GENERAL GOVERNMENT

OFFICE OF CRIMINAL JUSTICE PLANNING

Item 8100 from the General
Fund and various funds — Budget p. GG 1

Requested 1991-92	$132,992,000
Estimated 1990-91	132,527,000
Actual 1989-90	94,075,000
Requested increase $465,000 (+0.4 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8100-001-001—Support	General	$5,036,000
8100-001-196—Support	Asset Forfeiture Distribution	67,000
8100-001-241—Support	Local Public Prosecutors and Public Defenders Training	72,000
8100-001-425—Support	Victim/Witness Assistance	2,286,000
8100-001-890—Support	Federal Trust	1,983,000
8100-011-196—Transfer	Transfer from Asset Forfeiture Distribution	(5,604,000)
8100-101-001—Local assistance	General	21,990,000
8100-101-241—Local assistance	Local Public Prosecutors and Public Defenders Training	1,008,000
8100-101-425—Local assistance	Victim/Witness Assistance	17,019,000
8100-101-890—Local assistance	Federal Trust	52,701,000
8100-111-001—Local assistance	General (Proposition 98)	—
8100-121-001—Local assistance	General (Proposition 98)	26,470,000
Reimbursements	—	4,360,000
Total		$132,992,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. Legislative Oversight—Comprehensive Alcohol and Drug Prevention Education (CADPE) Program. Recommend that the office report to Legislature prior to budget hearings on the distribution of the High-Risk Supplement funds by county offices of education. Further recommend that proposed Budget Bill language be replaced with language which outlines the intent of the Legislature. 1078

GENERAL PROGRAM STATEMENT

The Office of Criminal Justice Planning (OCJP) was created by Ch 1047/73 (AB 1306, Crown) 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.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

The OCJP currently is divided into two programs — Administration and Local Project Awards. In the current year, the OCJP has 132.9 personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The proposed expenditure program for the OCJP in 1991-92 is $133 million, consisting of $53.5 million from the General Fund, $67,000 from the Asset Forfeiture Distribution Fund, $1.1 million from the Local Public Prosecutors and Public Defenders Training Fund, $19.3 million from the Victim/Witness Assistance Fund, $54.7 million from the Federal Trust Fund, and $4.4 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 $465,000, or 0.4 percent, above estimated expenditures in 1990-91.

Table 1
Office of Criminal Justice Planning
Budget Summary
1989-90 through 1991-92
(dollars in thousands)

				Change From 1990-91	
Program	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Amount*	*Percent*
Local Project Awards	$94,075	$132,527	$133,929	$1,402	1.1%
Administration (distributed)	(2,954)	(2,895)	(2,968)	(73)	2.5
Unallocated reduction	—	—	−937	−937	—
Totals, Expenditures	$94,075	$132,527	$132,992	$465	0.4%
Funding Sources					
General Fund	*$44,647*	*$54,336*	*$53,496*	*−$840*	*−1.5%*
Asset Forfeiture Distribution Fund	*1,000*	*1,069*	*67*	*−1,002*	*−93.7*
Local Public Prosecutors and Public Defenders Training Fund	*970*	*986*	*1,080*	*94*	*9.5*
Victim/Witness Assistance Fund	*14,645*	*17,743*	*19,305*	*1,562*	*8.8*
Federal Trust Fund	*27,317*	*52,914*	*54,684*	*1,770*	*3.3*
Reimbursements	*5,496*	*5,479*	*4,360*	*−1,119*	*−20.4*
Personnel-Years	112.8	132.9	134.8	1.9	1.4%

The budget proposes a decrease in expenditures from the General Fund of $840,000, or 1.5 percent. This decrease results primarily from an unallocated trigger-related reduction of $937,000 in funding for the office. This reduction is in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown). The reduction is partially offset by an increase in General Fund expenditures for employee compensation.

The budget also proposes an augmentation of $1.5 million from the Victim/Witness Assistance Fund to provide increased support to the Victim/Witness Assistance Program, the Sexual Assault Victim Services Program, and the Child Sexual Abuse Treatment Program, an augmentation of $200,000 from the Local Public Prosecutors and Public Defenders Training Fund for additional training services for prosecutors and public defenders. The increases are offset by one-time reductions for purchase of equipment and reductions in reimbursements from the Department of Alcohol and Drug Programs and other agencies.

Table 2 identifies, by funding source, the changes in expenditure levels proposed for 1991-92.

Table 2
Office of Criminal Justice Planning
Proposed 1991-92 Budget Changes
(dollars in thousands)

	General Fund	*Local Public Prosecutors and Public Defenders Training Fund*	*Victim/ Witness Assistance Fund*	*Federal Trust Fund*	*Asset Forfeiture Distribution Fund*	*Reimbursements*	*Total*
1990-91 Expenditures (revised)	$54,336	$986	$17,743	$52,914	$1,069	$5,479	$132,527
Workload Changes							
Business services branch	—	—	$6	$18	—	—	$24
Program management	—	—	97	121	—	—	218
Subtotals	(—)	(—)	($103)	($139)	(—)	(—)	($242)
Cost Adjustments							
One-time reductions	—	−$7	−$71	−$10	−$4	—	−$92
Employee compensation	$97	1	22	37	2	—	159
Pro rata adjustment	—	—	8	—	—	—	8
SWCAP adjustment	—	—	—	40	—	—	40
Unallocated reduction	−937	—	—	—	—	—	−937
Other	—	—	—	−116	—	−1,119	−1,235
Subtotals	(−$840)	(−$6)	(−$41)	(−$49)	(−$2)	(−$1,119)	(−$2,057)
Program Adjustments							
Increase for Department of Justice's narcotics enforcement program	—	—	—	$1,680	—	—	$1,680
Victim/witness and sexual assault programs	—	—	$1,500	—	—	—	1,500
Legal training augmentation	—	$200	—	—	—	—	200
End of pilot program for gang risk intervention	—	—	—	—	−$1,000	—	−1,000
One-time funding for hazardous materials training	—	−100	—	—	—	—	−100
Subtotals	(—)	($100)	($1,500)	($1,680)	(−$1,000)	(—)	($2,280)
1990-91 Expenditures (proposed)	$53,496	$1,080	$19,305	$54,684	$67	$4,360	$132,992
Change From 1990-91:							
Amount	−$840	$94	$1,562	$1,770	−$1,002	−$1,119	$465
Percent	−1.5%	9.5%	8.8%	3.3%	−93.7%	−20.4%	0.4%

Transfer of Asset Forfeiture Funds. The Governor's Budget proposes to transfer $3 million on June 30, 1991, and $2.6 million on June 30, 1992, from the Asset Forfeiture Distribution Fund to the General Fund.

The Asset Forfeiture Distribution Fund was established by Ch 1492/88 (AB 4162, Katz). It receives revenues from the sale of real property which has been seized by law enforcement in drug enforcement opera-

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

tions. Chapter 1492 provides that monies in the fund be continuously appropriated each year for specified purposes. The funds are distributed in the following order: (1) $1.5 million to the Department of Mental Health, (2) $1 million to the Los Angeles County Office of Education through January 1, 1991, for the Gang Risk Intervention Pilot Program (GRIPP), (3) 5 percent to the OCJP for administration of the fund, (4) 85 percent of the remaining balance to the Peace Officers' Training Fund for law enforcement training, and (5) 15 percent of the remaining balance for training for local prosecutors.

The administration's proposal to transfer the monies from the Asset Forfeiture Distribution Fund to the General Fund would allow for the continuation of an appropriation to the Department of Mental Health in the budget year. However, there will be no funds available to fund the other provisions of Chapter 1492.

ANALYSIS AND RECOMMENDATIONS

Legislative Oversight — Comprehensive Alcohol and Drug Prevention Education Program

We recommend that, prior to budget hearings, the office report to the Legislature on the distribution of the High-Risk Supplement funds by county offices of education to school districts. We further recommend deleting the Budget Bill language in Item 8100-121-001 and replacing it with language which outlines the intent of the Legislature more specifically.

The budget proposes $29.7 million from the General Fund (a portion of the monies available for education programs pursuant to Proposition 98) and federal funds for the Comprehensive Alcohol and Drug Prevention Education (CADPE) Program. This is the same amount provided for the program in the current year.

In the 1990 Budget Act, the Legislature adopted Budget Bill language requiring the OCJP to use $9.8 million of the CADPE appropriation for two new proposals. Specifically, the language specified that $2 million be used for four pilot projects in four specific counties and that $7.8 million be allocated to the county offices of education for high-risk students. The language required the county offices of education to (1) allocate the $7.8 million to school districts with the highest proportion of students who are at high risk of engaging in substance abuse, and (2) develop criteria on which to base the allocation and submit the criteria to the OCJP. School districts were also required to give priority for the funds to programs targeted at students who are at high risk of engaging in substance abuse.

At the time this analysis was prepared, the OCJP was unable to report on how the county offices of education distributed the money in the current year. The OCJP advises that several county offices had difficulty carrying out the intent of the language because the language put the offices in the position of deciding which school districts would be funded.

For this reason, the OCJP speculates that some county offices probably just distributed the monies proportionally to all school districts.

In the *1990-91 Budget: Perspectives and Issues*, we reviewed the research on drug prevention programs and found that the most promising drug prevention programs were community-based programs and programs focused on high-risk youth. Given that it appears that some county offices of education did not follow the Legislature's direction to target the money to high-risk students, we believe that the Legislature may want to adopt stricter language in the 1991 Budget Bill to ensure that the funds are targeted to high-risk students.

The OCJP advises that it is currently collecting the information on the county offices' distribution of the High Risk Supplement, which will be available in early March. In order to review the distribution of funds by county offices of education, we recommend that, prior to budget hearings, the department report to the Legislature on the distribution of the High-Risk Supplement funds by county offices of education to school districts, including the criteria used by the county offices of education to distribute the funds.

Legislature's Budget Bill Language Is Not Included in the 1991 Budget Bill. The 1991 Budget Bill does not include the language adopted by the Legislature in the 1990 Budget Act. Instead the Budget Bill includes language (Item 8100-121-001) which states that the monies available for the CADPE Program shall be made available to school districts or county offices of education as "determined appropriate by the OCJP." Although the OCJP advises that it will continue in 1991-92 the four pilots and the High Risk Supplement specified by the Legislature, we believe that the current language gives too much discretion to the OCJP. For this reason, we recommend that the Legislature delete the proposed language and adopt more specific language outlining the Legislature's intent. We suggest that the specific language be considered when the OCJP reports on the distribution of the High Risk Supplement funds.

Allocation of Federal Anti-Drug Abuse Funds

Under the Drug Control and System Improvement Formula Grant Program, California received federal Anti-Drug Abuse (ADA) Act funds of $39.7 million in federal fiscal year 1990 (FFY 90 — October 1989 to September 1990) and $43.2 million in FFY 91. The OCJP is the state agency that administers and disperses these funds. These funds may be used for the apprehension, prosecution, adjudication, treatment, and detention of individuals who have violated provisions of law related to controlled substances. The funds have been used primarily for law enforcement efforts to reduce illegal drug activities.

Table 3 identifies the programs and amounts that have been allocated in 1990-91 and are proposed for allocation in 1991-92. Because of differences in the state and federal fiscal years, the amounts shown in Table 3 are not identical to the amounts provided to the state in FFY 90 and FFY 91.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

Table 3
Office of Criminal Justice Planning
Allocation of Federal Anti-Drug Abuse Funds
1990-91 and 1991-92
(in thousands)

Program	*1990-91*	*1991-92*
Local law enforcement agencies	$18,330	$25,539
Department of Justice:		
Crack Down Task Force Program	7,191	7,191
Bureau of Narcotics Enforcement	2,550	4,230
Department of Corrections	82	82
Department of the Youth Authority	394	394
Campaign Against Marijuana Planting (CAMP)	2,632	2,632
OCJP administration	1,317	1,401
Totals	$32,496	$41,469

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

Item 8120 from the Peace Officers' Training Fund — Budget p. GG 8

Requested 1991-92	$49,995,000
Estimated 1990-91	48,348,000
Actual 1989-90	41,612,000
Requested increase $1,647,000 (+3.4 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8120-001-268—Support	Peace Officers' Training	$8,500,000
8120-011-268—Support	Peace Officers' Training	2,995,000
8120-101-268—Local assistance	Peace Officers' Training	38,500,000
Total		$49,995,000

GENERAL PROGRAM STATEMENT

The Commission on Peace Officer Standards and Training (POST) is responsible for raising the level of professional competence of local law enforcement agencies. 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 92.6 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes expenditures totaling nearly $50 million in 1991-92, an increase of $1,647,000, or 3 percent, above the estimated current-year expenditures. The bulk of the increase, $1 million, is attributable to increased reimbursements to local governments for peace officer training. All proposed expenditures are from the Peace Officers' Training Fund.

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

Table 1
Commission on Peace Officer Standards and Training
Program Summary
1989-90 through 1991-92
(dollars in thousands)

Program	Actual 1989-90	Est. 1990-91	Prop. 1991-92	Change From 1990-91: Amount	Change From 1990-91: Percent
Standards	$3,721	$3,736	$4,322	$586	15.7%
Training	5,809	6,040	7,087	1,047	17.3
Peace officer training reimbursement	32,065	38,572	38,586	14	—
Administration (distributed)	(2,649)	(2,636)	(3,033)	(397)	(15.1)
Peace officers' memorial	17	—	—	—	—
Totals, Expenditures	$41,612	$48,348	$49,995	$1,647	3.4%
Funding Sources					
General Fund	*$7*	—	—	—	—
Peace Officers' Training Fund	*41,492*	*$48,348*	*$49,995*	*$1,647*	*3.4%*
Peace Officers' Memorial Account	*10*	—	—	—	—
Reimbursements	*103*	—	—	—	—
Personnel-Years					
Standards	26.7	27.1	31.7	4.6	17.0%
Training	28.1	29.1	30.1	1.0	3.4
Administration	37.8	36.4	39.2	2.8	7.7
Total	92.6	92.6	101.0	8.4	9.1%

The budget contains several program changes:

- An increase of $352,000 and five positions to maintain and expand the statewide testing program for required training courses for peace officers.
- An increase of about $98,000 and three positions to augment existing program support staff.
- An increase of $61,000 and one position to administer the regulatory rulemaking process and direct an ongoing electronic data processing audit.

Training Reimbursement Funds

The budget proposes $38.5 million from the Peace Officers' Training Fund to reimburse local governments for peace officer training costs, including per diem, travel, tuition, and participants' salaries.

In the current year, the commission estimates that it will reimburse about 30 percent of the salaries of participants for basic training and

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued

about 40 percent of salaries for participants of other types of training. The amount proposed in the budget year would enable POST to reimburse about 35 percent of salaries for all types of training, notwithstanding a projected reserve in the Peace Officers' Training Fund of $8.4 million (about 17 percent of expenditures) in the budget year.

Our analysis indicates that the budget request for POST is reasonable and consistent with its statutory mandates.

STATE PUBLIC DEFENDER

Item 8140 from the General Fund — Budget p. GG 12

Requested 1991-92	$11,316,000
Estimated 1990-91	10,931,000
Actual 1989-90	9,088,000
Requested increase $385,000 (+3.5 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8140-001-001—Support	General	$11,312,000
Reimbursements	—	4,000
Total		$11,316,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS — *Analysis page*

1. Federal Reimbursement. Recommend that the SPD report to the Legislature during budget hearings on (a) why no claim for reimbursement has been submitted to federal courts for services provided in capital cases, (b) why the SPD does not have an agreement with the federal courts specifying the rate of reimbursement for SPD representation in capital cases, and (c) the SPD's plans to submit reimbursement claims to the federal courts. 1083

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 145.5 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of $11.3 million from the General Fund and $4,000 in reimbursements for support of the SPD in 1991-92. This is $385,000, or 3.5 percent, more than estimated current-year expenditures. The Governor's Budget includes an unallocated trigger-related reduction of $91,000 in funding for the SPD. This reduction is included in the proposed budget for the SPD in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

The proposed increase in total expenditures results primarily from an increase in lease costs for offices in San Francisco and Sacramento.

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
1989-90 through 1991-92
(dollars in thousands)

	Actual 1989-90	*Est. 1990-91*	*Prop. 1991-92*	*Percent Change From 1990-91*
Expenditures	$9,088	$10,931	$11,316	3.5%
Personnel-Years	102.6	145.5	145.5	—

ANALYSIS AND RECOMMENDATIONS

State Receives No Reimbursement for Services Provided in Federal Courts

We recommend that the SPD report to the Legislature during budget hearings on (1) why no claim for reimbursement has been submitted to the federal courts for services that have been provided in capital cases, (2) why the SPD does not have an agreement with the federal courts specifying the rate of reimbursement for SPD representation in capital cases, and (3) the SPD's plans to submit reimbursement claims to the federal courts.

The *Supplemental Report of the 1990 Budget Act* directed the SPD to report on its plans to represent people sentenced to death by California courts in the federal court system. The SPD was to provide information on (1) the status of capital cases in the federal courts that are currently assigned to the SPD, (2) the impact of the capital cases that the SPD is currently pursuing in 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 1990-91 and 1991-92, and (3) the status of negotiations with the federal government concerning reimbursement of the SPD for cases in the federal courts, including the terms of any agreement between the SPD and the federal government, the amount of compensation, and actual and estimated reimbursements for 1990-91 and

1991-92. The Legislature requested the information to determine the amount of federal reimbursement the SPD would be eligible to receive in the current and budget years.

The report, submitted in November 1990, and subsequent information provided by the SPD indicate the current level of service provided by SPD in the federal courts. At the time this analysis was completed, the SPD had eight cases in federal court. These cases involve 16 SPD attorneys. The SPD estimates that it will have about 20 cases in the federal courts in the budget year. While the report satisfied the request of the Legislature, it nonetheless left some fundamental issues unresolved.

We have two concerns that the Legislature may wish to consider when it reviews the SPD budget. These concerns raise uncertainties about the SPD's management of the representation it has provided in the federal courts.

First, although the SPD has provided representation in the federal courts for over a year, it has not submitted a claim for reimbursement for services that have already been provided and the state has not received any funds from the federal government.

Second, the SPD still does not have an agreement with the federal courts which specifies the future terms of reimbursement for services provided by the SPD in the federal courts.

To the extent that the SPD continues to provide representation in the federal courts, the state should be reimbursed for the services that it has provided. Based on data provided by the SPD on the rates of compensation paid by the various federal courts and the estimated number of SPD attorney-hours spent in federal court, the amount of forgone federal reimbursement may be approximately $535,000 in the current year. If the same amount of representation is provided in 1991-92, a similar amount could be available in the budget year to offset General Fund costs for the SPD.

Without an agreement specifying the services for which the state will be reimbursed, the method by which the state will apply for reimbursement, and the rate of compensation for services provided by the SPD in federal court, we have no analytical basis to determine the total amount of potential federal reimbursement for the budget year.

Analyst's Recommendation. Based on the concerns outlined above, we recommend that the SPD report at budget hearings on (1) why no claim for reimbursement has been submitted to the federal courts for services already provided in capital cases, (2) why the SPD still does not have an agreement with the federal courts specifying the procedures and rate of reimbursement for services provided in capital cases in the federal courts, and (3) its plan to submit reimbursement claims to the federal courts for services provided.

PAYMENT TO COUNTIES FOR COSTS OF HOMICIDE TRIALS

Item 8180 from the General Fund — Budget p. GG 14

Requested 1991-92	$3,719,000
Estimated 1990-91	3,932,000
Actual 1989-90	6,175,000
Requested decrease $213,000 (−5.4 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 1989-90, the last year for which the State Controller has data, the state paid $6.2 million for claims submitted by eligible counties. Of this amount, $4.2 million reflected payment of claims carried forward from prior years.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of $3.7 million from the General Fund to reimburse counties for the state's share of specified costs resulting from homicide trials. This is $213,000, or 5.4 percent, less than estimated current-year expenditures for this purpose. The Governor's Budget includes an unallocated trigger-related reduction of $155,000 in funding for the homicide trials program. This reduction is included in the proposed budget for the program in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown). Table 1 displays state reimbursement for homicide trial expenses from 1981-82 through 1991-92.

PAYMENT TO COUNTIES FOR COSTS OF HOMICIDE TRIALS—Continued

Table 1
Reimbursements to Counties for Costs of Homicide Trials
1981-82 through 1991-92
(in thousands)

	Expense
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	2,000
1989-90	6,175
1990-91 (estimated)	3,932
1991-92 (proposed)	3,719

Our review indicates that the proposed expenditures for the homicide trials program are reasonable.

COMMISSION FOR ECONOMIC DEVELOPMENT

Item 8200 from the General Fund. Budget p. GG 15

Requested 1991-92	$609,000
Estimated 1990-91	608,000
Actual 1989-90	625,000
Requested increase $1,000 (+0.2 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8200-001-001—Support	General	$606,000
Reimbursements	—	3,000
Total		$609,000

GENERAL PROGRAM STATEMENT

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

The commission has 10 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes total expenditures of $609,000 ($606,000 from the General Fund and $3,000 from reimbursements) to support the commission during 1991-92. This is $1,000, or 0.2 percent, more than estimated current-year expenditures. This increase is attributable to increases in salaries and benefits and appears reasonable.

CALIFORNIA ARTS COUNCIL

Item 8260 from the General Fund and Federal Trust Fund — Budget p. GG 16

Requested 1991-92	$16,390,000
Estimated 1990-91	16,961,000
Actual 1989-90	16,709,000
Requested decrease $571,000 (−3.4 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8260-001-001—Support	General	$3,015,000
8260-001-890—Support	Federal Trust	451,000
8260-101-001—Local assistance	General	11,520,000
8260-101-890—Local assistance	Federal Trust	511,000
8260-111-001—Local assistance	General	893,000
Total		$16,390,000

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 54.6 personnel-years in the current year.

CALIFORNIA ARTS COUNCIL—Continued

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes total expenditures of $16.4 million from the General Fund and the Federal Trust Fund, for the California Arts Council in 1991-92. This is a decrease of $571,000, or 3.4 percent, below estimated total expenditures in 1990-91. Table 1 summarizes the council's expenditures by funding source for the past, current, and budget years.

Table 1
California Arts Council
Budget Summary
1989-90 through 1991-92
(dollars in thousands)

Program Expenditure	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Percent Change From 1990-91*
Artists in residence	$3,137	$3,148	$3,180	1.0%
Grant expenditure	2,368	2,368	2,303	−2.7
Administrative costs	769	780	877	12.4
Organizational grants	8,874	8,884	9,095	2.4
Grant expenditure	7,567	7,582	7,594	0.2
Administrative costs	1,307	1,302	1,501	15.3
Performing arts touring/presenting	1,194	1,224	1,180	−3.6
Grant expenditure	784	807	743	−7.9
Administrative costs	410	417	437	4.8
Statewide projects	2,500	2,693	2,508	−6.9
Grant expenditure	1,888	2,071	1,871	−9.7
Administrative costs	612	622	637	2.4
California challenge	1,004	1,012	1,013	0.1
Grant expenditure	930	930	930	—
Administrative costs	74	82	83	1.2
Central administration (distributed)	1,526	1,493	1,519	1.7
Unallocated Reduction	—	—	−586	—[a]
Grants	—	—	−480	—[a]
Administration	—	—	−106	—[a]
Totals	$16,709	$16,961	$16,390	−3.4%
Grant expenditures	12,607	13,758	12,961	−5.8
Administrative costs	3,172	3,203	3,429	7.1
Funding Sources				
General Fund	$15,654	$15,944	$15,428	−3.2%
Federal Trust Fund	1,015	989	962	−2.7
Special Deposit Fund (Skaggs Foundation Grant)	25	25	—	−100.0
Reimbursements	15	3	—	−100.0
Personnel-Years	54.6	54.6	54.6	—

[a] Not a meaningful figure.

The proposed General Fund appropriations for 1991-92 total $15.4 million. This represents a decrease of $516,000, or 3.2 percent, below estimated General Fund expenditures in the current year. The council also requests $1 million in federal funds for support of various programs.

The decrease results primarily from an unallocated trigger-related reduction of $586,000 in funding for the council's state operations

($106,000) and local assistance ($480,000). This reduction is included in the council's proposed budget in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown). Other adjustments include a reduction in the federal funds ($27,000) and a special deposit fund grant ($25,000). These reductions are partially offset by increases for employee compensation.

Finally, the budget requests a redirection of $200,000 from local assistance programs to administration. This amount consists of the following:

- $108,000 for staff and grant panelists to perform site visits to evaluate the works of grant applicants.
- $60,000 for technical assistance to organizations that participate in the council's multi-cultural programs.
- $27,000 for support of the council's advisory panels.
- $5,000 for support of grant review panels.

Our review indicates that the council's request is reasonable.

NATIVE AMERICAN HERITAGE COMMISSION

Item 8280 from the General Fund — Budget p. GG 24

Requested 1991-92	$319,000
Estimated 1990-91	329,000
Actual 1989-90	327,000
Requested decrease $10,000 (−3 percent)	
Total recommended reduction	None

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 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 State Lands Commission.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes total expenditures of $319,000 for support of the commission in 1991-92. This is $10,000, or 3 percent, below estimated expenditures in 1990-91.

NATIVE AMERICAN HERITAGE COMMISSION—Continued

The decrease is the result of (1) a $9,000 increase in salary and staff benefits, (2) a $9,000 decrease in one-time consultant services supported by federal funds, (3) a $3,000 decrease in various operating and equipment expenses, and (4) a $7,000 unallocated reduction.

AGRICULTURAL LABOR RELATIONS BOARD

Item 8300 from the General Fund — Budget p. GG 25

Requested 1991-92	$6,717,000
Estimated 1990-91	6,739,000
Actual 1989-90	5,980,000
Requested decrease $22,000 (−0.3 percent)	
Total recommended reduction	None

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 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 94.4 personnel-years in the current-year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of $6.7 million from the General Fund for support of the ALRB in 1991-92. This is a net decrease of $22,000 or 0.3 percent below estimated current-year expenditures. The decrease reflects increased salary savings in 1991-92 plus an unallocated trigger-related reduction of $167,000, partially offset by the full-year costs of employee compensation increases granted in the current year. The trigger-related reduction is included in the proposed budget in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

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

Table 1
Agricultural Labor Relations Board
Program Summary
1989-90 through 1991-92
(dollars in thousands)

	Personnel-Years			*Expenditures*			
Program	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Percent Change From 1990-91*
Board Administration	27.3	32.5	31.9	$2,382	$2,855	$2,896	1.4%
General Counsel	49.7	52.2	51.7	3,620	3,884	3,988	2.7
Administrative services (distributed)	10.6	9.7	9.5	(533)	(566)	(577)	1.9
Unallocated reduction	—	—	—	—	—	−167	—
Totals	87.6	94.4	93.1	6,002	6,739	6,717	1.9%
Funding Sources							
General Fund				*$5,980*	*$6,739*	*$6,717*	*1.9%*
Reimbursements				*22*	—	—	—

PUBLIC EMPLOYMENT RELATIONS BOARD

Item 8320 from the General Fund — Budget p. GG 29

Requested 1991-92	$6,349,000
Estimated 1990-91	6,656,000
Actual 1989-90	6,315,000
Requested decrease $307,000 (−4.6 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. Labor Management Cooperation (LMC) Program. Recommend that the PERB report at budget hearings on: (1) the amount of resources allocated to the LMC program in the current year and (2) a specific proposal for the use of these resources in 1991-92. 1093

GENERAL PROGRAM STATEMENT

The Public Employment Relations Board (PERB) 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

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued

affects public education employees (K through 14), (2) the State Employer-Employee Relations Act (SEERA), which affects state civil service employees, and (3) the Higher Education Employer-Employee Relations Act (HEERA), which affects University of California and California State University employees.

The board has 86.3 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $6.3 million from the General Fund for support of the PERB in 1991-92. This is a decrease of $307,000, or 4.6 percent less than 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
1989-90 through 1991-92
(dollars in thousands)

	Personnel-Years			*Expenditures*			
Program	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Percent Change From 1990-91*
Dispute resolution	48.6	46.0	45.0	$5,037	$5,071	$5,182	2.2%
Representation determination	13.7	16.1	12.1	1,278	1,585	1,312	−17.2
Administration (distributed)	22.5	24.2	24.2	(1,266)	(1,223)	(1,248)	(2.0)
Unallocated reduction	—	—	—	—	—	-145	—[a]
Totals	84.8	86.3	81.3	$6,315	$6,656	$6,349	−4.6%
Funding Sources							
General Funding				*$6,315*	*$6,356*	*$6,349*	*−0.1%*
Reimbursements				—	*300*	—	—[a]

[a] Not a meaningful figure.

Table 2 shows changes in the board's expenditures between 1990-91 and 1991-92. The table shows that the net decrease in the board's expenditures proposed for 1991-92 is primarily due to a $300,000 reduction in reimburse ments resulting from the elimination of the Labor Management Cooperation program. In addition, the Governor's Budget includes an unallocated trigger-related reduction of $145,000 in funding for the board. This reduction is included in the proposed budget for the board in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown). These reductions are partially offset by the full-year costs of salary increases granted in the current year ($138,000).

Table 2
Public Employment Relations Board
Proposed 1991-92 Budget Changes
(dollars in thousands)

	General Fund	*Reimbursements*	*Total*
1990-91 Expenditures (Revised)	$6,356	300	$6,656
Baseline Adjustments			
Employee compensation increase	138	—	$138
Unallocated reduction	−145	—	−145
Subtotals, baseline adjustments	−$7	—	−$7
Workload Changes			
Elimination of Labor Management Cooperation program	—	−$300	−$300
1991-92 Expenditures (Proposed)	$6,349	—	$6,349
Change from 1990-91:			
Amount	−$7	−$300	−$307
Percent	−0.1%	—[a]	−4.6%

[a] Not a meaningful figure.

ANALYSIS AND RECOMMENDATIONS

We recommend that the PERB report at budget hearings on (1) the specific amount of resources allocated to the Labor Management Cooperation program in the current year and (2) a specific proposal for the use of these resources in 1991-92.

Resources Available From Transfer of Training Program

Background. The 1990 Budget Act directed the PERB to transfer the Labor Management Cooperation (LMC) program from the PERB to a nonprofit organization by April 1, 1991. The LMC program was developed by the PERB in 1987 to provide training for employers and employees in order to improve relationships and facilitate less confrontational collective bargaining sessions.

The last PERB-sponsored LMC conference was held in November 1990. Since that time, the Director of Representation has worked together with a group of interested constituents to establish the nonprofit organization and obtain initial funding. The nonprofit organization has been tentatively named the California Foundation for the Improvement of Employer-Employee Relations (CFIER). The board indicates that it will meet the April 1, 1991 deadline for the transfer of the LMC program to CFIER.

PERB Committed Considerable Resources to LMC Program. The PERB contributed a significant amount of personnel and related operating resources to the development and operation of the LMC program. Fifteen PERB staff members provided some support for the program. Two PERB staff members, the Director of Representation and the Assistant Director of Research and Legislation, devoted at least three-fourths of their normal work time to the LMC program. (The PERB indicates that the Director and the Assistant Director also worked a large amount of uncompensated overtime.)

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued

The PERB would not provide an estimate of the costs of administering the LMC program. Based on information provided by the PERB, however, we estimate that it allocated approximately $315,000 (the equivalent of six full-time positions) to the LMC program in 1989-90 and approximately $340,000 to the program in 1990-91. These funds were used to (1) develop the workshops, (2) train the PERB staff to act as workshop leaders, (3) provide logistical (that is, food and lodging) and communications support for the workshops, and (4) provide follow-up counseling to workshop participants.

Recommendation. Once the LMC program has been transferred to CFIER, the resources that the PERB had devoted to the program will be redirected to other activities. The PERB has not provided the Legislature with information regarding what these staff will be doing in lieu of their former LMC program duties. Hence, the Legislature cannot judge whether the newly assigned activities are consistent with the Legislature's priorities. Therefore, we recommend that the PERB report at budget hearings on (1) the specific amount of resources allocated to the LMC program in the current year and (2) present a specific proposal for the use of these resources in 1991-92.

DEPARTMENT OF INDUSTRIAL RELATIONS

Item 8350 from the General Fund and various funds — Budget p. GG 32

Requested 1991-92	$190,130,000
Estimated 1990-91	182,061,000
Actual 1989-90	157,459,000
Requested increase $8,069,000 (+4.4 percent)	
Recommended reversion to General Fund	4,100,000
Recommended General Fund reduction	12,850,000
Recommended increase in special funds	550,000
Recommendation pending	166,955,000

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8350-001-001—Departmental support	General	$115,045,000
8350-002-001—Fees for support of the Division of Apprenticeship Standards	General, Uniform Commercial Code Manual Revenue Account	3,900,000
8350-003-001—Fees for support of the Cal-OSHA Standards Board	General, Uniform Commercial Code Manual Revenue Account	109,000
8350-011-001—Workers' compensation benefits for employees of uninsured employers	General	19,008,000
8350-001-023—Regulation of farm labor contractors	General, Farm Labor Contractors' Special Account	50,000

8350-001-216—Enforcement of laws relating to the licensing of contractors	Industrial Relations Construction Industry Enforcement	82,000
8350-001-223—Administration of workers' compensation disputes	Workers' Compensation Administration Revolving	15,662,000
8350-015-223—Administration of workers' compensation disputes, Industrial Medical Council	Workers' Compensation Administration Revolving	409,000
8350-001-396—Regulation of self-insurance plans for workers' compensation	Self-Insurance Plans	2,064,000
8350-001-452—Elevator inspections	General, Elevator Safety Inspection Account	4,392,000
8350-001-453—Pressure vessel inspections	General, Pressure Vessel Inspection Account	3,335,000
8350-001-481—Garment manufacturers employees	General, Garment Manufacturers Special Account	50,000
8350-001-571—Workers' compensation benefits for employees of uninsured employers	Uninsured Employers,' Employees' Account	2,383,000
—Less Transfer from General Fund		−19,008,000
8350-001-890—Departmental support	Federal Trust	19,166,000
Government Code Section 13340	Asbestos Consultant Certification	301,000
Labor Code Section 96.6	Unpaid Wage	60,000
Reimbursements	—	2,522,000
Total		$190,130,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. Legislative Oversight. Withhold recommendation on $166.9 million (the entire budget for the DIR less the amount for payment of UEF claims) pending receipt of a budget which appropriately reflects program needs. 1099
2. Workers' Compensation Staffing. Recommend that the department submit a revised proposal for the DWC which reflects the results of the department's workload study. 1102
3. Workers' Compensation Position Vacancies. Recommend that the department report during budget hearings on its success in filling vacant positions according to its timeline. 1105
4. ***Workers Compensation Reversion. Add item 8350-495 to revert $4.1 million to the General Fund from Item 8350-001-223 of the 1990 Budget Act.*** Recommend reversion of $4.1 million from current-year funding to reflect excess salary savings associated with position vacancies. 1106
5. ***Overbudgeting in the Uninsured Employers' Fund. Reduce Item 8350-001-011 by $12.3 million.*** Recommend reduction to reflect actual resources needed to pay claims from the UEF. 1107
6. Pressure Vessels Unit (PVU) — Revenue Shortfalls. Recommend that the department report during budget hearings on the reasons for persistent shortfalls in the Pressure Vessel Account (PVA.) 1108

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

7. ***Pressure Vessels Unit — Funding. Reduce Item 8350-001-001 by $550,000 and augment Item 8350-001-453 by $550,000.*** Recommend that the department charge the private sector beneficiaries of PVU activities for the full cost of these services. Also recommend that the department submit a revised budget for the PVU which limits General Fund support to public sector inspection activities. 1111

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 Workers' Compensation (DWC) and the Workers' Compensation Appeals Board (WCAB), adjudicates disputed claims for compensation of workers who suffer industrial injury or illness 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.*** The Division of Occupational Safety and Health (DOSH) enforces the California Occupational Safety and Health Act (Cal-OSHA), which are state laws and regulations concerning the safety of work places (including mines and tunnels). This program also inspects elevators, escalators, aerial trams, 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 various professions, including farm labor contractors.

In addition, the DIR: (1) regulates self-insured workers' compensation plans, (2) provides workers' compensation payments to injured workers of uninsured employers and other special categories of employees, (3) offers conciliation services in labor disputes, (4) promotes apprenticeship programs, and (5) conducts and disseminates labor force research.

The DIR has 2,572.4 personnel-years in the current year.

MAJOR ISSUES

- ☑ The Legislature is unable to evaluate the department's budget request because funds are budgeted arbitrarily.
- ☑ The budget request for the Division of Workers' Compensation is not based on the results of the department's workload study. The workload study recommends 60 fewer positions than requested.
- ☑ There is a $4.1 million General Fund savings in the current year due to position vacancies in the Division of Workers' Compensation.
- ☑ There is a $12.3 million General Fund savings due to overbudgeting for the payment of workers' compensation claims by the UEF.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of $190.1 million for support of the DIR in 1991-92. This is $8.1 million, or 4.4 percent, above estimated current-year expenditures. The General Fund portion of the request is $138.1 million, which is an increase of $6.5 million, or 4.9 percent, above estimated current-year expenditures. The Governor's Budget includes an unallocated trigger-related reduction of $3.5 million in funding for the DIR. This reduction is included in the proposed budget for the department in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

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
1989-90 through 1991-92
(dollars in thousands)

	Personnel-Years			*Expenditures*			
Program	*Actual 1989-90*	*Est. 1990-91*	*Proposed 1991-92*	*Actual 1989-90*	*Est. 1990-91*	*Proposed 1991-92*	*Percent Change From 1990-91*
Regulation of workers' compensation self-insurance plans	27.6	28.6	28.6	$1,682	$2,165	$2,324	7.3%
Conciliation of labor disputes	25.7	25.7	25.7	2,040	1,985	2,130	7.3
Adjudication of workers' compensation disputes	758.8	1,115.2	1,207.9	57,517	76,268	82,263	7.9
Prevention of industrial injuries and deaths	529.1	619.9	630.4	43,749	47,448	50,949	7.4
Enforcement of laws relating to wages, hours, and working conditions	396.6	411.2	411.2	24,888	23,995	25,754	7.3
Apprenticeship and other on-the-job training	91.4	95.3	53.4	5,757	4,068	4,073	0.1
Labor force research and data dissemination	51.0	54.7	54.7	2,934	3,247	3,486	7.4
Payment of wages, claims, and contingencies	—	—	—	18,894	22,660	22,660	—
Administrative support services (distributed)	190.6	221.8	218.9	(11,427)	(13,952)	(13,634)	−2.3
Loan repayment (Ch 893/89)	—	—	—	—	225	—	−100.0
Unallocated reduction	—	—	—	—	—	−3,509	—[a]
Totals	2,070.8	2,572.4	2,630.8	$157,459	$182,061	$190,130	4.4%
Funding Sources							
General Fund				*$130,180*	*$131,558*	*$138,062*	*4.9%*
Farm Labor Contractors' Account				*17*	*50*	*50*	—
Industrial Relations Construction Industry Enforcement Fund				*536*	*658*	*682*	*3.6*
Workers' Compensation Administration Revolving Fund				*1,297*	*13,896*	*16,071*	*15.7*
Loan repayment to General Fund				—	*(225)*	—	*(−100.0)*
Asbestos Consultant Certification Fund				—	—	*301*	—[a]
Self-Insurance Plans Fund				*1,546*	*1,980*	*2,064*	*4.2*
Elevator Safety Inspection Account				*3,399*	*3,923*	*4,392*	*12.0*
Pressure Vessel Inspection Account				*2,231*	*3,301*	*3,335*	*1.0*
Garment Manufacturers Special Account				—	*50*	*50*	—
Employment Training Fund				—	*2,500*	—	*−100.0*
Uninsured Employers' Fund, Employees' Account				*−871*	*3,235*	*3,375*	*4.3*
Federal Trust Fund				*16,357*	*18,432*	*19,166*	*4.0*
Unpaid Wage Fund				*252*	*60*	*60*	—
Asbestos Abatement Fund				*246*	—	—	—
Reimbursements				*2,269*	*2,418*	*2,522*	*4.3*

[a] Not a meaningful figure.

Table 2 summarizes the components of the department's $8.1 million increase in its budget request for 1991-92.

Table 2
Department of Industrial Relations
Proposed 1991-92 Budget Changes
(dollars in thousands)

	General Fund	*Federal Funds*	*Special Funds*	*Reim-bursements*	*All Funds*
1990-91 Expenditures (Revised)	$131,558	$18,432	$29,653	$2,418	$182,061
Baseline Adjustments					
Employee compensation increase	$2,330	$423	$737	$59	$3,549
General Services rent and fee increase	—	82	37	13	132
Rent increase due to Loma Prieta earthquake	1,487	229	295	32	2,043
Funding shift in Division of Apprenticeship Standards	2,500	—	-2,500	—	—
One-time cost reductions					
Equipment purchase in DWC	−1,867	—	—	—	−1,867
Adjustment to affect funding split in DWC (Ch 1220/90)	1,648	—	649	—	2,297
Adjustment to correct for error in 1990 Budget Act	2,305	—	—	—	2,305
Miscellaneous one-time adjustments	−1,867	—	-225	—	−2,092
Reduction in WCAB on-line contract with Teale Data Center	−101	—	—	—	−101
Pro rata reduction	—	—	−129	—	−129
Unallocated reduction	−3,509	—	—	—	−3,509
Subtotals, baseline adjustments	($2,926)	($734)	(−$1,136)	($104)	($2,628)
Workload Changes					
Elevator inspections increase	—	—	$349	—	$349
Increase in UEF Claims staff	—	—	115	—	115
Cal-OSHA Standards Board augmentation for standards development	$55	—	—	—	55
Subtotals, workload changes	($55)	—	($464)	—	($519)
Program Changes					
DWC clean-up and implementation of Ch 1550/90	$3,523	—	$1,098	—	$4,621
Asbestos consultant certification	—	—	301	—	301
Subtotals, program changes	($3,523)	—	($1,399)	—	($4,922)
1991-92 Expenditures (proposed)	$138,062	$19,166	$30,380	$2,522	$190,130
Change from 1990-91 (revised)					
Amount	$6,504	$734	$727	$104	$8,069
Percent	4.9%	4.0%	2.5%	4.3%	4.4%

ANALYSIS AND RECOMMENDATIONS

DEPARTMENTAL ISSUES

DIR's Budget Defies Legislative Review

We withhold recommendation on $166.9 million (all funds) because (1) it is impossible to ascertain whether the budget appropriately reflects program needs and (2) several areas of the request lack adequate justification. We further recommend that, prior to budget hearings, the DIR and the Department of Finance (DOF) submit to the Legislature a budget that is consistent with program needs and is appropriately justified.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Based on our review of the department's proposed budget, we find that it is impossible for the Legislature to evaluate the appropriateness of the request. The budget proposal cannot be evaluated properly because (1) funding levels for individual programs have been allocated arbitrarily and (2) the overall funding level cannot be supported by budget detail submitted by the department. As a consequence, the Legislature is unable to determine whether the proposed funding levels provide adequate fiscal support for its program priorities in 1991-92. We discuss the problems further below.

Program Budgets Do Not Reflect Proposed Staffing Levels. Table 3 displays the percent change from the current year to the budget year in personnel-years and expenditures for the major programs within the DIR. Normally, there is a direct relationship between expenditures and staffing. Program expenditures increase when staffing increases, since about 70 percent of the DIR's budget is spent for salaries and benefits. However, as Table 3 indicates, program expenditures do not increase consistent with increases in staff. For example, there is no increase in staffing in the Office of Self-Insurance Plans (OSIP), Mediation and Conciliation Services (MCS), and the Division of Labor Statistics and Research (DLSR), yet expenditures for each of these programs increase by 7 percent. On the other hand, the Division of Workers' Compensation (DWC) is experiencing an 8 percent increase in staffing, yet its expenditures increase by about the same rate as programs experiencing *no* growth in staffing. Furthermore, the similarity in the level of increased expenditures for each program (about 7 percent), despite significant differences in staffing changes, *strongly indicates that budgeted expenditures have been arbitrarily determined.*

Department Indicates that the Current-Year Base is Incorrect. The department advises that the discrepancies described above are not due to improper budget-year proposals; rather, they are due to incorrect estimates of current-year expenditures contained in the Governor's Budget. The DIR believes that, since the current-year estimates are wrong, comparisons between the budget year and the current year are invalid. In short, the department contends that the OSIP, MCS, and DLSR only *appear* overfunded, while the DWC *appears* underfunded, because the budget-year requests are being compared to an inaccurate base year. However, neither the DIR nor DOF has provided the Legislature with revised current-year estimates, so we have no way of verifying whether the estimates are correct. As a result, the Legislature is not able to assess the appropriateness of the proposed expenditures.

Table 3
Department of Industrial Relations
Major Programs
Proposed Expenditure Changes
Inconsistent with Staffing Level Changes
1990-91 to 1991-92

	Percent Change From 1990-91 to 1991-92	
Program	*Personnel-Years*	*Expenditures*
Office of Self-Insurance Plans [a]	—	7.3%
Mediation and Conciliation Service [a]	—	7.3
Division of Workers' Compensation	8.3%	7.9
Division of Occupational Safety and Health [a]	1.8	7.4
Division of Labor Standards Enforcement [a]	—	7.3
Division of Apprenticeship Standards (DAS) [b]	−44.0	0.1
Division of Labor Statistics and Research [a]	—	7.4

[a] No staffing increase is proposed in the budget.
[b] The department advises that estimated current-year expenditures in the Governor's Budget are underestimated because the DAS did not scale down in size as quickly as planned. Therefore, there is a large current-year deficiency in the DAS which, when accounted for, will result in a decrease in expenditures between the current year and the budget year, comparable to the decrease in the number of personnel-years.

Department Cannot Support Request for Overall Funding Level. In some cases, the information provided by the department to support its overall funding request was not adequate or consistent with the proposed budget. For example:

- ***Interagency agreements and external contracts.*** The budget proposes expenditures of $2.2 million for interagency agreements and $700,000 for external contracts. However, the department's supporting documentation indicates that they will enter into interagency agreements totalling $1.7 million and external contracts totalling $2.4 million. Thus, the supporting information provided by the department would indicate that the budget underfunds contracts and agreements by $1.2 million.
- ***Rent.*** The budget requests a total of $15 million for facilities operations in the budget year, including $2 million ($1.5 million General Fund) to fund higher lease costs due to relocation after the Loma Prieta earthquake. The information provided by the department to support this request is inadequate because: (1) the list of leases provided indicates that the department will not need the entire amount requested, (2) breakdowns by major program of the amount requested due to the earthquake do not correspond to amounts listed in the Governor's Budget, and (3) the department could not provide an overall space utilization plan which the Legislature needs in order to assess whether the request is justified.

Legislative Oversight and Control is Seriously Hampered. Because it is impossible for the Legislature to evaluate the appropriateness of the DIR's budget request, we withhold recommendation on $166.9 million (all funds), pending receipt of a revised budget that (1) accurately

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

reflects estimated current-year expenditures, (2) is consistent with specific program needs, and (3) is supported by specific, accurate budget schedules.

DIVISION OF WORKERS' COMPENSATION

In September 1989, the Legislature enacted the Margolin-Bill Greene Workers' Compensation Reform Act [Chapters 892 and 893, Statutes of 1989 (AB 276, Margolin and SB 47, Lockyer)]. These measures made significant changes to the workers' compensation system, including enhancing the state's role in the delivery of benefits and instituting assessments on employers to provide additional funding for workers' compensation administration. To carry out these reforms, Chapter 893 authorized 125 new positions in the Division of Workers' Compensation (DWC). In addition, the Budget Act of 1990 authorized and provided funding for another 203 positions, for a total of 328 new positions in the DWC.

DWC's Budget Does Not Reflect the Results of Workload Study

We recommend that, prior to budget hearings, the department resubmit their budget request for the DWC, incorporating the results of their workload study into their budget request.

Background. When the department requested the 328 total positions to implement workers' compensation reform, they acknowledged that the number and type of positions required represented a "best guess." Several factors prevented the department from developing precise estimates of the number of personnel necessary to carry out the reforms. First, the department historically has not maintained adequate workload data on its positions. Second, many of the positions being requested were either new classifications or existing positions required to perform newly mandated activities. The department had no experience conducting these new activities and had no historical workload data from which to estimate staffing needs.

In recognition of these problems, Chapter 892 required the department to contract for a study to establish workload standards for the various positions in the DWC. Chapter 892 also required the department to submit workload standards, based on the contractor's study, by January 1, 1991. In June, the department contracted with the consulting firm of Ernst and Young, which delivered the DWC workload study in mid-December 1990.

Proposal. The budget proposes expenditures of $82.2 million ($64.2 million from the General Fund, $16.2 million from employer assessments, $600,000 from the Uninsured Employers' Fund, and $1.2 million from reimbursements) to support 1,256.5 positions in the budget year. This includes 96 new positions to continue implementation of workers' compensation reform and to implement Ch 1550/90 (AB 2910, Margolin), and three positions in the Claims Unit to process administrative foreclosures against illegally uninsured employers authorized by Ch

770/90 (SB 241, Bill Greene). (Please see our discussion of the Uninsured Employers Fund on page 1107).

Analysis. The department indicates that, because the study was not received until mid-December, they were unable to review and incorporate its recommendations in the Governor's Budget. The department has apprised the Legislature that they will present their proposed workload standards in March. Due to the degree of legislative interest in the DIR's staffing needs, we have reviewed the workload study authorized by the Legislature. The results of our review follow.

Workload Study is Reasonable. Our review of the workload study indicates that the results represent a reasonable indication of the staffing needs in the DWC. In determining the workload standards, the consulting firm interviewed panels of DWC officials representing each program area and observed staff conducting activities when possible. The resulting workload standards, then, represent reasonable amounts of time to perform activities under normal working conditions, rather than optimum working conditions.

The DWC Budget Requests 60 More Positions Than Recommended by the Workload Study. Table 4 below displays the total number of positions requested by the department for 1991-92, including proposed new positions, compared to the number of positions recommended by the workload study. The table shows that the workload study recommends a total of 1,194 positions in the DWC—37 more positions than authorized in the current year, but 60 positions *fewer* than requested in the budget year.

Table 4
Department of Industrial Relations
Comparison of Positions Requested for 1991-92
to Positions Recommended by DIR's Workload Study

	Currently Authorized Positions	*Budget Request Proposed New Positions*	*Total Requested Positions*	*Total Positions Recommended by Workload Study*	*Difference*
Division Administration [a]	4	—	4	7	3
Claims Adjudication	788	93	881	782	-99
Audit and Enforcement	62	1	63	68	5
Information and Assistance	56	—	56	70	14
Claims [b]	79	2	81	82	1
Disability Evaluation	67	—	67	78	11
Vocational Rehabilitation	74	—	74	84	10
Industrial Medical Council	28	—	28	24	-5
Totals	1,158	96	1,254	1,195	–60

SOURCE: Department of Industrial Relations; Ernst and Young, "Workload Standards for the Division of Workers' Compensation."

[a] The medical director and workers' compensation consultant positions, as well as one office assistant position were recommended by the workload study for development of the medical/legal fee schedule.

[b] This excludes two industrial relations counsel IIs and one senior legal typist proposed to implement Ch 770/90, because the workload study did not include the effect of Chapter 770 on workload in the Claims Unit.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Below we highlight the major differences between the staffing levels recommended by the workload study and those requested by the department.

- ***Claims Adjudication.*** Table 4 shows that the largest area of difference between the budget request and the workload study is in the Claims Adjudication Unit, where 99 fewer positions are recommended by the study. The workload study recommends substantial reductions in all position classifications in the Claim's Adjudication Unit, except for workers' compensation judges. The most notable area of difference is among the conference referees, a position newly created by Chapter 892. The department is requesting a total of 109 referees (80 currently authorized and 29 requested for the budget year), while the study concludes that only 45 are justified on a workload basis. The fact that the conference referee is a new position classification performing some new functions probably explains why the original staffing request is significantly different from that proposed in the study.
- ***Audit and Enforcement.*** The workload study recommends the addition of three auditors in the Audit and Enforcement Unit. In addition, the study indicates a need for two attorneys and one legal typist to provide legal support to process appeals of audits (which are currently being appealed at a 50 percent rate.) No legal support is currently authorized in this unit.
- ***Information and Assistance.*** The workload study found that the currently authorized information and assistance staff is unable to process a significant number of requests for information that they receive. The study shows a need for an additional five information and assistance officers and nine clerical positions, which will allow the unit to handle 20 percent more requests.
- ***Disability Evaluation.*** The workload study found a need for 13.5 positions on a one-year limited-term basis to process a backlog of informal evaluations and consultations in 1991-92. However, in subsequent fiscal years, the number of positions necessary to process normal workload would be 3.5 positions less than requested in the budget.

Recommendation. We recommend that the department submit to the Legislature, prior to budget hearings, a revised budget for the DWC which incorporates the staffing recommendations of the workload study. The department advises that it agrees with the vast majority of the recommendations of the study, but that there are a few areas of disagreement. Therefore, we recommend that, in the areas where the department's workload standards are different from those contained in the workload study, the department provide specific information, including workload data, to justify the departure from the staffing recommendation in the study.

Persistent Vacancies Will Slow Implementation of Reform

We recommend that the department report at the time of budget hearings on its plans for filling the remaining vacant positions in the DWC and the programmatic consequences of existing position vacancies.

Background. In our *Analysis of the 1990-91 Budget Bill,* we pointed out that the department was having a difficult time hiring the positions authorized by Chapter 892, and would likely have a difficult time filling the positions authorized in the Budget Act of 1990. This problem was made more acute by the existence of a number of vacancies in *pre-reform* authorized positions, both in the DWC and in Department Administration. In response, the Legislature enacted supplemental report language directing the department to submit monthly progress reports on its success in filling positions in the DWC according to its proposed hiring timeline.

Analysis. As of October 15, 1990 the department had been able to fill 80 percent of its authorized positions. Between October and January of 1991, the department filled another 57.5 positions. However, the overall vacancy rate over this period increased from 20 percent to 27 percent, largely because almost all of the 120 positions in the Conference Referee Unit and 32 positions in the Claims Unit, which were authorized as of January 1, 1991, were unfilled.

Though the department was faced with a substantial task in filling so many new positions and has made modest progress in filling them, we believe the current vacancy rate will likely slow the implementation of workers' compensation reform and, therefore, is a matter of concern for the Legislature. Even before the January 1991 positions were authorized, one in five positions authorized by the Legislature went unfilled. Moreover, the department's inability to meet its own proposed timeline for filling current-year positions indicates that the department may have difficulty in filling the remaining vacancies in a timely manner.

Persistent vacancy rates in certain units within the DWC threaten several important areas of reform implementation. Specifically:

- *Audit and Enforcement.* This unit conducts random and special audits of insurance companies, third party administrators, and self-insured employers to ensure that injured workers receive appropriate benefits promptly. As of January 1991, 48 percent of auditor positions were vacant, including all supervisor and senior auditor positions. Without its full complement of auditors, the department will not be able to conduct its estimated 400 audits annually (out of a total of 2,500 potential audit sites), thereby limiting its ability to protect injured workers from inadequate or late payment of benefits.
- *Claims.* The Claims Unit is responsible for investigating and adjusting claims against the Uninsured Employers' Fund (UEF) and recovering benefits, when possible, from illegally uninsured employers. Persistent vacancies in this unit reduce its ability to protect the

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

UEF and the General Fund from illegitimate or inflated claims, while also hampering its ability to recover benefits or penalties from illegally uninsured employers.

- ***Industrial Medical Council.*** The Margolin-Bill Greene Workers' Compensation Act included significant reforms intended to reduce the cost of medical evaluations and treatment in workers' compensation cases. The IMC was granted policy-making and rule-making authority with respect to the medical component of the DWC, including the recruitment and certification of Qualified Medical Evaluators and Independent Medical Evaluators. As of January 1, only the Executive Medical Director position was filled on a permanent basis (five clerical positions are filled on a temporary basis), thus slowing the implementation of legislative reforms.

Due to the possibility of continued high vacancy rates, and the programmatic consequences that accompany high numbers of unfilled positions, we recommend that the department report at the time of budget hearings on (1) its progress in filling positions that were vacant as of January 1, 1991, (2) its plan for filling any remaining vacant positions, and (3) a description of the programmatic consequences of these vacancies.

Reversion of Excess Salary Savings

We recommend that the Legislature add a Budget Bill item reverting $4.1 million appropriated for support of the DWC in the current year to the General Fund to reflect higher than anticipated vacancy rates in the DWC. (Add Item 8350-495.)

Due to the high current-year vacancy rate in the DWC, the department will be unable to spend the entire 1990-91 appropriation for the DWC. The actual amount of the 1990-91 appropriation that will go unspent depends on how quickly the department fills the remaining vacant positions. Based on a hiring plan developed by the department, the DIR estimates that $5.1 million ($4.1 million General Fund; $1 million employer assessments) appropriated by the Budget Act of 1990 will not be spent. This estimate is contingent upon the department filling over 60 percent of its current position vacancies by March 1. Given the difficulty the department has experienced in filling vacant positions in the past, this proposed timeline is unlikely to be met.

We therefore recommend that the Legislature adopt Budget Bill language reverting to the General Fund at least $4.1 million appropriated by the Budget Act of 1990 for support of the DWC. This amount represents the General Fund share of the unspent funds. Since employer assessments are continuously appropriated through the Workers' Compensation Administration Revolving Fund (WCARF), all unspent employer assessments (the estimated $1 million) will automatically be available for expenditure in the budget year, thus reducing the amount that the department must collect from employers in the budget year.

If the department is unable to adhere to its hiring plan, though, the amount of the reversion could be higher. By the time of budget hearings, the Legislature will have a better idea of the department's success in filling its remaining vacant positions. We will monitor the department's hiring and, if necessary, revise our recommendation prior to budget hearings. The following Budget Bill item would implement this recommendation:

Item 8350-495. Reversion, Department of Industrial Relations. On June 30, 1991, $4,100,000 of the funds appropriated in Item 8350-001-223 in the Budget Act of 1990 for support of the Division of Workers' Compensation shall revert to the General Fund to reflect savings associated with position vacancies.

Governor's Budget Significantly Over-Appropriates General Fund to the Uninsured Employers' Fund (UEF)

We recommend a reduction of $12.3 million (General Fund) to accurately reflect available resources and anticipated expenditures in the Uninsured Employers' Fund. (Reduce Item 8350-011-001 by $12.3 million.)

Background. The UEF pays workers' compensation benefits to injured workers' whose employers are illegally uninsured for workers' compensation liability. The UEF consists of (1) recoveries of these benefits from employers made by the DIR's Claims Unit, (2) penalties collected from illegally uninsured employers, and (3) an annual General Fund appropriation. The amount appropriated from the General Fund each year equals anticipated expenditures from the UEF, less anticipated recoveries and penalty revenue.

Proposal. The budget proposes expenditures of $23.2 million for 1991-92 ($22.5 million for payment of claims and $700,000 for partial support of the Claims Unit). In order to cover these expenditures, the budget assumes the collection of $2.4 million in recoveries and $400,000 in fines and penalties, appropriates $19.8 million from the General Fund, and proposes to spend $600,000 from the UEF reserve.

Our analysis indicates that, due to a variety of reasons, the budget request over-appropriates General Fund support to the UEF. Specifically, we find the following problems with the budget request:

- ***The Budget Underestimates the Beginning Balance in the UEF for 1991-92.*** Based on actual expenditures for July through December 1990, we estimate that current-year expenditures will not exceed $18.5 million, or $4.5 million less than the amount estimated in the Governor's Budget ($23.0 million). Moreover, based on recoveries and penalty revenue collected to date in the current year, we estimate that current-year collections will reach $4.5 million, or $1.7 million more than the amount estimated in the budget. In sum, the budget underestimates the size of the beginning budget-year reserve by $6.2 million, thereby over-appropriating General Fund support by this amount.
- ***The Budget Underestimates the Amount of Recovery and Penalty Revenues.*** The budget underestimates the amount of revenue that will be collected in 1991-92 for two reasons. First, the budget assumes that the DIR will collect the same amount of revenue in the budget

year as it did in the current year. However, as we point out above, the revenue estimate for the current year is $1.7 million too low. Therefore, the budget year estimate of revenues is *also* $1.7 million too low using the department's methodology.

Second, the budget fails to account for additional revenues that will be collected in the budget year as a result of Ch 770/90 (SB 241, Bill Greene). Chapter 770 authorizes the department to *administratively* foreclose (instead of foreclose through a judicial process) on the property of illegally uninsured employers, against whom workers' compensation judgments have been awarded. The DIR indicates that the administrative foreclosure process allows it to *immediately* foreclose on personal property, thereby resulting in the collection of an additional $1.7 million to $3 million annually. We estimate conservatively that administrative foreclosures will yield $1.7 million in the budget year.

In total, the budget underestimates budget-year revenue by a total of $3.4 million — $1.7 million from an underestimation of the baseline reserve discussed above and an additional $1.7 million from administrative foreclosures.

- ***The Budget Includes an Unnecessarily High Reserve.*** The budget proposes to maintain an ending budget-year reserve for economic uncertainties of $4.7 million. We see no fiscal or programmatic reason to maintain a reserve that represents 21 percent of the expenditures from that fund for the payment of claims. In fact, before the current year, the reserve in this fund never exceeded $1 million.

  Given that expenditures from this fund have tended to be unpredictable in the past, we do believe that a prudent reserve for economic uncertainties is necessary. We believe, however, that a prudent reserve in this fund would be $2 million (9 percent of estimated expenditures for payment of claims), or $2.7 million less than proposed in the budget.

Recommendation. Our analysis indicates that, for the current year and the budget year, the budget has underestimated revenues and overestimated expenditures from the UEF, thereby overestimating General Fund needs for 1991-92. In sum, the budget (1) underestimates the budget-year beginning reserve by $6.2 million, (2) underestimates budget-year revenues by $3.4 million, and (3) provides for an ending reserve that is $2.7 million higher than is necessary or prudent. We therefore recommend a reduction of $12.3 million from the General Fund to more accurately reflect available resources and anticipated expenditures from the UEF.

DIVISION OF OCCUPATIONAL SAFETY AND HEALTH

Increased General Fund Support for Pressure Vessels Unit

We recommend that the department report during budget hearings on why collections of fee revenue in the Pressure Vessel Account (PVA) have fallen short of expectations.

Background. The Pressure Vessel Unit (PVU), within the DOSH, is responsible for regulating the safe construction and operation of pressurized boilers and tanks (pressure vessels). Specifically, the PVU: (1) inspects boilers annually and inspects tanks every five years, (2) issues permits, (3) conducts voluntary consultation inspections at the request of pressure vessel operators, (4) promulgates and updates pressure vessel safety orders, and (5) conducts accident investigations and miscellaneous complaint investigations.

The PVU is funded from fees assessed on pressure vessel operators and an annual General Fund appropriation. State law authorizes the PVU to charge fees to pressure vessel operators for shop, field, and resale inspections. In addition, the PVU is authorized to charge fees for issuing permits, as well as for consultation visits, surveys, audits, and other activities that the PVU may conduct. State law specifies that fees may be charged for all costs associated with these activities, including administrative costs, such as travel time. These fees are deposited into the Pressure Vessel Account (PVA). The current fees are $15 per permit and $85 per hour of inspection.

The budget proposes total expenditures of $4.6 million ($1.3 million General Fund and $3.3 million in fee revenues from the PVA) for support of the PVU in 1991-92.

Analysis. Since 1985-86, General Fund support for this program has increased substantially. Table 5 displays the General Fund and PVA expenditures over the past six years. The table shows that General Fund expenditures have increased from 11 percent of total expenditures in 1985-86 to an estimated 48 percent of total expenditures in 1990-91.

Table 5
Department of Industrial Relations
General Fund Support for Pressure Vessels Program
1985-86 through 1991-92
(dollars in thousands)

	General Fund	*PVA*	*Total*	*General Fund As Percent of Total*
1985-86	$348	$2,802	$3,150	11%
1986-87	858	2,671	3,529	24
1987-88	2,327	2,079	4,406	53
1988-89	1,896	2,378	4,274	44
1989-90 [a]	2,036	2,231	4,267	48
1990-91 [b]	2,070	2,200	4,270	48
1991-92 (proposed)	1,250	3,335	4,585	27

[a] Includes $1.1 million General Fund budget augmentation due to a shortfall in revenues in the PVA.
[b] PVA revenue estimate based on actual revenue collected in the PVA through January 15, 1991. The General Fund amount assumes a $1.1 million augmentation due to a shortfall in expected revenues in the PVA.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

The table also shows that the actual amount of revenue collected in 1989-90 was $1.1 million less than expected, necessitating a General Fund augmentation of that amount. We also estimate that, in the current year, the department will again collect $1.1 million less than the amount appropriated from the PVA in the Budget Act of 1990, despite a 13 percent increase in the level of fees charged. This shortfall in revenue will require another General Fund augmentation to support the program in the current year (either through a deficiency appropriation or through redirection of other departmental resources).

The significant increase in the General Fund support for the PVU and the revenue shortfall in the past two years raises questions regarding the accuracy of the budget-year estimate of revenues and the adequacy of the PVU's fee collection efforts.

Fee Revenues May be Overestimated. Since 1987-88, the General Fund has provided between 44 percent and 53 percent of the support for the PVU. As Table 5 shows, the budget assumes that the department will collect $3.3 million in fees in 1991-92, bringing the budgeted General Fund contribution to 27 percent. Given the funding history for this program, we question whether the proposed level of fee revenue is realistic.

Why Are Fee Collections Falling Short of Expectations? According to the department, it expects to collect approximately $3.3 million in fee revenue in 1991-92 from inspections and permits. As we point out above, however, actual collections have been significantly lower than that and are expected to remain lower in the current year. The department cites the following as possible causes of the persistent shortfall in fee collections:

- ***Cal-OSHA Disengagement.*** The department indicates that the disengagement of Cal-OSHA in 1987-88 (subsequently reestablished in January 1990) caused a significant decrease in collections, because inspectors hired upon reengagement required significant amounts of training before they could become productive. However, the amount of revenue collected has not fluctuated very significantly over the entire four-year period from 1987-88 to 1990-91, which includes the periods of disengagement and full reengagement. Therefore, while it may have been a problem in the past, we think it is doubtful that the disengagement of Cal-OSHA accounts for a significant *ongoing* cause of the revenue problem.
- ***Fees Were Too Low.*** The department also points out that they have recently raised the level of fees from $75 per inspection hour to $85 per inspection hour, which should allow them to collect about $3.3 million in fees. However, the higher fees have been in effect for

most of the current year, yet estimated collections will still fall $1.1 million short of expectations. Moreover, even at the lower rate, the department's own methodology assumes they should have collected $3.1 million in 1989-90, versus the $2.2 million that they actually collected. Thus, it does not appear that the higher fees will significantly increase collections.

- *Vacant Safety Engineer Positions.* The department indicates that eight of their authorized 39 safety engineer positions are vacant (21 percent), thus limiting their overall collection ability. While the existence of vacant inspector positions would indeed limit the *total* amount of revenue collected, it should also reduce the PVU's total expenditures (through higher salary savings). Therefore, position vacancies should have no effect on the amount of General Fund expenditures *as a percentage of total expenditures.* Vacancies in the PVU are of concern because they have prevented the PVU from conducting all their inspections within statutorily mandated timeframes. However, they are not a significant cause of the growing *proportion* of support for the PVU that is being borne by the General Fund.
- *Other Possible Factors.* The decrease in revenues could also be because inspectors are not charging operators for the full amount of inspection time or the PVU is not collecting the full amount of fees that are assessed.

Summary and Recommendation. Over the past six years, General Fund support for the PVU has increased substantially. We estimate that collections will once again fall short of expectations by $1.1 million in the current year. Given the funding history of this program, our analysis indicates that proposed fee revenue in the budget year is likely overestimated, potentially necessitating another General Fund augmentation.

Because of persistent shortfalls in PVA revenue which result in General Fund augmentations, we recommend that the department report at the time of budget hearings as to the why fee collections in the PVA have continually fallen short of expectations.

Department Should Charge Fees For All Private-Sector Pressure Vessel Activities

We recommend a General Fund reduction of $550,000 and an augmentation of $550,000 from the PVA because the department should charge the private sector beneficiaries of PVU activities for the full cost of these services. We also recommend that the department submit, prior to budget hearings, a revised budget for the PVU which limits General Fund support to inspection activities related to the operation of pressure vessels by public sector entities. (Reduce Item 8350-001-001 by $550,000 and increase Item 8350-001-453 by $550,000).

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

As Table 5 indicates, even if the department is able to collect all the fees proposed in the budget year, the General Fund will still be supporting 27 percent of this program. The question remains as to what proportion of the total costs of this program *should* be borne by the General Fund. Based on the department's current fee-charging authorization and the funding of similar public safety programs, we believe that the department should assess fees for all private-sector inspection activities related to the operation of pressure vessels.

Department Chooses Not to Charge Fees for All Authorized Activities. State law authorizes the department to fix and collect fees from the private sector for most of its authorized activities (for example, inspection, inspection-related, and permitting activities). State law prohibits any state agency from charging inspection fees to other governmental entities.

The department has *chosen* not to charge fees for certain activities for which it is currently authorized to do so. Specifically, the department does not charge for time spent travelling to and from field inspections (which comprise the vast majority of inspections conducted) and for reinspections when there is no violation found upon reinspection.

Department Should Charge Fees for All Private-Sector Activities. We believe that the department should charge fees for all activities for which it is currently authorized to do so. We find no valid reason for exempting from fees (1) travel time on field inspections and (2) reinspections when no violation is found upon reinspection. Charging fees is appropriate because the principal beneficiaries of PVU activities — pressure vessel operators — should pay the cost of those services. Indeed, the Legislature has acknowledged this by authorizing the department to charge fees for all of its activities related to private-sector pressure vessels. If the department charged for the full cost of activities related to private sector inspections, the General Fund would realize annual savings of about $550,000.

Additionally, this funding mechanism would be consistent with the funding of several fee-supported programs within the DIR, where the department charges fees for the full cost of regulating private-sector entities, while the General Fund supports regulatory activities related to public-sector entities. For example, in the Elevator Unit within the DOSH, fees are charged to cover the cost of inspecting elevators in the private sector, while the General Fund supports the cost of inspecting all state and local government-operated elevators. A similar funding arrangement exists in the regulation of employers who self-insure for workers' compensation indemnity.

Recommendation. To be consistent with other similar public safety programs within DIR, we recommend that the department assess fees for *all* activities related to the operation and construction of pressure vessels in the private-sector. Accordingly, we recommend a General Fund reduction of $550,000 to reflect the additional fee revenue.

Because the program budgets in the DIR are not consistent with program needs (please see our discussion of this issue on page 1099), the department will need to redetermine the total amount of General Fund and fee support required for this program in 1991-92. Based on this redetermination, the amount of General Fund savings may change, and we will revise our recommendation as appropriate. We, therefore, further recommend that the department submit, prior to budget hearings, a revised budget for the PVU which limits General Fund support to the cost of activities related to the operation of pressure vessels in the public sector.

DEPARTMENT OF PERSONNEL ADMINISTRATION

Item 8380 from the General Fund and various funds — Budget p. GG 53

Requested 1991-92	$13,437,000
Estimated 1990-91	13,294,000
Actual 1989-90	12,730,000
Requested increase $143,000 (+1.1 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8380-001-001—Department support	General	$8,282,000
8380-001-821—Support	Flexelect Benefit	647,000
8380-001-915—For support of the deferred compensation plan	Deferred Compensation Plan	1,302,000
Government Code 19822.5—For support of the child care program	Child Care	—
Reimbursements	—	3,206,000
Total		$13,437,000

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.

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

The DPA has 175.7 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of $13.4 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 1991-92. This is $143,000, or 1.1 percent, above estimated expenditures for the current year. This increase includes $349,000 and 3.8 personnel-years to provide administrative support and enhance the Benefits Communications program.

The budget proposes General Fund expenditures of $8.3 million, which is a net decrease of $120,000, or 1.4, percent below estimated 1990-91 levels. The net General Fund decrease is due to the transfer of funding for the California Citizens Compensation Commission to a separate line item ($102,000) and an unallocated trigger-related reduction ($175,000) offset in part by increases in personal services costs ($157,000). The unallocated trigger-related reduction is included in the proposed budget for the department in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

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
1989-90 through 1991-92
(dollars in thousands)

	Personnel-Years			*Expenditures*			
Program	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Percent Change From 1990-91*
Labor Relations	15.3	17.3	17.0	$1,661	$1,671	$1,702	1.9%
Legal	10.0	9.1	9.0	1,013	1,081	1,102	1.9
Personnel services	107.2	105.4	104.3	9,757	10,250	10,808	5.4
Administration	43.7	43.9	46.0	3,008	3,275	3,493	6.7
Administration (distributed)	(43.7)	(43.9)	(46.0)	(3,008)	(3,173)	(3,493)	5.4
Child care	—	—	—	299	190	—	—
Unallocated trigger-related reduction				—	—	−175	—
Totals	176.2	175.7	176.3	$12,730	$13,294	$13,437	1.1%
Funding Sources							
General Fund				*$7,663*	*$8,402*	*$8,282*	*−1.4%*
Reimbursements				*3,304*	*2,833*	*3,206*	*13.2*
Deferred Compensation Plan Fund				*1,116*	*1,250*	*1,302*	*4.2*
Child Care Fund				*299*	*190*	—	—
Flexelect Benefit Fund				*308*	*619*	*647*	*4.5*
State Employee Dependent Care Assistance and Health Care Assistance Fund				*40*	—	—	—

Table 2
Department of Personnel Administration
Proposed 1991-92 Budget Changes
(dollars in thousands)

	General Fund	*Deferred Compensation*	*Child Care*	*Flex-elect Benefit*	*Reimbursements*	*Totals*
1990-91 Expenditures (Revised)	$8,402	$1,250	$190	$619	$2,833	$13,294
Baseline Adjustments						
Adjustments in pro rata assessment	—	37	—	3	—	40
Employee compensation	157	15	—	10	39	221
Unallocated trigger-related reduction	–175	—	—	—	—	–175
Subtotals, baseline adjustments	(–$18)	($52)	(—)	($13)	($39)	($86)
Workload Changes						
Benefits administration	—	—	—	$15	$289	$304
Training and development	—	—	—	—	45	45
Pay commission	–$102	—	—	—	—	–102
Child care program (decrease in grants and loans)	—	—	–$190	—	—	–190
Subtotals, workload changes	(–$102)	(—)	(–$190)	($15)	($334)	($57)
1991-92 Expenditures (Proposed)	$8,282	$1,302	—	$647	$3,206	$13,437
Change From 1990-91:						
Amount	–$120	$52	–$190	$28	$373	$143
Percent	–1.4%	4.2%	–100.0%	4.5%	13.2%	1.1%

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

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

CALIFORNIA CITIZENS COMPENSATION COMMISSION

Item 8385 from the General Fund — Budget p. GG 60

Requested 1991-92	$98,000
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The California Citizens Compensation Commission was created in the Constitution by Proposition 112, which was approved by the voters in the June 1990 election. The commission, which is composed of seven members appointed by the Governor, is charged with the exclusive authority to set the annual salaries and benefits of Members of the Legislature, the Governor, Lieutenant Governor, Attorney General, Controller, Insurance Commissioner, Secretary of State, Superintendent of Public Instruction, Treasurer, and the members of the Board of Equalization.

CALIFORNIA CITIZENS COMPENSATION COMMISSION—Continued

In the current year, the commission established the salaries and benefits which will be in effect through December 1991. The commission may adjust the salaries and benefits on an annual basis thereafter.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of $98,000 from the General Fund for 1991-92 for the support of the commission. This amount is composed primarily of per diem and travel costs for the seven commission members. There are no positions proposed for the commission because support services will be provided by the Department of Personnel Administration. The requested amount includes an unallocated trigger-related reduction of $4,000 in funding for the commission, which is in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

Item 8450 from the General Fund — Budget p. GG 61

Requested 1991-92	$5,720,000
Estimated 1990-91	5,720,000
Actual 1989-90	5,650,000
Requested increase: None	
Total recommended reduction	None

1991-92 FUNDING BY ITEM AND SOURCE

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

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 1991-92. 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 1991-92, $4.6 million 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).

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.

WORKERS' COMPENSATION BENEFITS FOR DISASTER SERVICE WORKERS

Item 8460 from the General Fund — Budget p. GG 62

Requested 1991-92	$663,000
Estimated 1990-91	663,000
Actual 1989-90	526,000
Requested increase: None	
Total recommended reduction	None

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.

WORKERS' COMPENSATION BENEFITS FOR DISASTER SERVICE WORKERS—Continued

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes $663,000 to support the Disaster Service Workers' benefit program in 1991-92. Of this amount, approximately $580,000 is proposed for 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.

Based on the first six months of expenditure data, our review indicates that the proposed expenditures are reasonable. However, because Chapter 893, Statutes of 1989 (SB 47, Lockyer), increased certain workers' compensation benefit payments, it is possible that current-year and budget-year expenditures may exceed the estimated amount. The SCIF indicates that it cannot estimate the effect of Chapter 893 on this budget item. Consequently, we will review updated expenditure estimates for the current year as they become available and advise the Legislature of any necessary changes.

BOARD OF CHIROPRACTIC EXAMINERS

Item 8500 from the State Board of Chiropractic Examiners Fund — Budget p. GG 63

Requested 1991-92	$1,374,000
Estimated 1990-91	1,261,000
Actual 1989-90	1,295,000
Requested increase $113,000 (+9 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8500-001-152—Support	State Board of Chiropractic Examiners	$1,344,000
Reimbursements	—	30,000
Total		$1,374,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS	*Analysis page*
1. Higher License Fees. Recommend adoption of Budget Bill language prohibiting the board from spending at a rate that will result in a deficit unless regulations are adopted to increase revenues.	1119

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.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of $1.4 million to support the board's activities in 1991-92. This is $113,000, or 9 percent, above estimated expenditures in 1990-91. The increase reflects (1) an increase of $63,000 in personal services including funding for an additional 1.5 personnel-years of clerical support, (2) an increase of $95,000 in various operating expenses such as examination contract costs and publication of a directory of licensees, (3) a decrease of $168,000 for legal costs incurred in the litigation relating to the scope of chiropractic practice, and (4) an increase of $123,000 for central administrative pro rata.

ANALYSIS AND RECOMMENDATIONS

Higher Fees Needed to Avoid a Deficit

We recommend that the Legislature adopt Budget Bill language prohibiting the board to spend at a rate that will result in a deficit unless regulations are adopted to increase the board's fee revenues.

The board's operating expenses are supported by revenues generated from license fees. The Governor's Budget projects that the Board of Chiropractic Examiners Fund will have a reserve of $56,000 on June 30, 1992. The projection assumes that the board will adopt regulations to increase license fees in 1991-92.

Our analysis indicates that without a fee increase, resources to the Board of Chiropractic Examiners Fund will fall short of proposed expenditures by about $200,000. In order to avoid a fund deficit, we believe that until regulations to raise license fees are adopted it is prudent that expenditures by the board not be at a rate that would exceed resources. In order to ensure that this occurs, we recommend that the Legislature adopt the following Budget Bill language:

> During the 1991-92 fiscal year, the board shall not expend at a rate which will result in a deficit in the Board of Chiropractic Examiners Fund unless and until regulations for additional revenues to the fund are enacted to avoid a deficit.

BOARD OF OSTEOPATHIC EXAMINERS

Item 8510 from the Board of
Osteopathic Examiners
Contingent Fund — Budget p. GG 65

Requested 1991-92	$416,000
Estimated 1990-91	413,000
Actual 1989-90	432,000
Requested increase $3,000 (+1 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8510-001-264—Support	Board of Osteopathic Examiners Contingent	$405,000
Reimbursements	—	11,000
Total		$416,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. Excessive Fund Reserve. Recommend that by April 1, 1991, the Board of Osteopathic Examiners report to the Legislature on the board's plans for reducing the reserve in its fund to a more reasonable level. 1120

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.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of $416,000 to support the board's activities in 1991-92. This is an increase of $3,000, or 1 percent, above estimated current-year expenditures. The increase is the result of (1) a $5,000 increase to cover salary increases and (2) a $2,000 decrease in operating expenses.

ANALYSIS AND RECOMMENDATIONS

Excessive Fund Reserve

We recommend that the Board of Osteopathic Examiners report to the fiscal committees by April 1, 1991 on its plan for reducing its fund reserve to a more reasonable level.

The board's expenditures are covered by the Board of Osteopathic Examiners Contingent Fund which is supported by revenue from licensing fees. Generally, a fund reserve is maintained to cover various contingencies and annual cost and salary increases. As a rule of thumb, we have found that agencies with annual expenditures of less than $1 million should maintain a reserve equal to no more than one year of operating expenses.

Our analysis indicates that the board is projected to have a fund reserve on June 30, 1992 that would exceed two years of the board's projected expenditures. Based on past expenditure and revenue trends, we anticipate that the reserve will continue to grow at about 13 percent annually beyond 1991-92. At the time this analysis was written, the board did not have a proposal to reduce the reserve. To keep the Legislature informed, we recommend that the board report to the fiscal committees by April 1, 1991 on its plan for reducing the reserve in its fund to a more reasonable level. The plan also should examine the impact of the board's proposal on the future condition of the fund.

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

Item 8530 from the Board of Pilot Commissioners' Special Fund — Budget p. GG 66

Requested 1991-92	$1,512,000
Estimated 1990-91	1,134,000
Actual 1989-90	578,000
Requested increase $378,000 (+33 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 trains, 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. Additionally, a special surcharge on ship movements provides funds for pilot training. The board has one and one-half personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes total expenditures of $1.5 million for support of the board in 1991-92. This is $378,000 (33 percent) above estimated current-year expenditures. The increase results primarily from implementation of legislation that became effective January 1, 1991. First, the budget requests an increase of $55,000 for the full-year funding of an executive director position established by Ch 1422/90 (AB 4230, Burton). Second, the budget proposes an increase of $330,000 for the full-year funding of a training program for currently licensed pilots set up by Ch 468/90 (AB 528, Isenberg). In addition, the budget proposes to reduce various activities by $7,000.

CALIFORNIA AUCTIONEER COMMISSION

Item 8540 from the Auctioneer Commission Fund — Budget p. GG 67

Requested 1991-92	$277,000
Estimated 1990-91	274,000
Actual 1989-90	255,000
Requested increase $3,000 (+1 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 $277,000 from the Auctioneer Commission Fund for support of the commission in 1991-92. This is an increase of $3,000, or 1 percent, above estimated current-year expenditures. The increase will cover higher staff salaries.

CALIFORNIA HORSE RACING BOARD

Item 8550 from the Fair and Exposition Fund and the Racetrack Security Account — Budget p. GG 69

Requested 1991-92	$8,778,000
Estimated 1990-91	8,493,000
Actual 1989-90	7,411,000
Requested increase $285,000 (+3.4 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8550-001-191—Support	Fair and Exposition	$8,468,000
8550-001-942—Support	Special Deposit, Racetrack Security Account	310,000
8550-011-942—For transfer to General Fund	Special Deposit, Racetrack Security Account	(1,900,000)
Total		$8,778,000

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.

Chapter 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 66.1 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes total expenditures of $8.8 million from the Fair and Exposition Fund and the Racetrack Security Account to support the California Horse Racing Board in 1991-92. This is an increase of $285,000, or 3.4 percent, above estimated current-year expenditures. This increase reflects: (1) $131,000 for workload increases; and (2) $154,000 for increases in salaries, benefits, and pro rata. Table 1 displays the board's personnel-years and funding levels for the past, current, and budget years.

Table 1
California Horse Racing Board
Budget Summary
1989-90 through 1991-92
(dollars in thousands)

	Personnel-Years			*Expenditures*			
Program	*Actual 1989-90*	*Est. 1990-91*	*Proposed 1991-92*	*Actual 1989-90*	*Est. 1990-91*	*Proposed 1991-92*	*Percent Change From 1990-91*
Licensing	12.0	11.0	11.0	$1,168	$1,329	$1,338	0.7%
Enforcement	20.0	31.1	31.1	5,113	5,865	6,091	3.9
Administration	22.3	24.0	24.0	1,130	1,299	1,349	3.8
Totals, Program Costs	54.3	66.0	66.1	$7,411	$8,493	$8,778	3.4%
Funding Sources							
Fair and Exposition Fund				*$7,101*	*$8,183*	*$8,468*	*3.5%*
Racetrack Security Account, Special Deposit Fund				*310*	*310*	*310*	—

The budget proposes the following program changes: (1) $55,000 and 0.9 personnel-years to implement the provisions of Ch 1258/90 (AB 170, Floyd); (2) an increase of $111,000 and 1.9 personnel-years for increased regulation workload; and (3) an increase of $33,000 and 0.9 personnel-years for increased personnel workload, offset by a corresponding reduction in temporary help.

CALIFORNIA HORSE RACING BOARD—Continued

Our analysis indicates that the funding adjustments proposed in the board's budget are reasonable, and accordingly, we recommend approval.

CALIFORNIA EXPOSITION AND STATE FAIR

Item 8560 from the California Exposition and State Fair Enterprise Fund and other funds — Budget p. GG 72

Requested 1991-92	$16,182,000
Estimated 1990-91	16,402,000
Actual 1989-90	15,001,000
Requested decrease $220,000 (−1.3 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8560-001-510—Support	California Exposition and State Fair Enterprise	$14,962,000
8560-011-466—Support	State Fair Police Special Account	50,000
Business and Professions Code Sec. 19622(a)—Annual subsidy	Fair and Exposition	265,000
Reimbursements	—	905,000
Total		$16,182,000

GENERAL PROGRAM STATEMENT

The California Exposition and State Fair (Cal Expo) manages the state fair in Sacramento each summer and provides a site for various events during the remainder of the year. Cal Expo is governed by an 11-member board of directors who are appointed to four-year terms. The Governor appoints nine of the directors and the Speaker of the Assembly and the Senate Committee on Rules each appoints one director.

In the current year, Cal Expo has 243.9 personnel-years.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes total expenditures of $16.2 million for support of Cal Expo in 1991-92. This represents a decrease of $220,000, or 1.3 percent, from estimated current-year expenditures. The decrease is primarily the net effect of:

- An increase of $178,000 and 6.6 personnel-years for state fair workload and to manage year-round events.

- A decrease of $1 million due to transferring horse racing purses to a trust account.
- A decrease of $482,000 for maintenance due to transfer of funding for major and minor improvements to Cal Expo's capital outlay budget.
- An increase of $785,000 for Cal Expo's portion of the cost for a new satellite wagering facility.

Of the total proposed expenditures, the budget requests $15 million, or 93 percent, from operating revenues generated by Cal Expo, which are deposited in the California Exposition and State Fair Enterprise Fund (Enterprise Fund). The budget proposes to finance the balance of $1.2 million in requested expenditures with $905,000 from reimbursements, $265,000 from the Fair and Exposition Fund, and $50,000 from the State Fair Police Special Account.

Table 1 summarizes the expenditures and sources of funds for Cal Expo from 1989-90 through 1991-92.

Table 1
California Exposition and State Fair
Budget Summary
1989-90 through 1991-92
(dollars in thousands)

	Actual 1989-90	*Est. 1990-91*	*Prop. 1991-92*	*Percent Change From 1990-91*
Operating expenditures	$15,001	$16,402	$16,182	−1.3%
Personnel-years	229.0	243.9	250.5	2.7
Funding Sources:				
California Exposition and State Fair Enterprise Fund	*$13,996*	*$15,217*	*$14,962*	*−1.7*
Fair and Exposition Fund	*265*	*265*	*265*	—
State Fair Police Account	*20*	*20*	*50*	*150.0*
Reimbursements	*−720*	*−900*	*−905*	*0.6*

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. The proposed reserve of $6.2 million in the Cal Expo Enterprise Fund should be more than adequate to cover any deficit in the event that revenue in 1991-92 is less than anticipated.

Capital Outlay

The Governor's Budget proposes an appropriation of $2,185,000 in Item 8560-301-510 for capital outlay expenditures at Cal Expo. Please see our analysis of that item in the capital outlay section of this *Analysis* which is in the back portion of this document.

DEPARTMENT OF FOOD AND AGRICULTURE

Item 8570 from the General Fund and various funds — Budget p. GG 76

Requested 1991-92	$225,311,000
Estimated 1990-91	233,053,000
Actual 1989-90	214,038,000
Requested decrease $7,742,000 (−3.3 percent)	
Total recommended General Fund reduction	16,119,000
Recommended transfer to the General Fund	2,457,000

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8570-001-001—Support	General	$71,498,000
8570-001-036—Support	Special Account for Capital Outlay	878,000
8570-001-111—Support	Agriculture	27,943,000
8570-001-147—Export promotion	Unitary	1,000,000
8570-001-191—Support	Fair and Exposition	1,356,000
8570-001-224—Support	Food Safety Account, Agriculture	1,715,000
8570-001-516—Support	Harbors and Watercraft Revolving	283,000
8570-001-601—Support	Agriculture Building	4,086,000
8570-001-890—Support	Federal Trust	1,761,000
8570-011-112—Support	Agricultural Pest Control Research Account, Agriculture	406,000
8570-011-191—Transfer to General Fund	Fair and Exposition	(246,000)
8570-012-192—Support	Satellite Wagering Account, Fair and Exposition	309,000
8570-015-192—Transfer to General Fund	Satellite Wagering Account, Fair and Exposition	(5,000,000)
Food and Agriculture Code (FAC) Sections 221 and 226—Support	Agriculture	48,009,000
FAC Section 625—Loan interest expense	Agriculture Building	155,000
FAC Section 58582—Export promotion	California Agricultural Export Promotion Account, Agriculture	15,000
Loan repayments from local agencies	Agricultural Pest Control Research Account, Agriculture	−33,000
Reimbursements	—	2,960,000
Subtotal, support		($162,341,000)
8570-101-001—Subventions for pest control and pesticide regulation	General	$10,620,000
8570-101-111—County assistance	Agriculture	34,000
8570-111-001—Salaries of county agricultural commissioners	General	368,000

FAC Section 12844—Pesticide regulation	Agriculture	6,094,000
FAC Section 12539—County sealers	Agriculture	45,000
FAC Section 224—General agricultural assistance	Agriculture	14,204,000
Subtotal, county assistance		($31,365,000)
8570-101-191—Unemployment benefits and health and safety improvements for local fairs	Fair and Exposition	$950,000
FAC Section 19606.1(a)—Satellite wagering facilities and health and safety repairs for local fairs	Satellite Wagering Account, Fair and Exposition	11,548,000
FAC Section 19606.3 and 19605.9—Horse racing purses	Satellite Wagering Account, Fair and Exposition	1,866,000
FAC Sections 19622-19627.3—Local fairs assistance	Fair and Exposition	17,241,000
Subtotal, local fairs		($31,605,000)
Total		$225,311,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. ***Pesticide Mill Tax. Reduce Item 8570-001-001 by $16.1 Million and Increase Item 8570-001-111 by the Same Amount.*** Recommend enactment of legislation requiring mill taxes to be adjusted annually to cover the cost of the department's pesticide regulatory program, thereby freeing up $16.1 million for other legislative priorities. 1130
2. ***Motor Vehicle Fuel Account Transfer for Local Assistance to Counties. Increase General Fund Transfers by $2.5 Million.*** Recommend enactment of legislation requiring transfer of $2.5 million from the Motor Vehicle Fuel Account to the General Fund, instead of to the Agriculture Fund, because additional funding for counties is not justified. 1133
3. Transfer from the Satellite Wagering Account to the General Fund. Recommend adoption of Budget Bill language clarifying that the proposed transfer of $5 million is in lieu of the transfer otherwise required under current law. 1134
4. Spending Plan for the Organic Foods Act of 1990. Recommend the department report to the Legislature on its spending plan for implementing Ch 1262/90 (AB 2012, Farr). Further recommend that the Legislature appropriate necessary funding for this purpose in the Budget Bill. 1135

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.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

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 farm workers.
- Forecasting harvests.
- Supervising and funding local fairs.
- Enforcing quality, quantity, and safety standards for agricultural commodities and petroleum products.
- Administering marketing orders.
- Enforcing weights and measures laws.

The department supervises the county agricultural commissioners and county sealers of weights and measures. The department has 2,219 personnel-years in the current year.

MAJOR ISSUES

☑ By raising the mill tax on the sale of pesticides, the Legislature could eliminate $16.1 million in General Fund support for the pesticide regulatory program.

☑ Funding for local assistance should be reduced by $2.5 million because the need for the funds has not been justified.

OVERVIEW OF THE BUDGET REQUEST

The budget requests $225.3 million (excluding marketing order expenditures) from the General Fund, various other state funds, federal funds, and reimbursements for support of the DFA and for local assistance in 1991-92. This is a decrease of $7.7 million, or 3.3 percent, from estimated current-year expenditures. The 1991-92 budget proposes total General Fund appropriations of $82.5 million, which is a net decrease of $5.9 million, or 6.7 percent, from estimated current-year General Fund expenditures. Table 1 shows the department's expenditures and staffing levels by program, and funding sources for the past, current, and budget years.

A direct comparison of proposed expenditures with those estimated for the current year is misleading because current-year expenditures include a $6 million General Fund deficiency for Mediterranean Fruit Fly (Medfly) eradication activities in the state. The budget does not provide

Table 1
Department of Food and Agriculture
Budget Summary
1989-90 through 1991-92
(dollars in thousands)

	Personnel-Years			Expenditures			Percent Change
Program	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*From 1990-91*
Pesticide regulation	336.2	341.0	356.1	$36,996	$41,230	$44,165	7.1%
Agricultural plant pest and disease prevention	749.6	750.6	650.7	67,758	55,600	54,151	−2.6
Animal pest and disease prevention and inspection	240.6	235.8	235.3	23,488	24,531	25,065	2.2
Agricultural marketing services	210.6	226.6	225.8	13,220	14,557	14,963	2.8
Food and agricultural standards and inspection	347.6	374.8	374.8	21,447	24,535	24,526	—
Measurement standards	84.2	78.0	78.0	6,447	7,360	7,543	2.5
Financial and administrative assistance to local fairs	29.3	26.2	25.2	33,125	46,316	33,842	−26.9
Administration	168.0	176.5	178.0	11,274	12,506	12,549	0.3
Amount distributed to other programs	(151.5)	(158.8)	(158.2)	(10,165)	(11,217)	(11,163)	(−0.5)
General agricultural activities and emergency funding	15.7	9.8	9.8	10,448	17,635	21,034	19.3
Unallocated reduction	—	—	—	—	—	−1,364	—[a]
Totals	2,181.8	2,219.3	2,133.7	$214,038	$233,053	$225,311	−3.3%
Funding Sources							
General Fund				*$104,206*	*$88,429*	*$82,486*	*−6.7%*
Agriculture Fund				*65,592*	*88,297*	*96,329*	*9.1*
Fair and Exposition Fund				*20,158*	*23,368*	*19,547*	*−16.4*
Satellite Wagering Account				*12,496*	*22,342*	*13,723*	*−38.6*
Agriculture Building Fund				*758*	*1,440*	*4,241*	*194.5*
Agricultural Pest Control Research Account				*299*	*372*	*373*	*0.3*
California Agricultural Export Promotion Account				*7*	*15*	*15*	—
Special Account For Capital Outlay				—	*825*	*878*	*6.4*
Unitary Fund				—	*1,000*	*1,000*	—
Food Safety Account				*153*	*1,697*	*1,715*	*1.1*
Harbors and Watercraft Revolving Fund				—	*303*	*283*	*−6.6*
Federal Trust Fund				*8,424*	*2,231*	*1,761*	*−21.1*
Reimbursements				*1,945*	*2,734*	*2,960*	*8.3*

[a] Not a meaningful figure.

for eradication costs in 1991-92. If the eradication costs are excluded from 1990-91 spending, the department's General Fund expenditures would increase by $78,000, or 0.1 percent, and expenditures from all funds would decrease by $1.7 million, or 0.8 percent. This net decrease in expenditures from all funds is primarily due to:

- An unallocated trigger-related reduction of $1.4 million. This reduction is included in the proposed budget for the department in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).
- $2.2 million to fund the full-year cost of 1990-91 employee compensation increases.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Legislature Restructures Program Funding for 1990-91 and 1991-92. In 1979-80, the first year the pesticide regulatory program was separately identified in the budget, the proportion of costs funded from the General Fund was 27 percent. Due to establishment of additional programs, primarily in response to the California Environmental Quality Act and various budgetary actions by the Legislature, by 1989-90 the proportion of program costs funded by the General Fund had increased to 63 percent.

In 1990, the Legislature enacted Ch 1679/90 (AB 2419, O'Connell) to reduce the level of General Fund support in 1990-91 and 1991-92 to its historical level. This measure increased the mill tax rate from $0.009 per dollar of pesticide sales to $0.018 per dollar of sales in order to generate an additional $9 million in revenues to the Agriculture Fund in each of the two fiscal years affected by the measure, allowing reductions in General Fund support of the same amount.

General Fund Support Proposed at $16.1 Million in 1991-92. Table 3 shows that, as a result of enactment of Chapter 1679, General Fund support for the pesticide regulatory program has declined from 63 percent of program costs in 1989-90 to 37 percent in 1991-92, while Agriculture Fund support has increased from 34 percent to 60 percent. (The remaining funding is from federal funds and reimbursements.) The amount of General Fund support remaining for the program is $16.1 million.

Table 3
Department of Food and Agriculture
Pesticide Regulatory Program
Funding Sources
1989-90 through 1991-92

	Actual 1989-90		*Estimated 1990-91*		*Proposed 1991-92*	
	Amount	*Percent of Total*	*Amount*	*Percent of Total*	*Amount*	*Percent of Total*
General Fund	$23,351	63.1%	$15,872	38.5%	$16,119	36.5%
Agriculture Fund	12,665	34.2	24,149	58.6	26,696	60.4
Federal funds	766	2.1	927	2.2	1,068	2.4
Reimbursements	214	0.6	282	0.7	282	0.6
Totals	$36,996	100.0%	$41,230	100.0%	$44,165	100.0%

Funding Gap in 1992-93. Chapter 1679 will sunset June 30, 1992, after which the mill tax rate will revert to the previous level. This will create a funding gap of about $9 million in 1992-93. As a result of this funding gap, to continue in 1992-93 the current level of services provided by the program the Legislature will be required to restore General Fund support, enact legislation to continue the mill tax increases, or identify a new funding source.

This funding gap will be exacerbated by proposals in the 1991-92 budget to augment the pesticide use reporting and biological control programs, and to fund workers' compensation increases with a total of $1.7 million from the mill tax reserve. According to the department, this additional funding is available because the mill tax historically has generated more revenue than projected. To the extent that this reserve will not be available after 1991-92, funding the program changes would increase the potential General Fund liability in 1992-93.

Mill Tax Increase Warranted. Our review indicates that the Legislature could eliminate General Fund support for this program in the budget year by increasing the pesticide mill tax rate, thereby freeing up $16.1 million for other priorities. In our view, this program should be fully rather than partially supported by the regulated industry because it benefits an identifiable population pesticide users by assuring that pesticides can be and are used safely. Full support by the regulated industry would be consistent with legislative action in other areas such as hazardous waste and air pollution regulation.

In addition, such an increase would provide a funding method consistent with DFA policy. According to the department, industry fees or special taxes should support programs (1) that either directly benefit an identifiable group of persons or regulate their activities in order to prevent damage to others and (2) for which there is a feasible and cost-effective mechanism available for collecting the money.

Accordingly, we recommend that the Legislature enact legislation requiring that mill taxes be annually adjusted to a level that generates sufficient revenue to cover the cost of the department's pesticide regulatory program. This recommendation would require increasing the current mill tax rate of $0.018 per dollar of pesticide sales to $0.034 per dollar of sales. Such an increase would permit appropriations of an additional $16.1 million from the Agriculture Fund and a like reduction of support from the General Fund. It would also eliminate the need for additional action to address the 1992-93 funding gap—estimated to be over $25 million—in this program.

Local Assistance Funding

We recommend the enactment of legislation requiring that $2.5 million scheduled to be transferred from the Motor Vehicle Fuel Account to the Agriculture Fund for local assistance to counties instead be transferred to the General Fund because the funding is not justified. (Increase General Fund transfers by $2,457,000.)

The budget projects a $14.2 million transfer from the Motor Vehicle Fuel Account to the Agriculture Fund for local assistance in 1991-92. This is an increase of $2.5 million, or 21 percent, over the local assistance transfer projected for the current year and an increase of $9.2 million, or 181 percent, over the actual local assistance transfer in 1989-90. The increases are attributable primarily to the gasoline tax rate increases authorized under Proposition 111, which was approved by the voters in June 1990.

Under current law, the Agriculture Fund receives a percentage of gasoline tax revenues, and any unrefunded gasoline taxes, based on the amount of gasoline purchased for agricultural uses. Existing law provides for annual appropriations from transferred funds of (1) $1 million for emergency pest detection and eradication projects and (2) $500,000 for administrative costs. Current law appropriates the remaining transferred

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

funds to the DFA for distribution to counties. Current law requires the department to allocate these funds to counties based on each county's expenditures on agricultural programs during the previous fiscal year.

The department advises that it has no control over how counties actually spend the revenues. According to the department, counties may choose to spend the revenues for programs other than those overseen by county agricultural commissioners.

The department has no basis for justifying the augmentation beyond the fact that more money will be available. In our view, the availability of additional funds is insufficient justification for the proposed funding increase. Although existing law allows these funds to be expended only for county reimbursements, the Legislature could make these funds available for other purposes by changing existing law. These funds are not protected by the Constitution, unlike most gasoline tax revenues, because they are collected from nonhighway users.

Without programmatic justification, we believe that increases above the current-year level of funding for county reimbursements are not warranted. Accordingly, we recommend the enactment of legislation to reduce the transfer from the Motor Vehicle Fuel Account to the Agriculture Fund by $2.5 million, and instead transfer this amount to the General Fund. This would continue county funding at existing levels and give the Legislature additional flexibility to accomplish its priority objectives.

Budget Bill Language Needed For Satellite Wagering Account Transfer

We recommend the adoption of Budget Bill language clarifying that the proposed transfer of $5 million from the Satellite Wagering Account to the General Fund is in lieu of the transfer otherwise required under current law.

The budget proposes a transfer of $5 million from the Satellite Wagering Account (SWA), Fair and Exposition Fund, to the General Fund. Under current law, a certain percentage of horse racing wagers made at satellite wagering facilities located at fairs are paid to the state as license fees. These revenues, deposited in the SWA, are continuously appropriated to the DFA to support the operation of satellite wagering facilities and fairs. In addition, the law provides that one-half of revenues deposited in the SWA in excess of $11 million in any given year must be transferred to the General Fund.

The budget projects $15.3 million in transfers to the SWA from horse racing license fees in 1991-92. Consequently, under current law, the amount subject to transfer to the General Fund would be $2.2 million, which is $2.8 million less than the $5 million transfer included in the budget.

We believe the $5 million transfer to the General Fund is appropriate because (1) the money is not needed for regulatory purposes and (2) it allows the Legislature to spend the money for higher priority activities. The department advises that, if the funds remained in the SWA, they would be spent to construct and develop additional satellite wagering facilities. We believe other General Fund priorities are more pressing than development of additional satellite wagering facilities.

Due to the inconsistency of the amount of the transfer proposed in the budget and the amount specified in existing law, we believe that legislative intent with respect to the proposed transfer should be clarified. Therefore, we recommend that the Legislature include Budget Bill language clarifying that the transfer is in lieu of the transfer mandated in Business and Professions Code Section 19606.1(b). The following Budget Bill language implements this recommendation:

> This transfer is in lieu of the transfer required in Business and Professions Code Section 19606.1(b).

Air and Marine Port Inspections

The budget proposes 88.3 personnel-years and $4.5 million from the Agriculture Fund to implement Ch 1612/90 (SB 2772, Torres), which requires additional agricultural inspections at major air and marine ports. These expenditures are offset fully by revenues from new fees. The department requested a $2.2 million deficiency appropriation to begin implementation of the program in the current year.

The department advises that its plans for implementing this program have changed substantially since preparation of the budget due to an Attorney General opinion that the DFA does not have jurisdiction at international ports of entry. The department indicates that instead of hiring its own staff, it now intends to operate the program through a contract with the United States Department of Agriculture (USDA). The DFA advises that, although implementation delays resulting from the opinion will significantly reduce the amount of funding needed for the program in the current year, the new arrangement will not change the level of funding it needs for 1991-92. We may have comments on implementation of this program after the department submits its new budget change proposal.

Organic Foods Act Program

We recommend that the department report to the Legislature on its spending plan for implementing Ch 1262/90 (AB 2012, Farr), the Organic Foods Act of 1990. We further recommend that the Legislature appropriate necessary funding for this purpose in the Budget Bill.

The Governor's budget does not include a proposal for implementing the duties of the DFA as specified in Ch 1262/90 (AB 2012, Farr), the Organic Foods Act of 1990. This measure significantly revises the previous organic foods law and assigns regulatory responsibilities to the Department of Health Services (DHS) and the DFA. Under Chapter 1262, the DHS regulates processed organic foods, and the DFA and county agricultural commissioners regulate fresh organic foods and organic meat and dairy products. The measure specifies deadlines for phasing in the new regulations and requires organic foods producers and certification organizations to register and pay fees to cover the cost of the program. These registration fees are to be deposited in the Agriculture Fund for

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

DFA use and in the General Fund for DHS use. Chapter 1262 authorizes the departments to spend the fees upon appropriation by the Legislature.

The DHS budget includes a proposal for expenditures of $158,000, covered by fees, to (1) register and certify organizations that certify processed foods as organic, (2) register and annually inspect organic food processors, and (3) investigate complaints. The DFA budget does not include a proposal for the program even though the measure requires the DFA to begin implementing the program in the current year. Among other things, Chapter 1262 requires the DFA to provide registration forms beginning January 1, 1991, so that organic food producers can meet the annual registration requirement after March 1, 1991. Beginning January 1, 1992, Chapter 1262 requires the DFA to register organic foods certification organizations and collect fees.

The DFA advises that it has not implemented Chapter 1262 in the current year because (1) neither the measure itself nor the 1990 Budget Act appropriated funds for the program and (2) Chapter 1262 does not authorize the DFA to spend fees collected under the program. The department advises that it intends to seek emergency legislation to continuously appropriate fee revenues in lieu of requesting a Budget Bill appropriation.

By taking this approach, the department would circumvent the legislative budget process. In order to maintain legislative control of the budget, we recommend that the fee revenues be appropriated in the Budget Bill. In order to determine the right amount for inclusion in the Budget Bill, we recommend that the department report on its spending plans prior to budget hearings.

Capital Outlay

The Governor's Budget proposes an appropriation of $17.5 million in Item 8570-301-036 for capital outlay expenditures by the Department of Food and Agriculture. Please see our analysis of that Item in the capital outlay section of this *Analysis* which is in the back portion of this document.

FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT

Items 8620 and 8640 from the General Fund — Budget p. GG 105

Requested 1991-92	$8,065,000
Estimated 1990-91	7,977,000
Actual 1989-90	7,436,000
Requested increase $88,000 (+1.1 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description		Fund	Amount
8620-001-001—Support		General	$2,902,000
8640-001-001—		General	
Secretary of State	$710,000		
Franchise Tax Board	1,200,000		
Attorney General	229,000		
Unallocated Reduction	−85,000		
Statutory Appropriation—Support		General	3,101,000
Reimbursements		—	8,000
Total			$8,065,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

	Analysis page
1. FPPC Workload. Judicial action expected to affect workload in the budget year.	1139

GENERAL PROGRAM STATEMENT

The Political Reform Act (PRA) of 1974 was an omnibus measure designed to improve the elections process in California. The act:

- Established guidelines for candidates by
  - — requiring campaign expenditure reporting,
  - — setting contribution limits,
  - — requiring conflict-of-interest disclosure statements,
  - — limiting gifts and honoraria, and
  - — restricting mass mailings.
- Required state ballot pamphlets to have useful and understandable information.
- Established lobbyist activity disclosure regulations.
- Established the Fair Political Practices Commission (FPPC) to impartially implement and administer the act.

Further contribution limits, and requirements for candidates, campaign contributors and political committees were added in 1988 by voter passage of Propositions 68 and 73.

Restrictions on campaign funds were made more specific in 1989 by Ch 1452/89 (SB 1431, Roberti). This legislation specifies the appropriate use of funds for:

- Travel.
- Health-related expenses.
- Payments of fines, penalties and litigation costs.
- Purchases of vehicles, property, clothing, tickets and gifts.
- Reimbursements of unused campaign funds.

In addition, Ch 84/90 (SB 1738, Roberti) and Proposition 112, as approved by the voters at the June 1990 Primary Election, increased the FPPC's responsibilities to interpret, enforce, and administer new laws relating to limitations on post-government employment ("revolving door provisions"), gifts and honoraria, and the personal use of campaign funds. These measures also include additional conflict of interest provisions and require ethics orientation courses to be held for lobbyists.

FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT—Continued

All of these provisions relating to the PRA are carried out by four state agencies: Secretary of State, Franchise Tax Board, Attorney General and the FPPC. Funding for the FPPC is provided by both a continuous appropriation made in the PRA and by the Legislature through Item 8620-001-001. The other three agencies are funded 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). All funding is from the General Fund.

The Secretary of State, Franchise Tax Board and the FPPC have 133.3 personnel-years in the current year to carry out the provisions of the PRA.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes a total of $8.1 million from the General Fund to carry out the provisions of the PRA in 1991-92. This is $88,000, or 1.1 percent, more than estimated current-year expenditures. Table 1 identifies the agencies that will spend the PRA funds and the function each agency performs. The estimated General Fund support provided to each agency during the prior, current and budget years is also shown in the table.

The Governor's Budget includes unallocated trigger-related reductions of $37,000 for the PRA and $85,000 for the FPPC. These reductions are included in the proposed budgets in lieu of the reductions that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

Table 1
Political Reform Act of 1974
General Fund Support
1989-90 through 1991-92
(dollars in thousands)

		Expenditures			*Percent Change From*
Program	*Function*	*Actual 1989-90*	*Est. 1990-91*	*Proposed 1991-92*	*1990-91*
Budget Bill Appropriations					
Secretary of State [a]	Filing of documents	$700	$706	$718	2.9%
Franchise Tax Board	Auditing statements	1,165	1,176	1,200	2.0
Attorney General	Criminal enforcement	340	224	229	2.2
Unallocated reduction		—	—	−85	—
Fair Political Practices Commission	Local enforcement/support	2,520	2,899	2,902	0.1
Subtotals		($4,725)	($5,005)	($4,964)	(1.0%)
Statutory Appropriation					
Fair Political Practices Commission	Administration of act	$2,711	$2,972	$3,101	4.3%
Totals, Political Reform Act		$7,436	$7,977	$8,065	1.1%

[a] Includes reimbursements.

ANALYSIS AND RECOMMENDATIONS

The FPPC is responsible for the administration, implementation and enforcement of the PRA. The commission consists of five members. The

Governor appoints two members, and the Attorney General, the Secretary of State and the State Controller each appoint one member. The FPPC 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 $6 million from the General Fund. This is $15,000, or 0.3 percent, above estimated current-year expenditures. The proposed increase primarily reflects increases in salaries and benefits offset by the unallocated reduction.

Workload in the Budget Year is Uncertain

The FPPC's workload for 1991-92 is dependent upon upcoming judicial decisions concerning the validity of Propositions 68 and 73.

As a result of the passage of Ch 84/90 (SB 1738, Roberti) and Proposition 112, the FPPC will have additional administrative and enforcement duties, as mentioned above. The 1990 Budget Act provided $122,000 and 2 personnel-years to fund these duties, and the Governor's Budget proposes that this funding level be continued in the budget year. However, the FPPC has estimated the cost of administration and enforcement of Chapter 84 and Proposition 112 will be $390,000 and 5.7 personnel-years in the current year and $781,000 and 11.4 personnel-years in the budget year.

According to the FPPC, the current-year costs for the implementation of Chapter 84 have been funded by redirecting a portion of the resources intended for the administration and enforcement of Propositions 68 and 73. These measures, adopted at the June 1988 Primary General Election, imposed new campaign reporting and contribution limit restrictions on candidates for elective office. The application of these restrictions has recently been halted, in compliance with a federal court order holding the restrictions to be unconstitutional. This decision has been appealed, and the commission expects a final decision by May 1991.

If the major provisions of Propositions 68 and 73 are ultimately invalidated, the FPPC will have more funds than it needs to perform the duties required under Chapter 84. (The commission's budget includes approximately $1.3 million and 25 personnel-years for Propositions 68 and 73 enforcement, while its total costs for Chapter 84 enforcement are anticipated to be $781,000.) However, if the challenged provisions of Propositions 68 and/or 73 are upheld, the workload of the commission would increase. Under this situation, the FPPC's budget would be underfunded by up to $659,000 in the budget year for the administration and enforcement of the provisions of Chapter 84.

Secretary of State

We recommend approval.

Responsibilities assigned to the Secretary of State by the PRA include receiving campaign expenditure statements, filing statements of organi-

FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT—Continued

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

The budget proposes expenditures of $718,000 by the Secretary of State from this item for PRA-related work during 1990-91. This is $12,000, or 2.9 percent, above estimated 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 275 PRA audits in the budget year.

The budget proposes $1.2 million for the FTB to administer its portion of the PRA in 1991-92. This is an increase of $24,000, or 2 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. The budget proposes $229,000 for the Attorney General's Office to carry out its responsibilities under the PRA. This is an increase of $5,000, or 0.1 percent, over estimated current-year expenditures.

PUBLIC UTILITIES COMMISSION

Item 8660 from various funds Budget p. GG 107

Requested 1991-92	$82,285,000
Estimated 1990-91	80,870,000
Actual 1989-90	78,637,000
Requested increase $1,415,000 (+1.7 percent)	
Total recommended reduction	None
Recommendation pending	1,500,000

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8660-001-042—Railroad grade crossing safety	State Highway Account, State Transportation	$1,825,000
8660-001-046—Rail passenger service and enforcement of federal railroad track and freight car equipment standards	Transportation Planning and Development Account, State Transportation	3,212,000
8660-001-412—Freight transportation regulation	Transportation Rate	21,346,000

8660-001-461—Passenger transportation regulation	Public Utilities Commission Transportation Reimbursement Account	5,264,000
8660-001-462—Utility regulation	Public Utilities Commission Utilities Reimbursement Account (PUCURA)	47,870,000
8660-001-890—Various purposes	Federal Trust	130,000
Ch 1122/88—Investigate metallic balloons	PUCURA	1,000
Reimbursements	—	2,637,000
Total		$82,285,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. Telecommunications Workload. Recommend that 23 of the 59 positions proposed for regulation of local telephone companies be made limited-term. 1144
2. Safety and Transportation. Withhold recommendation on $1.5 million and 28.4 personnel years pending receipt of information on vacancies in the Safety and Transportation Divisions. 1146

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 laws with promoting energy and resource conservation in its various regulatory decisions.

The PUC is governed by five commissioners who are appointed by the Governor. The commission must approve all changes in the operating methods and rate schedules proposed by regulated utilities and transportation companies. It investigates complaints registered against utilities, and may also initiate investigations of utility companies on its own volition. In all such cases, information is gathered by the staff, hearings are held, and decisions are rendered by a vote of the commissioners. Commission decisions may be appealed only to the California Supreme Court, whose review power generally is limited to questions of law.

The commission has 1,040.3 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

Proposed expenditures in 1991-92 from all funding sources, including federal funds and reimbursements, total $82.3 million, which is $1.4 million, or 1.7 percent, above 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.

PUBLIC UTILITIES COMMISSION—Continued

Table 1
Public Utilities Commission
Budget Summary
1989-90 through 1991-92
(dollars in thousands)

Program	Personnel-Years Actual 1989-90	Personnel-Years Estimated 1990-91	Personnel-Years Proposed 1991-92	Expenditures Actual 1989-90	Expenditures Estimated 1990-91	Expenditures Proposed 1991-92	Change from 1990-91 Amount	Change from 1990-91 Percent
Regulation of Utilities:								
Rates	362.5	390.6	399.2	$41,250	$41,255	$43,522	$2,267	5.5%
Service and facilities	24.8	31	31	2,561	3,059	3,093	34	1.1
Certification	33.4	20.8	21.8	5,784	4,352	1,940	−2,412	−55.4
Safety	13.7	18.2	22.3	1,473	1,866	2,083	217	11.6
Subtotals, utilities	(434.4)	(460.6)	(474.3)	(51,068)	($50,532)	($50,638)	($106)	(0.2%)
Regulation of Transportation:								
Rates	94.7	95.6	95.6	$9,956	$9,969	$9,682	−$287	−2.9%
Service and facilities	13	11.3	11.3	1,310	1,147	1,117	−30	−2.6
Licensing	154.1	195	200.5	11,964	14,742	15,914	1,172	8.0
Safety	42.6	54.9	59.6	4,339	4,480	4,934	454	10.1
Subtotals, transportation	(304.4)	(356.8)	(367.0)	($27,569)	($30,338)	($31,647)	($1,309)	(4.3%)
Administration (distributed):								
Executive	67.1	48.3	47.3	$4,591	$4,585	$4,554	−$31	−0.7
Strategic planning	7	10.4	10.4	491	557	571	14	2.5
Public affairs	32.5	41.6	41.6	1705	1681	1721	40	2.4
General office	35.9	36.6	36.6	3611	3017	3165	148	4.9
Personnel	15.6	16.1	16.1	646	784	798	14	1.8
Fiscal	11.8	12.2	12.2	464	517	525	8	1.5
Data processing	39.2	40.7	40.7	3,585	3,497	4,570	1,073	30.7
Reporting	17	17	17	1,043	1,215	1,221	6	0.5
Subtotals, administration	(226.1)	(222.9)	(221.9)	($16,136)	($15,853)	($17,125)	($1,272)	(8.0%)
Totals	964.9	1,040.3	1,063.2	$78,637	$80,870	$82,285	$1,415	1.7%
Funding Sources								
State Highway Account, State Transporation Fund				*$1,721*	*$1,712*	*$1,825*	*$113*	*6.6%*
Transporation Planning & Development Account, State Transporation Fund				*2618*	*2871*	*3212*	*341*	*11.9*
Transportation Rate Fund				*18,844*	*20,747*	*21,346*	*599*	*2.9*
PUC, Transportation Reimbursement Account				*4,386*	*5,008*	*5,264*	*256*	*5.1*
PUC, Utilities Reimbursement Account				*44,433*	*45,223*	*47,871*	*2648*	*5.9*
Federal Funds				*125*	*178*	*130*	*−48*	*−27.0*
Reimbursements				*6,510*	*5,131*	*2,637*	*−2494*	*−48.6*

Table 2 shows the changes in the PUC's proposed budget for 1991-92. The table shows a net increase of $1.4 million or 1.7 percent. This net increase reflects an increase of $4.5 million to fund various program changes including (1) $2.1 million for additional computer hardware and software, (2) $408,000 to expand the PUC's rail transit safety program and (3) $1.3 million to implement several legislative measures enacted during 1990. These increases are partially offset by a $3.1 million reduction in one-time baseline costs.

Table 2
Public Utilities Commission
Proposed 1991-92 Budget Changes
(dollars in thousands)

	PUC Utilities Reimbursement Account	*Transportation Rate Fund*	*PUC Transportation Reimbursement Account*	*Other Funds*	*Reimbursements*	*Total*
1990-91 Expenditures (Revised)	$45,223	$20,747	$5,008	$4,761	$5,131	$80,870
Baseline Adjustments:						
Central administrative services	$88	$32	−$39	$21	—	$102
Employee compensation adjustments	784	366	84	79	—	1,313
Board of control	—	1	—	—	—	1
Reduction in one-time computer expenses	−277	−268	−39	—	—	−584
Building maintenance	−154	−79	−30	—	—	−263
San Diego public advisor	−40	—	—	—	—	−40
Environmental impact reports	—	—	—	—	−2,607	−2,607
Ch 1122/88 — metallic balloon study	1	—	—	—	—	1
Ch 1025/89 — private carrier registration	—	−234	193	—	—	−41
Ch 518/90 — charter party carriers	—	—	—	—	−209	−209
Ch 791/90 — low emmission vehicles	−118	—	—	—	—	−118
Ch 1601/90 — mobilehome gas system inspection program	−350	—	—	—	—	−350
Gas pipeline safety	—	—	—	−48	—	−48
Rail transit safety	—	—	—	−54	—	−54
Delete limited-term positions	—	−166	−32	—	—	−198
Subtotals, baseline adjustments	(−$66)	(−$348)	(−$72)	(−$2)	(−$2,607)	(−$3,095)
Program Changes:						
Railroad/rail transit safety	—	—	—	$408	—	$408
Environmental impact report processing	—	—	—	—	$113	113
Electric and magnetic field issues	$63	—	—	—	—	63
Air quality analysis	63	—	—	—	—	63
Office automation upgrade	1,073	$533	$114	—	—	1,720
Computer maintenance and license fees	147	113	34	—	—	294
Energy modeling	100	—	—	—	—	100
Building maintenance	40	80	7	—	—	127
Continue staff for highway carrier safety	—	58	32	—	—	90

PUBLIC UTILITIES COMMISSION—Continued

Continue staff for workers' compensation highway carrier program	—	108	—	—	—	108
Ch 518/90 — Charter-party carriers	—	—	141	—	—	141
Ch 1601/90 and Ch 1630/90 — Mobilehome Gas Distribution Safety	538	—	—	—	—	538
Ch 1369/90 — Demand side management programs	529	—	—	—	—	529
Ch 791/90 — Low emission vehicles	161	—	—	—	—	161
Ch 373/90 — Household goods carriers	—	55	—	—	—	55
Subtotals, program changes.	($2,714)	($947)	($328)	($408)	($113)	($4,510)
1991-92 Expenditures (Proposed)	$47,871	$21,346	$5,264	$5,167	$2,637	$82,285
Changes from 1990-91:						
Amount	$2,648	$599	$256	$406	–$2,494	$1,415
Percent	5.9%	2.9%	5.1%	8.5%	–48.6%	1.7%

ANALYSIS AND RECOMMENDATIONS

Some Telecommunications Staff Not Needed On a Permanent Basis

We recommend that 23 of the 59 personnel-years proposed for the regulation of the state's telecommunications industry be made limited-term (13 PYs as one-year and 10 PYs as two-year) because the need for these positions is not ongoing.

The Governor's Budget includes $3.4 million and 59 staff to regulate local telephone companies. This request reflects the changes resulting from the commission's decision in October of 1989 to adopt a new regulatory framework (NRF) for the state's two largest local telephone companies, Pacific Bell and General Telephone of California (GTE).

Traditionally, local telephone rates were set using "rate-of-return" regulations. That regulatory framework adjusted local telephone rates to account for changes in costs or revenues so that Pacific Bell or GTE earned a reasonable profit (about 11 percent). Approximately, every three years the commission would hold lengthy, in-depth hearings to set these local telephone rates.

Under the NRF, telephone rates within Pacific Bell and GTE service areas are not affected by changes in costs or revenues. Instead, existing telephone rates are adjusted downward annually by 4.5 percent to reflect *assumed* productivity gains and then upward by the inflation rate. The goal of this framework is to provide Pacific Bell and GTE with similar incentives, risks and rewards as competitive firms.

The PUC's New Regulatory Framework for Local Telephone Companies Results in Significant Shifts in PUC Workload. The adoption of the NRF has resulted in significant changes in PUC workload. These changes are shown in Table 3. Essentially, the NRF eliminated the need for lengthy and expensive rate hearings to set local telephone rates, but requires additional resources to implement and review the NRF. Specifically, the commission is redirecting 44 staff currently assigned to conduct rate cases and make rate adjustments to (1) implement and monitor the NRF, (2) conduct investigations into complaints about local telephone rates, (3) review toll rates between local calling areas, and (4) conduct a comprehensive review of the NRF.

In addition, the PUC is redirecting three staff ($180,000) away from local telephone regulatory activities to (1) review the consumer protection regulations and (2) conduct an investigation into billing practices of telephone companies.

Table 3
Public Utilities Commission
Local Telephone Companies Regulatory Activities
Before and After New Regulatory Framework (NRF)

Activity	*Before NRF*	*After NRF*	*Difference*
Rate cases	42	2	−40
Rate adjustments (attritions)	4	—	−4
Advise letters	11	11	—
NRF planning	5	2	−3
NRF price cap & advice letters	—	4	4
NRF rate forum	—	4	4
NRF monitoring/implementation	—	6	6
NRF comprehensive review	—	10	10
NRF implement phase 3	—	7	7
Cost studies & hearings on toll rate design	—	13	13
Totals	62	59	−3[a]

[a] These PYs have been redirected to other telecommunications regulatory activities.

23 Staff to Regulate Local Telephone Companies May Not Be Needed on an Ongoing Basis. Our review indicates that there is sufficient workload in the budget year to justify the continuation of the existing staff assigned to regulate the state's telecommunications industry. However, our review also indicates that 23 of the 59 staff proposed to regulate local telephone companies may not be needed on a permanent basis, and therefore should be designated as limited term.

Supplemental Rate Design. The PUC has assigned 13 staff to conduct and participate in Supplemental Rate Design hearings to adjust Pacific Bell's and GTE's telephone rates between local calling areas. The PUC indicates that these hearings will be completed by July 1992. We recognize that some of these resources may be needed on an ongoing basis to review and update these rates, however, at this time, the commission has not provided any information that would justify the continuation of all of these positions beyond July 1992.

Comprehensive Review of NRF. The PUC plans on beginning a comprehensive review of the NRF in 1991-92 to determine if it is working as expected. This review should be completed by the end of 1992. Once this review is complete there is no ongoing need for the 10 staff assigned to conduct this review.

The PUC indicates that there are a number of new activities that may be required in future years to fully implement the NRF and respond to future changes in the telecommunications industry. We recognize that

PUBLIC UTILITIES COMMISSION—Continued

additional resource may be needed in the future, however, because the need for these resources depends on the outcome of ongoing hearings and future PUC decisions, it is unclear what the appropriate level of staff resources will be in the future.

Recommendation. Our review of the commission's budget indicates that the level of staff resources requested to regulate the state's telecommunications industry in the budget year is reasonable. However, our analysis also indicates that (1) 13 positions to conduct and participate in "supplemental rate design" hearings and (2) 10 positions to conduct a comprehensive review of the NRF may not be needed past July or December 1992. In order to ensure legislative oversight of the ongoing need for these positions, we recommend that they be designated as limited-term positions (13 PYs one-year limited-term and 10 PYs two-year limited-term). If future workload requires the continuation of these positions, the PUC can address that issue through the normal budget process.

Withhold Recommendation on Safety and Transportation Proposals

We withhold recommendation on $1.5 million and 28.4 staff included in the commission's budget to (1) expand the PUC's rail transit safety program and (2) redirect and continue a number of limited-term positions within the Transportation Division, pending receipt of additional information. We further recommend that the commission report prior to budget hearings on (1) the number of existing vacancies by program element within the Safety and Transportation Divisions, (2) the reason each vacancy is being held open and (3) the schedule, if any, for filling each vacancy.

The PUC's budget includes a number of proposals to increase or redirect staff within the Safety and Transportation Divisions. Specifically:

- *Additional Rail Transit Safety Staff.* The budget includes six staff and $408,000 to increase rail transit safety staff. The PUC requests additional staff due to additional safety oversight workload caused by the passage of Propositions 108, 111 and 116. These propositions dramatically increased the amount of funding available for development of public transit projects.
- *Continue Staffing for Highway Carrier Safety Program.* The budget proposes continuing three expiring positions ($90,000) to staff the highway carrier safety program established by Ch 916/88 (AB 3489, Moore).
- *Continue Staffing for Workers' Compensation Insurance Program.* The budget request also proposes $108,000 to continue four expiring positions to determine if trucking companies have workers' compensation insurance.
- *Redirect Staff from Truck Rate Compliance to Enforcement of Transportation Regulations.* In March 1990, the PUC issued a major decision changing its regulation of the intrastate trucking industry. This decision allows intrastate trucking firms significant flexibility in

setting trucking rates and reduces the need for the PUC to review these rates. As a result, the PUC proposes to redirect 16 staff currently assigned to review trucking rates and increase enforcement efforts against unlicensed truck, bus and limousine operators.

High Vacancy Rates Make Reviewing These Proposals Difficult. The PUC has been experiencing very high vacancy rates (the percentage of positions held open) in recent years. Specifically, the vacancy rates in the Safety and Transportation Divisions have been especially high (18.7 percent and 17.6 percent, respectively). From a legislative oversight perspective it is difficult to analyze the commission's budget when so many positions are being left open. For example, the PUC proposes to add six positions to their rail transit safety program to support workload resulting from the passage of Propositions 108, 111 and 116. However, our review indicates that there are currently five open positions in that program. It is unclear whether filling these positions is sufficient to meet the projected workload or whether additional staff are needed.

Similarly, there are approximately 40 vacancies in the Transportation Division. Given this high number of vacancies and the fact that we do not know which of these positions are temporarily vacant or being held open to fund merit salary adjustments, it is impossible to determine if the baseline level of staffing is appropriate or not. Without any confidence in the baseline level of staffing it is difficult to evaluate the commission's requests to continue seven expiring positions and redirect 16 positions to increase transportation enforcement.

Recommendation. The high level of vacancies in both the PUC's Safety and Transportation Divisions make it impossible to adequately review staffing needs. Therefore, we withhold recommendation on four proposals to increase, continue or redirect staff within those divisions. We further recommend that the PUC report prior to budget hearings on (1) the number of vacant positions by program element within the Safety and Transportation Divisions, (2) the reasons these positions are being held open, and (3) the schedule, if any, for filling these positions.

BOARD OF CONTROL

Item 8700 from the General Fund and various funds — Budget p. GG 116

Requested 1991-92	$112,410,000
Estimated 1990-91	92,739,000
Actual 1989-90	76,591,000
Requested increase $19,671,000 (+21.2 percent)	
Total recommended reduction	None

BOARD OF CONTROL—Continued

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8700-001-001—Support	General	$1,218,000
8700-001-214—Support	Restitution	22,460,000
8700-001-890—Support	Federal Trust	15,444,000
Reimbursements	—	21,000
Total, Budget Bill Appropriations		($39,143,000)
Continuous Appropriation—Claims	Restitution	$73,265,000
Continuous Appropriation—Claims	Missing Children Reward	2,000
Total		$112,410,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. Victims of Crime Program Claims Processing. Recommend that, at the time of budget hearings, the board report to the Legislature on (a) the time required to process claims in the central office and at the county level and (b) strategies it will employ to meet new statutory requirements to process supplemental claims within 30 days. 1150
2. Earthquake Claims. Recommend that the board report to the Legislature during budget hearings on (a) the balance in the San Francisco-Oakland Bay Bridge and I-880 Cypress Structure Disaster Fund, and (b) its estimate of the total cost of the earthquake victims' claims program. 1152

GENERAL PROGRAM STATEMENT

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

The board has 278.4 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling $112.4 million to support Board of Control activities in 1991-92. This is an increase of $19.7 million, or 21 percent, above estimated current-year expenditures. Proposed expenditures consist of (1) $1.2 million from the General Fund, (2) $95.7 million from the Restitution Fund, (3) $2,000 from the Missing Children's Fund, (4) $15.4 million from federal funds, and (5) $21,000 in reimbursements. The Governor's Budget includes an unallocated trigger-related reduction of $51,000 in funding for the board. This reduction is included in the proposed budget for the board in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown). Table 1 provides a three-year summary of the board's expenditures by program and funding source.

Table 1
Board of Control
Program Summary
1989-90 through 1991-92
(dollars in thousands)

Program	Actual 1989-90	Est. 1990-91	Prop. 1991-92	Change From 1990-91 Amount	Change From 1990-91 Percent
Citizen Indemnification	$75,231	$91,499	$111,171	$19,672	21.5%
Hazardous Substance Claims	19	20	21	1	5.0
Civil Claims Against the State	1,067	1,220	1,269	49	4.0
Earthquake Disaster Relief	274	—	—	—	—
Administration (distributed)	(2,016)	(2,091)	(2,809)	718	34.3
Unallocated reduction	—	—	−51	−51	—[a]
Totals, Expenditures	$76,591	$92,739	$112,410	$19,671	21.2%
Funding Sources					
General Fund	*$908*	*$925*	*$1,218*	*$293*	*31.7%*
Restitution Fund	*61,621*	*76,053*	*95,725*	*19,672*	*25.9*
Missing Children Reward Fund	—	*2*	*2*	—	—
Federal Trust Fund	*13,610*	*15,444*	*15,444*	—	—
Reimbursements	*452*	*315*	*21*	*−294*	*−93.3*
Personnel-Years	237.1	278.4	323.5	45.1	16.2%

[a] Not a meaningful figure.

Table 2
Board of Control
Proposed 1991-92 Budget Changes
(dollars in thousands)

	General Fund	Special Funds	Federal Funds	Reimburse-ments	Total
1989-90 Expenditures (revised)	$925	$76,055	$15,444	$315	$92,739
Workload Changes					
Victim claims processing	—	7,337	—	—	7,337
Victim claims payments	—	14,785	—	—	14,785
Subtotals, workload adjustments	(—)	($22,122)	(—)	(—)	($22,122)
Other Adjustments					
Employee compensation	$38	$320	—	$13	$371
Policy adjustment	307	—	—	-307	—
One-time costs	—	−3,007	—	—	−3,007
Pro rata	—	183	—	—	183
PERS rate reduction	−1	54	—	—	53
Unallocated reduction	−51	—	—	—	−51
Subtotals, other adjustments	($293)	($2,450)	(—)	($294)	($2,451)
1991-92 Expenditures (proposed)	$1,218	$95,727	$15,444	$21	$112,410
Change from 1990-91:					
Amount	$293	$19,672	—	−$294	$19,671
Percent	31.7%	25.9%	—	−93.3%	21.2%

Proposed Budget Changes for 1991-92. Table 2 summarizes the proposed budget changes for 1991-92 by funding source. As the table indicates, the budget proposes a General Fund appropriation of $1.2 million in 1991-92. This is a $293,000, or 32 percent, increase above current-year expenditures. The budget also requests $95.7 million in special fund expenditures. These expenditures reflect an increase of $19.7 million, or 26 percent, above current-year expenditures.

BOARD OF CONTROL—Continued

As Table 2 indicates, the bulk of this increase is the net effect of (1) an increase of $14.8 million for the payment of victim claims and (2) an increase of $7.3 million and 45.1 personnel-years to administer and process an increased number of claims.

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 (AB 1485, Sher), 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 total expenditures of $95.7 million for support of the Citizen Indemnification Program. This request consists of (1) $88.7 million for the payment of victims of crime claims in 1991-92 ($73.3 million from the Restitution Fund and $15.4 million from federal funds) and (2) $22.5 million from the Restitution Fund for administration of the program.

Claims Processing Delays Persist, Recent Legislation Could Worsen Situation

We recommend that the board report to the Legislature during budget hearings on (1) the time required to process claims in the central office and at the county level and (2) strategies it will employ to meet new statutory requirements to process supplemental claims within 30 days.

The budget proposes total expenditures of $111.2 million for support of the Victims of Crime (VOC) Program in 1991-92. This amount consists of $87.7 million for payments to victims of crime ($73.3 million from the Restitution Fund and $15.4 million from federal Victims of Crime Act monies) and $22.5 million from the Restitution Fund for administration of the program. This amount is an increase of $19.7 million, or 22 percent, over estimated current-year expenditures.

The increase is requested to (1) reduce the claims backlog in the program, (2) process an estimated 20 percent increase in claims in the budget year, and (3) implement new statutory requirements.

Background. Historically, the Legislature has been concerned with the large backlog of VOC claims and the length of time it takes the board to process these claims. Consequently, to keep pace with the steadily increasing number of claims and to monitor the board's progress, the

Legislature has (1) provided the board with additional staff, (2) authorized the board to establish "joint powers" contracts with county victim/witness centers to assist in the claims process, (3) adopted Budget Act language which requires the board to report to the Legislature each month on the status of the VOC Program, and (4) enacted legislation to expedite the board's claims processing time.

Claims Backlogs Improving. We estimate that the VOC Program currently has a total claims backlog of about 1,700 claims, as compared to nearly 3,500 a year ago. Although improved, the claims backlogs persist at both the central office and at the county level. The board indicates that the backlog is composed of 654 claims at the central office and approximately 1,050 claims at the county level, under the joint powers' agreements. According to the board, the bulk of these claims (roughly 60 percent) are located in Los Angeles County.

Recent Legislation Increases Performance Requirements. Chapter 1254, Statutes of 1990 (SB 2904, Calderon) requires that, beginning July 1, 1991, the board must process supplemental VOC claims within 30 days. "Supplemental claims" are generally claims to reimburse ongoing medical costs for a claim that has already been approved by the board. The board's overall average for processing supplemental claims is roughly 60 days. Thus, the board will have to take considerable actions to meet this requirement.

Current statutes require that the board, on average, process all VOC claims within 90 days. The board advises that meeting these statutory time limits has become more difficult because of the increased volume of claims received. The increased volume has resulted from a heightened public awareness of the VOC Program and the expansion of the number of eligible victims due to recently enacted legislation.

Long Processing Delays Persist At Some County-Level Operations. Our analysis indicates that the claims processed through the counties are averaging roughly 125 days to process. Although this figure is down from the 200-day average of last year, some county operations take considerably longer time than the central office.

The board contracts with victim/witness assistance centers in 21 counties under the joint powers agreements. The centers assist the board by helping claimants fill out applications and obtain documentation, such as police reports, medical bills, and pay stubs. In addition, the counties verify the claims by confirming physician medical evaluations and applicant disability periods and wage losses. Once the claim is verified, it is forwarded to the board's central office for final review and approval. Board staff indicate that the counties verify approximately 38 percent of the claims that are presented each month at the board's hearings.

How Will the Board Meet New Statutory Requirements? The budget requests $316,000 and seven positions to meet the provisions of Chapter 1254, which require the board to process supplemental claims within 30 days. In addition, to expedite the claims process, the board is currently considering streamlining the review of supplemental claims for those counties with a proven record of accuracy. Although the board has not provided

BOARD OF CONTROL—Continued

many specifics concerning its proposed changes in processing claims, the staff indicates that the board will be able to meet its new statutory requirement.

Analyst's Recommendations. Given the persistent delays and lack of specific plans, we believe that it is unlikely that the board will be able to process supplemental claims within 30 days beginning July 1, as required by Ch 1254/90.

For these reasons, we recommend that, at the time of budget hearings, the board report to the Legislature on (1) the time required to process claims both in the central office and at the county level and (2) the strategies it will be employing to eliminate the backlog and meet its new statutory requirement.

Board Continues Processing of Earthquake Claims

We recommend that the board provide the Legislature with a report during budget hearings on (1) the balance in the San Francisco-Oakland Bay Bridge and I-880 Cypress Structure Disaster Fund and (2) an estimate of the total cost of the earthquake victims' claims program.

Background. During the First Extraordinary Session of 1989, Chapter 21 (SB 45x, Lockyer) and Chapter 22 (AB 45x, Willie Brown) were enacted. These statutes (1) established procedures to compensate victims of the Loma Prieta earthquake and their families for personal injury, death, or property damage arising from the collapse of the I-880 Cypress structure and part of the San Francisco-Oakland Bay Bridge and (2) directed the Board of Control to review earthquake claims, provide emergency payments, and make settlement offers to earthquake victims and their families.

Funding. The recently created San Francisco-Oakland Bay Bridge and I-880 Cypress Structure Disaster Fund has thus far received $110 million in transfers from the General Fund. Chapter 22 appropriated $30 million from the General Fund to this fund for support of the earthquake victims' claims program. Subsequently, Ch 1669/90 (SB 1942, Lockyer) provided an additional $80 million to this fund to bring the total fund balance to $110 million.

Status of the Earthquake Victims' Claims Program. Our review indicates that the earthquake victims' claims program is being administered in a prompt and orderly manner. The board advises that, at the time this analysis was written, approximately 37 percent of the claims have been settled and $40.6 million in claim expenditures has been encumbered.

Potential Surplus Could Be Returned to General Fund. Although it is difficult to assess the final costs of the earthquake victims' claims program, our analysis indicates that the $110 million appropriated for the purpose of this program will likely be sufficient. In fact, our analysis suggests that there may be *a potential surplus* of $10 million to $20 million, which could be reverted to the General Fund. At the time of budget hearings, the board should be able to provide the Legislature with an updated cost estimate of the earthquake victims' claims program.

Accordingly, we recommend that the board report at budget hearings on (1) the balance in the San Francisco-Oakland Bay Bridge and I-880 Cypress Structure Disaster Fund and (2) an estimate of the total cost of the earthquake victims' claims program.

COMMISSION ON STATE FINANCE

Item 8730 from the General Fund — Budget p. GG 121

Requested 1991-92	$945,000
Estimated 1990-91	893,000
Actual 1989-90	843,000
Requested increase $52,000 (+5.8 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Chapter 1162, Statutes of 1979 (SB 165, Mills), established the Commission on State Finance. The commission's primary responsibility is to provide quarterly forecasts of state revenues, expenditures, and an estimate of the General Fund surplus or deficit.

The commission is also required to produce annual long-range forecasts of General Fund revenues and expenditures for each of the four years immediately following the budget year, as well as for the ninth year beyond the budget year. Finally, Ch 1027/85 (AB 623, Farr) 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 $945,000 from the General Fund for the support of the commission in 1991-92. This is a net increase of $52,000, or 5.8 percent, over the estimated current-year expenditures. This increase is primarily attributable to comply with Ch 1621/90 (AB 2895, Farr), which requires the commission to develop a report detailing the impact of federal expenditures on California's economy. The budget includes an unallocated trigger-related reduction of $7,000 in funding for

COMMISSION ON STATE FINANCE—Continued

the commission. This reduction is in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

Our analysis indicates that the proposed expenditures for the Commission on State Finance are reasonable.

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

Item 8780 from the General Fund — Budget p. GG 122

Requested 1991-92	$611,000
Estimated 1990-91	705,000
Actual 1989-90	540,000
Requested decrease $94,000 (−13.3 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8780-001-001—Support	General	$609,000
Reimbursements	—	2,000
Total		$611,000

GENERAL PROGRAM STATEMENT

The Commission on California State Government Organization and Economy conducts program reviews, holds hearings and sponsors legislation to promote efficiency in state government. The commission consists of 13 members—nine public members appointed by the Governor and Legislature, two members of the Senate, and two members of the Assembly. Commission members are reimbursed for expenses, but receive no salary. The commission has eight personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes expenditures of $611,000 ($609,000 from the General Fund and $2,000 from reimbursements) for support of the commission in 1991-92. This is $94,000, or 13.3 percent, less than estimated current-year expenditures. This decrease is primarily due to the deletion of $100,000 provided to study the impact of growth management on affordable housing. This study will be completed in the current year. The Governor's Budget also includes an unallocated trigger-related reduction of $2,000 in funding for the commission. This reduction is included in the proposed budget for the department in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

MEMBERSHIP IN INTERSTATE ORGANIZATIONS

Item 8800 from the General
Fund Budget p. GG 123

Requested 1991-92	$1,126,000
Estimated 1990-91	1,075,000
Actual 1989-90	999,000
Requested increase $51,000 (+4.7 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of $1.1 million from the General Fund to support 11 interstate organizations in 1991-92. They are:

- Council of State Governments.
- National Conference of State Legislatures.
- Western States Legislative Forestry Task Force.
- Pacific Fisheries Legislative Task Force.
- Governmental Accounting Standards Board.
- State and Local Legal Center.
- National Governors' Association
- Council of State Policy and Planning Agencies.
- Coastal States' Organization.
- Western Governors' Association.
- National Center for State Courts.

Table 1
Membership in Interstate Organizations
Budget Summary
1989-90 through 1991-92
(dollars in thousands)

Memberships	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Change From 1990-91 Amount*	*Change From 1990-91 Percent*
Council of State Governments	$243	$258	$285	$27	10.5%
National Conference of State Legislatures	260	276	280	4	1.4
Western States Legislative Forestry Task Force	22	22	22	—	—
Pacific Fisheries Legislative Task Force	—	6	15	9	150.0
Governmental Accounting Standards Board	69	69	69	—	—
State and Local Legal Center	8	8	8	—	—
National Governors' Association	121	129	134	5	3.9
Council of State Policy and Planning Agencies	11	12	13	1	8.3
Coastal States' Organization	9	11	11	—	—
Western Governors' Association	30	30	35	5	16.7
National Center for State Courts	226	254	254	—	—
Totals	$999	$1,075	$1,126	$51	4.7%

MEMBERSHIP IN INTERSTATE ORGANIZATIONS—Continued

The requested amount is an increase of $51,000, or 4.7 percent, above estimated current-year expenditures. This primarily results from increases in the state's assessments for membership in the Council of State Governments and the National Conference of State Legislatures.

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

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 for the current year is approximately $5 million. Assessments imposed on member states pay for about $3.9 million, or 78 percent, of the council's operations. Other sources of support for the council include publication sales, the corporate associates program, and interest revenues. Projected budget figures for 1991-92 were not available from CSG at the time this analysis was completed.

Each state's annual assessment consists of a base amount — $41,300 — plus an additional amount based upon the state's population — $8.60 per 1,000 residents. The CSG indicates that it has increased the assessment rates for 1991-92 in order to cover increases in the costs of operations. The CSG estimates that about 54 percent of California's payment is returned to the council's western office in San Francisco to cover the costs 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 NCSL determines each state's 1991-92 assessment by adding $8.70 per 1,000 residents to the base assessment of $50,783. Total assessments from states for 1991-92 are projected to be approximately $4.7 million, which normally supports about half of the NCSL's total operating budget.

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.

Pacific Fisheries Legislative Task Force (PFLTF). The PFLTF was formed in the current year as a mechanism for dealing with Pacific fisheries, agriculture, and seafood issues. Membership is available to any state or territory of the United States bordering, or with streams tributary to, the Pacific Ocean. Currently, there are five participating states. The increase in dues for 1991-92 will go towards hiring additional staff for the task force.

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 three 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 prior to 1990-91.

The annual budget for the NGA is projected to be about $12.2 million in 1991-92. The assessments on the 55 member states and territories account for about $4.2 million, or 34 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 regard to regional policy management and the promotion of efficient resource management.

National Center for State Courts (NCSC). The NCSC was established in 1971 to (1) improve the administration of justice, (2) to promote judicial reform, (3) to serve as a catalyst for setting standards for fair and expeditious judicial administration, and (4) to share information on problems of state judicial systems. Members of the NCSC include all 50 states, four territories, and the District of Columbia. Membership entitles California to judicial research data, consultative services, and information on the views of the various states on federal legislation and national programs affecting the judicial system. The state's membership in NCSC has been included in a separate Budget Bill item (Item 0460) in prior years.

The NCSC indicates that its projected 1991-92 operating budget is approximately $12 million. Of this amount, $3.7 million is supported by

MEMBERSHIP IN INTERSTATE ORGANIZATIONS—Continued

assessments. The assessment imposed on each member is based primarily on population. California's proposed assessment of $254,000 represents approximately 2.2 percent of the NCSC's annual operating budget.

COMMISSION ON THE STATUS OF WOMEN

Item 8820 from the General Fund and the Displaced Homemaker Emergency Loan Fund — Budget p. GG 125

Requested 1991-92	$680,000
Estimated 1990-91	758,000
Actual 1989-90	730,000
Requested decrease $78,000 (−10.3 percent)	
Total recommended reversion	670,000

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8820-001-001—Support	General	$612,000
Government Code Section 8257.3	Displaced Homemaker Emergency Loan	63,000
Reimbursements		5,000
Total		$680,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS	*Analysis page*
1. ***Displaced Homemaker Emergency Loan Program. Add Item 8820-495 to revert $670,000 to the General Fund.*** Recommend reversion of funds for program that will sunset during the budget year.	1159

GENERAL PROGRAM STATEMENT

The Commission on the Status of Women (CSW) is a 17-member body that (1) examines all bills introduced in the Legislature which affect women's rights or interests, (2) maintains an information center on the current needs of women, (3) consults with organizations working to assist women, and (4) studies women's educational and employment opportunities, civil and political rights, and factors shaping the roles assumed by women in society.

The commission also administers the Displaced Homemaker Emergency Loan Program (DHELP), a $1 million loan guarantee program established by Ch 1596/84 (SB 2262, Marks).

The commission has 11 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes spending $680,000 from the General Fund, the Displaced Homemaker Emergency Loan Fund and reimbursements for the support of the commission in 1991-92. This is a decrease of $78,000 or about 10 percent below estimated current-year expenditures. This decrease primarily reflects the sunset of the DHELP during the budget year, a decrease in the amount that will be paid by the commission for centralized state services, and an unallocated reduction. These decreases are partially offset by increases in employee compensation.

The unallocated reduction of $8,000 is included in the proposed budget for the commission in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

ANALYSIS AND RECOMMENDATIONS

Sunset of Program Warrants Reversion of Funds

We recommend that $670,000 of the amount in the Displaced Homemaker Emergency Loan Fund revert to the General Fund because the Displaced Homemaker Emergency Loan Program will sunset during the budget year. (Add Item 8820-495).

Background. The Displaced Homemaker Emergency Loan Program (DHELP) was established by Ch 1596/84 (SB 2262, Marks) as a pilot program to provide temporary emergency assistance to "displaced homemakers." A "displaced homemaker" is defined as a person who has been widowed, divorced, abandoned by or separated from a spouse and who has an immediate economic need caused by the displacement. The program guarantees a loan of up to $2,500 made by the participating lender. The loans are generally repaid within a four- to five-year period.

Chapter 1596 established the Displaced Homemaker Emergency Loan Fund (DHELF) and appropriated $100,000 from the General Fund for program startup. Chapter 1167, Statutes of 1985 (SB 1167, Marks) appropriated an additional $1,150,000 from the General Fund to the DHELF for program administration and loan guarantees. Chapter 1167 also extended the sunset for the program from January 1, 1990 to January 1, 1992.

Budget Proposal. The budget includes expenditures of $75,000 for the DHELP in 1991-92. Of this amount, $70,000 would support 1.5 positions to administer the program for the first six months of 1991-92 until the program sunsets. The remaining $5,000 is the commission's estimate of the amount that will be needed during 1991-92 to cover defaults by loan recipients. We estimate that about $690,000 will remain in the DHELF when the program sunsets January 1, 1992.

Recommendation. The commission estimates that a maximum of $20,000 will be needed from the DHELF in 1992-93 to cover defaults on the last remaining loans. Therefore, at least $670,000 of the amount that will remain in the DHELF after the program sunsets will not be needed for the program. We recommend that this $670,000 revert to the General Fund. Adoption of the following Budget Bill language would implement our recommendation:

> 8820-495—Reversion, Commission on the Status of Women. As of January 1, 1992, $670,000 of the amount in the Displaced Homemaker Emergency Loan Fund shall revert to the General Fund.

CALIFORNIA LAW REVISION COMMISSION

Item 8830 from the General Fund — Budget p. GG 128

Requested 1991-92	$621,000
Estimated 1990-91	657,000
Actual 1989-90	584,000
Requested decrease $36,000 (−5.5 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The California Law Revision Commission consists of 10 members — 1 from each house of the Legislature, 7 appointed by the Governor, and the Legislative Counsel.

Under the commission's direction, a staff of seven employees studies areas of statutory and decisional law 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 areas of law which the commission is required to study.

The commission currently has before it 26 topics assigned by the Legislature. In 1991, the commission will continue to work on two major studies involving administrative law and the establishment of a new family relations code.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of $621,000 from the General Fund for support of the commission in 1991-92. This is $36,000, or 5.5 percent, below estimated current-year expenditures. The change primarily results from the elimination of a limited-term position granted for the current year and the associated operating expenses and equipment costs. The Governor's Budget also includes an unallocated trigger-related reduction of $13,000 in funding for the commission. This reduction is included in the proposed budget for the commission in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown). We have reviewed the commission's budget and the proposed expenditures appear reasonable.

COMMISSION ON UNIFORM STATE LAWS

Item 8840 from the General Fund — Budget p. GG 129

Requested 1991-92	$107,000
Estimated 1990-91	107,000
Actual 1989-90	94,000
Requested increase: None	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Commission on Uniform State Laws sponsors the adoption by California of uniform codes or statutes developed by the National Conference of Commissioners wherever compatibility with the laws of other jurisdictions is considered desirable. Currently, the commission consists of 10 members — 6 appointed by the Governor, 2 Members of the Legislature (1 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 $107,000 from the General Fund for support of the commission in 1991-92. This represents no change from the amount appropriated in the current year for this purpose.

About three-quarters of the commission's budget is used to pay the state's annual membership fee to the national conference. California's fee will be $79,500 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 130

Requested 1991-92	$29,605,000
Estimated 1990-91	29,563,000
Actual 1989-90	27,870,000
Requested increase $42,000 (+0.1 percent)	
Total recommended reduction	None

DEPARTMENT OF FINANCE—Continued

1991-92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8860-001-001—Support	General	$28,333,000
Reimbursements	—	1,272,000
Total		$29,605,000

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 (OIT), the department is responsible for statewide coordination and control of electronic data processing.

The department has 365.5 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes total expenditures of $29.6 million to support DOF in 1991-92. This amount is $42,000 more than estimated current-year expenditures. General Fund expenditures in 1991-92 are proposed at $28.3 million, a $27,000 increase from the current year. The Governor's Budget includes an unallocated trigger-related reduction of $518,000 in funding for the department. This reduction is included in the proposed budget for the department in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

Table 1 summarizes the department's budget, by program, for the past, current and budget years. Table 2 summarizes the changes in the department's budget between 1990-91 and 1991-92.

The budget increase of $42,000 results primarily from cost increases for employee compensation ($460,000) and additional funding to create a staff counsel position ($85,000). These increases are partially offset by the unallocated reduction discussed earlier (—$518,000).

Table 1
Department of Finance
Budget Summary
1989-90 through 1991-92
(dollars in thousands)

	Personnel-Years			Expenditures			
Program	Actual 1989-90	Est. 1990-91	Prop. 1991-92	Actual 1989-90	Est. 1990-91	Prop. 1991-92	Percent Change From 1990-91
Annual financial plan	135.9	133.5	134.4	$10,470	$11,089	$11,499	3.7%
Program and information system assessments	83.6	82.9	82.9	5,945	6,348	6,430	1.3
Supportive data	98.8	97.9	97.9	7,439	7,756	8,003	3.2
Administration	53.8	51.2	51.2	4,016	4,370	4,191	−4.1
Unallocated reduction	—	—	—	—	—	−518	N/A [a]
Totals	372.1	365.5	366.4	$27,870	$29,563	$29,605	0.1%
Funding Sources							
General Fund				*$26,916*	*$28,306*	*$28,333*	*0.1%*
Reimbursements				*954*	*1,257*	*1,272*	*1.2*

[a] Not a meaningful figure.

Table 2
Department of Finance
Proposed 1991-92 Budget Changes
(dollars in thousands)

	General Fund	Reimbursements	Totals
1990-91 Expenditures (Revised)	$28,306	$1,257	$29,563
Baseline Adjustments			
Employee compensation adjustments	$460	—	$460
Increased reimbursements	—	15	15
Unallocated reduction	−518	—	−518
Subtotals, baseline adjustments	(−$58)	($15)	(−$43)
Workload Changes			
Create staff counsel position	$85	—	$85
1991-92 Expenditures (Proposed)	$28,333	$1,272	$29,605
Change From 1990-91:			
Amount	$27	$15	$42
Percent	0.1%	1.2%	0.1%

Technology Demonstration Projects: A Cost Benefit Analysis

Chapter 104, Statutes of 1988 (SB 1869, Morgan), established the Advanced Technology program which authorized the Health and Welfare Data Center (HWDC) and the Stephen P. Teale Data Center (TDC) to develop and demonstrate advanced information technologies in partnership with private firms. This measure required the OIT within the DOF to develop criteria to be used by participants in the advanced technology projects. The measure also required the Legislative Analyst to report to the Legislature in the *Analysis of the 1991-92 Budget Bill* on the costs and benefits of these projects.

All projects funded under this program are subject to OIT review and approval. The program places a limit on expenditures at 1 percent of each data center's fiscal year budget. During the current fiscal year, 1990-91,

DEPARTMENT OF FINANCE—Continued

these amounts are approximately $700,000 for the HWDC and $859,000 for the TDC. Since the inception of the program, the TDC has completed two projects at a direct cost to the state of $190,700, excluding personnel costs. The HWDC is currently conducting one project expected to be completed in 1992.

Stephen P. Teale Data Center. The TDC provides centralized electronic data processing services to 166 client state agencies. The TDC has successfully initiated two projects attempting to network computer systems between agencies and to develop an icon (or symbol) based database program to simplify database analysis.

Work Group Synergy Project. The Synergy project attempted to develop advanced local area network (LAN) and wide area network (WAN) computer technology which enables different types of computer systems to communicate with one another. Currently, many state agencies cannot share data because their computer networks are incompatible. The TDC spent $5,000 on the Synergy project and received $481,600 in matches of equipment, personnel and training from participating private firms. Unfortunately, it was found that current technology could not support this type of a LAN system. However, the TDC staff received extensive training and experience in operating LAN systems.

Metaphor Project. Under the California Beverage and Litter Reduction Act of 1986, the Department of Conservation (DOC) was required to set up a program accounting and reporting system for the state's recycling fund. Currently, the DOC contracts with a private firm for accounting and program data services. The turnaround time is slow and cannot facilitate immediate or ad hoc requests for information. The TDC, DOC and several private firms attempted to develop an icon (symbol) based programming system. This system would have enabled field analysts to make queries of a distant database easily and quickly. The TDC and DOC spent $185,700 on the recycling project and received $326,720 in matches of equipment and expertise from participating private firms. The Metaphor project produced mixed results. Although the system provided information more quickly, it proved more difficult to implement and use than anticipated. Consequently, the DOC chose not to implement the system. However, the TDC and DOC staff received experience and expertise in the design, programming and use of database systems.

Health and Welfare Data Center. So far, the HWDC has not spent any funds on this program. However, the HWDC is working with IBM to develop an electronic storage and retrieval system for the Employment Development Department (EDD). Currently, the EDD manually collects, maintains and retrieves all hard copies of Californian employer tax forms and related materials. Delays often occur in filling requests for information because files are lost, waiting to be filed, or being used elsewhere. The HWDC would like to develop an electronic system which would take electronic images of these hard copies and store them in an electronic "folder" where they could be accessed by multiple on-line work stations. The expected cost of this project to the HWDC is $10,000. IBM, which is contracting with the HWDC, plans to provide matches of $2 million in personnel and equipment. This project is expected to be completed in 1992.

Cost and Benefits. The direct state costs of this program have been relatively modest. As of the 1990-91 fiscal year the TDC has spent $195,700 on two projects, and a third HWDC project scheduled to be completed in 1992 will cost an estimated $10,000. These totals exclude *staff* costs which were absorbed within both HWDC's and TDC's existing budgets.

In addition, although there were no program matching requirements, the state's contribution to these projects were highly leveraged by the contributions of participating private firms. The TDC has received $808,320 in private matching contributions for its two projects and the HWDC estimates that it will receive matching contributions of approximately $2 million from IBM for its project.

Similar to the costs, the tangible benefits of this program (to date) have also been relatively modest. As stated earlier, neither of the two completed TDC projects resulted in new technologies which the state chose to implement permanently. However, the state did receive other benefits from these projects. Specifically, the state benefited from the opportunity to test new equipment and technologies at a relatively low state cost, and state staff gained training and experience that would have been costly to acquire otherwise.

In summary, this program has worked as it was intended. The TDC and the HWDC have used the program to test promising but somewhat risky information technologies at a relatively low cost and risk to the state.

COMMISSION ON STATE MANDATES

Item 8885 from the General Fund and the Restitution Fund — Budget p. GG 136

Requested 1991-92	$313,246,000
Estimated 1990-91	236,802,000
Actual 1989-90	234,906,000
Requested increase $76,444,000 (+32.3 percent)	
Total recommended reduction	544,000
Recommendation pending	3,807,000

COMMISSION ON STATE MANDATES—Continued

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8885-001-001—Support	General	$675,000
8885-101-001—Local Assistance	General	87,502,000
8885-101-214—Local Assistance	Restitution	1,510,000
8885-111-001—Local Assistance	General	139,277,000
8885-112-001—Local Assistance	General	7,850,000
Proposed Legislation—Local Assistance	General	76,432,000
Total		$313,246,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. ***New Mandates Funded in 1990. Reduce Item 8885-101-001 by $492,000 and Item 8885-112-001 by $52,000 and revise Budget Bill language to specify that two additional mandates be made optional in 1991-92.*** Our review indicates that two of the mandates newly approved for reimbursement in 1990 should be made optional for 1991-92. 1167
2. Short-Doyle Case Management and Short-Doyle Audits. Withhold recommendation on proposed appropriations totaling $3.8 million for local agency costs related to these mandates. 1167

GENERAL PROGRAM STATEMENT

The Commission on State Mandates is responsible for determining 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 $313.2 million from the General Fund ($311.7 million) and the Restitution Fund ($1.5 million). This is an increase of $76.4 million, or 32 percent above estimated current-year expenditures.

State Operations. The budget proposes an appropriation of $675,000 from the General Fund for support of the Commission on State Mandates in 1991-92. This is an increase of $11,000, or 1.7 percent, above estimated current-year expenditures.

Local Assistance. The budget proposes appropriations totaling $312.6 million from the General Fund and the Restitution Fund for the various state-mandated local programs in 1991-92. Of the total, $311.1 million is requested from the General Fund. This is an increase of $78 million, or 34 percent, above the level of estimated current-year expenditures for payment of mandated costs. This increase is primarily the result of a budget proposal to appropriate $76.4 million in funding (pending legislation) for mandates recently approved by the commission. The appropriation would include funds for both the 1991-92 costs of these mandates and for prior-year deficiencies.

ANALYSIS AND RECOMMENDATIONS

Review of Mandates Funded in 1990 Claims Bill

We recommend that two of the mandates funded in the 1990 Claims Bill be made optional for 1991-92. (Reduce Item 8885-101-001 by $492,000 and Item 8885-112-001 by $52,000 and revise Budget Bill language to specify that these mandates are optional for 1991-92.) Further, we recommend enactment of separate legislation to repeal these mandates permanently. In addition, we withhold recommendation on two proposed appropriations totaling $3.8 million for county costs related to the Short-Doyle Program.

Chapter 459, Statutes of 1990 (SB 1333, Dills), recognized new state funding obligations for 10 statutes found by the commission to contain state-reimbursable local mandates. These mandates are identified in Table 1. Chapter 459 appropriated a total of $11.4 million (including the effects of the Governor's vetoes) for the 1990-91 costs of seven of the 10 mandates. Of the remaining three mandates, two (Ch 845/83, AB 2010, Cortese — Real Property Subdivision Mergers and Ch 1327/84, AB 2381, Mojonnier — Short-Doyle Audits) were not funded in 1990-91 because they were made optional. The remaining mandate, Ch 1335/86 (AB 3300, Willie Brown — Trial Court Delay Reduction) was not funded for 1990-91, because counties must waive reimbursement of court-related mandates, such as Chapter 1335, as a condition of participation in the Trial Court Funding Program.

Chapter 1256, Statutes of 1980 (SB 90, Russell), requires the Legislative Analyst to report each year on any previously unfunded state mandates for which the Legislature appropriated funds during that fiscal year. This measure also requires the Analyst to make recommendations as to whether each of these mandates should be modified, repealed or made permissive. The criteria used in evaluating these mandates are:

- 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?

Consistent with the requirements of Chapter 1256, we have reviewed the mandates identified in Chapter 459. The results of our review are summarized in Table 1.

COMMISSION ON STATE MANDATES—Continued

Table 1
Legislative Analyst's Office (LAO) Recommendations on Claims Funded in 1990 Claims Bill (dollars in thousands)

Mandates Funded in Claims Bill	*1991-92 Full Funding Level* [a]	*LAO Recommendation*	*Rationale*
1. Ch 498/83—Graduation Requirements	$2,800,000	Maintain	State interest in upholding academic standards.
2. Ch 498/83—Notification of Truancy	2,708,000	Maintain	State interest in encouraging school attendance.
3. Ch 641/86—Open Meetings Act	2,404,000 [b]	Maintain	State interest in ensuring citizen access to public meetings.
4. Ch 1226/84—Investment Reports	2,658,000 [b]	Repeal	Primarily local interest.
5. Ch 815/79—Short-Doyle Case Management	3,740,000	Withhold	Legislative action on this mandate should be considered in the context of the Governor's program realignment proposal. For a more complete discussion of the Governor's proposal, please see our analysis of Item 4440.
6. Ch 1327/84—Short-Doyle Audits	67,000	Withhold	Legislative action on this mandate should be considered in the context of the Governor's program realignment proposal. For a more complete discussion of the Governor's proposal, please see our analysis of Item 4440.
7. Ch 1013/81—Local Elections: Consolidation	5,000	Maintain	State interest in facilitating increased voter participation.
8. Ch 332/81—Victim's Statements (Minors)	492,000	Repeal	Benefits limited.
9. Ch 845/83—Real Property Subdivision Mergers	— [c]	Maintain	State interest in ensuring effective regulation of subdivision practices.
10. Ch 1335/86—Trial Court Delay Reduction	—	No Recommendation	Program expired.

[a] Source: Department of Finance.
[b] These mandates were made optional in 1990-91 for local entities other than school and community college districts. The budget proposes to continue that policy and thus proposes funding only for costs incurred related to these mandates for school and community college districts. Specifically, the budget includes $373,000 for Open Meetings Act funding and $52,000 for funding of Investment Reports.
[c] Proposed for optional status in 1991-92.

As Table 1 shows, we recommend maintaining four of the mandates funded in 1990 because they appear to serve a statewide interest and to have reasonable costs. Given the Governor's proposal to shift the primary responsibility and funding for community mental health programs to county governments, we withhold recommendation on the proposed appropriations totaling $3.8 million for Ch 815/79 (SB 950, Petris — Short-Doyle Case Management) and Ch 1327/84 (AB 2381, Mojonnier — Short-Doyle Audits). Legislative action on these mandates should be considered in the context of the Governor's proposal. Finally, because we find no state interest in maintaining Ch 1226/84 (AB 1073, Cortese — Investment Reports) and Ch 332/81 (AB 1190, Katz — Victim's Statements Minors), we recommend that these mandates be made optional in 1991-92, pursuant to authority granted in Ch 459/90. We further recommend that the Legislature consider additional legislation to repeal these two mandates permanently.

Budget Proposes to Continue Optional Status for Eighteen Mandates.

In the 1990 Budget Act and related legislation (Ch 459/90) the state made local compliance with 19 previously funded mandates optional. The budget proposes to make all but one of the 19 mandates (Ch 1327/84 (AB 2381, Mojonnier) — Short-Doyle Audits) optional again in 1991-92. It proposes funding for Short-Doyle Audits on the basis that this program is cost-effective for the state.

Of the 18 mandates, the budget proposes that two (Open Meetings Act and Investment Reports) be made optional for cities and counties, but remain mandatory for schools and community college districts. Thus, the budget includes funding only for costs incurred by school and community college districts pursuant to these measures.

Several of the mandates proposed for optional status in 1991-92 are mandates which we have recommended be maintained in our reviews of newly funded mandates required under Chapter 1256. Because of the state's fiscal condition, we do not recommend that this item be augmented to provide the funding needed to make them operative again for the 1991-92 fiscal year. However, to the extent that the Legislature wishes to revisit its 1990 decision to make these programs optional, there are several other programs which could be made optional instead, to avoid an overall increase in costs. Of the 59 mandates proposed to be funded in 1991-92, we have recommended that eight be repealed in past analyses, including the two recommended for repeal above. Making the remaining six of these mandates optional for 1991-92 would result in additional savings of approximately $9 million.

OFFICE OF ADMINISTRATIVE LAW

Item 8910 from the General Fund — Budget p. GG 142

Requested 1991-92	$3,269,000
Estimated 1990-91	3,239,000
Actual 1989-90	2,985,000
Requested increase $30,000 (+0.9 percent)	
Total recommended reduction	None

OFFICE OF ADMINISTRATIVE LAW—Continued

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8910-001-001—Support	General	$3,069,000
Reimbursements	—	200,000
Total		$3,269,000

GENERAL PROGRAM STATEMENT

The Office of Administrative Law (OAL), established by Ch 567/79 (AB 11, McCarthy), 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 Ch 61/82 (AB 1013, McCarthy). 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.

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 $3,269,000 from the General Fund and reimbursements for the support of the Office of Administrative Law (OAL) in 1991-92. This is $30,000, or 0.9 percent, above estimated current-year expenditures. This increase is due to increased personal services costs. The Governor's Budget also includes an unallocated trigger-related reduction of $38,000 in funding for the office. This reduction is included in the proposed budget for the office in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348), Willie Brown). Table 1 summarizes OAL's expenditures, by program, for the prior, current, and budget years.

Table 1
Office of Administrative Law
Budget Summary
1989-90 through 1991-92
(dollars in thousands)

	Personnel-Years			Expenditures			
Program	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Percent Change From 1990-91*
Regulatory oversight							
Regulations review	17.3	17.3	17.3	$1,892	$1,934	$2,013	4.1%
Regulatory determinations—Ch 61/82	2.0	1.9	1.9	208	212	221	4.2
Subtotals, regulatory oversight	(19.3)	(19.2)	(19.2)	($2,100)	($2,146)	($2,234)	(4.1%)
Legal information services	7.6	9.6	9.6	$885	$1,093	$1,073	−1.8%
Administration (distributed)	15.0	19.2	19.2	(865)	(1,015)	(1,013)	−0.2
Unallocated reduction	—	—	—	—	—	−38	—
Totals	41.9	48.0	48.0	$2,985	$3,239	$3,269	0.9%
Funding Sources							
General Fund				*$2,909*	*$3,039*	*$3,069*	*0.9%*
Reimbursements				*76*	*200*	*200*	—

ANALYSIS AND RECOMMENDATION

We recommend approval.

Our review indicates that the proposed expenditures for the OAL are reasonable.

DEPARTMENT OF ECONOMIC OPPORTUNITY

Item 8915 from the General Fund and Federal Trust Fund — Budget p. GG 144

Requested 1991-92	$98,115,000
Estimated 1990-91	108,996,000
Actual 1989-90	88,696,000
Requested decrease $10,881,000 (−10.0 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8915-001-001—Support	General	$87,000
8915-001-890—Support	Federal	7,497,000
8915-101-853—Local assistance	Petroleum Violation Escrow Account	3,300,000
8915-101-890—Local assistance	Federal	86,936,000
Reimbursements	—	295,000
Total		$98,115,000

DEPARTMENT OF ECONOMIC OPPORTUNITY—Continued

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 that 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 157.5 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes total expenditures of $98.1 million from all funds ($87,000 from the General Fund) for programs administered by the department in 1991-92. Table 1 shows expenditures for the past, current, and budget years, as displayed in the Governor's Budget. The proposed budget represents a net decrease of $10.9 million, or 10 percent, below estimated current-year expenditures. This is due primarily to a reduction in the amount of funds available from the Petroleum Violation Escrow Account (PVEA). The PVEA funds have been used since 1986-87 to supplement the federal LIHEA Program to assist low-income persons in meeting or reducing their energy costs.

Table 1
Department of Economic Opportunity
Budget Summary
1989-90 through 1991-92
(dollars in thousands)

Program	Actual 1989-90	Est. 1990-91	Prop. 1991-92	Percent Change From 1990-91: Amount	Percent
Energy programs	$64,506	$76,558	$65,878	−$10,680	−14.0%
DEO advisory commission	89	87	87	—	—
Community services	24,101	32,351	32,150	−201	−0.6
Administration (distributed)	(2,822)	(3,037)	(3,197)	(160)	(5.3)
Totals	$88,696	$108,996	$98,115	−$10,881	−10.0%
Funding Sources					
General Fund	*$89*	*$87*	*$87*	—	—
Reimbursements	*438*	*295*	*295*	—	—
PVEA	*27,191*	*13,274*	*3,300*	*−$9,974*	*−75.1%*
Federal Trust Fund:					
Low-Income Home Energy Assistance [a]	*32,936*	*58,145*	*57,933*	*−212*	*−0.4*
Department of Energy	*3,941*	*4,394*	*4,350*	*−44*	*−1.0*
Community Services Block Grant	*24,101*	*32,351*	*32,150*	*−201*	*−0.6*
Personnel-years	158.0	157.5	145.5	−12.0	−7.6%

[a] These amounts do not include LIHEA funds that are transferred to the Department of Social Services (Item 5180-151-001).

The budget proposes no new programs for the department in 1991-92 and a decrease of 12 personnel-years.

DEPARTMENT OF ECONOMIC OPPORTUNITY—REAPPROPRIATION

Item 8915-490 from the General Fund and the Federal Trust Fund — Budget p. GG 144

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item reappropriates Low-Income Home Energy Assistance block grant, Department of Energy, Community Services Block Grant (CSBG), and Petroleum Violation Escrow Account local assistance funds. The item allows the Department of Economic Opportunity (DEO) to carry forward into 1991-92 all local assistance funds for energy programs and CSBG programs that 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.

In general, the department will use these funds for the same programs in 1991-92 that these funds support 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 148

Requested 1991-92	$384,220,000
Estimated 1990-91	371,917,000
Actual 1989-90	357,088,000
Requested increase $12,303,000 (+3.3 percent)	
Total recommended reduction	None

MILITARY DEPARTMENT—Continued

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8940-001-001—Support	General	$22,604,000
8940-001-485—Support	Armory Discretionary Improvement	120,000
8940-001-890—Support	Federal Trust	27,590,000
Other federal funds	—	331,200,000
Reimbursements	—	2,706,000
Total		$384,220,000

GENERAL PROGRAM STATEMENT

The functions of the Military Department are to: (1) protect the lives and property of the people of California during periods of natural disaster and civil disturbances, (2) perform other duties required by the California Military and Veterans Code, or as directed by the Governor, and (3) provide military units ready for federal mobilization.

The Military Department consists of three major units: the Army National Guard (22,347 authorized officers and enlisted personnel), the Air National Guard (5,817 authorized personnel) and the Office of the Adjutant General. The department has 694.9 state personnel-years and 3,820 federal personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes the expenditure of $384.2 million from all funding sources for support of the Military Department in 1991-92. This is an increase of $12.3 million, or 3.3 percent, above estimated current-year expenditures. The amount includes $22.6 million from the General Fund. This is an increase of $92,000, or 0.4 percent, over estimated current-year expenditures from the General Fund. The Governor's Budget also includes an unallocated trigger-related reduction of $331,000 in funding for the Military Department. This reduction is included in the proposed budget for the department in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

The budget includes $358.8 million in federal funds for expenditure in 1991-92. Of this amount, only $27.6 million is appropriated through the Budget Bill. The remainder ($331.2 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 5.9 percent in 1991-92.

Table 1
Military Department
Budget Summary
1989-90 through 1991-92
(dollars in thousands)

Program	*Actual 1989-90*	*Est. 1990-91*	*Proposed 1991-92*	*Percent Change From 1990-91*
Army National Guard	$235,243	$245,884	$256,164	4.2%
Air National Guard	112,225	117,479	119,622	1.8
Adjutant General				
undistributed	2,200	2,300	2,400	4.3
(distributed)	(5,705)	(5,982)	(5,982)	—
Support to civil authority	2,267	787	801	1.8
Military retirement	2,174	2,353	2,387	1.4
California Cadet Corps	526	547	549	0.4
State Military Reserve	293	281	293	4.3
Farm and Home Loan	29	33	36	9.1
IMPACT	2,131	2,253	2,299	2.0
Unallocated reduction	—	—	−331	—[a]
Totals, Expenditures	$357,088	$371,917	$384,220	3.3%
Funding Sources				
General Fund	*$22,496*	*$22,512*	*$22,604*	*0.4%*
Federal Trust Fund	*22,289*	*27,088*	*27,590*	*1.9*
Other Federal Funds	*308,500*	*319,500*	*331,200*	*3.7*
Armory Discretionary Improvement Fund	*84*	*120*	*120*	*0.0*
Reimbursements	*3,719*	*2,697*	*2,706*	*0.3*
General Fund share of total	*6.3%*	*6.1%*	*5.9%*	—

[a] Not a meaningful figure.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Update on the IMPACT Program. The Governor's Budget includes $2.3 million for the support of the Innovative Military Projects and Career Training (IMPACT) Program. Of this amount, $693,000 in reimbursements is proposed from the Employment Training Fund through an interagency agreement with the Employment Training Panel (ETP). The Legislature has maintained interest in this program for the past three years, which has centered around the department's ability to place the required number of ETP-funded participants in private employment, given that the reimbursements are made to the department on a per-placement basis.

The 1989-90 agreement between the ETP and the department allowed the IMPACT program until December 1990 to place 104 participants. The department reported that it would meet the goal of 104 placements, but not until March 1, 1991. In addition, the department indicated that projected placements towards fulfillment of the 1990-91 agreement will certainly meet and likely exceed the 276 required placements by December 1991. Finally, the department advises that it will enter negotiations with the ETP for the 1991-92 agreement, which should be finalized prior to budget hearings.

MILITARY DEPARTMENT—Continued

Capital Outlay

The Governor's Budget proposes appropriations of $3.2 million in Item 8940-301-036 and $2.2 million in Item 8940-301-890 for capital outlay expenditures for the Military Department. Please see our analysis of these items in the capital outlay section of this *Analysis,* which is in the back portion of this document.

SENIOR CITIZENS' PROPERTY TAX ASSISTANCE

Item 9100-101 (a) from the General Fund — Budget p. GG 159

Requested 1991-92	$2,777,280
Estimated 1990-91	3,287,000
Actual 1989-90	4,047,000
Requested decrease $509,720 (−15.5 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Senior Citizens' Property Tax Assistance (SCPTA) program provides partial reimbursement for property taxes paid by low-income homeowners who are (1) at least 62 years old or (2) totally disabled or blind regardless of age. Assistance varies inversely with income and is calculated as a percentage of the tax on the first $34,000 of property value, after taking into account the $7,000 homeowners' property tax exemption. Assistance provided in 1991-92 will be based on taxes paid in 1990-91.

Chapter 1231, Statutes of 1988 (AB 3165, Klehs), increased by 10 percent the allowable income for each percentage level of assistance, effective with payments in 1989-90. Assistance varies from 96 percent of the tax for homeowners with incomes of $3,300 or less to 4 percent of the tax for those with incomes between $12,650 and $13,200.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of $2.8 million for the SCPTA program in 1991-92. This is $509,720, or 15.5 percent, less than the $3.3 million that the budget estimates will be spent on the program in the current year.

The budget request includes an unallocated trigger-related reduction of $14.8 million for all tax relief items. This reduction is included in the proposed budget for tax relief programs in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown). The budget request shown above for the SCPTA program assumes that all tax relief items not exempted from the unallocated reduction share that reduction equally. Under that assumption, the unallocated reduction for the SCPTA program is $116,000. Real savings in this program, however, can only be achieved through a reduction in statutory entitlement levels. Since the unallocated reduction reflected in the budget is in lieu of the reductions that would otherwise be made pursuant to Ch 458/90, the authority provided by Chapter 458 to reduce statutory entitlements may not be available. If this authority is not available, the inclusion of this unallocated reduction in the budget is likely to result in a deficiency.

The balance of the total $510,000 reduction in the SCPTA program over estimated current spending levels primarily reflects the downward trend in the annual cost of this program. The annual reductions occur for two reasons. First, rising income levels result in fewer elderly and disabled people remaining within the program's fixed maximum allowable income level ($13,200). Second, fewer eligible persons apply for assistance as their incomes approach the maximum level and benefits decrease to a minimal amount (about $12 at the maximum income level). While Chapter 1231 increased costs under this program in 1989-90, costs have resumed their downward trend since then.

The budget request is based on cost estimates provided by the Franchise Tax Board, which administers the program. The board projects that about 183,000 claimants will participate in the combined SCPTA and SCRTA programs in 1991-92 and that the average benefit will be $94.

The budget request appears reasonable and we recommend approval.

SENIOR CITIZENS' PROPERTY TAX DEFERRAL

Item 9100-101 (b) from the General Fund — Budget p. GG 159

Requested 1991-92	$10,080,000
Estimated 1990-91	9,500,000
Actual 1989-90	8,350,000
Requested increase $580,000 (+6.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Senior Citizens' Property Tax Deferral (SCPTD) program allows eligible homeowners to postpone payment of all or a portion of the property taxes on their residence, with the state paying local governments on their behalf. The state places a lien on the property to assure repayment when the property is sold or transferred. In effect, the state loans the property tax payments to the homeowner until the property is sold. Interest is charged on the amount of deferred taxes at the rate earned by the Pooled Money Investment Account during the year preceding the tax deferral. Eligible homeowners must be at least 62 years

SENIOR CITIZENS' PROPERTY TAX DEFERRAL—Continued

old or blind or totally disabled. The appropriation in this item is to the State Controller's Office (SCO), which administers the program and uses these funds to pay property taxes to local governments on behalf of the program's participants.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget requests an appropriation of $10.1 million for the SCPTD program in 1990-91. This is $580,000, or 6 percent, more than estimated current-year expenditures of $9.5 million. The request is based on projections of program needs in 1991-92 by the SCO and appears reasonable.

The Governor's Budget request includes an unallocated trigger-related reduction of $14.8 million for all tax relief items. This reduction is included in the proposed budget for all tax relief programs in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown). The budget request shown above for the SCPTD program assumes that all tax relief items not exempted from the unallocated reduction share that reduction equally. Under that assumption, the unallocated reduction for the SCPTD program is $420,000. Real savings in this program, however, can only be achieved by revising the statute to allow the SCO to pay local governments less money than they claim. Since the unallocated reduction reflected in the budget is in lieu of the reductions that would otherwise be made pursuant to Ch 458/90, the authority provided by Chapter 458 to reduce statutory entitlements may not be available. If this authority is not available, the inclusion of this unallocated reduction in the budget is likely to result in a deficiency.

SENIOR CITIZEN RENTERS' TAX ASSISTANCE

Item 9100-101 (c) from the General Fund — Budget p. GG 160

Requested 1991-92	$13,707,840
Estimated 1990-91	16,220,000
Actual 1989-90	20,070,000
Requested decrease $2,512,160 (−15.5 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Senior Citizen Renters' Tax Assistance (SCRTA) program provides tax relief in the form of payments to low-income renters who are (1) at least 62 years old or (2) totally disabled or blind regardless of age. Assistance varies inversely with income and assumes that all renters pay the equivalent of $250 in annual property taxes. Payments are calculated as a percentage of this $250 amount.

Chapter 1231, Statutes of 1988 (AB 3165, Klehs), increased by 10 percent the allowable income level for each percentage level of assistance, effective with payments in 1989-90. Assistance varies from $240 (96 percent of $250) for persons with incomes of $3,300 or less to $10 (4 percent of $250) for persons with incomes between $12,600 and $13,200.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of $13.7 million for the SCRTA program in 1991-92. This is $2.5 million, or 15 percent, less than the $16.2 million that the budget estimates will be spent on the program in the current year.

The Governor's Budget includes an unallocated trigger-related reduction of $14.8 million for all tax relief items. This reduction is included in the proposed budget for tax relief programs in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown). The budget request shown above for the SCRTA program assumes that all tax relief items not exempted from the unallocated reduction share that reduction equally. Under that assumption, the unallocated reduction for the SCRTA program is $571,000. Real savings in this program, however, can only be achieved through a reduction in statutory entitlement levels. Since the unallocated reduction reflected in the budget is in lieu of the reduction that would otherwise be made pursuant to Ch 458/90, the authority provided by Chapter 458 to reduce statutory entitlements may not be available. If this authority is not available, the inclusion of this unallocated reduction in the budget is likely to result in a deficiency.

The budget request for the SCRTA program primarily reflects the downward trend in the annual cost of the program. This downward trend occurs primarily because the number of participants declines as inflation raises incomes thereby reducing both the number of people who could qualify for the program as well as the amount of the average payout.

Both the SCRTA program funded in this item and the Senior Citizens' Property Tax Assistance (SCPTA) program discussed above (please see Item 9100-101 (a)) have the same income limitations and share the same schedule that provides a decreasing percentage payment with increasing income levels. Chapter 1231 made identical changes in the income limitation and payment schedule for both programs by (1) increasing the percentage payments to currently eligible persons and (2) expanding the pool of eligible persons through raising the income limitation from $12,000 to $13,200. These changes increased program costs in 1989-90, but the downward trend in program costs has continued since then.

The amount requested for 1991-92 appears reasonable. It is based on estimates by the Franchise Tax Board, which administers both the SCRTA and SCPTA programs.

HOMEOWNERS' PROPERTY TAX RELIEF

Item 9100-101 (d) from the General Fund — Budget p. GG 160

Requested 1991-92	$360,000,000
Estimated 1990-91	356,049,000
Actual 1989-90	352,208,000
Requested increase $3,951,000 million (+1.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The State Constitution grants a $7,000 property tax exemption on the assessed value of owner-occupied dwellings, and requires the state to reimburse local governments for the resulting tax loss. This item provides funds for these constitutionally required reimbursements.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes expenditures of $360 million for Homeowners' Property Tax Relief in 1991-92. This is an increase of $3.95 million, or 1.1 percent, above estimated current-year expenditures of $356 million. Information reported to the State Board of Equalization (BOE) by county assessors indicates that there are 4.7 million properties on the 1990 regular tax roll which received the homeowners' exemption, an increase of 1.2 percent over the previous year. This increase was similar to the 1.1 percent increase in properties receiving the homeowners' exemption experienced a year earlier, but is significantly lower than earlier years. In previous years, the annual increase in the number of exemptions had ranged from 1.6 percent to 1.8 percent. The budget request assumes that the annual growth rate will remain at about 1.1 percent. This program is not proposed to take a trigger-related reduction.

The exemption reduces the average homeowner's taxes by about $75 annually. This is the amount that otherwise would be owed on the $7,000 exemption at the statewide average rate of 1.07 percent (including bond levies). The budget request appears reasonable and we recommend approval.

OPEN-SPACE PAYMENTS TO LOCAL GOVERNMENTS

Item 9100-101 (e) from the General Fund — Budget p. GG 160

Requested 1991-92	$13,920,000
Estimated 1990-91	14,500,000
Actual 1989-90	19,416,000
Requested decrease $580,000 (−4.0 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. Open-Space subventions. Recommend enactment of legislation to terminate this program because it is ineffective as a means of preserving open space. 1182

GENERAL PROGRAM STATEMENT

Existing law requires the state to provide replacement revenue to cities and counties to compensate them for reduced property tax revenues on open-space and agricultural land subject to certain restricted-use contracts. The Secretary of the Resources Agency, through the Department of Conservation, administers this subvention program.

Under the California Land Conservation Act of 1965 (the Williamson Act), cities and counties may enter into contracts with landowners to restrict the use of property to open-space or agricultural purposes. In return for the restriction, the landowner pays a reduced amount of property tax because the land is assessed at less than its market value. The amount of the state subvention is based on the amount and type of land under contract, rather than the actual reduction in property tax revenues. The subvention ranges from a maximum of $8 per acre, for "prime" land located in or within three miles of an incorporated city with a population of at least 25,000, down to a minimum of 40 cents per acre for "nonprime" land (generally marginal rangeland) regardless of location.

Each contract runs for 10 years and is automatically renewed each year unless the landowner or local government objects. If a contract is not renewed, the tax on nonrenewed land gradually returns, over a 10-year period, to the level at which comparable unrestricted land would be taxed. Local governments also may grant a landowner's request to cancel a contract. If granted, cancellation requires the landowner to make a substantial payment to the state, generally about 13 percent of the full market value. Although some cities participate in the program, counties receive more than 99 percent of the subventions.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $13.9 million from the General Fund for open-space payments to local governments in 1991-92. This amount is $580,000, or 4 percent, less than estimated current-year expenditures of 14.5 million. The Governor's Budget includes an unallo-

OPEN-SPACE PAYMENTS TO LOCAL GOVERNMENTS—Continued

cated trigger-related reduction of $14.8 million for all tax relief items. This reduction is included in the proposed budget for tax relief programs in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

The budget request shown above for open-space payments to local governments assumes that all tax relief items not exempted from the unallocated reduction share the unallocated reduction equally. Under that assumption, the unallocated reduction for the open-space payments program is $580,000. Real savings in this program, however, can only be achieved through a reduction in statutory entitlement levels. Since the unallocated reduction reflected in the budget is in lieu of the reduction that would otherwise be made pursuant to Ch 458/90, the authority provided by Chapter 458 to reduce statutory entitlements may not be available. If this authority is not available, the inclusion of this unallocated reduction in the budget is likely to result in a deficiency.

ANALYSIS AND RECOMMENDATIONS

Subvention Program is Ineffective Means of Preserving Open Space

We recommend the enactment of legislation to terminate the open-space subvention program because the program does not meet its objective of preserving open-space.

Background. The open-space program was originally set up in 1965 in an attempt to reduce the rate at which farms and other open-space properties were being converted to other uses. Its primary tool for accomplishing this was through property tax reductions. At that time, farms and property in general were assessed at their current market value. The market value of farmland is influenced by two primary factors. The first of these is its agricultural productive capacity, which determines the level of income the property can generate. The other is its potential for conversion to other uses, such as housing. As urban areas expand, surrounding farmland values increasingly reflect this second factor. Prior to Proposition 13, as farmland values rose, their property tax liabilities also rose, often dramatically. In many cases, it became difficult for landowners to pay their property taxes out of farming income.

The open-space program provides tax relief to landowners engaged in farming activities by assessing farmland solely on its value from agriculture. By reducing the tax burden on farmland, the Legislature intended to remove the burden of high property taxes as an incentive for the conversion of farmland to other uses.

The passage of Proposition 13 in 1978 sharply reduced property tax burdens for all types of property. It did this by reducing the rate at which property is taxed and by limiting the amount of property value (its assessment) on which the tax is determined. Because the tax rate is significantly lower, and because most land is assessed at less than its current full market value, taxes on farmland as a percentage of market value are now much lower than before Proposition 13. Proposition 13 also has had the effect of lowering the value of the tax relief provided under the open-space subvention program, because it limits the assessment increases that this program is designed to mitigate. As a result, the small benefits this program provides to any individual farmer are unlikely to influence the farmer's decision to stay in farming or sell to a developer. Some evidence to that effect may be provided by the fact that most of the landowners who cancel their contracts are located in the fastest-growing counties.

The State Bears Most of the Cost of the Open-Space Program. The state has a much larger stake in the open-space program than the amount provided for subventions. Work done as part of a study by the Agricultural Issues Center of the University of California indicates that landowners in the open-space program paid about $120 million less in property taxes statewide in 1988-89 than they would have paid if their properties had been assessed using Proposition 13 assessment rules. Counties, school districts, and community college districts would have received most of these tax revenues. Of the total revenue loss, $44.5 million would have been allocated to counties. However, after accounting for state subventions of $14.5 million, the net revenue loss to counties actually amounts to $30 million. The revenue loss to school districts and community college districts, however, was even larger — $59.5 million, but under existing school funding programs essentially all of this loss was made up by increased state aid. Thus, the total state cost of the open-space program was about $74 million in 1988-89, or five times the amount of the subventions alone and more than twice the net revenue loss to counties.

Canceling this program would require the passage of legislation, and this legislation would need to require counties to "nonrenew" their existing contracts. Because these contracts will still be in effect for 10 years after nonrenewal, however, the state will continue to make up school district revenue losses, although in declining amounts, for the next 10 years. These payments will decline as the property tax revenues from land formerly under contract return to the current assessment level required by Proposition 13.

Under current law, state subvention payments would continue until all contracts expire. However, the Legislature could choose to end the subvention payments and realize a savings to the state of $13.9 million in the budget year. Realizing this savings would adversely affect the current fiscal condition of the counties, however. Alternatively, the Legislature might choose to end subvention payments under this program, but provide these funds to counties in another manner. For example, it could increase the funds provided to counties under the revenue stabilization program. (Please see Item 9210.) Whether or not to continue subvention payments is a policy question for the Legislature to decide, and we make no recommendation on this issue at this time.

Canceling this program would, over time, free up funds for other uses, including programs that could better provide incentives for the preservation of open space. Accordingly, we recommend the enactment of legislation to repeal the California Land Conservation Act (Williamson Act).

RENTERS' TAX RELIEF

Item 9100-101 (f) from the
General Fund Budget p. GG 160

Requested 1991-92	$314,880,000
Estimated 1990-91	577,000,000
Actual 1989-90	483,275,000
Requested decrease $262,120,000 (−45.4 percent)	
Total recommended reduction	None
Recommendation pending	210,000,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

	Analysis page
1. Reduced Credit. Withhold recommendation on proposed reduction of $210,000,000 pending action on legislation to lower the credit amounts paid to taxpayers under this program.	1184

GENERAL PROGRAM STATEMENT

The Renters' Tax Relief program provides a "refundable" tax credit to Californians who rent their principal place of residence as of March 1. The credit is applied first to any income taxes due, with any balance paid directly to the renter. Persons with no income tax liability must file a return to receive the tax relief payment. The amount of the credit is $60 for single renters and $120 for married couples, heads of households, and surviving spouses. The annual budget appropriation for this program funds both the revenue loss due to the reduction of tax liability and the payments in excess of tax liability.

ANALYSIS AND RECOMMENDATIONS

We withhold recommendation on reduction of $210 million pending legislative action on the budget's proposal to lower the credit amounts under this program.

The budget requests an appropriation of $314.9 million for the Renters' Tax Relief program in 1991-92. This amount is $262 million, or 45 percent, less than the budget estimates will be spent on the program in the current year.

The Governor's Budget includes an unallocated trigger-related reduction of $14.8 million for all tax relief programs. This reduction is included in the proposed budget for tax relief items in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown). The budget request figure shown above for the Renters' Tax Relief program assumes that all tax relief items not exempted from the unallocated reduction share that reduction equally. Under that assumption, the unallocated reduction for the Renters' Tax Relief program is $13.1 million. Real savings in this program, however, can only be achieved through a reduction in statutory entitlement levels. Since the unallocated reduction reflected in the budget is in lieu of the reduction that would otherwise be made pursuant to Chapter 458, the authority provided by Chapter 458 to reduce statutory entitlements may not be available. If this authority is not available, the inclusion of this unallocated reduction in the budget is likely to result in a deficiency.

Most of the reduced request for the Renters' Tax Relief program in the 1991-92 fiscal year, however, is the result of two factors: (1) a proposal to reduce the tax credit provided under this program from $120 to $70 for married couples, heads of households and surviving spouses, and from $60 to $35 for single taxpayers; and (2) the elimination of additional current-year expenditures of approximately $60 million for claims that were "rolled-over" from the previous fiscal year. The Department of Finance estimates that, based on average taxpayer claims, the proposal to lower credit amounts paid out under this program will save the state $210 million in the 1991-92 fiscal year.

The Governor's Budget claims that the proposal to lower the amount of the credit will "more closely align the benefit of the Renters' Tax Credit with that of the Homeowners' Property Tax Exemption." The current value of the exemption is about $75 annually. Because this proposal has numerous policy implications that will need to be addressed by the Legislature, we withhold recommendation on the amount of funding requested for this program pending legislative action.

SUBSTANDARD HOUSING

Item 9100-101 (g) from the General Fund — Budget p. GG 160

Requested 1991-92	$380,160
Estimated 1990-91	293,000
Actual 1989-90	278,000
Requested increase $87,160 (+29.7 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Substandard Housing program provides funds to local agencies to augment housing code enforcement and rehabilitation activities.

Existing law disallows certain income tax deductions for rental housing that is found to violate housing codes. The additional tax revenues generated by these disallowances are transferred from the General Fund to the Local Agency Code Enforcement and Rehabilitation Fund (LACERF). Existing law requires the State Controller to distribute these funds to the cities and counties in which the code violations occurred, to be used for code enforcement, housing rehabilitation, and related activities. Generally, two fiscal years elapse between the time when housing code

SUBSTANDARD HOUSING—Continued

violations are reported and when the additional tax revenues generated by these violations are distributed to local governments.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget requests $380,160 from the General Fund for transfer to the Substandard Housing program in 1991-92, an increase of 30 percent over current-year costs.

The Governor's Budget includes an unallocated trigger-related reduction of $14.8 million for all tax relief items. This reduction is included in the proposed budget for the tax relief programs in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown). The budget request shown above for this program assumes that all tax relief items not exempted from the unallocated reduction share that reduction equally. Under that assumption, the unallocated reduction for the substandard housing program is $15,840.

The budget request for the substandard housing program is based on projections of program needs in 1991-92 by the Franchise Tax Board and appears reasonable.

LOCAL GOVERNMENT FINANCING

Item 9210 from the General Fund — Budget p. GG 161

Requested 1991-92	$44,538,000
Estimated 1990-91	33,315,000
Actual 1989-90	60,831,000
Requested increase $11,223,000 (+33.7 percent)	
Total recommended reduction	None

1991-92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
9210-101-001—Local Assistance	General	$14,400,000
9210-103-001—Local Assistance	General	9,600,000[a]
9210-495—Reversion	General	—
Statutory Appropriation—Local Assistance	General	20,338,000
Statutory Appropriation—Local Assistance	1988 California Wildlife, Coastal and Park Land Conservation (Bond)	5,000,000
Total		$44,538,000

[a] Of the amount appropriated in this item, $4,800,000 is proposed to be expended in 1991-92 and the remainder is proposed as a 1992-93 expenditure.

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

	Analysis page
1. Special Supplemental Subventions. Recommend enactment of legislation to repeal existing statutory provisions related to supplemental subventions.	1188

GENERAL PROGRAM STATEMENT

This budget item reflects state expenditures associated with three separate programs, as follows.

County Revenue Stabilization Program. Chapter 1286, Statutes of 1987 (AB 650, Costa), established a new program — the County Revenue Stabilization Program — to provide fiscal relief to "distressed" county governments. Specifically, the program is intended to stabilize the percentage of county general purpose revenues (GPR) which must be expended for the county share of costs associated with four state programs.

For 1991-92, payments will be made to offset "disproportionate" county costs that were incurred in 1989-90. Specifically, if a county's ratio of costs for the four programs to its GPR was higher in 1989-90 than it was in 1981-82, the state will provide assistance to offset the difference. Thus, state assistance is offered on a "lagged" basis. The county program costs eligible for reimbursement under this program include the Aid to Families with Dependent Children programs (exclusive of Foster Care), the In-Home Supportive Services program, the Community Mental Health program, and the Food Stamps program.

Supplemental Subventions Program. In 1980-81, the Legislature fully exempted business inventories from the property tax and increased the existing business inventory subvention to reimburse local agencies for the lost property tax revenues. In 1984, the Legislature repealed the business inventory subvention and began providing a new "Special Supplemental Subvention" to reimburse local agencies for any further revenue loss related to repeal of the business inventory subvention. The special supplemental subvention to cities was ended in 1988-89, but redevelopment agencies are still eligible for such subventions.

In 1990, the special supplemental subvention program was modified pursuant to Ch 449/90 (AB 160, Polanco). Chapter 449 specified that payments for supplemental subventions would be made twice a year (as compared with three times per year under prior law), on December 31 and July 1. For 1990-91, this had the effect of reducing the budgeted costs of the subvention by 75 percent, since the second payment for 1990-91 subventions will not go out until July 1, 1991.

Monterey County Viewshed Subvention. The California Wildlife, Coastal, and Park Land Conservation Act (Proposition 70, passed by the voters at the June 1988 election) made a total of $25 million available to Monterey County for projects to preserve viewshed in the Big Sur area, of which $5 million will be allocated in 1991-92.

LOCAL GOVERNMENT FINANCING—Continued

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of $44.5 million from all funds for local government financing programs in 1991-92, which is an increase of $11.2 million, or 34 percent, above estimated current-year expenditures. The increase is primarily due to increased costs of $20.4 million for the supplemental subvention program as a result of deferring the final 1990-91 supplemental subvention payment to 1991-92, offset by a proposed reduction in the overall level of supplemental subventions for the 1991-92 fiscal year. In addition, the Governor's Budget includes an unallocated trigger-related reduction of $1,847,000 in funding for the programs funded in this item. This reduction is included in the proposed budget in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

ANALYSIS AND RECOMMENDATIONS

County Revenue Stabilization Program

We recommend approval.

The 1991-92 Governor's Budget proposes an appropriation of $14.4 million from the General Fund to fund the County Revenue Stabilization program in 1991-92. This amount is $600,000 less than was appropriated in the current year, due to the inclusion of the unallocated reduction mentioned above.

We do not currently have an estimate of the level of expenditures required to fully stabilize program expenditures in the manner contemplated by the statutory formulas. However, based on county financial transactions in 1988-89, it appears that considerably more than the requested amount would be required to achieve full stabilization. Specifically, the Department of Finance estimates that full stabilization of 1988-89 county expenditures on these programs would have cost approximately $30 million in 1990-91. The historical patterns of growth in county revenue and expenditures suggest that an even larger amount would be required to stabilize 1989-90 expenditures in the budget year. However, because the implementing legislation for the revenue stabilization program limits the total amount that must be allocated to a maximum of $15 million per year, the department's proposal is consistent with current law. Accordingly, we recommend approval.

Supplemental Subventions Program

We recommend approval of the proposed 1991-92 appropriation for this program. We also recommend enactment of legislation repealing the existing statutory provisions related to this program.

The 1991-92 Governor's Budget proposes two changes to the supplemental subventions program. First, the budget proposes that, beginning in 1991-92, these subventions be paid through an annual Budget Act appropriation rather than the existing statutory appropriation. Second, the budget proposes to change the scope of the existing program by: (1) reducing the level of the subventions, from approximately $42 million (the amount estimated to fully reimburse redevelopment agencies for revenue losses associated with repeal of the business inventory subvention) to $9.6 million; (2) modifying the existing distribution mechanism; and (3) limiting the number of agencies receiving subventions from this program. Specifically, the reduced amount would be targeted for redevelopment agencies for which: (1) state supplemental subventions generally represent more than 10 percent of their revenues, or (2) state supplemental subventions have been pledged, at least in part, to support the agency's bonded debt. The Governor's Budget also states the intention that this program be phased out completely.

At the time the Legislature enacted the special supplemental subventions for redevelopment agencies, it was anticipated that the amount of this aid would decline to zero over time, as increasing supplemental property tax revenues offset the loss of business inventory subvention revenues. Experience with the program, however, indicates that the anticipated decline in assistance has not occurred, despite a significant rate of growth in overall redevelopment agency revenues, nor does it appear likely to occur in the near future. As a result, this program has become a continuing, rather than temporary, program of general fiscal assistance to redevelopment agencies. As this outcome is inconsistent with the Legislature's original intent, and because it is not clear why the state should provide general fiscal assistance to redevelopment agencies at all, we recommend that the Governor's proposal to phase out this program be approved. This proposal, which would target special supplemental subventions to those agencies which rely most heavily on them, is consistent with the legislative intent to reduce the subventions over time as agencies no longer needed them. In addition, we recommend that the Legislature enact legislation repealing the existing statutory authority for the program and provide funding through the Budget Bill in future years to the extent that there are still agencies which might require such assistance.

Monterey County Viewshed Subvention

We recommend approval.

The budget proposes a $5 million appropriation from the 1988 California Wildlife, Coastal and Park Land Conservation (Bond) Fund (Proposition 70) for the 1991-92 Monterey County Viewshed subvention. The proposed allocation is consistent with the provisions of Proposition 70. Accordingly, we recommend approval.

PAYMENT OF INTEREST ON GENERAL FUND LOANS

Item 9620 from the General Fund — Budget p. GG 175

Requested 1991-92	$5,000,000
Estimated 1990-91	2,000,000
Actual 1989-90	0
Requested increase $3,000,000 (+150 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Whenever cumulative cash disbursements exceed cumulative incoming revenues, the General Fund must borrow monies to cover these payments. This borrowing, which is done on a short-term basis, often requires the payment of interest.

To meet the General Fund's short-term cash needs, the state may borrow either internally, from the unexpended balances in its own various funds, or externally, through the issuance of short-term borrowing instruments. External borrowing is preferable because the state can invest money at a higher interest rate than the rate at which it must borrow. This is because, when the General Fund borrows externally, it does so at *tax-exempt* interest rates, whereas when it borrows internally, it does so, in effect, at *taxable* interest rates — since most of the funds borrowed would otherwise be invested in taxable securities. The Legislature has expressed its intent that the state use external, rather than internal, borrowing whenever it is advantageous to the state.

The interest paid on external loans is funded by a continuous appropriation in the Government Code, not out of the appropriation made in this item.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget requests $5 million for payment of interest on the loans made to the General Fund from *internal* sources in 1991-92. In the past it has been customary for the Governor's Budget to appropriate $1 in order to maintain this item in the budget and to allow for a deficiency appropriation in the event that a change in conditions required extensive internal borrowing.

This is the first time the Governor's Budget has appropriated any amount above the customary $1 "placeholder" for this item. This is because the budget anticipates for the first time that the state's cash flow borrowing needs will require it to borrow from state funds that require the payment of interest. In past years, the state has been able to use funds from the Special Fund for Economic Uncertainties (SFEU), and from other special funds that do not require interest payments, to meet its cash flow requirements. Because the SFEU has been depleted in the current year, and because the budget anticipates larger cash flow funding needs than in prior years, borrowing from additional sources will be required.

The problem is further exacerbated by issues of both law and timing. The State Constitution does not allow the state to carry debt from one fiscal year to the next without voter approval. Because the state has large cash flow imbalances that occur between June and August of each year, this constitutional requirement effectively precludes the use of external borrowing to bridge the gap in June. Further, external borrowing has in past years not been possible to arrange until August, due to the time required to prepare official statements reflecting budget actions that are needed to obtain the external borrowing. For these reasons, the state must rely on internal sources of funds to meet its cash flow requirements during June, July and part of August.

The $5 million appropriation proposed in the 1991-92 Budget Bill more accurately reflects the anticipated budgetary expenditure for the payment of interest on internally borrowed monies in the budget year. This appropriation assumes that the state will borrow or pay interest on over $2.3 billion in the budget year. This assumption is consistent with the budget's forecast of revenues and expenditure.

HEALTH BENEFITS FOR ANNUITANTS

Item 9650 from the General Fund — Budget p. GG 181

Requested 1991-92	$289,779,000
Estimated 1990-91	240,668,000
Actual 1989-90	191,301,000
Requested increase $49,111,000 (+20 percent)	
Total recommended reduction	None
Recommendation pending	289,779,000

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
9650-001-001	General	$285,779,000
Ch 1251/90	General	4,000,000
Total		$289,779,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS — *Analysis page*

1. Funding for Premium Increases. Withhold recommendation, pending receipt of updated information on the cost of health and dental insurance premiums. 1193

GENERAL PROGRAM STATEMENT

This appropriation provides the state's contribution toward monthly health and dental insurance premiums for annuitants of retirement

HEALTH BENEFITS FOR ANNUITANTS—Continued

systems to which the state contributes as an employer. These systems are the Judges', Legislators', District Agricultural Employees', Public Employees' and State Teachers' Retirement Systems. For the latter two systems, the health insurance premium contribution is made only on behalf of retired *state* employees.

This program offers a degree of post-retirement security for employees and their dependents by contributing toward the cost of state-approved health and dental insurance plans. Government Code Section 22825.1 expresses legislative intent that the state pay an average of 100 percent of *health* insurance costs for active employees and annuitants, and 90 percent of health insurance costs for the dependents of employees.

The State Employees' Dental Care Act does not stipulate the same intent with regard to the state's contribution toward dental insurance costs as that set forth in Section 22825.1. In general, the state currently pays 100 percent of *dental* premium costs for state employees.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $289.7 million from the General Fund for payment of health and dental insurance premiums in 1991-92. This is $49.1 million, or 20 percent, more than estimated current-year expenditures. The increase is attributable both to higher premiums charged by insurers and projected growth in the number of annuitants.

Annuitant Health Benefits. The budget proposes expenditures of $255.4 million for the payment of health insurance premiums. This is $38.7 million, or 18 percent, more than estimated 1990-91 expenditures. The budget increase is based on the following assumptions:

- An increase of 18 percent in the premium cost.
- An increase of 4 percent in the number of enrollees in the annuitant health benefit program.

Annuitant Dental Benefits. The budget proposes expenditures of $30.3 million for the payment of dental insurance premiums. This is $6.3 million, or 26 percent, above estimated current-year expenditures. The budget increase is based on the following assumptions:

- An increase of 13.4 percent in the premium cost.
- An increase of 4 percent in the number of dental program enrollees.

The state contributions for these programs are paid initially from the General Fund. Special fund agencies are assessed pro rata charges for these costs, which are then credited to the General Fund. Approximately 30 percent of the state's contribution is recovered from special fund agencies.

Table 1 shows the number of annuitants and state costs for the health and dental care programs for the past, current, and budget years.

Table 1
Health and Dental Benefits
Annuitants and Costs
1989-90 through 1991-92
(dollars in thousands)

	Number of Annuitants			State Costs			
	Actual 1989-90	*Est. 1990-91*	*Prop. 1991-92*	*Actual 1989-90*	*Est. 1990-91*	*Prop. 1991-92*	*Percent Change From 1990-91*
Health Benefits (by retirement system)							
Public employees	72,664	75,016	78,017	$169,270	$213,550	$251,611	17.8%
District agricultural employees	64	70	77	145	182	220	20.9
Legislators	98	96	98	217	268	328	22.4
State teachers	303	292	297	659	812	996	22.7
Judges	681	670	697	1,511	1,880	2,285	21.5
PERS-Care subsidy, Ch 1251/90	—	—	—	—	—	4,000	
Subtotals, health benefits	73,810	76,144	79,186	$171,802	$216,692	$259,440	19.7%
Dental Benefits (by retirement system)							
Public employees	61,928	65,024	68,275	$19,171	$23,572	$29,844	26.6%
District agricultural employees	182	200	210	52	64	87	35.9
Legislators	59	62	65	22	27	33	22.2
State teachers	150	158	166	42	52	62	19.2
Judges	573	602	632	212	261	313	19.9
Subtotals, dental benefits	62,892	66,046	69,348	$19,499	$23,976	$30,339	26.5%
Totals				$191,301	$240,668	$289,779	20.4%

ANALYSIS AND RECOMMENDATIONS

Premium Rate Increases in 1991-92

We withhold recommendation on this item, pending receipt of updated information on the costs of health and dental insurance premiums for the budget year.

A firm estimate of the 1991-92 cost of health insurance premiums will not be available until April or May 1991. By that time, the Public Employees' Retirement System (PERS) board will have approved rate increases to health care providers. In addition, the Department of Finance will have updated information on dental premium rates. Therefore, we withhold recommendation on this item, pending receipt of updated estimates of budget-year premium costs.

HEALTH BENEFITS FOR ANNUITANTS—REAPPROPRIATION

Item 9650-490 from the General Fund — Budget p. GG 181

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes that the unliquidated and unencumbered balances of funds appropriated in Ch 1251/90 (SB 2465, Cecil Green) be reappropriated until June 30, 1993. This appropriation was made to subsidize the health premium costs of employees and annuitants that must enroll in PERS-Care because they do not have access to an available HMO. The reappropriation of these funds provide for the continuation of the PERS-Care subsidy in the budget year.

EQUITY CLAIMS OF BOARD OF CONTROL AND SETTLEMENTS AND JUDGMENTS BY DEPARTMENT OF JUSTICE

Item 9670 from the General Fund — Budget p. GG 181

Requested 1991-92	$1,000
Estimated 1990-91	601,000
Actual 1989-90	885,000
Requested decrease $600,000 (−99.8 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

	Analysis page
1. Budget Underfunded. Amount for payment of routine tort liability claims in budget year is significantly below the amount which will likely be expended.	1196

GENERAL PROGRAM STATEMENT

Under existing law, the Board of Control is the primary agency responsible for management of tort claims against the state. The board processes all such claims by referring them to the appropriate agency for comment, and then conducting an administrative hearing on the claims' validity. Claims arising from the activities of the Department of Transportation (Caltrans) are referred to that agency for investigation and litigation. The Department of Justice (DOJ) investigates all other claims to determine their validity, and provides legal services to the board.

The Governor's Budget also reflects prior- and current-year expenditures for equity claims, as well as settlements and judgments. Payment of these claims, however, is made through statute. Funds appropriated in this item are only for the payment of tort liability claims.

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 DOJ administers the funds and, with the approval of the Board of Control, directly settles any claim up to $35,000. The Department of Finance's approval must be obtained for the payment of any claim between $35,000 and $70,000. Claims above $70,000 generally are funded separately, through legislation containing an appropriation. Special fund agencies reimburse the General Fund for payments made under the program on their behalf.

The 1989 and 1990 Budget Acts gave the Director of Finance authority to allocate up to $1.2 million from the Special Fund for Economic Uncertainties (SFEU) to pay claims.

Table 1
Equity Claims of Board of Control and Settlements and Judgments by Department of Justice [a]

Summary of Statewide Activity for Administration and Payment of Tort Liability Claims 1989-90 through 1991-92 (dollars in thousands)

	Actual 1989-90	*Est. 1990-91*	*Prop. 1991-92*	*Percent Change From 1990-91*
Claims Payments				
Department of Justice				
General Fund	$885	$601	$1	−99.8%
Department of Transportation				
Special funds	37,920	37,442	37,556	0.3
Legislative Claims				
General Fund	3	400	—	−100.0
Special funds	—	9	—	−100.0
Subtotals, claims payments	($38,808)	($38,452)	($37,557)	(−2.3%)
Staff Services				
Department of Justice				
General Fund	$10,512	$11,307	$10,878	−3.8%
Special funds	972	727	685	−5.8
Department of Transportation				
Special funds	10,164	11,032	12,963	17.5
Subtotals, staff services	($21,648)	($23,066)	($24,526)	(6.3%)
Insurance Premiums				
General Fund	$507	$508	$528	3.9%
Special funds	749	801	841	5.0
Subtotals, insurance premiums	($1,256)	($1,309)	($1,369)	(4.6%)
Totals, expenditures	$61,712	$62,827	$63,452	1.0%

[a] The Governor's Budget also reflects prior- and current-year expenditures for equity claims and judgments and settlements claims, which are appropriated in separate legislation. Funds appropriated in this item are only for payment of tort liability claims.

EQUITY CLAIMS OF BOARD OF CONTROL AND SETTLEMENTS, AND JUDGMENTS BY DEPARTMENT OF JUSTICE—Continued

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of $1,000 from the General Fund for payment of tort liability claims in 1991-92. This is the same amount *appropriated* in the 1990 Budget Act, but $600,000 *less* than estimated current-year expenditures. The estimated current-year expenditures include a $600,000 allocation by the Director of Finance to this item from the SFEU. The Budget Bill proposes to continue language that gives the director authority to make allocations from the SFEU.

Table 1 summarizes statewide tort liability claims and related administrative costs in the past, current, and budget years. In addition to $1,000 appropriated for claims against General Fund state agencies in this item, $37.6 million is budgeted for claims against Caltrans in 1991-92. 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 bond requirements. The budget estimates that the state will spend $1.4 million on such policies in 1991-92. This amount is $60,000, or 4.6 percent, more than the amount estimated for this purpose in 1990-91. Funds for these premiums are included in the support appropriations of the various state agencies that purchase the insurance.

Budget is Underfunded

We find that the amount proposed for payment of routine tort liability claims in the budget year is significantly below the amount that will likely be expended. This underfunding results in a distorted picture of the General Fund reserve and may make it more difficult for the state to settle cases outside of court.

The budget proposes an appropriation of $1,000 from the General Fund for payment of routine tort liability claims (amounts under $70,000) in 1991-92. (Claims in excess of this amount generally are funded from appropriations in separate legislation.) 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 SFEU to pay the claims. The DOF proposes to receive quarterly estimates from the DOJ on the amount that is needed to pay the claims, and advises it will make its allocation decisions after reviewing this information. This approach is consistent with the approach approved by the Legislature in the 1989 and 1990 Budget Acts.

Our analysis indicates that the proposed amount is significantly underfunded. The Governor's Budget indicates that current-year expenditures for the program will be $601,000. Based on information provided by the DOJ, we estimate that the current-year expenditures may be higher, in the range of $800,000. This is consistent with the amounts expended for the program for many years. The Legislature has no reason to expect thatamount will be any lower in the budget year.

Although the Budget Bill does not provide adequate funding for this item, it permits the Director of Finance to allocate funds from the SFEU to pay these claims. We believe that this approach to budgeting provides the Legislature with an incorrect picture of the funds available in the General Fund reserve to pay unanticipated expenditures that the state will face in the budget year.

Finally, our review indicates that underfunding of liability claims may cause problems in handling of cases. The DOJ advises that, because payments only occur quarterly, rather than on an ongoing basis as settlements occur, it is more difficult to settle cases outside of court. This could result in increased costs to the state, to the extent that additional cases go to trial.

EQUITY CLAIMS OF BOARD OF CONTROL AND SETTLEMENTS AND JUDGMENTS BY DEPARTMENT OF JUSTICE—REVERSION

Item 9670-495 from the Public Buildings Construction Fund — Budget p. GG 181

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item proposes to revert to the Public Buildings Construction Fund the unencumbered balance ($23,072) of the funds appropriated to the Board of Control from the Public Buildings Construction Fund in Ch 1446/90 (SB 1767, Presley). This bill appropriated $23,072 to the Board of Control to pay for an equity claim against the California State University (CSU). However, the CSU subsequently paid this amount from its support budget, and thus the money is no longer needed.

Our analysis indicates that the proposed reversion is appropriate. Thus, we recommend approval.

AUGMENTATION FOR EMPLOYEE COMPENSATION: CIVIL SERVICE, EXEMPT, AND STATUTORY EMPLOYEES

Item 9800 from the General Fund and various other funds — Budget p. GG 186

Requested 1991-92	$108,500,000
Estimated 1990-91	291,745,000
Actual 1989-90	269,504,000
Requested decrease $183,245,000 (−62.8 percent)	
Total recommended reduction	None
Recommendation pending	108,500,000

AUGMENTATION FOR EMPLOYEE COMPENSATION: CIVIL SERVICE, EXEMPT, AND STATUTORY EMPLOYEES—Continued

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
9800-001-001—Compensation increase	General	$60,724,000
9800-001-494—Compensation increase	Special	27,442,000
9800-001-988—Compensation increase	Nongovernmental cost	20,334,000
Total		$108,500,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis page

1. 1991-92 Benefit Increases. Withhold recommendation on $108.5 million, pending review of information on budget year premium increases. 1199

OVERVIEW OF THE BUDGET REQUEST

The Governor's Budget proposes three appropriations totaling $108.5 million for compensation increases for all state employees except those in higher education. The General Fund appropriation is $60.7 million, or 56 percent, of the total. The Governor's Budget includes an unallocated trigger-related reduction of $2.3 million in funding for the employee compensation program. This reduction is included in the proposed budget for the program in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

The Governor's proposal does not include funding for a general salary increase in 1991-92. Hence, the total amount in these items would provide only for premium rate increases in existing employee benefits for *represented* employees and *nonrepresented* employees (such as managerial, confidential and legislative employees).

The $108.5 million does *not* include benefit increases proposed for employees of the University of California, the California State University and Hastings College of Law. The Governor's Budget for 1991-92 includes funds for these increases in the support budgets of the individual segments or colleges (please see our analysis of Items 6440, 6610 and 6600, respectively, for a description of the higher education employee benefit packages).

A Review of the Current-Year Employee Compensation Program

The 1990 Budget Act appropriated $291.7 million from all funds ($168.0 million from the General Fund) to finance employee compensation increases in 1990-91. The major provisions funded by this increase are:

- A 5 percent general compensation increase and an additional special salary adjustment for Correctional Officers effective January 1, 1991.
- Premium rate increases for existing employee benefits.

ANALYSIS AND RECOMMENDATIONS

Employee Compensation Increases in 1991-92

We withhold recommendation on funds for employee compensation increases proposed in the budget bill, pending review of information on budget year premium increases.

The actual costs of employee health benefits will not be known until the PERS board approves new premium rates in May. Therefore, we withhold recommendation on this item, pending review of this information.

AUGMENTATION FOR EMPLOYEE COMPENSATION—REAPPROPRIATION

Item 9800-490 from various funds — Budget p. GG 186

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes that the unliquidated and unencumbered balances of funds appropriated in Ch 1251/90 (SB 2465, Cecil Green) be reappropriated until June 30, 1993. This appropriation was made to subsidize the health premium costs of employees that must enroll in PERS-Care because they do not have access to an available HMO. The reappropriation of these funds provides for the continuation of the PERS-Care subsidy in the budget year.

PAYMENT OF SPECIFIED ATTORNEY FEES

Item 9810 from the General Fund and various funds — Budget p. GG 188

Requested 1991-92	$1,915,000
Estimated 1990-91	1,975,000
Actual 1989-90	1,601,000
Requested decrease $60,000 (−3.0 percent)	
Total recommended reduction	None

PAYMENT OF SPECIFIED ATTORNEY FEES—Continued

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
9810-001-001—Attorney fees	General	$1,445,000
9810-001-494—Attorney fees	Special	150,000
9810-001-988—Attorney fees	Nongovernmental Cost	320,000
Total		$1,915,000

GENERAL PROGRAM STATEMENT

This item provides funds for the payment of attorney fee claims, settlements, and judgments against the state arising from actions in state courts.

Generally, this item finances court-awarded attorney fees which relate to a legal action that brings about the enforcement of an "important right" and results in a "significant benefit to the public."

The language in this item specifies that for claims related to actions arising in state courts (1) individual payments from the item shall not exceed the maximum hourly rate specified in the Budget Act at the time of the judgment or settlement, and in no case shall payments exceed $125 per hour, and (2) a payment made from this item constitutes full satisfaction for the claim.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of $1.9 million from various funds for payment of court-awarded attorney fees in 1991-92. This amount consists of $1.4 million from the General Fund, $150,000 from special funds, and $320,000 from nongovernmental cost funds. The amount is $60,000, or 3 percent, less than estimated expenditures for the current year. This reduction is due to an unallocated trigger-related reduction of $60,000, which is included in the Governor's Budget in lieu of the reduction that would otherwise be made pursuant to Ch 458/90 (AB 2348, Willie Brown).

The request appears reasonable and we recommend that it be approved.

RESERVE FOR CONTINGENCIES OR EMERGENCIES

Item 9840 from the General Fund, special funds and nongovernmental cost funds — Budget p. GG 189

Requested 1991-92	$4,500,000
Estimated 1990-91	4,500,000
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
9840-001-001—Reserve for contingencies or emergencies	General	$1,500,000
9840-001-494—Reserve for contingencies or emergencies	Special	1,500,000
9840-001-988—Reserve for contingencies or emergencies	Nongovernmental Cost	1,500,000
9840-011-001—Reserve for contingencies or emergencies (Loans)	General	(2,500,000)
9840-490—Reserve for contingencies or emergencies (Reappropriation)	Various	—
Total		$4,500,000

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes three appropriations totaling $4.5 million for allocation by the Department of Finance to state agencies in 1991-92. These funds may be allocated for expenses resulting from unforeseen contingencies and emergencies not covered by specific appropriations. The appropriations consist of $1.5 million each from the General Fund, special funds and nongovernmental cost funds.

Item 9840-011-001 appropriates an additional $2.5 million for temporary loans to state agencies whose operations are in danger of being curtailed because of a delay in the receipt of reimbursements or revenue. The loans which are made under this item must be repaid by the end of the fiscal year in which they are made.

Item 9840-490 reappropriates any unexpended balances of the appropriations made by the 1990 Budget Act (Items 9840-001-001, 9840-001-494 and 9840-001-988) to the Reserve for Contingencies or Emergencies proposed in the 1991 Budget Bill, effective July 1, 1991. The reappropriated funds would be available during the budget year for allocation by the Director of Finance to cover additional costs associated with 1990-91 deficiencies discovered after the fiscal year ends.

The amounts requested for 1991-92 are the same as those provided in the 1990 Budget Act.

General Fund Deficiencies

The amount appropriated for contingencies and emergencies in the Budget Act is not intended to cover all unforeseen needs that will arise during the fiscal year. In recent years, the Legislature has appropriated only a nominal amount in this item, primarily to cover minor emergencies that may arise during the first part of the fiscal year. Most of the money needed to cover deficiency spending is provided by the annual deficiency bill, which appropriates funds in augmentation of this reserve item. Additional money to cover deficiency spending is authorized in: (1) individual department deficiency bills; (2) Budget Act language that allows agencies to spend more than the amount specifically appropriated by the Legislature; and (3) other authorizations for deficiencies, such as when funding is provided in the Budget Act for deficiencies incurred in the prior year.

RESERVE FOR CONTINGENCIES OR EMERGENCIES—Continued

Table 1 displays the amounts spent or proposed for expenditure from the General Fund out of this item and other sources since 1982-83.

Table 1
General Fund Deficiency Expenditures [a]
1982-83 through 1991-92
(in thousands)

	Reserve for Contingencies or Emergencies					
	Amount Appropriated		*Actual Amount Allocated to Agencies*	*Individual Departmental Deficiency Bills*		
	Budget Act	*Deficiency Act*			*Other*	*Total Amount Allocated*
1982-83	$1,500	$431,500	$332,101	$2,318	$47,477	$381,896
1983-84	1,500	118,460	109,531	—	93,565	203,096
1984-85	1,500	423,850	417,017	2,200	10,000	429,217
1985-86	1,500	335,523	329,373	16,552	13,236	359,161
1986-87	1,500	347,162	330,602	—	140,913	471,515
1987-88	1,500	276,678	277,543	—	96,122	373,665
1988-89	1,500	204,332	203,662	—	55,700	259,362
1989-90	1,500	299,158	299,158	—	97,606	396,764
1990-91	1,500	361,658 [b]	361,658 [c]	—	49,541 [d]	411,199
1991-92	1,500 [b]	—	—	—	—	—

[a] Includes deficiencies funded from this item and other items.
[b] Proposed.
[c] Total amount of 1990-91 allocations anticipated by the Department of Finance as of January 1991.
[d] Legislative Analyst's Office.

Current-Year Deficiencies. As shown in Table 1, we estimate that $411.2 million will be needed from the General Fund to cover deficiencies in 1990-91. This amount consists of (1) $361.7 million proposed to be funded in the annual deficiency bill and (2) $49.5 million from other General Fund sources reflected in the Governor's Budget.

Reserve for Contingencies and Emergencies. The major General Fund deficiency allocations from the reserve anticipated by the Department of Finance in the current year are:

General Government

- $95.4 million for additional claims in the Renters' Tax Relief program.

Resources

- $73.8 million for the Department of Forestry and Fire Protection (CDFFP) to pay the costs of emergency fire suppression.

Health and Welfare

- $57.1 million for Social Services Programs, including (1) $24 million for caseload increases in the Supplementary Security Income/State Supplementary Program (SSI/SSP) and (2) $18.8 million for increased County Administration costs due to increased caseloads.
- $26.5 million for Developmental Services Programs, including $16.1 million to fund entitlement programs through Regional Centers.
- $24.3 million for Health Services Programs, of which $14.8 million is proposed for increased local assistance costs to Medi-Cal programs.

Various State Programs

- $32.2 million to provide low-interest loans to victims of the Loma Prieta earthquake.
- $12.7 million to the Department of Education to fund the Year-round School Incentive Program.
- $8.1 million to the Department of Corrections for increased institution and parole populations.

Other Deficiencies Shown in the Budget. The budget also provides for deficiency payments through mechanisms other than the main deficiency item. These will total $49.5 million and consist of:

Health and Welfare

- $39.5 million in increased expenditures by the Department of Social Services to pay increased costs for Aid to families with Dependent Children (AFDC), authorized by language contained in the department's budget item.

Resources

- $10 million to the CDFFP for additional emergency fire suppression, funded by allocations from the Special Fund for Economic Uncertainties.

Deficiencies in Special Funds and Nongovernmental Cost Funds

Tables 2 and 3 show deficiencies in special and nongovernmental cost funds, respectively, since 1982-83.

Table 2
Reserve for Contingencies or Emergencies
Appropriations and Allocations from Special Funds
1982-83 through 1991-92
(in thousands)

	Appropriated in Budget Act	*Deficiency Appropriation*	*Allocated to Agencies*	*Unexpended Balances*
1982-83	$1,500	$4,500	$3,115	$2,885
1983-84	1,500	20,652	21,365	787
1984-85	1,500	22,303	21,049	1,254
1985-86	1,500	26,086	26,162	1,424
1986-87	1,500	11,903	11,885	1,518
1987-88	1,500	24,122	24,471	1,151
1988-89	1,500	14,640	14,842	1,298
1989-90	1,500	12,596	15,708	1,500
1990-91	1,500	20,450 [a]	20,450 [b]	1,500 [a]
1991-92	1,500 [a]	—	—	—

[a] Proposed.
[b] Total amount of 1990-91 allocations anticipated by the Department of Finance as of January 1991.

In 1990-91, special fund deficiency allocations are estimated at $20.5 million, which is $4.7 million more than the $15.7 million allocated in 1989-90. The major special fund allocations proposed for 1990-91 are: (1) $5.3 million to the Department of Parks and Recreation for increased program activities, (2) $4.7 million to restore the fourth-quarter budget of the Central Complaint and Investigation Control Unit within the Department of Consumer Affairs, and (3) $2.2 million to implement the

RESERVE FOR CONTINGENCIES OR EMERGENCIES—Continued

California Airport and Maritime Plant Quarantine Inspection Program, which in the future will be funded by fees.

The budget further proposes $11 million in deficiency allocations from nongovernmental cost funds, which is $1 million less than the $12 million allocated in 1989-90. The major nongovernmental cost fund allocation proposed for 1990-91 is $10.6 million which has been primarily allocated for the operation and maintenance of the Ronald Reagan State Office Building in Los Angeles.

Table 3
Reserve for Contingencies or Emergencies
Appropriations and Allocations from Nongovernmental Cost Funds
1982-83 through 1991-92
(in thousands)

	Appropriated in Budget Act	*Deficiency Appropriation*	*Allocated to Agencies*	*Unexpended Balances*
1982-83	$1,500	$351,250	$275,682	$77,068
1983-84	1,500	3,639	3,639	1,500
1984-85	1,500	3,435	3,438	1,497
1985-86	1,500	4,540	3,887	2,153
1986-87	1,500	77,945	77,945	1,500
1987-88	1,500	2,778	2,763	1,515
1988-89	1,500	5,105	5,105	1,500
1989-90	1,500	2,403	12,068	1,500
1990-91	1,500	10,981 [a]	10,981 [b]	1,500 [a]
1991-92	1,500 [a]	—	—	—

[a] Proposed.
[b] Total amount of 1990-91 allocations anticipated by the Department of Finance as of January 1991.

OUTER CONTINENTAL SHELF LANDS ACT, SECTION 8(g) REVENUE FUND

Item 9896 from the Outer Continental Shelf Lands Act, Section 8(g) Revenue Fund — Budget p. GG 204

Requested 1991-92	($13,887,000)
Estimated 1990-91	(13,959,000)
Actual 1989-90	—
Requested decrease $72,000 (−0.5 percent)	
Total recommended reduction	None

1991–92 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
9896-001-164—Revenue transfer to the General Fund	Outer Continental Shelf Lands Act, Section 8(g) Revenue	($13,887,000)

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Pursuant to federal law, California receives 27 percent of the monthly royalties from specified federal offshore oil and gas leases. Additionally, in accordance with a settlement with the federal government, the state will receive a total of $289 million in "recoupment payments" over a 15-year period, which began in 1986-87. The budget projects that the state will receive a total of $24.2 million from royalties ($4 million) and recoupment payments ($20.2 million) in 1991-92. These funds will be deposited in the Outer Continental Shelf Lands Act, Section 8(g) Revenue Fund—the "Section 8(g)" Fund.

The available Section 8(g) funds can be appropriated for virtually any purpose. The budget proposes various expenditures totaling $10.3 million for support ($3.3 million), local assistance ($3.5 million) and capital outlay ($3.5 million) in seven state agencies. All of these proposals are reflected in the appropriations in the individual agency budgets.

The budget also proposes language in Item 9896-001-164 to transfer any unappropriated balances in the Section 8(g) Fund to the General Fund in 1991-92. Based on projected revenues and proposed appropriations, this would result in the transfer of $13.9 million to the General Fund in 1991-92. This is a decrease of $72,000, or 0.5 percent, from the estimated current-year transfer to the General Fund.

The proposed transfer of Section 8(g) revenues to the General Fund in 1991-92 appears appropriate, given that these monies then would be available to fund various legislative priorities.

Our analysis indicates, however, that there is significant uncertainty in the amount of royalty payments projected in both the current year ($5 million) and budget year ($4 million), due to (1) fluctuations in oil prices resulting from events in the Middle East and other factors and (2) changes in production. Our review indicates that the budget's estimate of total current-year Section 8(g) royalty revenues could be up to $2 million too high as a result of oil price changes since the estimate was prepared. Thus, the current-year transfer could be lower than the budget's estimate.

The royalty revenue projected in the budget year could be up to $1 million too high for the same reason. However, this reduction may be offset because the state may receive up to $6 million *more* than anticipated in the budget year, if new production begins in 1991-92 at three oil platforms near Point Arguello on the Santa Barbara coast.

The Department of Finance indicates that it will update its Section 8(g) revenue estimates for both the current and budget years in May.