

ITEM 390 of the Budget Bill

Budget page 1168
Budget line No. 52**For Major Construction, Department of Employment, From the
Department of Employment Contingent Fund**

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| Amount budgeted ----- | \$944,000 |
| Legislative Auditor's recommendation ----- | 944,000 |
| Reduction ----- | None |

This item will provide for the continuation of the Department's program to replace uneconomical leased space with state-owned buildings. Included is \$891,000 for construction of buildings in Englewood, San Bernardino, Torrance, Eureka, and Vallejo, and for the acquisition of building sites at Pasadena, Merced and Hayward amounting to \$53,000. The cost of the buildings will be ultimately returned to the Contingent Fund in the form of rentals for the building, paid out of federal funds. We recommend approval of this item as requested.

BUDGETARY CONTROL SECTIONS**Section 3, page 84, of the Budget Bill**

Recommendation: *We recommend approval.*

This section provides that major construction projects authorized in the Budget Act shall be subject to approval of the Public Works Board and reports on expenditures for these projects shall be made in the budget document rather than in the report of the Public Works Board. The present procedures require all projects exceeding \$10,000 to be submitted to the Public Works Board. We believe the change-in projects to be reviewed by the Public Works Board from projects exceeding \$10,000 to major construction projects is desirable.

Section 4, page 85, of the Budget Bill

Recommendation: *We recommend approval.*

This section restricts expenditures from appropriations made in the Budget Act to categories or projects set forth in the Budget Act schedule except as otherwise provided in other sections of this Act.

Section 5, page 85, of the Budget Bill

Recommendation: *We recommend that this section be amended to eliminate the words which would permit the Director of Finance to transfer funds between projects in capital outlay items.*

Section 5 heretofore has permitted transfer of funds with approval of the Director of Finance only between so-called object categories in support, i.e., salaries and wages, operating expenses, and equipment. As Section 5 is now worded it would permit transfers between projects scheduled in each separate capital outlay item.

We do not believe that this change is desirable, but feel that the Legislature should continue the line item type of control which was in the 1949 and 1950 Budget Acts for capital outlay projects.

auditors, which should probably be discounted at least 15 percent in order to arrive at the actual amount to be collected.

A more accurate picture of the probable additional revenue to be realized per dollar of salary costs from any increase in the field audit staff is as follows:

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| Total salary costs, \$99,100 + 8 percent..... | \$107,028.00 |
| Average salary per auditor working on audits, \$107,028 ÷ 51.84 | 2,064.46 |
| Total salaries of all auditors, 209.7 × \$2,064.46..... | 432,917.00 |
| Total estimated revenue produced by 209.7 auditors, 85 percent × \$550,637..... | 468,041.00 |
| Additional revenue per dollar of direct salary cost, \$468,041 ÷ \$432,917..... | 1.08 |

On the basis of these figures, which are based on the agency's own justification, it appears that the best that can be expected in the way of additional revenue per dollar of salary costs for additional auditors is \$1.08.

It must be remembered that the penalties and interest included in additional revenue resulting from audit recoveries will probably not exceed 20 percent of the total and that, therefore, out of each \$1.08 in additional revenue only about 22 cents will go to the Contingent Fund. The other 86 cents will go to the Unemployment Trust Fund in the United States Treasury, available only for benefit payments and not administrative costs.

Accordingly, we recommend against this item since it represents an activity which should be supported by federal funds and since the Contingent Fund will only realize about 22 cents in additional revenue for each dollar proposed to be appropriation.

We recommend approval of the remainder of the proposed expenditure of \$95,027, or \$48,434, since all but \$200 represents the continuation of the program for which a similar amount was approved at the last session, namely half the support of the Division of Development and Stabilization of Employment, only half of the cost of which is supported by federal grants.

Neither the revenue nor expenditures of the Department of Employment Contingent Fund are included in the budget total. In our opinion their inclusion in the budget total would present a more accurate picture of the total expenditure program of the State.

From the standpoint of number of employees and total disbursements controlled by an agency, the Department of Employment is one of the three largest state agencies, while from the standpoint of total revenues collected it is the second largest. While it operates under a program subject to certain broad federal controls, and while its operations are financed by federal grants, the details of its activities are prescribed by state law to the same extent as any other state agency. This is true of its basic structure and organization, its employees who are subject to state civil service to the same degree as any other group of state employees, of the tax rates paid by employers, and the scale of benefit payments made to unemployed workers.

Accordingly, we believe that it is in fact a state agency and that the revenues and expenditures from all of its funds should be included in budget totals and not excluded as in the past.

Section 6, page 85, of the Budget Bill

Recommendation: *We recommend approval.*

This section permits the Director of Finance to augment appropriations in the Budget Act when additional amounts are received from state, local, or federal government agencies or other sources, which are in excess of the amount considered in determining such an appropriation. It likewise permits the Director of Finance to reduce appropriations in the same manner.

Section 7, page 86, of the Budget Bill

Recommendation: *We recommend approval.*

This section permits the payment of premiums for bonds covering a period in excess of one fiscal year. This will permit a saving in the amount required for certain bonds.

Section 8, page 86, of the Budget Bill

Recommendation: *We recommend approval.*

This section provides that appropriations for expenses of the Legislature shall be disbursed under direction of the Legislature and are not subject to budgetary control of the Department of Finance or audit by the State Controller.

Section 9, page 86, of the Budget Bill

Recommendation: *We recommend approval.*

This section requires that the State Engineer shall make a report as to the engineering and economic feasibility of projects subject to the Flood Control Fund Act of 1946 and that reallocation of funds shall be made by the Water Resources Board. It also provides that the Water Resources Board shall determine the amounts of the reallocation.

Section 10, page 86, of the Budget Bill

Recommendation: *We recommend approval.*

This section relates to payments by the State Controller from appropriations in the Budget Act. All such claims must be audited by the Controller in accordance with rules of the State Board of Control. Provision is made for claims of a confidential nature.

Section 11, page 87, of the Budget Bill

Recommendation: *We recommend approval.*

This section provides that an agency may withdraw from an appropriation a sum up to 10 percent of the total amount appropriated to be used as a revolving fund. Provision is made for audit and approval of such funds. This section is similar to a provision contained in the Budget Act of 1950.

Section 12, page 87, of the Budget Bill

Recommendation: *We recommend approval.*

This section provides that expenditures from the Emergency Fund or Salary Increase Funds shall be deemed an augmentation and increase of the appropriation made by this act for accounting purposes.

Section 13, page 88, of the Budget Bill

Recommendation: *We recommend approval.*

This section provides that appropriations under this Act shall be expended in accordance with the allotments and other provisions of fiscal year budgets approved by the Department of Finance. Provision is made for Salary Savings Reserve.

Section 14, page 88, of the Budget Bill

Recommendation: *We recommend approval.*

This section provides that the Department of Finance must investigate and establish the necessity for the acquisition or replacement of motor vehicles. It provides that all passenger cars shall be of the light class except for constitutional officers or unless the Director of Finance determines that unusual requirements would justify a heavier class car.

Section 15, page 88, of the Budget Bill

Recommendation: *We recommend approval.*

This section establishes the same restriction of light cars for the Department of Public Works as Section 14.

Section 16, page 89, of the Budget Bill

Recommendation: *We recommend approval.*

This section prohibits officers of state agencies which receive appropriations in the Budget Act from making expenditures in excess of such appropriations without the consent of the Department of Finance.

Section 17, page 89, of the Budget Bill

Recommendation: *We recommend approval.*

This section prohibits the renewal of any fire insurance on public property with certain exceptions.

Section 18, page 89, of the Budget Bill

Recommendation: *We recommend approval.*

This section prohibits the purchase of furnishings for any house or apartment of three or more rooms other than a dormitory except for a superintendent of an institution, warden or physician. This is similar to a provision in the 1950 Budget Act.

Section 19, page 89, of the Budget Bill

Recommendation: *We recommend that the following language be deleted from Section 19: "and their immediate subordinates or for other offices upon approval by the Director of Finance on the basis of public convenience or economy."*

This section restricts expenditures for rugs or carpets for state offices. The language of Section 19 is considerably less restrictive than the language in the 1950 Budget Act. The changed wording would permit expenditures for carpets for immediate subordinates of department heads and for other offices upon approval by the Director of Finance on the basis of public convenience or economy.

We believe the present wording in the 1950 Budget Act has been effective. We do not feel that this restriction should be removed to provide carpets for immediate subordinates and we cannot agree that a case

can be made that carpets provide public convenience or in the long run are carpets economical.

The wording in the 1950 Budget Act would be particularly effective in connection with capital outlay projects wherein items of expenditure for rugs and carpets would not be apparent to a routine check. A case in point is the estimate for equipment of the new public health office and laboratory building which includes \$2,775 for 1,665 square yards of rugs for the director's suite of offices, whereas the actual room space occupied by the director and his receptionist is only 594 square feet.

Section 20, page 90, of the Budget Bill

Recommendation: *We recommend that the words "for support" be added following the word "appropriation" on page 90, line 10, of the Budget Bill.*

This section permits the State Board of Control, upon the recommendation of the Director of Finance, to transfer unneeded funds from an appropriation for an institution, school or college to another institution, school or college within the same agency. This is limited to the Department of Corrections, the California Youth Authority, the Department of Education and the Department of Mental Hygiene. This is similar to a provision in the 1950 Budget Act except that it now permits transfer of funds for construction as well as support. We do not recommend that authority to transfer construction funds be allowed. Our recommendation would restore this section to the same language as the 1950 Budget Act.

Section 21, page 90, of the Budget Bill

Recommendation: *We recommend approval.*

This section provides a method of expediting cooperative programs between the State of California and the United States by permitting payment from the pertinent appropriation before the project is actually undertaken or completed.

Section 22, page 90, of the Budget Bill

Part A concerns an appropriation of \$300,000 which was to augment the original construction appropriation for Rector Canyon Dam in Napa County. The dam was completed without expending the augmentation, and it is now desired to revert the full sum to the General Fund from which the appropriation was originally made. *We recommend approval of this part.*

Part B is the reversion to the General Fund of the balance of an appropriation of \$250,000 made to the Department of Finance to be expended in the promotion of public celebration and exhibits in commemoration of the centennial. *We recommend approval of this part.*

Part C is for the reversion of the balance of an appropriation of \$8,000 made to the Department of Finance to be expended in assisting and sponsoring public celebrations and exhibits commemorating the 100th anniversary and founding of the City of Benicia. *We recommend approval of this part.*

Part D is for the reversion of remaining balances in an appropriation of \$100,000 made for the contingent expenses of the Senate without regard to fiscal years. *We recommend approval of this part.*

Part E is for the reversion of the balances remaining in an appropriation of \$5,000 made without regard for fiscal years for the mileage of members and officers of the Assembly. *We recommend approval of this part.*

Part F involves Sacramento and San Joaquin Drainage District assessment funds, the need for which ceased to exist when the State took over flood control functions through the Flood Control Act which appropriated state money to perform the work. This part, therefore, merely pays into the General Fund of the State Treasury these old balances which have remained on the books since that time. *We recommend approval of this part.*

Part G covers the reversion of balances remaining in an appropriation made to the Department of Public Health to be expended for the care of persons afflicted with active contagious tuberculosis who violated quarantine or isolation orders of the health officer as provided in Section 26.5 of the Health and Safety Code. *We recommend approval of this part.*

Part H covers the reversion of balances remaining in a special appropriation of \$2,235,000 for buildings and equipment at the Veterans' Home. The appropriation was made without regard to fiscal years, but it is now desired to return to the General Fund an unexpended balance of \$753,000. This will partially cover the proposed expenditures for capital outlay from the General Fund in the 1951-52 Fiscal Year. *We recommend approval of this part.*

Section 23, page 91, of the Budget Bill

This item is for the reversion of the remaining balance in an appropriation made by the Budget Act of 1947 for the acquisition of land for additional facilities. The item was payable from the Fair and Exposition Fund from that portion which was available for permanent improvements upon the properties of state, citrus, county or district agricultural associations for fair purposes. *We recommend approval of this section.*

Section 24, page 91, of the Budget Bill

The item mentioned in this section was an appropriation of \$500,000 for the acquisition of a site for an additional medium security prison. The language of the appropriation makes that item available to June 30, 1951. *Therefore, it would appear that this section is unnecessary.*

Section 25, page 91, of the Budget Bill

Recommendation: *We recommend approval.*

This section provides for the effect upon appropriations if any item is eliminated or reduced by the veto of the Governor.

Section 26, page 91, of the Budget Bill

Recommendation: *We recommend approval.*

This section permits the Department of Finance to transfer funds from one agency to another when the functions performed by the respective agencies are transferred.

Section 27, page 91, of the Budget Bill

Recommendation: *We recommend approval.*

This section provides that when functions of any agency for which appropriation has been made in this act are discontinued the unexpended portion of the appropriation for such agency shall revert to the unexpended balance of the fund from which such appropriation was made.

Section 28, page 91, of the Budget Bill

Recommendation: *We recommend approval.*

This section provides that the State Board of Control shall make adjustments in appropriations as a result of changes of laws affecting an agency.

Section 29, page 92, of the Budget Bill

This is a savings clause to protect the Budget Act should a portion of it be declared unconstitutional.

Section 30, page 92, of the Budget Bill

This section provides that the Budget Act shall take effect immediately.

ADDITIONAL BUDGETARY CONTROL SECTIONS RECOMMENDED

We recommend that the following budgetary control sections contained in the 1950 Budget Act be added to the 1951 Budget Act:

“Section 13.5. No money appropriated by this act shall be used to pay the salary of any authorized state position, which position was vacant and had been vacant or continuously unfilled during the period between October 15, 1950, and July 1, 1951, except with the specific approval of the Director of Finance subsequent to July 1, 1951.

The Director of Finance shall present to the Joint Legislative Budget Committee, assembled in meeting, a report of all positions as of July 1, 1951, which were vacant or continuously unfilled during the period between October 15, 1950, and July 1, 1951, and a report of all authorizations to fill vacant positions and all positions abolished pursuant to this section during the preceding quarter.”

“Section 14.5. Every appropriation made by this act that is available for expenditure for maintenance and operation of state-owned motor vehicles is subject to the limitations, restrictions and conditions set forth in this section. No money appropriated by this act shall be expended for the maintenance or operation of any motor vehicle unless the state department or agency and its employees who maintain or operate such vehicle shall have complied with the following limitations, conditions and restrictions regarding the use and operation of such vehicle:

(a) The Director of Finance shall certify monthly to each state department or agency which operates state-owned motor vehicles, the number of spaces in state garage facilities allocated to each such department or agency, and the location thereof.

Each state department or agency so notified shall assign the garage storage spaces allocated to their use to the state-owned motor vehicles under their control to make maximum use of such facilities.

(b) Within the first 10 days of each month every state employee who during the preceding month has operated a state automobile shall

file a sworn statement with the Director of Finance as provided in this article.

The statement of the operator shall certify:

1. To the proper identification of each automobile operated during the preceding month.

2. That each trip made during such period was necessary in the performance of the operator's specific assignment of state duties.

3. As to each automobile which was not placed in overnight storage in a state garage facility each night while under his custody.

(i) That the vehicle was en route on an official trip, or

(ii) That the operator was leaving upon or returning from a trip away from his headquarters before or after usual office hours, or

(iii) That the duties of the operator involve the operation of a car outside of regular office hours as evidenced by a permit issued by the Director of Finance, or

(iv) That the head of the department or agency has determined that no state garage facility is available for such automobile.

(c) The Director of Finance may issue permits to state officers and employees whose duties outside of regular office hours require the use of state automobiles.

(d) Statements filed by operators of state-owned motor vehicles pursuant to this article shall be retained by the Director of Finance for one year from the date of filing.

(e) The wilful certification to any false statement or knowingly to fail to disclose any fact in a statement filed pursuant to this article shall constitute an act incompatible and inimical to the public service under Section 19572 of the Government Code, and shall constitute cause for disciplinary action pursuant to the provisions of the State Civil Service Act.

(f) The provisions of this section shall not apply to the use by elected state officers of state-owned automobiles."