims under contract with the board, as well as by its central office.

**Budget Proposes to Finance Youth Authority Program from the Restitution Fund**

The Victims of Crime program is financed primarily from the Restitution Fund, which receives a portion of the revenues collected from penalty assessments levied on criminal and traffic fines. Because of recent increases in penalty assessment revenue to the fund, the board projects that revenues will exceed expenditures for the VOC program by significant amounts in the current and budget years. The budget proposes to allocate the majority of the funds not needed for the VOC program to the Department of the Youth Authority (CYA) for 1989-90.

***Recent Legislation Increases Revenue to Restitution Fund.*** Because of an increase in the number of victims' claims, in 1987-88 the Restitution Fund was projected to experience a significant revenue shortfall. In response, the Legislature enacted urgency legislation (Ch 1214/87, Davis) to increase penalty assessments by \$2 and allocate the proceeds directly to the Restitution Fund. The measure became effective in September 1987. The Department of Finance (DOF) projects that the measure will generate \$34 million in additional revenues to the Restitution Fund in the current year, and \$36 million in the budget year.

As a consequence of this infusion of revenue, the Restitution Fund is projected to end the current year with a reserve of \$35 million. The DOF projects that for the budget year, total revenues available from the Restitution Fund will be \$114 million, consisting of the \$35 million reserve and an estimated \$79 million in additional revenue received during the budget year.

***\$30 Million From the Restitution Fund Proposed for Youth Authority.*** Of the estimated \$114 million available in the Restitution Fund for expenditures in the budget year, the Board of Control proposes to spend \$66 million for support and payment of claims in its VOC program. Of the remaining \$47 million, the Governor's Budget proposes that \$30 million go to the CYA for its County Justice System Subvention Program, which provides local assistance for crime prevention and diversion programs that are alternatives to incarcerating juveniles and adults in state facilities. These proposed expenditures would leave a reserve of \$17 million.

Our review suggests that the DOF's revenue projections for the Restitution Fund are reasonable. Consequently, it appears likely that sufficient funds will be available to support the proposed expenditures for the VOC program and for the CYA. As discussed earlier in this analysis, however, we note that the board's estimate of expenditures needed to pay for victims' claims could prove to be understated by as much as \$7 million, which would leave a Restitution Fund balance of \$10 million, rather than \$17 million as currently projected.

***Proposal Essentially Uses Restitution Fund Revenues to Support General Fund Program.*** As the size of the projected Restitution Fund reserve illustrates, the practice of distributing penalty assessment revenues to the Restitution Fund and other special funds (such as the Driver Training Penalty Assessment Fund and the Peace Officers' Training Fund) results in resource allocations that do not accurately reflect program needs. This inefficient allocation mechanism appears to have given rise to the current administration proposal to transfer \$30 million from the Restitution Fund in order to pay for expenditures of the CYA, which is traditionally funded from the General Fund.

In order to avoid the necessity for such transfers, in our *Summary of Recommended Legislation* (Legislative Analyst's Office, Report Number 89-4, January 1989) we recommend that legislation be enacted to eliminate the current system of allocating penalty assessment revenues to various special funds. We further recommend that all penalty assessment revenues be transferred to the General Fund where they would be available to the Legislature for appropriation to various programs through the annual budget process.

In our judgment, supporting programs from the General Fund rather than special funds would provide assurance that funding levels for

**BOARD OF CONTROL—Continued**

individual programs reflect current legislative priorities. Furthermore, this would ensure that programs currently financed from penalty assessments would compete for funding with other state programs, such as education, health, and welfare.

We discuss this issue and recommendation in more detail in a separate report entitled *Penalty Assessments: A Review of Their Use as a Financing Mechanism* (Legislative Analyst's Office, Report Number 88-4, January 1988).

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**COMMISSION ON STATE FINANCE**

Item 8730 from the General  
Fund

Budget p. GG 133

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Requested 1989-90 .....	\$833,000
Estimated 1988-89 .....	814,000
Actual 1987-88 .....	743,000
Requested increase (excluding amount for salary increases) \$19,000 (+2.3 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

Chapter 1162, Statutes of 1979, 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 also is 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 Floor Leader; (4) the Assembly Minority Floor Leader; (5) the Director of Finance; (6) the State Controller; and (7) the State Treasurer.

The commission has eight personnel-years during the current year.

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

The budget proposes an appropriation of \$833,000 from the General Fund for support of the commission in 1989-90. This is a net increase of \$19,000, or 2.3 percent, over estimated current-year expenditures. This increase is primarily attributable to increases in salaries and benefits.

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## COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

Item 8780 from the General  
Fund

Budget p. GG 134

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Requested 1989-90 .....	\$530,000
Estimated 1988-89 .....	512,000
Actual 1987-88 .....	504,000
Requested increase (excluding amount for salary increases) \$18,000 (+3.5 percent)	
Total recommended reduction .....	None

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### 1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8780-001-001-Support	General	\$528,000
Reimbursements	—	<u>2,000</u>
Total		\$530,000

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### 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 has seven personnel-years in the current year.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

The budget proposes expenditures of \$530,000 (\$528,000 from the General Fund and \$2,000 from reimbursements) for support of the commission in 1989-90. This is \$18,000, or 3.5 percent, more than estimated current year expenditures. This amount includes an increase of \$15,000 for personal services costs, and \$3,000 for operating expenses.

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

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## MEMBERSHIP IN INTERSTATE ORGANIZATIONS

Item 8800 from the General  
Fund

Budget p. GG 135

Requested 1989-90 .....	\$791,000
Estimated 1988-89 .....	643,000
Actual 1987-88 .....	533,000
Requested increase \$148,000 (+23.0 percent)	
Total recommended reduction .....	None

## ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The budget proposes an appropriation of \$791,000 from the General Fund to support the following nine interstate organizations in 1989-90. They are the Council of State Governments, the National Conference of State Legislatures, the Western States Legislative Forestry Task Force, the Governmental Accounting Standards Board, the State and Local Legal Center, the National Governors' Association, the Council of State Policy and Planning Agencies, the Coastal States' Organization, and the Western Governors' Association.

The requested amount is an increase of \$148,000, or 23 percent, above estimated current-year expenditures. This net increase primarily results from the transfer of \$173,000 from the Governor's Office budget (Item 0500) to this item for four state memberships. The increase is partially offset by a decrease of \$45,000 in one-time costs associated with the Council of State Governments.

Table 1 displays the amount of funding the state provided for these organizations in the past, current, and budget years.

**Table 1**  
**Membership in Interstate Organizations**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

<i>Memberships</i>	<i>Actual 1987-88</i>	<i>Est. 1988-89</i>	<i>Prop. 1989-90</i>	<i>Percent Change from 1988-89</i>
Council of State Governments .....	\$215	\$303	\$258	-2.2%
National Conference of State Legislatures .....	224	243	260	7.0
Western States Legislative Forestry Task Force .....	22	22	22	—
Governmental Accounting Standards Board .....	64	67	70	4.5
State and Local Legal Center .....	8	8	8	—
National Governors' Association <sup>a</sup> .....	—	—	121	— <sup>b</sup>
Council of State Policy and Planning Agencies <sup>a</sup> .....	—	—	11	— <sup>b</sup>
Coastal States' Organization <sup>a</sup> .....	—	—	11	— <sup>b</sup>
Western Governors' Association <sup>a</sup> .....	—	—	30	— <sup>b</sup>
Totals .....	\$533	\$643	\$791	23.0%

<sup>a</sup> Past- and current-year expenditures for these organizations are included in the budget of the Governor's Office (Item 0500).

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

**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 to be approximately \$6 million for 1989-90. Assessments imposed on member states pay for about \$3 million, or 50 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—\$36,800—plus an additional amount based upon the state's population—\$7.65 per 1,000 residents. The CSG indicates that it has increased the base rate from \$34,100 to \$36,800 in 1989-90, in order to reduce the burden on large population states such as California. The CSG estimates that about 55 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.

**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 1989-90 is projected to be about \$9.2 million, of which \$3.9 million will be derived from assessments on member states and \$5.3 million will come from other sources.

The NCSL determines each state's 1989-90 assessment by adding a flat rate of \$2,216 per state plus \$0.456 per 1,000 residents to the assessment paid in 1988-89.

**Western States Legislative Forestry Task Force.** The Western States Legislative Forestry Task Force was established in 1974 to provide a forum for discussion of issues pertaining to the management of forestry resources. The task force consists of four legislators from each of six western states.

**Governmental Accounting Standards Board (GASB).** The GASB was created in 1984 for the purpose of establishing appropriate standards for governmental accounting. The board assumed functions which had been handled previously by the National Council on Governmental Accounting. The GASB promotes standardization of governmental accounting practices by developing model standards, issuing informational publications, and keeping states abreast of changes in the accounting field. The Department of Finance, State Controller, Auditor General, and State Treasurer have participated in the GASB for the past four years.

**State and Local Legal Center.** The State and Local Legal Center was established in 1983 to improve the quality of representation of state and local governments before the United States Supreme Court, by means of direct assistance, filing of amicus curiae briefs, general education and information dissemination. The center is jointly sponsored by the NCSL, the CSG, and the National Governors' Association.

**National Governors' Association (NGA).** The NGA was established in 1908 to represent the Governors of the 50 states and the various territories in the development and implementation of national policy. The state's membership in this organization as well as in the three organizations discussed below, has been included in the expenses of the Governor's Office in the current and prior years.



**MEMBERSHIP IN INTERSTATE ORGANIZATIONS—Continued**

The annual budget for the NGA is projected to be about \$8.5 million in 1989-90. The assessments on the 55 member states and territories account for about \$3.5 million, or 41 percent, of this amount. Assessments are computed on a sliding scale according to the population of the member states and territories. The remaining amount is funded through federal and private foundation grants and contracts.

**Council of State Policy and Planning Agencies (CSPA).** The CSPA was founded in 1966 for the purpose of developing information and recommendations and providing technical assistance on various issues of importance to the states and territories. The council is composed of executive aides from all 50 states and the territories.

**Coastal States' Organization (CSO).** The CSO represents the interests of those states that border on the Pacific Ocean, Atlantic Ocean, the Gulf of Mexico, and the Great Lakes. The CSO represents its members' interests regarding coastal zone management and offshore energy development issues before Congress and the U.S. Supreme Court.

**Western Governors' Association (WGA).** The WGA represents the interests of the 16 western states, two Pacific territories and one commonwealth in regards to regional policy management and the promotion of efficient resource management.

**COMMISSION ON THE STATUS OF WOMEN**

Item 8820 from the General

Fund and the Displaced  
Homemaker Emergency Loan  
Fund

Budget p. GG 136

Requested 1989-90.....	\$771,000
Estimated 1988-89 .....	840,000
Actual 1987-88 .....	682,000
Requested decrease (excluding amount for salary increases) \$69,000 (—8.2 percent)	
Total recommended reduction .....	None

**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8820-001-001—Support	General	\$591,000
Government Code Section 8257.3	Displaced Homemaker Emer- gency Loan	180,000
Total		\$771,000

**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 Pilot Project, a \$1 million loan guarantee program established by Chapter 1596, Statutes of 1984.

The commission has 12 personnel-years in the current year.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

The budget proposes spending \$771,000 from the General Fund and the Displaced Homemaker Emergency Loan Fund for the support of the commission in 1989-90. This is a decrease of \$69,000 or 8.2 percent, from estimated current-year expenditures. The proposed decrease primarily reflects a decreased level of activity under the Displaced Homemaker Emergency Loan Program. Program activity has declined because the commission completed the loan underwriting phase of this pilot project in the current year. During the budget year, the commission will continue to monitor loan recipients and will prepare a program evaluation in accordance with statutory requirements. These budget-year activities will require fewer staff than are devoted to the program in the current year. Therefore, the budget requests the elimination of 1.5 positions and \$45,000. In addition, the budget requests a decrease in the amount available to cover defaults and subsidize interest on the loans (-\$48,000). These reductions are partially offset by an increase in personal services costs (\$35,000). Additional minor budget adjustments account for the remaining net decrease (-\$11,000).

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## CALIFORNIA LAW REVISION COMMISSION

Item 8830 from the General  
Fund

Budget p. GG 139

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Requested 1989-90 .....	\$574,000
Estimated 1988-89 .....	573,000
Actual 1987-88 .....	525,000
Requested increase (excluding amount for salary increases) \$1,000 (+0.2 percent)	
Total recommended reduction .....	None

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### 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 eight employees studies areas of statutory and decisional law that 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

**CALIFORNIA LAW REVISION COMMISSION—Continued**

areas of law which the commission is required to study.

The commission currently has before it 25 topics assigned by the Legislature. In 1988, the commission continued to study the Probate Code, and the Legislature enacted two bills implementing code revisions recommended by the commission. In 1989, the commission plans to complete this project and begin examination of administrative law and the assignment and sublease of commercial property.

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

The budget proposes an appropriation of \$574,000 from the General Fund for support of the commission in 1989-90. This is \$1,000, or less than 1 percent, above estimated current-year expenditures. The change results from increases in personnel costs (\$25,000), which are offset by decreases in equipment, communications, and in-state travel expenses (\$24,000). We have reviewed the commission's budget and the proposed expenditures appear reasonable.

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**COMMISSION ON UNIFORM STATE LAWS**

Item 8840 from the General  
Fund

Budget p. GG 140

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Requested 1989-90 .....	\$100,000
Estimated 1988-89 .....	100,000
Actual 1987-88 .....	98,000
Requested increase: None	
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 eight members—four 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.

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

The budget proposes an appropriation of \$100,000 from the General Fund for support of the commission in 1989-90. This is the same amount appropriated in the current year for this purpose.

Over one-half of the commission's budget is used to pay the state's annual membership fee to the national conference. California's fee will be \$52,000 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.

## DEPARTMENT OF FINANCE

Item 8860 from the General  
Fund

Budget p. GG 141

Requested 1989-90.....	\$27,268,000
Estimated 1988-89.....	26,012,000
Actual 1987-88.....	25,266,000
Requested increase (excluding amount for salary increases) \$1,256,000 (+4.8 percent)	
Total recommended reduction.....	None

### 1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8860-001-001	General	\$26,562,000
Reimbursements	—	706,000
Total		\$27,268,000

### 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, the department is responsible for statewide coordination and control of electronic data processing.

The department has 366 personnel-years in the current year.

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The budget proposes total expenditures of \$27.3 million to support DOF in 1989-90. This amount is \$1.3 million more than estimated current-year expenditures. General Fund expenditures in 1989-90 are proposed at \$26.6 million, a \$1.4 million increase 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 OF FINANCE—Continued**

department's budget between 1988-89 and 1989-90.

The budget increase results primarily from cost increases for employee compensation (\$1 million) and facilities operations (\$568,000). These cost increases are partially offset by a departmentwide reduction of \$252,000 which will be accomplished by delaying implementation of office automation and increasing the department's estimated salary-savings rate.

**Table 1**  
**Department of Finance**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

Program	<i>Personnel Years</i>			<i>Expenditures</i>			<i>Percent Change From</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	
	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>	
Annual financial plan .....	136.0	135.8	135.8	\$10,961	\$11,158	\$11,711	5.0%
Program and information system assessments .....	80.9	83.0	84.9	6,202	6,543	6,936	6.0
Supportive data .....	99.6	98.3	98.3	8,046	8,158	8,488	4.0
Administration (distributed) .....	53.8	48.9	48.9	(3,453)	(3,812)	(3,786)	-0.7
Administration (undistributed) .....	—	—	—	57	153	133	-13.1
Totals .....	370.3	366.0	367.9	\$25,266	\$26,012	\$27,268	4.8%
Funding Sources							
General Fund .....				\$24,555	\$25,195	\$26,562	5.4%
Reimbursements .....				711	817	706	-13.6

**Table 2**  
**Department of Finance**  
**Proposed 1989-90 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Reimbursements</i>	<i>Totals</i>
1988-89 Expenditures (Revised) .....	\$25,195	\$817	\$26,012
<i>Baseline Adjustments</i>			
Employee compensation .....	\$1,037	—	\$1,037
Facilities operations .....	568	—	568
Pro rata/SWCAP .....	46	—	46
Reduced reimbursements .....	—	-\$262	-262
Subtotals, baseline adjustments .....	(\$1,651)	(-\$262)	(\$1,389)
<i>Workload Changes</i>			
Departmentwide reduction .....	-\$252	—	-\$252
Personal computer projects .....	30	—	30
EDP reimbursable audits .....	—	\$89	89
CALSTARS reimbursement training program .....	-62	62	—
Subtotals, workload changes .....	(\$284)	\$151	(\$133)
1989-90 Expenditures (Proposed) .....	\$26,562	\$706	\$27,268
Change from 1988-89			
Amount .....	\$1,367	-\$111	\$1,256
Percent .....	5.4%	-13.6%	4.8%

**COMMISSION ON STATE MANDATES**

Item 8885 from the General  
Fund and the Restitution  
Fund

Budget p. GC 147

Requested 1989-90 .....	\$203,189,000
Estimated 1988-89 .....	148,730,000
Actual 1987-88 .....	117,825,000
Requested increase (excluding amount for salary increases) \$54,459,000 (+37 percent)	
Recommendation pending .....	42,000,000

**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8885-001-001—Support	General	\$598,000
8885-101-001—Local Assistance	General	154,648,000
8885-101-214—Local Assistance	Restitution	443,000
Proposed Legislation—local assistance	General	47,500,000
Total		\$203,189,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Withhold recommendation on proposed reduction of \$42 million associated with mandated programs pending review of Governor's proposal. 964
2. Recommend that the Legislature adopt Budget Bill language specifying which mandates must be waived by local governments as a condition of opting into the Trial Court Funding program. In addition, recommend that the Legislature adopt supplemental report language requesting that the Commission on State Mandates amend the parameters and guidelines for designated mandates to specify that certain court-related costs are not reimbursable for "option" counties. 965

**GENERAL PROGRAM STATEMENT**

The Commission on State Mandates was created by Chapter 1459, Statutes of 1984 (SB 2337), to replace the State Board of Control as the agency responsible for making determinations as to whether local agency claims for reimbursements of state-mandated local costs should be paid by the state. 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 has eight personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget requests appropriations totaling \$203.2 million from the General Fund (\$202.7 million) and the Restitution Fund (\$443,000) for support of the commission and for payment of state-mandated costs incurred by local agencies in 1988-89. This is an increase of \$54.5 million, or 37 percent, above estimated current-year expenditures.

**COMMISSION ON STATE MANDATES—Continued**

**State Operations.** The budget proposes an appropriation of \$598,000 from the General Fund for support of the Commission on State Mandates in 1989-90. This is an increase of \$37,000, or 6.6 percent, above estimated current-year expenditures, and is attributable primarily to the full-year costs of two positions (a staff counsel and legal secretary) approved on a partial-year basis in 1988-89.

**Local Assistance.** The budget proposes appropriations totaling \$202.5 million from the General Fund and the Restitution Fund for the various state-mandated local programs in 1989-90. Of the total, \$202.1 million is requested from the General Fund. This is an increase of \$54.8 million, or 37 percent, above the level of *estimated* current-year General Fund expenditures for payment of mandated costs. Three factors account for most of this increase:

- **1988-89 Claims Bill.** Chapter 1485, Statutes of 1988, appropriated funds for eight mandates approved by the commission in 1988. In signing the legislation, the Governor vetoed \$135 million which had been provided to fund the prior-year costs of these mandates. The veto message stated that the administration would provide funding for these costs in the Budget Acts of 1989, 1990 and 1991. The budget proposes \$45 million to satisfy this commitment.
- **Mandates Proposed for Repeal.** The budget proposes that legislation be enacted to repeal 27 existing mandates, and deletes \$42 million in funding for the costs of these mandates in 1989-90.
- **"Set-Aside" for Claims Bill.** The budget proposes an appropriation of \$27.5 million to reimburse the costs of several mandates recently approved by the commission, and \$20 million for estimated deficiencies in existing mandate programs, to be funded in the next commission-sponsored claims bill.

**ANALYSIS AND RECOMMENDATIONS****Governor's Mandate Repeal Proposal**

*We withhold recommendation on a proposed reduction of \$42 million, pending review of the Governor's legislative proposal.*

Table 1 outlines the Governor's mandate repeal proposal, and summarizes our recommendations as to whether the specific programs identified by the Governor should be maintained or repealed. We anticipate that an additional \$43.5 million from the General Fund would be necessary to fully fund the mandate reimbursement program in the absence of the Governor's proposal. (The Governor's Budget shows only \$42 million in costs for these programs due to a technical error involving the treatment of programs subject to the provisions of the Trial Court Funding Program.)

Our recommendations for these programs are based on the following criteria:

- Has the statute resulted in a mandate by requiring local governments to establish a new program or provide an increased level of service?
- Does the mandate serve a statewide interest, as opposed to a primarily local interest that can be served through local action? For example, are the benefits of the program concentrated within a particular jurisdiction, or are the interests of state residents in general served by the mandate? Does the mandate address a problem of statewide magnitude?

- Has compliance with the mandate achieved results that are consistent with the Legislature's intent and expectations?
- Are the benefits produced by the mandate worth the cost?
- Can the goal of the mandate be achieved through less costly means?

At the time this analysis was prepared, however, the legislation necessary to implement the Governor's proposal had not been introduced. The details as to how these programs are proposed to be repealed may affect the Legislature's ability to eliminate funding for these programs in the budget. Therefore, we withhold recommendation on the Governor's proposal to eliminate funding for these mandates pending our review of the accompanying legislation.

### **Trial Court Mandates**

*We recommend that the Legislature adopt Budget Bill language specifying the list of mandates to be waived by counties as a condition of opting into the Trial Court Funding program. We further recommend that the Legislature adopt supplemental report language directing the Commission on State Mandates to amend the parameters and guidelines of specified programs to exclude reimbursement for the increased costs of court operations.*

The Trial Court Funding Program (TCF), as authorized by Chapters 944 and 945, Statutes of 1988, requires participating counties (known as "option" counties) to waive reimbursement for existing state-mandated local programs related to the trial courts. This provision effectively ensures that the costs of the mandated activities are not funded twice by the state—once in the block grants provided for option counties, and again through the mandate reimbursements. The budget identifies five "trial court mandates" which must be waived by counties that opt into the TCF: (1) Marriage Mediators (Ch 48/80), (2) Judicial Arbitration (Ch 743/78), (3) Judges' Per Diem (Ch 1580/84), (4) San Francisco Superior Court Judgeship (Ch 1018/79), and (5) Compensation of Justice Court Judges (Ch 1335/76).

This list of five mandates excludes a mandate, Parent-Child Counsel (Ch 810/81), which also appears to be subject to waiver under Chapter 944. Chapter 810 requires both parents and children to have separate legal representation in dependency hearings. The Trial Court Funding Act defines "court operations" to include the costs of providing counsel in dependency hearings. On this basis, we believe that counties participating in TCF should also be required to waive reimbursement for Ch 810/81. Because this mandate also is one of those proposed for repeal, the budget proposes that no funding be provided for this mandate in 1989-90.

In order to clarify which mandates are subject to waiver as a condition of participation in TCF, we recommend that the Legislature adopt the following Budget Bill language in Item 8885:

6. Pursuant of Government Code Section 77203, the funds provided in this item shall not be used to reimburse counties participating in the Trial Court Funding Program for any state-mandated program for the trial courts. These programs include, but are not limited to:
  - a) Compensation of Justice Court Judges (Ch 1335/76).
  - b) Judicial Arbitration (Ch 743/78).
  - c) San Francisco Superior Court Judgeship (Ch 1018/79).
  - d) Marriage Mediators (Ch 48/80).
  - e) Judges' Per Diem (Ch 1580/84).
  - f) Parent-Child Counsel (Ch 810/81).



## COMMISSION ON STATE MANDATES—Continued

**Table 1**  
**State Costs and**  
**Legislative Analyst's Office (LAO) Recommendations on**  
**State Mandates Proposed for Repeal**  
**in 1989-90**  
**(dollars in thousands)**

<i>Mandates Proposed for Repeal</i>	<i>Cost<sup>a</sup></i>	<i>LAO Recommendation</i>	<i>Rationale</i>
1. Ch 453/74—Sudden Infant Death Syndrome .....	\$26	maintain	Problem of statewide magnitude.
2. Ch 704/75—Voter Registration Procedures .....	1,140	maintain, in part <sup>b</sup>	State interest in uniform voter registration.
3. Ch 952/76—Destruction of Marijuana Records .....	606	repeal	Inconsistent with treatment of other offenders.
4. Ch 1335/76—Compensation of Justice Court Judges <sup>c</sup> ...	1	maintain	State interest in uniform court services.
5. Ch 1401/76—Voter Registration Roll Purge .....	— <sup>d</sup>	repeal	Less costly methods available.
6. Ch 894/77—Pupil Proficiency in Basic Skills .....	5,231	repeal	Primarily local interest. Local value appears limited.
7. Ch 1176/77—Pupil Immunization Records .....	1,814	maintain	State interest in preventing communicable diseases.
8. Ch 77/78—Absentee Ballots .....	3,012	repeal	High cost of voting absentee for convenience.
9. Ch 462/78—Dental Records and Missing Person Records .....	92	maintain	Problem of statewide magnitude.
10. Ch 743/78—Judicial Arbitration <sup>c</sup> .....	1	repeal	Benefits limited.
11. Ch 1262/78—Victims' Statements .....	1,600	repeal	Benefits limited.
12. Ch 282/79—School Crossing Guards in Santa Cruz County .....	8	maintain	State interest in preventing injury to school children.
13. Ch 913/79—Domestic Violence Diversion .....	962	maintain	State interest in preventing family violence.
14. Ch 1018/79—San Francisco Superior Court Judgeship <sup>c</sup> ...	1	maintain	Superior Court ruling requires reimbursement.
15. Ch 48/80—Marriage Mediators <sup>c</sup> .....	1	maintain	State interest in timely access to judicial system.
16. Ch 1032/80—Deaf Teletype Equipment .....	50	maintain	State interest in providing services for hearing impaired.
17. Ch 1143/80—Regional Housing Needs Assessments .....	1,167	maintain	State interest in ensuring adequate housing stock.
18. Ch 1347/80—Scoliosis Screening .....	1,000	maintain	State interest in preventing future health care costs.
19. Ch 810/81—Parent-Child Counsel <sup>c</sup> .....	1	maintain	State interest in protecting right to counsel.
20. Ch 889/81—Lis Pendens .....	45	maintain	State interest in protecting property rights.
21. Ch 1088/82—Juvenile Felony Arrests .....	2,167	repeal	Benefits limited.
22. Ch 498/83—Certification of Teacher Competence .....	600	repeal in part <sup>e</sup>	Open-ended costs, state evaluating best way to provide services.
23. Ch 51/84—Missing Persons Reports .....	11,000	maintain	Problem of statewide magnitude.
24. Ch 1609/84—Domestic Violence Reporting .....	5,500	maintain	State interest in preventing family violence.
25. Ch 1xx/84—Health Fee Elimination .....	1,400	amend <sup>f</sup>	Students should pay fee for services.

26. Ch 1203/85—Disabled Motorist Assistance.....	3,000	repeal	Primarily local interest.
27. CAC Title 22—Pretreatment Facilities for Drinking Water.....	<u>3,092</u>	maintain <sup>g</sup>	Current law allows local fee authority.
Total.....	<u>\$43,517</u>		

<sup>a</sup> Source: Department of Finance.

<sup>b</sup> Repeal requirement for county outreach, as services are not uniform statewide.

<sup>c</sup> Mandates waived by Trial Court Funding option counties. Cost assumes token \$1,000 appropriation.

<sup>d</sup> Cost incurred in alternate years; no 1989-90 cost expected.

<sup>e</sup> Repeal provisions relating to new teacher training and assistance. Amend provisions regarding certification of teacher evaluators.

<sup>f</sup> Maintain mandate, but allow community college districts to recover full costs through fees.

<sup>g</sup> Amend parameters and guidelines to disallow costs if district can recover them through standby fees or user charges.

**COMMISSION ON STATE MANDATES—Continued**

The State Controller's Office has identified several mandates in which a portion of the reimbursement provided is for the increased costs of court operations. These include the following:

- ***Guardian and Conservatorship Filings (Ch 1357/78).*** This program requires courts, under certain circumstances, to appoint counsel to represent a ward or conservatee in a dependency case. Again, because court operations are defined to include the costs of providing counsel in dependency hearings, these costs appear subject to waiver under TCF. The other costs of the mandate would continue to be reimbursed.
- ***Custody of Minors (Ch 1399/76).*** This mandate requires courts to take actions in cases involving custody and visitation decrees from other states. Any increased costs for court operations resulting from this requirement appear subject to waiver. Other costs, such as the costs of transporting the child to the out-of-state custodian, would not be waived.
- ***Recommitments of Mentally Disordered Sex Offenders (Ch 991/79).*** This statute required the courts to conduct hearings on extended commitments for specified sex offenders. Although Ch 928/81 repealed this program, it provided that persons committed under this program would remain subject to its provisions until the end of their commitments. Some counties receive reimbursement for increased municipal court costs imposed by this mandate. These costs appear to be subject to the provisions of TCF.
- ***Judicial Proceedings for Mentally Ill (Ch 644/80).*** This program requires commitment proceedings for mentally ill individuals to be filed in the county where the individual is physically present. Certain counties currently are reimbursed for the increased costs of conducting these hearings. Any of these costs that are attributable to court operations appear subject to waiver as a condition of participation in TCF.

The Legislature can avoid "double reimbursement" for the costs of increased court operations if the parameters and guidelines for these programs are amended to clarify that the increased costs of court operations resulting from these programs are not reimbursable to option counties. Accordingly, we recommend that the Legislature adopt the following supplemental report language in Item 8885:

**Reimbursement of Mandated Costs**

The Commission on State Mandates shall amend the parameters and guidelines for the programs identified below to clarify that any increased costs associated with court operations resulting from these programs shall not be reimbursed, for counties participating in the Trial Court Funding Program. These programs include:

- 1) Guardian and Conservatorship Filings (Ch 1357/78).
  - 2) Custody of Minors (Ch 1399/76).
  - 3) Reccommitments of Mentally Disordered Sex Offenders (Ch 991/79).
  - 4) Judicial Proceedings for Mentally Ill (Ch 644/80).
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## OFFICE OF ADMINISTRATIVE LAW

Item 8910 from the General  
Fund

Budget p. GG 153

Requested 1989-90.....	\$3,137,000
Estimated 1988-89 .....	2,828,000
Actual 1987-88 .....	2,715,000
Requested increase (excluding amount for salary increases) \$309,000 (+11 percent)	
Total recommended reduction (General Fund) .....	85,000

## 1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8910-001-001—Support	General	\$2,903,000
Reimbursements		234,000
Total		\$3,137,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Staffing Levels. Reduce Item 8910-001-001 by \$85,000.* Recommend deletion of two positions, because the positions are not justified on a work load basis. Further recommend that the Office of Administrative Law provide the fiscal committees, prior to budget hearings, with an analysis evaluating whether certain of its staffing levels can be reduced to the level of comparable agencies.

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## GENERAL PROGRAM STATEMENT

The Office of Administrative Law (OAL), established by Chapter 567, Statutes of 1979, provides executive branch review of all proposed 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 New Regulations.* The office reviews all regulations, including emergency regulations, proposed by state agencies to ensure that regulations comply with standards of necessity, authority, clarity, consistency, reference, and nonduplication.

2. *Review of Informal Regulations ("AB 1013" Program).* The office examines informal regulations, (including administrative guidelines, rules, orders, bulletins, or standards), used by state agencies, as required by Chapter 61, Statutes of 1982. This review is intended to identify those informal regulations which, because of their *de facto* regulatory effect, must be formally adopted under the Administrative Procedures Act in order to be enforceable.

3. *Publication of the California Regulatory Notice Register.* The office is responsible for the publication and distribution of the California Regulatory Notice Register (CRNR), formerly the California Administrative Notice Register, which provides (a) notification to the public that a state agency intends to promulgate regulations and (b) information on scheduled public hearings.

**OFFICE OF ADMINISTRATIVE LAW—Continued**

4. *Maintenance of the California Code of Regulations (CCR)*. The office is responsible for the publication, maintenance, and distribution of the CCR, formerly the California Administrative Code, which is a compilation of all existing state regulations.

The office has 48 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures of \$3,137,000 from the General Fund and reimbursements for the support of the Office of Administrative Law (OAL) in 1989-90. This is \$309,000, or 11 percent, above estimated current-year expenditures. Table 1 summarizes OAL's expenditures, by program, for the three-year period ending June 30, 1990.

**Table 1**  
**Office of Administrative Law**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From 1988-89
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1987-88	1988-89	1989-90	1987-88	1988-89	1989-90	
Regulatory oversight							
Regulations review.....	17.3	17.3	17.3	\$1,682	\$1,760	\$1,802	2.4%
Regulatory							
determinations—AB 1013.....	2	1.9	1.9	194	193	198	2.6
Subtotals, regulatory over-							
sight.....	(19.3)	(19.2)	(19.2)	(\$1,876)	(\$1,953)	(\$2,000)	(2.4%)
Legal information services.....	9.7	9.6	10.5	\$839	\$875	\$1,137	29.9%
Administration (distributed).....	16.6	19.2	19.2	(624)	(861)	(954)	10.8
Totals.....	45.6	48.0	48.9	\$2,715	\$2,828	\$3,137	10.9%
Funding Sources							
General Fund.....	—	—	—	\$2,681	\$2,798	\$2,903	3.8%
Reimbursements.....	—	—	—	34	30	234	680.0%

**Proposed Budget Changes**

Table 2 summarizes the major changes in OAL's proposed budget for 1989-90. The most significant adjustments to estimated current-year expenditures are a \$45,000 *decrease* in General Fund expenditures and a related \$249,000 *increase* in reimbursements. These adjustments reflect (1) the increase in the subscription cost charged for the CRNR (which offsets General Fund costs) as required by Chapter 1194, Statutes of 1988, (AB 4616—Lancaster) and (2) a recent increase in the number of subscribers.

**Table 2**  
**Office of Administrative Law**  
**Proposed 1989-90 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Reimbursements</i>	<i>Total</i>
1988-89 Expenditures (Revised) .....	\$2,798	\$30	\$2,828
<i>Baseline Adjustments</i>			
Employee compensation adjustments .....	150	—	150
One-time reimbursement for data base develop- ment .....	—	-30	-30
California Regulatory Notice Register Subscrip- tion fees .....	-45	249	204
Subtotals, baseline adjustments .....	(\$105)	(\$219)	(\$324)
<i>Workload Changes</i>			
In-house production of publications .....	-15	-\$15	-\$15
1989-90 Expenditures (Proposed) .....	\$2,903	\$234	\$3,137
Change from 1988-89:			
Amount .....	\$105	\$204	\$309
Percent .....	3.8%	680.0%	10.9%

### **Workload and Staffing Report—Staffing Levels Appear High**

*We recommend deletion of \$85,000 from the General Fund, and two positions, because the positions are not justified on a workload basis.*

*We further recommend that the OAL provide the fiscal committees, prior to budget hearings, with an analysis evaluating whether certain of its staffing levels could be reduced to the level of comparable agencies. (Reduce Item 8910-001-001 by \$85,000.)*

The *Supplemental Report of the 1988 Budget Act* requires our office to prepare an analysis of the workload and staffing levels of each program or function performed by the OAL, with the exception of the new regulations review program. To conduct this analysis, we reviewed job descriptions and workload reports for OAL staff and interviewed staff at three comparable agencies. Table 3 shows the program areas within the OAL and the number of positions devoted to its major activities.

Our review of the OAL indicates that certain activities are staffed at a higher level than in comparable agencies. Moreover, the higher staffing levels are not justified on a workload basis. Specifically, OAL has:

- *Six professional positions — 12 percent of all OAL staff — dedicated to fiscal affairs, business services (excluding accounting), personnel and supervision of these activities.* Comparable size agencies generally have four positions devoted to these activities.
- *Three full time positions: (1) a speech writer/information coordinator, (2) an executive assistant to the director and (3) legislative coordinator.* Comparable agencies generally combine these responsibilities and dedicate less than two positions to these activities.
- *A full-time librarian.* A comparable state agency, with approximately the same level of staff attorneys as the OAL, maintains its law library using the equivalent of a quarter of a position.

**OFFICE OF ADMINISTRATIVE LAW—Continued****Table 3**

**Office of Administrative Law  
Workload and Staffing Report  
Positions Devoted to Various Activities  
(October 1987 - October 1988)**

<i>Program</i>	<i>Positions</i>
<i>Administration</i> .....	(20)
Executive Office	
Management and supervision .....	1.0
Executive assistant .....	1.0
Consumer services .....	1.0
Legislative liaison .....	1.0
Secretarial .....	1.0
Administrative Services	
Management and Supervision .....	2.0
Business and fiscal affairs .....	2.0
Personnel .....	2.0
Research and program development .....	1.0
Secretarial support and temporary help .....	8.0
<i>Regulatory Oversight</i> .....	(20)
Management and supervision .....	1.0
Regulations Review: <sup>a</sup>	
Legal review of regulatory files .....	10.4
Agency/public consultation and training .....	1.3
Other .....	4.3
Regulatory Determinations	
Legal review of requests .....	1.8
Other .....	1.2
<i>Legal Information Systems</i> .....	(10)
Management and supervision .....	2.0
Public information .....	4.0
Legal librarian .....	1.0
Automation services .....	3.0
Total .....	50.0

<sup>a</sup> Report does not include an analysis of workload and staffing for this unit.

In summary, our review indicates that the OAL (1) has up to four professional positions more than comparable agencies and (2) has not justified these additional positions on a workload basis. Accordingly, we recommend that the Legislature delete funding for one of the two personnel positions and the speech writer/information coordinator for a total savings of \$85,000. Based on our review of comparable agencies, the OAL could use existing staff to perform these activities. We further recommend that the office report to the fiscal committees, prior to budget hearings, on: (1) whether the number of business and fiscal services positions can be further reduced by combining responsibilities of staff or by contracting for budget services with the Department of General Services, and (2) the work of the OAL which requires a full-time librarian.

**DEPARTMENT OF ECONOMIC OPPORTUNITY**

Item 8915 from the General  
Fund and Federal Trust Fund

Budget p. GG 156

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Requested 1989-90.....	\$133,457,000
Estimated 1988-89 .....	134,325,000
Actual 1987-88 .....	114,284,000
Requested decrease (excluding amount for salary adjustments) \$868,000 (—0.6 percent)	
Total recommended reduction.....	None

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**1989-90 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8915-001-001—Support	General	\$87,000
8915-001-890—Support	Federal	7,643,000
8915-101-853—Local assistance	Petroleum Violation Escrow Account	2,000,000
8915-101-890—Local assistance	Federal	86,936,000
Chapter 1342, Statutes of 1986—Appropriation	Petroleum Violation Escrow Account	10,495,000
Chapter 1429, Statutes of 1988—Appropriation	Petroleum Violation Escrow Account	8,000,000
Chapter 1436, Statutes of 1988—Appropriation	Petroleum Violation Escrow Account	18,296,000
Total		<hr/> \$133,457,000

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**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, the 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.

The department has 153.9 personnel-years in the current year.

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

The budget proposes total expenditures of \$133.5 million from all funds for programs administered by the department in 1989-90. Table 1 shows expenditures for the past, current, and budget years, as displayed in the Governor's Budget. As shown in the table, the proposed budget represents a net decrease of \$868,000, or less than 1 percent, below estimated current-year expenditures. The budget proposes no new programs for the department in 1989-90 and no increase in personnel-years.



## DEPARTMENT OF ECONOMIC OPPORTUNITY—Continued

Table 1  
Department of Economic Opportunity  
Budget Summary  
1987-88 through 1989-90  
(dollars in thousands)

Program	Actual 1987-88	Est. 1988-89	Prop. 1989-90	Percent Change From 1988-89
Energy programs:.....	\$80,129	\$101,356	\$101,850	0.5%
Administration.....	(6,024)	(5,870)	(6,094)	(3.8)
Program.....	(74,105)	(95,486)	(95,756)	(0.3)
DEO advisory commission.....	84	85	87	2.4
Community services:.....	34,071	32,884	31,520	-4.1
Administration.....	(1,267)	(1,490)	(1,549)	(4.0)
Program.....	(32,804)	(31,394)	(29,971)	(-4.5)
Totals .....	\$114,284	\$134,325	\$133,457	-0.6%
Funding Sources				
General Fund .....	\$84	\$85	\$87	2.4%
LIHEA <sup>a</sup> .....	56,883	78,107	58,741	-24.8
DOE.....	7,746	4,314	4,318	0.1
CSBG.....	34,071	32,884	31,520	-4.1
PVEA.....	15,500	18,935	38,791	104.9

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

**Current-Year Expenditures Overstated.** The Governor's Budget reflects a reduction in the DEO's budget of less than 1 percent in 1989-90. Our analysis indicates, however, that the department's current-year spending plan is *overstated* by more than \$22 million because the estimated expenditures for 1988-89 are not reflective of the department's *updated* estimate. The DEO advises that its updated estimate of funding is \$57 million for the LIHEA grant and \$31 million for the CSBG. The DEO further advises that the reduction in federal funds in the current year has resulted in an across-the-board reduction in grants in the affected programs.

The overstatement of current-year expenditures results from the timing of receipt of federal grant funds. According to the DEO, the department was not aware of the amount of the federal LIHEA and CSBG funds available to California in 1988-89 until late December 1988. Consequently, the amounts shown as estimated current-year expenditures are based on estimates prepared during the spring of 1988.

The DEO further advises that the amounts budgeted for 1989-90 are based on the *actual* grants for 1988-89. The department will not know the exact amount of federal grant funds available for the budget year, however, until the Congress appropriates funds for federal fiscal year 1990. As compared with the department's updated estimate of expenditures in 1988-89, the proposed budget for 1989-90 represents an *increase* of 20 percent. This increase primarily reflects additional funds from the Petroleum Violation Escrow Account that were provided to the DEO by Ch 1342/86 (\$10.5 million), Ch 1429/88 (\$8 million), and Ch 1436/88 (\$18.3 million).

## DEPARTMENT OF ECONOMIC OPPORTUNITY—REAPPROPRIATION

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

Budget p. GG 156

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

This item reappropriates Low-Income Home Energy Assistance (LIHEA) block grant, Department of Energy, and Community Services Block Grant (CSBG) local assistance funds. The item allows the Department of Economic Opportunity (DEO) to carry forward into 1989-90 all local assistance funds for energy programs and CSBG programs which are unexpended in the current year. Without this language, the 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 the DEO to report to the Legislature by September 1, 1989 on the actual amount of local assistance funds carried over into 1989-90.

In general, the department will use these funds for the same programs in 1989-90 as it supports with these funds in the current year. We recommend approval of the reappropriation.

### MILITARY DEPARTMENT

Item 8940 from the General  
Fund and various special  
funds

Budget p. GG 160

Requested 1989-90 .....	\$338,936,000
Estimated 1988-89 .....	328,464,000
Actual 1987-88 .....	321,203,000
Requested increase (excluding amount for salary increases) \$10,472,000 (+3.2 percent)	
Total recommended reduction .....	None
Recommendation pending .....	621,000

### 1989-90 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8940-001-001—Support	General	\$21,251,000
8940-001-485—Support	Armory Discretionary Improve- ment	120,000
8940-001-890—Support	Federal Trust	24,338,000
Other federal funds		290,792,000
Reimbursements		2,435,000
Total		\$338,936,000

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

1. **IMPACT Expansion Funding.** Withhold recommendation on \$621,000 proposed from the Employment Training Fund for support of the IMPACT program and a specified study, pending receipt of a plan for the support of the IMPACT program in the event that Employment Training Fund monies are not available.

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**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 (22,284 authorized officers and enlisted personnel), the Air National Guard (6,090 authorized personnel) and the Office of the Adjutant General. The department has 636.1 state personnel-years and 3,850 federal personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes the expenditure of \$339 million from all funding sources for support of the Military Department in 1989-90. This is an increase of \$10.5 million, or 3.2 percent, above estimated current-year expenditures. The amount includes \$21.2 million from the General Fund.

**Table 1**  
**Military Department**  
**Budget Summary**  
**1987-88 through 1989-90**  
**(dollars in thousands)**

<i>Program</i>	<i>Actual 1987-88</i>	<i>Est. 1988-89</i>	<i>Prop. 1989-90</i>	<i>Percent Change from 1988-89</i>
Army National Guard.....	\$204,065	\$212,961	\$220,412	3.5%
Air National Guard .....	110,894	109,255	111,310	1.9
Adjutant General .....				
undistributed.....	1,561	1,675	1,900	13.4
(distributed) .....	(4,974)	(5,148)	(5,528)	7.4
Support to civil authority.....	389	169	169	—
Military retirement .....	1,957	2,043	2,108	3.2
California Cadet Corps .....	475	517	535	3.5
State Military Reserve .....	267	282	292	3.5
Farm and Home Loan.....	26	30	31	3.3
IMPACT.....	1,569	1,532	2,179	42.2
Totals, Expenditures .....	\$321,203	\$328,464	\$338,936	3.2%
Funding Sources .....				
General Fund .....	\$20,096	\$20,349	\$21,251	4.4%
Federal Trust Fund .....	17,986	23,314	24,338	4.4
Other Federal Funds.....	281,313	282,831	290,792	2.8
Armory Discretionary Improvement Fund....	38	120	120	—
Reimbursements.....	1,770	1,850	2,435	31.6
General Fund share of total .....	6.3%	6.2%	6.3%	

This is an increase of \$902,000, or 4.4 percent, over estimated current-year expenditures from the General Fund.

The budget includes \$315 million in federal funds for expenditure in 1989-90. Of this amount, only \$24 million is appropriated through the Budget Bill. The remainder (\$291 million) is administered directly by the federal government.

Table 1 summarizes the department's proposed funding and expenditures, by program, for the past, current and budget years. The table shows that the General Fund share of total expenditures is 6.3 percent in 1989-90.

### **ANALYSIS AND RECOMMENDATIONS**

The department proposes a number of workload adjustments, cost adjustments, and program changes totaling \$1.3 million (\$621,000 from the Employment Training Fund, \$277,000 from the General Fund, and \$364,000 from federal funds), including the following:

- An increase of \$164,000 in federal funds to obtain State Compensation Insurance Fund (SCIF) policy coverage for 82 civil service maintenance, custodial, and grounds keeping employees.
- An increase of \$277,000 associated with increases in rent and utilities at the Military Department Headquarters.
- An increase of \$200,000 in federal funds for 6 limited-term positions for office and real property record-keeping at four Air National Guard bases and Moffett Field.
- An increase of \$726,000 to reflect the full-year cost of the salary increases granted state employees in the current year.

### **Availability of Employment Training Funds for IMPACT Is Questionable**

*We withhold recommendation on \$621,000 proposed from the Employment Training Fund for support of the IMPACT program and for a specified study, pending receipt of the department's plan for support of the IMPACT program in the event that Employment Training Fund monies are not available.*

The budget proposes \$621,000 from the Employment Training Fund (ETF) for an interagency agreement between the Employment Training Panel (ETP) and the Military department. Of this amount, the Military department proposes to use \$520,000 in order to serve specified individuals who are eligible for ETF funding in the Innovative Military Projects and Career Training program (IMPACT). The IMPACT program provides basic skills, military, and preemployment training to economically disadvantaged youth between the ages of 17 and 22. The goal is to have the participants either return to school, enter the military service, or find and maintain other employment.

The remaining \$100,000 from the ETF is to be used for support of a study to determine the feasibility of using ETF monies to retrain workers who have been displaced from their jobs due to military base closings or discharge from military service.

**Effect of the Proposal.** The Military Department advises that serving ETF-eligible individuals *will not result in an increase* in the number of IMPACT program participants. Instead, the program will remain at its current size of about 25 participants per site. However, under this proposal, about 5 participants in each class will be ETF-eligible. The use of the ETF monies to support a portion of the current level of service

**MILITARY DEPARTMENT—Continued**

would allow the department to redirect \$520,000 from support of the five existing sites in order to expand the IMPACT program to two new sites—Glendale and San Diego. Essentially, the ETF monies will be used to “backfill” for this redirection.

**Analyst's Concerns.** We are concerned with this proposal because the availability of ETF monies is questionable for two reasons: (1) the ETP is required by statute to provide funding only for participants who have completed a training program and are placed in private, unsubsidized employment for at least 90 days; and (2) only certain persons are eligible for ETF funding. Specifically, ETF-eligible individuals are those who are:

- Unemployed and receiving Unemployment Insurance (UI) benefits.
- Unemployed but have exhausted their UI benefits within the past year.
- Employed but likely to be displaced and become UI recipients.

In order for the full \$520,000 to be available, the IMPACT program must place 104 participants in the required types of employment for at least 90 days. Currently, the focus of the IMPACT program is broader than this ETP requirement. Placements back in school, in the military, or in public-sector jobs are considered successful completions of the program. Because the IMPACT program has never targeted ETF-eligible individuals before, it is not known whether the program can first, attract these specified participants and second, place them in the required employment.

**Summary.** We question the desirability of expanding the IMPACT program using ETF monies because of the potential that these funds will not be available either because of a lack of qualified participants or failure to place 104 participants in the required type of employment. Therefore, we withhold recommendation on \$520,000 proposed for the IMPACT program pending receipt of the department's plan to support the expansion of the IMPACT program in the event that ETF monies are not available. Furthermore, we withhold recommendation on \$100,000 proposed for a specified study pending receipt of information regarding how the Military Department will coordinate its efforts with the displaced worker units within EDD.

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**SENIOR CITIZENS' PROPERTY TAX ASSISTANCE**

Item 9100-101 (a) from the  
General Fund

Budget p. GG 171

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Requested 1989-90 .....	\$4,300,000
Estimated 1988-89 .....	4,040,000
Actual 1987-88 .....	4,691,000
Requested increase \$260,000 (+6.4 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The Senior Citizens' Property Tax Assistance (SCPTA) program provides partial reimbursement for property taxes paid by low-income