

ANALYSIS

We recommend approval of the sum requested for minor construction, improvements, repairs, and equipment to be financed from the Harbor Improvement Fund.

**Department of Employment
DISABILITY AND HOSPITAL BENEFITS PROGRAM**

ITEM 443 of the Budget Bill

Budget page 1183
Budget line No. 7

*For Support of Department of Employment From the Unemployment
Compensation Disability Fund*

Amount requested	\$2,758,268
Estimated to be expended in 1951-52 Fiscal Year.....	2,580,035
Increase (6.9 percent)	\$178,233

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages.....	\$170,487	\$170,487	---	1204	52
Operating expense	15,523	15,523	---	1204	53
Equipment	-7,777	-7,777	---	1204	54
Total increase	\$178,233	\$178,233	---		

RECOMMENDATIONS

Amount budgeted	\$2,758,268
Legislative Auditor's recommendation.....	2,752,924
Reduction	\$5,344

ANALYSIS

The recommended reduction of \$5,344 represents 44 five-drawer letter-size filing cabinets as follows:

Unit	No.	Amount	Budget page	Line No.
Accounting Section	18	\$2,358	1200	30
Central office operations	6	786	1202	59
District offices	20	2,200	1203	72
Total	44	\$5,344		

It is recommended that this amount be withheld pending receipt by the 1952 Legislature of the report of the Assembly Committee on Governmental Reorganization which has made a special study of records management for the state service as a whole, including the problem of filing equipment.

The increase of 6.9 percent in the amount requested for 1952-53 over 1951-52 is due primarily to an increase in staff based upon normal work load increases as well as to increases in work load resulting from 1951 legislation, the full impact of which will not be felt until the 1952-53 Fiscal Year. The 1951 Legislature liberalized both basic benefits and hospital benefits in a number of important respects and while most of these changes were effective January 1, 1952, it is anticipated that the effect on work load increases will be cumulative as time goes on.

Many of the operations involved in the administration of the Disability and Hospital Benefits Program are performed by personnel who work jointly on that program and the unemployment insurance program and accordingly are not detailed separately in the printed budget but are included in the totals shown for the units involved appearing on pages 1184 to 1201. The expenditures relating directly to this program are detailed in the various sections of the Division of Disability and Hospital Benefits, pages 1201 to 1204 in the printed Budget.

The following tabulation summarizes the distribution of the support expenditures of \$2,758,268 to be paid out of the Unemployment Compensation Disability Fund for 1952-53 as between the Division of Disability and Hospital Benefits and all other divisions.

<i>Division</i>	<i>No. of positions</i>	<i>Salaries</i>	<i>Operating expenses</i>	<i>Equipment</i>	<i>Total</i>
Disability and hospital benefits -----	359.5	\$1,366,958	\$559,398	\$16,604	\$1,942,955
All other -----	209.9	798,100	12,291	4,922	815,313
Total -----	569.4	\$2,165,058	\$571,684	\$21,526	\$2,758,268

The foregoing indicates that 63.1 percent of total salaries and 70.4 percent of total expenditures are attributable to the Division of Disability and Hospital Benefits, the remainder being paid by the other divisions as listed in the summary on budget page 1182, lines 28 to 34, and detailed on succeeding pages in the printed Budget.

Unlike other state departments the Department of Employment estimates its personnel requirements by estimating the number of hours required for each function and dividing total hours by the number of pay roll hours in the budget year, to obtain the total personnel required. This is done for all programs administered by the department, both state financed and federally financed. The number of hours required for each function are in most cases based on unit time computations, which in turn are based on careful work load estimates multiplied by the unit times required for each function, the unit times being based largely on past experience as adjusted for changes in processing resulting from changes in the law and other factors.

The total hours requested for 1951-52 and 1952-53 are shown in the following tabulation by activities or functions:

<i>Function</i>	<i>Hours</i>		<i>Increase or decrease</i>
	<i>1951-52</i>	<i>1952-53</i>	
Operating hours			
State plan, direct operations			
Determinations -----	226,960	218,846	-8,114
Continued claims -----	172,731	158,489	-14,242
Benefit payments -----	85,723	107,586	21,863
Unscheduled visits -----	28,658	30,633	1,975
Appeals—referees -----	14,884	19,157	4,273
Wage earner refunds -----	21,452	17,099	-4,353
Appeals—Appeals Board -----	5,078	4,566	-512
Totals -----	555,486	556,376	890

Function	Hours		Increase or decrease
	1951-52	1952-53	
Voluntary plan direct operations			
Claim processing -----	92,643	147,040	54,397
Application processing -----	38,973	43,199	4,226
Installation review -----	20,172	28,897	8,725
Appeals—referees -----	5,527	19,081	13,554
Field investigations -----	12,120	17,233	5,113
Appeals—Appeals Board -----	16,666	8,204	-8,462
Benefit payments -----	3,788	4,161	373
Share of worker refunds -----	4,730	7,987	3,257
Assessment of administrative costs -----	5,815	3,775	-2,040
Extended liability -----	2,565	2,581	16
Tax and wage adjustment -----	2,886	2,116	-770
Administrative and staff services -----	2,440	---	-2,440
Totals -----	208,325	284,274	75,949
Administrative and staff services -----	112,301	113,666	1,365
Fixed items -----	93,339	66,962	-26,377
Total operating hours -----	969,451	1,021,278	51,827
Compensable leave and nonoperating time -----	107,497	117,600	10,103
Total hours requested -----	1,076,948	1,138,878	61,930

The foregoing tabulation indicates that the increase of 61,930 in hours requested, which is the equivalent of 28.8 people, is attributable largely to the increase in the various activities relating to voluntary plan operations, since the hours required for state plan operations are almost static. This is to be expected in view of the continuing trend toward the use of voluntary plans.

A reconciliation between the total hours requested and the total amount budgeted for salaries and wages is shown in the following:

	1951-52	1952-53	Increase or decrease
Total hours -----	1,076,948	1,138,878	61,930
Average hourly salary rate -----	\$1.69294	\$1.90105	\$0.20811
Total salaries -----	\$1,823,206	\$2,165,058	\$341,852
Pay roll hours in year -----	1,992	2,000	---
People (total hours ÷ pay roll hours) -----	540.6	569.4	28.8

Of the increase in salaries of \$341,852, there is 30.7 percent or \$104,844 which is attributable to increase in work load as evidenced by increased hours requested while the remaining 69.3 percent, or \$237,008, is attributable to increased salary rates. With this type of budgeting it is possible to analyze in detail the increased work load function by function and determine how much of the increase is due to increase in number of units of work and how much to increased processing time required per unit as a result of changes in law or other factors.

It should be noted that the increase in salaries and wages of \$341,852 is the difference between the amount *budgeted* for 1951-52, as shown in the 1951-52 printed budget and the amount requested for 1952-53, rather than the difference between the amount estimated to be expended for the two years of \$170,487 shown on budget page 1204, line 52. The difference between the two is accounted for by increases in salary rates not reflected in the original 1951-52 figures and various other adjustments.

This type of budgeting has advantages over the conventional type since it places the emphasis on functions, activities, and projects rather than upon lists of positions. Insofar as salaries and wages are concerned, the budget of the Department of Employment is actually compiled as a "performance budget" as defined by the Hoover Commission and recommended by that commission for the Federal Government.

We believe that comparable budgeting methods could be used to advantage by other state agencies and recommend detailed studies by appropriate committees looking toward possible further application of this type of budgeting.

A summary of the Unemployment Compensation Disability Fund for the four-year period ending June 30, 1953, is given in the following tabulation:

<i>Fiscal year</i>	<i>Revenue</i>	<i>Expenditure</i>	<i>Ending balance</i>	<i>Increase in ending balance</i>
1949-50 (actual) ---	\$36,098,835	\$27,683,938	\$98,340,884	\$8,414,897
1950-51 (actual) ---	36,790,114	27,584,958	107,546,040	9,205,156
1951-52 (estimated) -	40,035,394	30,118,247	117,463,187	9,917,147
1952-53 (estimated) -	38,629,981	34,293,854	121,799,314	4,336,127

Audit Cooperation Among State Agencies

As discussed at some length under this heading in our analysis of the budget of the Franchise Tax Board and also under the heading of State Tax Administration in our analysis of Item 119 of the Budget Bill covering the appropriation from the General Fund for the Board of Equalization, potential field audit coverage could be substantially increased without any increases in existing staff if methods were developed for systematic routine exchange of information among the three state agencies concerned with auditing records of taxpayers, namely the Board of Equalization, the Franchise Tax Board and the Department of Employment, and we repeat here the recommendation previously made in the sections referred to, namely that appropriate legislation be enacted making mandatory the interchange of such information and removing any legal barriers to such exchange which may now exist.

The field audit section of the Department of Employment, which devotes about 10 percent of its time to the Disability and Hospital Benefits Program, consists of 204 auditors and 65.9 clerical personnel, the auditors representing 75.6 percent of the total staff, yet in a recent month only about 12 percent of the time of this staff was devoted to actual auditing or about one-sixth of the time of the auditors. This is due, in part, to the small size of the staff in relation to the total taxpayers, but more effective use of this staff could be made if full interchange of information with the other major tax agencies were to be achieved.

DEPARTMENT OF EMPLOYMENT

ITEM 444 of the Budget Bill

Budget page 1183
Budget line No. 22

For Support of Department of Employment From the Department of Employment Contingent Fund

Amount requested -----	\$60,042
Estimated to be expended in 1951-52 Fiscal Year -----	61,977
Decrease (3.1 percent) -----	\$1,935

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	—\$1,472	—\$1,472	---	1204	60
Operating expense	—463	—463	---	1204	61
Total increase	—\$1,935	—\$1,935	---		

RECOMMENDATIONS

Amount budgeted	\$60,042
Legislative Auditor's recommendation	60,042
Reduction	None

ANALYSIS

The amount requested is as follows, by sections:

	Salaries	Operating Expenses	Total
Division of Administrative Services—Fiscal Section	---	\$1,500	\$1,500
Division of Development and Stabilization of Employment	\$49,542	9,000	58,542
Total	\$49,542	\$10,500	\$60,042

The amount requested represents one-half the total cost of \$117,084 for the Division of Development and Stabilization of Employment as detailed on budget page 1198, line 30, plus \$1,500 for the fiscal section, Division of Administrative Services, about \$1,300 of which represents one-half of the housekeeping functions for the Division of Development and Stabilization of Employment.

The Division of Development and Stabilization of Employment, since its inception in 1949-50, has been financed partly by federal grants and partly by state money appropriated from the Department of Employment Contingent Fund as indicated by the following tabulation:

	No. of Personnel	Support by funds		Total
		Unemployment Administration Fund	Department of Employment Contingent Fund	
1949-50	2.7	\$16,552	---	\$16,552
1950-51	8.5	33,916	\$24,561	58,477
1951-52	17.0	58,425	58,424	116,849
1952-53	17.0	58,542	58,542	117,084

The activities of this division are not regarded as part of the regular unemployment insurance or employment service programs and by agreement with the Federal Government, one-half the cost of the program is borne by the Federal Government and one-half by the State.

This division plans and develops programs for the development of job opportunities and the stabilization of employment throughout the State in order to carry out the objectives of Sections 1 and 91 of the California Unemployment Insurance Act. Section 1 is a general statement of the objectives of the unemployment insurance program while Section 91 empowers the commission to make studies and recommendations as to action which might tend to prevent unemployment, promote the regularization of employment, encourage vocational training and guidance, promote reemployment and accomplish other related objectives.