

**State Scholarship Commission—Continued**

commission which, while elevating the policymaking powers of its members, might also restrict the freedom of its members to serve the state as a whole rather than the individual segments of higher education. We believe that adequate policy direction can be assured by formalizing the existing informal relationship between the commission and the Coordinating Council for Higher Education.

**DEPARTMENT OF EMPLOYMENT**

**ITEMS 138, 139, and 140 of the Budget Bill**

**Budget page 536**

**FOR SUPPORT OF THE DEPARTMENT OF EMPLOYMENT FROM THE UNEMPLOYMENT COMPENSATION DISABILITY FUND, THE DEPARTMENT OF EMPLOYMENT CONTINGENT FUND AND THE UNEMPLOYMENT FUND**

Amount requested, Unemployment Compensation Disability Fund (Item 138) .....	\$10,971,488
Amount requested, Department of Employment Contingent Fund (Item 139) .....	417,990
Amount requested, Unemployment Fund (Item 140) .....	22,528
<b>Total requested</b> .....	<b>\$11,412,006</b>
Estimated to be expended in 1965-66 fiscal year .....	10,906,726
<b>Increase (4.6 percent)</b> .....	<b>\$505,280</b>
<b>TOTAL RECOMMENDED REDUCTION</b> .....	<b>\$25,669</b>

**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
1 special representative .....	\$14,700	539	60
1 executive secretary .....	10,969	539	79

**Summary of Policy Options**

Transfer of Department of Employment Contingent Fund .....	<i>Analysis page</i>
Surplus to the General Fund .....	388

**GENERAL PROGRAM STATEMENT**

The department is organized to implement its three major programs of Manpower Services and Utilization, Unemployment Insurance, and Disability and Hospitalization Insurance and their associated activities through approximately 139 local offices and some 40 temporary seasonal offices which serve special farm labor needs. The overall objectives of these programs are to assist with the employment of persons seeking work, to help employers obtain qualified employees, and to lessen the hardships on the involuntary unemployed.

The funding of the proposed total expenditures of \$949,832,166 in the budget year is derived from five sources and the moneys are expended in two categories, support and benefits. In addition to state-appropriated support funds the department, through a federal budgeting procedure, estimates it will receive \$74,820,160 as a federal grant for support.

The amount of the weekly benefits paid individuals for unemployment insurance (\$631,000,000) and disability and hospital benefits (\$232,600,000) are determined by state law but the total expenditures

Department of Employment—Continued

in these categories are responsive to economic factors and the general health of persons in the labor force who are eligible under state law to receive these benefits.

In 1961-62 the total support expenditures for the department were \$54,520,331 and personnel employed amounted to 7,123.4 man-years. By 1964-65, the last actual expenditure year, these costs had risen to \$68,806,776 and man-years of employment had increased to 7,748.6 reflecting increases of 26.2 percent and 8.7 percent respectively.

ANALYSIS AND RECOMMENDATIONS

The funding and operations costs of the two major programs of the department are derived from the same source and are intermingled.

Manpower Services and Utilization

The manpower services and utilization program encompasses the placement and counseling activities of the department, participation in activities under the Federal Manpower Development and Training Act and the Economic Opportunity Act as an agent for the federal government, and the Farm Labor Service activities.

The objectives of these program activities are to provide for: (1) matching skills and capabilities of individuals to available jobs, (2) training in and upgrading of skills of the unemployed in occupations for which there is a demonstrated need to enhance the employability of these persons, (3) emphasis on meeting the employment needs of youth, especially disadvantaged youth, through special offices, (4) selection of trainees for Job Corps and Neighborhood Youth Corps, and (5) a stable and adequate supply of domestic farm labor.

The funding of this program is derived from three sources: the federal grant for administration of the department supported by the 0.4 percent federal tax on taxable payrolls, the Department of Employment Contingent Fund (Item 139), and Reed Act Fund (Item 140). These latter two sources provide only 1.1 percent of this program's total support.

To implement the program in the budget year the department will carry out three principal functions—placement, manpower development and training, and the farm labor service. In addition to the direct costs of these activities, the program must bear its proportionate share of administrative costs as well as those associated with labor market information.

In the budget year the department proposes program expenditures as shown below.

Placement function .....	\$26,189,744
Manpower development and training function .....	2,572,978
Farm labor function .....	5,257,373
Pro rata share—administration .....	2,286,145
Pro rata share—labor market information .....	942,864
<b>Total expenditures .....</b>	<b>\$36,249,104</b>
State funds .....	429,074
Federal funds .....	36,820,030

Department of Employment—Continued

The scope of the placement function is presented in the table below for the budget year and last actual year.

	Actual 1964-65	Estimated 1966-67
California civilian population-----	18,180,000	19,385,000
Civilian labor force-----	7,164,000	7,624,000
Annual number of nonagricultural placements -----	657,181	805,000

In the budget year the expenditures tabulated above will support the following within the placement function: the improvement of local office operations and management by administrative review procedure, the revitalization of the employer contact activity, placing special emphasis on job development activity, encouragement of employers to review hiring requirements in conjunction with actual skills required, and substantially increasing the employment counseling activity to make this process more meaningful. The department will continue its activity in the retraining of workers receiving unemployment insurance benefits and estimates the participation of 6,000 enrollees in the budget year. In addition, the activity, performed under an agreement with the Secretary of Labor with respect to the federal MDTA programs will be increased reflecting a potential of 20,200 trainees to be placed in institutional training projects requiring the addition of 118 positions more than were employed in this activity in fiscal year 1964-65 when 11,832 trainees were enrolled in such training. The emphasis on placement of youth, especially disadvantaged youth, is evident in the operation of the nine Youth Opportunity Centers staffed by 333 positions which will complete their first full year of service in the budget year. These centers are to provide a single focal point within a community to meet the needs of California youth in their transition from student or unemployed status to worker. The department will continue to provide the selection, referral, and placement services now provided for the "On-the-Job-Training"—MDTA projects and for the Job and Neighborhood Youth Corps.

The farm labor activity will, in the budget year, endeavor to provide an adequate supply of domestic agricultural labor to harvest some 200 crops from eight million acres of land. The problems of providing sufficient workers at the right time and at the proper place is complicated by the continuous and sometimes rapid shifting of labor demands brought on by climatic changes, geographic location, as well as crop nature and size. An estimate of agricultural employment needs are shown below.

1967	Total workers	Farmers and unpaid family workers	Hired domestic farm workers		
			Total	Year-round	Temporary
Low -----	248,000	87,000	161,000	92,000	69,000
High -----	378,000	91,100	286,900	95,000	191,000

To meet these needs in the budget year continued emphasis will be placed on: recruitment of student youth as their use is growing in ac-

**Department of Employment—Continued**

ceptance by the farm employers; the changing of work methods and conditions in farm labor so that such work can be performed by women; farm worker orientation for the prospective new farm workers; training in agricultural skills through MDTA; promotion of farm foremanship training to reduce farm labor turnover; and intrastate and interstate recruitment and information dissemination.

**Reed Act Funds**

The funding of the Department of Finance audit of the employment service and unemployment insurance functions, which is required by state statute, is supported by state appropriation of \$22,528 from Reed Act funds (Item 140) available under federal law for this purpose. This, is an activity for which the federal Bureau of Employment Security denies federal support on the contention that such audits are not required to meet the criteria of proper and efficient administration of the programs because it conducts its own audit activity.

Within this total program are two supporting activities to which we direct specific recommendations for reductions of costs.

*Authorized positions (budget page 539, line 60) ----- \$120,192*

The budget of the Office of the Director and Deputy Director includes an authorized total of eight positions. Six of these positions are supported in part by federal funds and in part by Disability Insurance Funds and are recognized by the Federal Bureau of Employment Security as necessary to the proper and efficient administration and operation of the employment security services rendered by the state. The remaining two, financed from the Department of Employment Contingent Fund, the assistant deputy director and the special representative, both exempt positions, are not deemed necessary to the proper and efficient administration of the department's activities by the Federal Bureau of Employment Security and it has denied request for supporting funds. The department has chosen to finance them entirely from the Contingent Fund.

*We recommend deletion of the special representative position in the Office of the Director and Deputy Director resulting in a saving of \$14,700 in the proposed expenditures from the Department of Employment Contingent Fund and recommend Item 139 be approved in the reduced amount of \$403,290.*

The position of special representative first appeared in the Budget Supplement for Salaries and Wages with this title in the fiscal year 1964-65 indicating it had been established in 1962-63. It is our understanding the position was originally posted in the Governor's office, later it was used in the Health and Welfare Agency Administrator's office performing duties totally unrelated to the problems of the Department of Employment.

**Department of Employment—Continued**

This position is now vacant. The position has not been available to the department for approximately two years without apparent detriment to departmental operations. The judgment of the Federal Bureau of Employment Security apparently is that the position is not required by the department in connection with employment security functions. Consequently, it appears that it should no longer be included in the department's budget.

*Authorized positions (budget page 539, line 79) ----- \$18,960*

The department has budgeted \$10,968 for the salary of the executive secretary of the Governor's Advisory Council although the position has been vacant for seven years.

*We recommend the deletion of \$10,968 and that this line item be approved in the reduced amount of \$7,992.*

We can see no useful purpose in obligating funds for this position which has been vacant since December of 1958. The council has met four times in each of fiscal years 1963-64 and 1964-65 and has met three times in the current fiscal year to date without the services of the executive secretary thus demonstrating that the council's effectiveness in the opinion of the appointing authority has not been impaired by lack of the support of this staff position.

*With the exception of the reductions set forth above we recommend approval of this program.*

**POLICY OPTION**

In the analysis of the budget for the current year a policy option relative to the transfer of the balance available for appropriation, less \$1 million for contingencies, from the Department of Employment Contingent Fund to the General Fund was offered. This option was exercised by the Legislature and appears as Section 19.1 of the Budget Act of 1965.

The result of this action is the estimated transfer of \$5,253,098 to the General Fund in fiscal year 1965-66.

The statement of the fund condition indicates an estimated surplus available for appropriation of \$3,024,230 on June 30, 1966 of which approximately \$2 million will be available for transfer in fiscal 1966-67 under a like control section. This is exclusive of a proposed transfer of \$1,900,000 from the fund for the financing of 12 service centers in poverty areas.

For the same reasons as offered in prior years, namely, that the existence of large surplus in this fund results in pressure by the federal Bureau of Employment Security to use this fund for federal purposes rather than support by federal grant and the lack of need for funds in excess of \$1 million for contingencies in support of a federally controlled operation, we believe the Legislature should consider the option of continuing these annual transfers from this Contingent Fund.

Department of Employment—Continued

Unemployment Insurance

Through this program the department provides for the payment of unemployment insurance benefits to eligible workers who are determined to be unemployed through no fault of their own and who continue to seek employment.

The objectives of the program are to lessen the hardships of those who are involuntarily unemployed by payment of benefits, thus providing a stabilizing influence in the overall economy and lessening the need for public assistance such as relief and welfare.

The program is supported by federal grants derived from the funds collected through the 0.4-percent payroll tax paid by employers and a very small fraction (0.03 percent) of state funds.

The department's implementation of the unemployment insurance program during the budget year and its growth is shown in the tabular presentation below.

	<i>Actual</i> 1964-65	<i>Estimated</i> 1966-67
Average California Unemployment		
Number of unemployed-----	432,000	514,000
Number of unemployed, insured-----	281,246	334,000
Employer coverage		
Number of employers subject to law-----	345,498	360,000
Total tax collections-----	\$503,641,000	\$546,200,000
Employee coverage		
Average covered employment-----	4,392,000	4,596,000
Percent of civilian labor force-----	61.6	60.3
Number of beneficiaries-----	990,000	1,075,000
Unemployment Insurance Benefit		
Number of payments-----	12,515,000	13,791,000
Total amount of payments-----	\$541,224,000	\$631,000,000

The estimates shown in the table are based on economic assumptions made by the department in October 1965 which are subject to constant change and hinge not only on local but national and worldwide political and economic trends and occurrences. The costs of the program for the budget year and last actual expenditure year are set forth in the table below. The two principal and direct cost activities are those of disbursing unemployment insurance benefits and the collection of the unemployment insurance taxes. The indirect costs are the pro rata share of the costs of administration and labor market information.

Support Costs

	<i>Actual</i> 1964-65	<i>Estimated</i> 1966-67
Payment of benefits activities-----	\$24,149,365	\$27,470,204
Tax collection activities-----	6,890,950	7,663,011
Pro rata, administration-----	2,237,094	2,360,492
Pro rata, labor market information-----	447,420	517,867
Total-----	\$33,724,829	\$38,011,574
State funds-----	---	\$11,444
Federal funds-----	\$33,724,829	\$38,000,130

**Department of Employment—Continued**

**Disability and Hospital Insurance**

Through this program, supported by a tax on the individuals' wages, the department provides eligible members of the California work force with benefit payments for protection against the hazards of short term nonoccupational illness or injury, the result of which may jeopardize their economic security.

Eligible are all those covered under unemployment insurance, agricultural employees and employees of certain nonprofit hospitals. Employers and the self employed can receive coverage if they so elect.

In the budget year the department has requested \$10,971,488 (Item 138) for support of the administrative and operational aspects of the program and estimates that it will pay out \$232,600,000 in benefits.

The table below illustrates the workload increases of the program.

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Estimated</i> 1966-67
<b>Disability Insurance Benefit Payments</b>			
Number of beneficiaries-----	459,297	485,000	505,000
Number of payments-----	2,163,000	2,215,000	2,225,000
Total amount of payments---	\$211,480,000	\$221,477,000	\$232,600,000
Number covered-----	4,632,000	4,741,000	4,888,000

The increase in administrative and operational costs of the budget request over the last actual year expenditures amounts to 16.3 percent or \$1,539,226 and results in part from the enactment of legislation at the 1965 General Session which extended the coverage of the program as well as revised some of the procedural aspects of the operation.

**COMMISSION ON MANPOWER, AUTOMATION AND TECHNOLOGY**

ITEM 141 of the Budget Bill

Budget page 551

**FOR SUPPORT OF THE COMMISSION ON MANPOWER, AUTOMATION AND TECHNOLOGY FROM THE DEPARTMENT OF EMPLOYMENT CONTINGENT FUND**

Amount requested-----	\$75,000
Estimated to be expended in 1965-66 fiscal year-----	None
<b>Increase</b> -----	<b>\$75,000</b>
<b>Increase to improve level of service</b> -----	<b>\$75,000</b>

**TOTAL RECOMMENDED REDUCTION**----- **\$75,000**

**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Budget</i> <i>Page</i>	<i>Line</i>
Delete entire item-----	\$75,000	551	72

**GENERAL PROGRAM STATEMENT**

This 29 member commission has a very broad generalized program of directing studies in the utilization and training of the state's labor force with the objective of lessening the impact of technological and automated changes.

**Commission on Manpower, Automation and Technology—Continued**

Since the effective date of the enabling legislation in September of 1963 the commission has been effective only during the 16 months period, March 1964 through June 1965, when it had in its employ an executive secretary.

The Legislature denied the commission support funds for the current fiscal year.

The commission is required to submit an annual report of its findings and recommendations to the Legislature and the Governor.

**ANALYSIS AND RECOMMENDATIONS**

By statute the commission's broad program encompasses the following studies and recommendations.

a. To study modern production and distribution techniques in order to determine the impact of automated processes and other technological advancements on:

1. Employment opportunities.
2. The skill requirements of industry, business and government.
3. The displacement of employees and the obsolescence of skills among members of the labor force.

b. To study and analyze the processes of adjustment to these automated and technological advancements in the state's industries and business.

c. To study and analyze surveys of current public and private programs in the field of job training, retraining and skill development and evaluate the effectiveness of these training systems as to their ability to meet the changing requirements and needs of the state's industries and business.

d. To recommend coordinated surveys by labor, management and government in labor market areas of the state to endeavor to project their future needs so that planning by training agencies to meet these needs will be on a sounder basis than at present.

e. To encourage joint surveys and projections similar to those mentioned in (d) above to be undertaken by labor and management and thus stimulate a high level of initiative by the private sector of the economy to meet the changing skill requirements of their trades and industries respectively.

The commission's proposed program for the budget year is three-fold:

1. To continue the development of policies for the state which will lessen the impact of automation and unemployment on its citizens.

Specifically, as we understand it, the commission will review the completed studies or projects of fiscal year 1964-65, in the main conducted by state agencies, and complete those studies which were not completed, and from these sources develop recommended state policies for manpower utilization and education to present to the Governor and Legislature at the general session of 1967.



Commission on Manpower, Automation and Technology—Continued

2. To draw up a comprehensive legislative program based on information already in hand supplemented with such new information as may be required. This package will have as its goal the creation of an active manpower policy for California.

3. To continue to provide the needed coordination among state agencies with responsibilities in the manpower utilization and education area.

The commission's request for fiscal year 1966-67 totals \$75,000 of which \$40,889, or 54.5 percent, is budgeted for four full-time and 0.1 temporary positions, \$8,000 for travel, and \$10,000 for contractual services. Each of these expenditure items represent a marked change from the last actual year expenses for those items. The personal services item is up \$12,602, travel, up \$2,279, of which approximately \$1,450 is an increase in out-of-state travel, and contractual services decreases by \$4,832.

We have carefully reviewed the minutes and other available documents of the commission and its subcommittees and it appears to us that to date the commission has produced no significant information that could not have been acquired through executive direction of the existing agencies of state government, yet an amount of \$80,693 of state funds have been expended in direct support of the commission, and in addition it received significant amounts of staff support, the value of which cannot be determined, from the Department of Employment, the Department of Industrial Relations, the Department of Education and the Institute of Industrial Relations. These agencies of state government are in fact the major source of the basic data on which commission policies and recommendations will be based.

In addition it should be noted that the Congress of the United States has appropriated, since fiscal year 1962-63, a total of 51 million dollars under Title I of the MDT Act for the Secretary of Labor to implement a national study, research and evaluation program with the same objectives as expressed in the state statute governing this commission.

*Total expenditure (budget page 551, line 72)----- \$75,000*

*We recommend deletion of the entire support of this item.*

The commission, unwieldy as it is, may be able to develop and recommend policies relative to manpower, automation and training for the state to implement, however since the policies of the commission will stem from recommendations and data provided by its two working subcommittees and as the principal participating members of these committees are state agency employees' these same policies can be developed by the state agencies working in conjunction with each other as well as with labor and management under executive direction in the broad area of manpower utilization and training. Once developed these policies can be implemented either by executive action or by legislative action as may be required.

**Commission on Manpower, Automation and Technology—Continued**

The development of a comprehensive legislative package by the commission from material on hand and such new material as may be acquired during the six month period following July 1, 1966 prior to the convening of the general session of 1967 is not defined as to type, nature or subject matter. This vagueness and the limitation of the time available creates strong doubts as to the ability of the commission and its proposed new staff to realistically assemble a legislative program which will produce recommended legislation of substance.

The statement is made in the budget year program of the commission relative to providing "needed coordination" which implies they are the basic organization to direct and achieve coordination between state agencies with interests in the fields of manpower utilization and education. Coordination of this nature existed long before the creation of the commission, and is basically a responsibility of the agency administrators concerned.

There is an erroneous implication also that the commission must exist in order to constitute the State Manpower Advisory Committee. The Secretary of Labor has authority to require a state, a community, or a region to establish such committees to act as advisory bodies to assist in the implementation of the MDT Act of 1962 as amended.

Such a committee's function is that of making expert assistance available to those individuals and organizations carrying out programs under Title II of that act and it is not necessary to establish and budget for a full commission such as this to fulfill the state's responsibility in this connection with the MDT Act of 1962.

**BOARD OF CONTROL**

ITEM 142 of the Budget Bill

Budget page 552

**FOR SUPPORT OF THE BOARD OF CONTROL  
FROM THE GENERAL FUND**

Amount requested .....	\$30,301
Allocated from Tort Liability Item .....	10,788
<b>Total .....</b>	<b>\$41,089</b>
Estimated to be expended in 1965-66 fiscal year .....	39,653
<b>Increase (3.6 percent) .....</b>	<b>\$1,436</b>
<b>TOTAL RECOMMENDED REDUCTION .....</b>	<b>None</b>

**GENERAL PROGRAM STATEMENT**

The Board of Control consists of the Controller, the Director of the Department of General Services, and one other member appointed by the governor. Its functions are grouped under three programs:

1. Claims adjudication
2. Rulemaking
3. Miscellaneous fiscal matters

Overall agency growth is shown in Table 1.