

Board of Control—Continued

Merit Award Board

The Merit Award Board's staff receives employee suggestions and refers them to the department concerned for investigation and recommendations. Table 2 shows the volume of suggestions offered during the past four years and the estimate for the budget year.

Table 2
Annual Total of Employee Suggestions

	1966-67	1967-68	1968-69	1969-70	1970-71
Suggestions Offered	3,513	3,394	2,942	3,025	3,050
Change from Prior Year	+17%	-3.4%	-13.3%	+2.7%	

We believe the reversal in trend during the current year is due primarily to the \$1,000 augmentation which the Legislature placed in the 1969-70 allowance for printing to publicize the suggestion program.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The proposed budget contains an increase of 0.3 man-years in temporary help to meet the clerical workload during the summer vacationing period. This \$1,500 increase in personnel costs will be offset by a \$2,623 reduction in operating expenses. The major portion of this reduction in operating expenses consists of the elimination of \$1,000 for printing expenses which the Legislature added to this budget during the current fiscal year to publicize and stop the decline in the employee suggestion program.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Items 40, 41 and 42 from the General Fund, Public Employees' Retirement Fund and the State Employees' Contingency Reserve Fund

Budget page 60

Requested 1970-71	\$3,812,108
Estimated 1969-70	3,812,108
Actual 1968-69	3,233,346
Requested increase—None	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. We recommend consolidation of the system's annual "Financial Report and Report of Operations" (required by Sections 20206.5 and 20232 of the Government Code) with the Board of Administration's "Annual Report to the Governor and the Legislature" (required by Section 20140 of that code).

2. We recommend that the system's annual financial report separately identify state employer costs by membership category as a part of the total cost of retirement benefits.

Public Employees' Retirement System—Continued
GENERAL PROGRAM STATEMENT

The objective of the Public Employees' Retirement System is to provide the state and other public employers and employees an opportunity to participate in the retirement and health-benefits plans (including four major medical plans) administered by the system, thereby aiding in the recruitment and retention of competent personnel by assuring a measure of postretirement financial security for older or long-term employees and financial assistance for active and retired employees in times of illness or other temporary physical impairment. All of these plans are statutorily controlled and require joint funding in different proportions by the employer and employee.

A subsidiary program conducted by the system is the administration of the coverage and reporting aspects of the federal Old Age Survivors, Disability and Health Insurance program, (Social Security), which is applicable on an optional but formal agreement basis to governmental entities. Pursuant to such an agreement between the state and the federal government, existing employees were given the option to join Social Security and all state employees (except those in exempt classifications) entering service since 1962 automatically are covered by this program, and the retirement formula which applies to them is modified to reflect the fact that they will receive dual retirement benefits—one from the state and another from the federal system. Local public agencies may also contract for Social Security coverage of their employees through PERS. Such coverage may be exclusive of, coordinated with, or in full supplementation to a local retirement plan, at the option of the agency. As in private employment, the employee and employer contribute equal amounts to the Social Security program. At present, this is 4.8 percent of the first \$7,800 of gross earnings in each calendar year, but existing federal law provides for scheduled increases in the tax rate through 1987, at which time employers and employees will each be paying 5.9 percent on \$7,800 of earnings.

The day-to-day operations of the system are performed by an authorized staff of 326 positions under the direction of the system's board-appointed executive officer. Responsibility for establishing policy direction and guidance for the system is vested in its Board of Administration. This board consists of eight members when considering matters related to the retirement programs, but it is increased by three public members when health benefits and medical plans are under discussion. The board submits two annual reports to the Governor and the Legislature, one summarizing the system's operations and stating its recommendations for legislation affecting retirement benefits and the administration of the system, and the other one its investments and financial operations.

The costs of administering the system's three programs (retirement, health benefits, and social security) are funded from different sources. The General Fund supports that portion of the social security program administration relating to the state's participation therein. The Public Employees' Retirement Fund (representing all participating public employers and employees) supports the administrative costs of the re-

Public Employees' Retirement System—Continued

tirement program, and the State Employees' Contingency Reserve Fund supports the health benefits program. Table 1 details the support by fund.

Table 1

Fund Support for Administration of Public Employees' Retirement System

	1968-69 (actual)	1969-70 (estimated)	1970-71 (proposed)
General Fund (Item 40) -----	\$22,500	\$22,500	\$18,000
Public Employees' Retirement Fund (Item 41) -----	2,871,314	3,349,237	3,330,380
State Employees' Contingency Reserve Fund (Item 42) -----	330,532	440,371	463,728
	<u>\$3,233,346</u>	<u>\$3,812,108</u>	<u>\$3,812,108</u>

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Including reimbursements, the system is proposing a total administrative support expenditure of \$4,619,529 for fiscal year 1970-71, which exceeds the current year's total estimated expenditures by \$114,499 or 2.5 percent. This increase is composed of \$84,087 in personal services and \$30,412 in operating expenses and equipment. However, the system anticipates that these costs will be offset fully by an increase of \$114,499 in reimbursements from contracting agencies. Thus, the system's proposed appropriation from all funds for administrative support totals \$3,812,108, which is the same as estimated expenditures for the current year.

Most of the administrative costs (such costs comprise over half of the total proposed expenditure) are distributed among the system's three previously mentioned functional programs. It should be noted that the Board of Administration and staff of the Public Employees' Retirement System administer the Legislators' Retirement System as well as the investments of the Legislators' Retirement Fund without reimbursement or compensation for these services. Thus, a portion of the total proposed expenditure program represents the cost of administering this retirement system, which has 127 active members and 101 retirees or beneficiaries, and the management of \$960,594 of the system's funds invested in various equities and securities. We have reviewed the system's program budget and comment on its administrative costs and three functional programs—retirement, social security, and health benefits—in sequence below.

DEPARTMENTAL ADMINISTRATION

Of the total proposed expenditure of \$4,619,529, the sum of \$2,464,372 or 53.3 percent is budgeted for departmental administration and of this amount \$2,173,772 is distributed to the three function programs in proportion to the services provided. These services, which require an estimated 125 man-years of employment to perform, consist of executive guidance and policy implementation, actuarial, legal, and investment services, electronic data-processing services and routine administrative activities. Under our discussion of each of the system's

Public Employees' Retirement System—Continued

functional programs, we indicate the amount charged for these administrative services.

While there have been significant workload increases in two administrative activities, reductions in three other areas partially offset these increases, thus resulting in a net increase of approximately \$25,000 or 1 percent in administrative costs over estimated current-year expenditures. The larger of the increases in administrative expenses amounts to \$55,728 and occurs in the agency's electronic data-processing center which serves not only this system but the Teachers' Retirement System and the Department of Veterans' Affairs as well. This increase includes approximately \$23,000 for rental of new equipment consisting of a tape control unit and four tape drives as well as a previously contracted rental cost of \$19,000 to increase the capacity of six present tape drives by 50 percent. These equipment changes are considered necessary to process the increased workload generated by the system's annual growth in membership and to handle the increased data-processing requirements of the Teachers' Retirement System as more school districts shift to a monthly reporting cycle. The remainder of the increase (approximately \$13,000) is due to increases in personal services costs.

The other administrative cost increase, amounting to \$43,906, occurs in the investment services activity and reflects higher costs in items over which the agency has little control such as rent, treasurer's charges for servicing bonds held by the fund, pro rata charges, investment consultant fees due to increases in the fund's equities portfolio, and merit salary adjustments.

A reduction of \$81,821 in administrative services results from distributing pro rata charges to all functions within the administration program in lieu of the past practice of charging all of these costs to the administrative services function.

A portion of administration costs, \$290,000, is undistributed. It is composed entirely of reimbursements, namely \$110,000 for investment services rendered to the Teachers' Retirement System and \$180,600 for electronic data-processing services provided for the Teachers' Retirement System and the Department of Veterans' Affairs.

Need to Consolidate Annual Reports

We recommend that consideration be given to combining the annual report now made by the system and its Board of Administration on the financial status of the system and its operations (as required by Sections 20206.5 and 20232 of the Government Code) with the Annual Report to the Governor and the Legislature (required by Section 20140 of that code) which reports the benefit trends in public retirement systems and in private employment (including health insurance programs) and contains the board's recommendations for retirement legislation. Such a consolidation would require amendment of the applicable statutes. Consolidation of the reports would produce minor savings in printing costs and facilitate their use as a reference source by providing a complete annual history of the system's recommendations for legislative changes and its operations and financial transactions in one document.

Public Employees' Retirement System—Continued

We further recommend that in the financial portion of its reports the system identify state costs for its employees by membership category. Separate identification of such costs would permit more meaningful analysis and comparison of the costs of different retirement formulas and assist in the evaluation of proposals to modify retirement benefits.

RETIREMENT PROGRAM

The administration of a number of alternate retirement plans is the major program of the system. Through this program the state and various contracting agencies (57 county offices of superintendent of schools, one school district, 259 cities, 35 counties and 288 local districts and other public employers) offer their employees on a mandatory (as a condition of employment) but mutual contributory basis retirement benefits based on service or disability, death benefits, survivor coverage (if not covered by Social Security) and special benefits to certain occupational groups for death or disability incurred in the line of duty. The contracting agencies are granted by statute a number of optional retirement plans from which they may choose.

The proposed support expenditure of \$3,654,180 for the program is funded by an appropriation of \$3,330,380 from the Public Employees' Retirement Fund and \$323,800 from reimbursements. This program is requesting two new positions, one of which, a retirement officer II with an annual salary cost of \$10,356, was established administratively in the current year to meet an unanticipated workload increase in the Benefits Division. The other position is a typist-clerk with a first-year salary cost of \$4,860 whose services are required to meet the normal annual increase of workload associated with disability and death benefit claims. Heretofore, this need was met by the use of temporary help but now a full-time employee is justified on an annual basis.

Departmental administration costs in the amount of \$2,001,772 have been allocated to this program as it is the prime user of such services.

Table 2 shows selected workload data for the retirement program over a five-year period.

Table 2
Retirement Program, Selected Workload Data

Detail	1964-65	1965-66	1966-67	1967-68	1968-69
Membership					
State -----	128,641	137,163	140,778	146,653	153,535
Total -----	326,771	350,283	366,560	385,061	409,350
Retired members -----	34,551	38,230	42,130	46,355	51,438
Number contracting agencies -----	463	503	553	604	640
Public employers' contributions * -----	\$133.1	\$146.8	\$163.0	\$187.1	\$218.6
Public employees' contributions * -----	\$114.8	\$126.0	\$142.3	\$154.3	\$171.9
Benefit payments * -----	\$63.5	\$71.1	\$79.6	\$89.0	\$105.4
Death benefits * -----	\$8.1	\$8.4	\$10.2	\$10.3	\$12.4

* In millions of dollars.

Public Employees' Retirement System—Continued

SOCIAL SECURITY PROGRAM

The Social Security program provides public employers and their employees with an opportunity for coverage under the Federal Old Age, Survivor, Disability and Health Insurance program through a master agreement with the federal Social Security Administration which is administered by the system.

The operational support of this program for state employees is funded by a proposed General Fund appropriation of \$18,000, which is a reduction of \$4,500 or 20 percent under the estimated expenditures for that purpose in the current year. The system advises that the reduction in state costs is based on a review of the staff time needed to meet the federal reporting requirements for state employees who are covered under the Social Security program. Due to the manner in which the records and reports are received from the State Controller, only two man-years of staff time are utilized for this function. In addition to the state support, the system is reimbursed in the amount of \$193,021 for its services to other public employers who have elected to cover their employees under the master agreement referred to above. This latter function requires 13.8 man-years of employment.

The total funding for the program amounts to \$211,021, and the system proposes to continue the same level of total employment (15.8 man-years) in the budget year as in the current year. The pro rata share of administrative costs allocated to this program in the budget year is \$32,000. Table 3 shows the growth of the program and the magnitude of wages in covered public employment in the State of California for a five-year period.

Table 3
Social Security Program, Selected Workload Data

Detail	1964-65	1965-66	1966-67	1967-68	1968-69
Public employers ¹ -----	2,731	2,696	2,596	2,566	2,601
Public employees -----	283,000	323,000	354,000	379,000	416,000
Employer and employee contributions ² -----	\$92.9	\$113.2	\$153.8	\$170.6	\$209.2
Net covered wages ² -----	\$1,276.0	\$1,342.0	\$1,776.0	\$1,930.0	\$2,310.0

¹ Variations in number reflect mergers and consolidations of districts and other governmental entities as well as creation of new entities.

² In millions of dollars.

HEALTH BENEFITS PROGRAM

Through the Health Benefits program, the state and (since 1968) other public employers who so elect offer their employees a number of health benefits plans as well as major medical plans on a premium-sharing basis. Under current law, the employer's contribution is a maximum of \$8 per month per individual premium with the employee paying the remaining differences. The state employer costs are funded through the staff benefit's portion of each agency's support budget. This program is also extended to 19,043 annuitants of the state's retirement system, and the state cost of this feature is funded in Item 244 of the Budget Bill.

Public Employees' Retirement System—Continued

The funds proposed to support the administration of the Health Benefits program in the budget year total \$463,728 and are contained in the appropriation from the State Employees' Contingency Reserve Fund. This fund receives as revenue annual contributions from all participating employers as a percentage of the total premiums paid. The maximum percentages are fixed by statute and the levels are set annually by the Board of Administration. For the current fiscal year, they are 2 percent for administration and 1 percent for reserves.

The system is requesting 0.8 of a position of temporary help to assist its regular staff of 18.3 man-years of employment in handling the additional workload resulting from legislation enacted in 1968 which permitted public employers who have contracts with the system for retirement and other benefits to participate in this program.

Departmental administrative costs of \$140,000 are charged to this program in the budget year. Table 4 illustrates the growth and scope of the program.

Table 4

Health Benefits Program, Statistical Data					
Detail	1964-65	1965-66	1966-67	1967-68	1968-69
Average monthly enrollment-----	26,715	98,557	108,911	109,056	114,119
Number basic plans-----	12	12	11	10	10
Number supplementary plans-----	--	--	6	6	6
Number major medical plans-----	--	--	--	--	4
Premium payments					
Employees' share *-----	\$13.8	\$15.2	\$17.4	\$19.9	\$21.0
State share *-----	\$6.3	\$6.8	\$7.3	\$7.5	\$9.4
Total premium cost *-----	\$20.1	\$22.0	\$24.7	\$27.4	\$30.4
State Administrative cost *-----	\$0.73	\$0.75	\$0.87	\$0.90	\$0.94
Total state cost *-----	\$7.0	\$7.5	\$8.2	\$8.4	\$10.3

* In millions of dollars.

DEPARTMENT OF GENERAL SERVICES

Item 43 from the General Fund

Budget page 65

Requested 1970-71 -----	\$5,326,548
Estimated 1969-70 -----	5,390,433
Actual 1968-69 -----	5,319,527

Requested decrease \$63,885 (1.185 percent)

Total recommended reduction ----- None

SUMMARY OF RECOMMENDED REDUCTIONS

	Amount	Analysis page
Facilities Planning		
Reduce reimbursements for Facilities		
Planning Section:		
3 Assistant state facilities planners -----	\$29,556	
4 Architectural assistants -----	41,424	
2 Stenographers I/II -----	11,256	
Staff benefits -----	8,224	\$90,460
		75

Item 43

General Services

Department of General Services—Continued

Communications	Amount	Analysis page
Reduce Service Revolving Fund for Communications:		
6 replacement vehicles of 14 requested.....	19,665	79
Consolidated Services, O.B. 8 & 9		
Reduce Service Revolving Fund for Consolidated Services Section:		
1 Supportive Services Manager	16,008	80
Total Recommended Reductions	\$126,133	

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. Departmental Mission

73

We recommend that agencies be directed by the administration to move further toward consolidation within the Department of General Services in respect to material supply, transportation services, communication services and property acquisition.

2. Workload Standards

74

We recommend that the department continue to report annually under separate cover the progress achieved in developing and implementing workload standards as an on-going effort to improve efficiency.

3. Facilities Planning

75

We recommend deletion of the nine new positions proposed for the Facilities Planning program. These positions are not justified based on an analysis of workload and existing capability within the Office of Architecture and Construction. This deletion represents a savings of \$90,460 and is reflected by a corresponding reduction in General Fund reimbursements.

4. Property Acquisition

76

The administration should begin planning to consolidate all property acquisition and disposal services, except for the Division of Highways, within the Department of General Services. Such consolidation should be effectuated by 1971-72 or when the workloads of the various state agencies engaged in this activity decrease to the point that they are no longer economical.

5. Communications

79

We recommend that the proposed funding request to replace 14 vehicles for the Communication Division be reduced in the amount of \$19,665 because six of these vehicles will not reach the 100,000-mile guideline for replacement. This represents a reduction in the Service Revolving Fund (Item 47).

6. Consolidated Services—O.B. 8 & 9

80

We recommend that the position of supportive services manager for O.B. 8 and 9 be deleted for a savings of \$16,008. This function will be performed as part of the duties of the Consolidated Services Coordinator which is authorized for the Admin-

Department of General Services—Continued

Analysis

istration Division for the next fiscal year. This represents a page reduction in the Service Revolving Fund (Item 47).

7. Data Processing

80

We recommend that the Department of General Services place emphasis in the 1970-71 fiscal year on completing program conversion to new EDP equipment and on problems associated with late billings to agencies.

8. Office Services

81

We recommend that the Department of General Services survey all agency facilities to determine the extent of excess duplicating equipment, the possibility of transferring such equipment to reproduction services or the printing plant, and the potential for eliminating small and inefficient reproduction facilities. This survey should be received by the Department of Finance and the Joint Legislative Budget Committee before funds are released to acquire additional or replacement duplication equipment.

9. State Printing

83

It is recommended that legislation be enacted in the 1970-71 session to permit the State Printer to enter into competitive bidding on all work performed under his jurisdiction, excepting legislative printing, with bids awarded on a least-cost basis.

10. Transportation Division

86

We recommend that one senior management analyst be added at an estimated cost of \$21,776 to the Management Assistance Division to conduct a fleet management consolidation study.

GENERAL PROGRAM STATEMENT

The Department of General Services was created effective October 1, 1963, by Chapter 1768, Statutes of 1963, to administer various state service functions formerly in the Department of Finance, the Division of Architecture in the Department of Public Works, and the Secretary of State's Central Records Depository. The latter is now called the State Records Service.

The responsibilities of the Department of General Services are primarily specified in Sections 14600 to 14973 of the Government Code. These responsibilities relate to supervision of financial and business matters and providing certain centralized services.

Table 1 is a summary of the total support expenditure program of the Department of General Services for the four-year period ending with 1970-71. The department is funded by (1) direct support appropriations, (2) revolving fund appropriations, and (3) reimbursements from specific agreements.

Direct support is obtained mainly from the General Fund but also from other sources such as the Architecture Public Building Fund.

Revolving fund support is provided by the Service Revolving Fund and the Architecture Revolving Fund.

Department of General Services—Continued

Reimbursements to the department may be transfers of funds from one account to another account within the General Fund or a transfer from another fund. In either case, a reimbursement is payment for an agreed to service at a specified price, whereas revolving fund payments are based on allocated cost for the service provided. Table 1 shows that the major part of the department's funding comes from reimbursements and revolving funds.

Table 1
Department of General Services

Total Expenditures, by Source of Funds, 1967-68 to 1970-71				
Source of funds	1967-68	1968-69	1969-70	1970-71
Direct Support Appropriations:				
General Fund -----	\$5,512,944	\$5,319,527	\$5,390,433	\$5,326,548
State School Building Aid Fund -----	1,007,584	922,320	961,369	906,883
Architecture Public Building Fund -----	1,536,305	1,485,682	1,584,604	1,689,605
Street and Highway Disaster Fund -----	13,437	9,156	8,944	--
Total -----	\$8,070,270	\$7,736,685	\$7,945,350	\$7,923,036
Appropriations from Revolving Funds:				
Service Revolving Fund, Printing -----	19,175,104	17,716,285	18,457,000	17,800,000
Service Revolving Fund, other activities -----	17,749,542	21,418,680	22,915,937	20,320,120
Architecture Revolving Fund -----	8,073,221	8,128,809	8,299,091	6,903,680
Total -----	\$44,997,867	\$47,263,774	\$49,672,028	\$45,023,800
Total Appropriations -----	53,068,137	55,000,459	57,617,378	52,946,836
Reimbursements:				
General Fund activities ---	\$13,705,820	\$16,248,439	\$18,258,768	\$18,633,450
Architecture Revolving Fund activities -----	669,335	58,647	58,647	58,647
Total -----	\$14,375,155	\$16,307,086	\$18,317,415	\$18,692,097
Total Expenditures -----	\$67,443,292	\$71,307,545	\$75,934,793	\$71,638,933

Table 2 is a summary of the total program expenditures for the Department of General Services by source of funds for the 1970-71 budget year. The department is engaged primarily in providing consolidated services which constitute essential elements of other departmental programs. However, from the standpoint of the Department of General Services, these services are separately identifiable departmental programs and are discussed in succeeding sections of this analysis in the order shown in Table 2. Note that operational support accounts for more than 55 percent of total expenditures and that revolving fund appropriations provide more than 62 percent of total funding requirements.

Department of General Services—Continued

Table 2
Department of General Services

Total Expenditures by Source of Funds and Programs—1970-71

<i>Operating unit</i>	<i>Direct support appropri- ations</i>	<i>Revolving fund appropri- ations</i>	<i>Reimburse- ments</i>	<i>Total expendi- tures</i>	<i>% of total</i>
Administration -----	\$843,738	--	\$1,099,319	\$1,943,057	2.71
Property Management ---	2,627,258	\$6,903,680	1,872,620	11,403,558	15.92
Building Standards ---	10,000	--	--	10,000	
Facilities Planning ---	--	--	807,661	807,661	
Property Acquisition --	5,000	--	999,157	1,004,157	
Architecture and Construction -----	1,689,605	6,903,680	58,647	8,651,932	
Local Assistance -----	922,653	--	7,155	929,808	
Maintenance and Security	1,585,679	219,094	12,959,473	14,764,246	20.61
Buildings and Grounds--	919,074	--	11,389,061	12,308,135	
Security and Protection	666,605	--	1,570,412	2,237,017	
Rented Buildings -----	--	219,094	--	219,094	
Operational Support ----	1,527,307	37,901,026	118,829	39,547,162	55.20
Communications					
Services -----	153,519	5,811,992	--	5,965,511	
Consolidated Services, O.B. 8 & 9 -----	--	1,084,029	--	1,084,029	
Data Processing Serv- ice Center -----	--	752,705	--	752,705	
Office Services -----	93,450	1,181,662	19,000	1,294,112	
State Printing Plant --	--	17,800,000	--	17,800,000	
Procurement -----	1,174,334	5,958,394	77,129	7,209,857	
Transportation -----	106,004	5,312,244	22,700	5,440,948	
Management Assistance--	1,339,054	--	2,641,856	3,980,910	5.56
Administrative					
Procedure -----	--	--	1,125,856	1,125,856	
Legal Office -----	300,383	--	62,000	362,383	
Management Assistance	701,126	--	70,000	771,126	
State Records Service--	271,196	--	--	271,196	
Insurance Office -----	66,349	--	1,384,000	1,450,349	
Totals -----	\$7,923,036	\$45,023,800	\$18,692,097	\$71,638,933	100.00
Percent of Total -----	11.06	62.85	26.09	100.00	

Table 3 is a summary of staff, by programs, for the four-year period ending with 1970-71. It should be noted that there are 92.9 fewer positions in the budget year than in 1969-70. The bulk of these reductions are in the Office of Architecture and Construction, the State Printing Plant, and Property Acquisition.

Department of General Services—Continued

Table 3

Department of General Services

Staff by Programs, 1967-68 to 1970-71

	Filled positions		Authorized positions		Staff changes
	1967-68	1968-69	Actual 1969-70	Proposed 1970-71	
Administration -----	135.2	138.9	163.6	163.6	
Property Management -----	747.5	789.1	713.8	649.3	(64.5)
Building Standards -----	---	6.1	4.0	1.0	
Facilities Planning -----	25.2	38.6	46.4	53.4	
Property Acquisition -----	88.4	78.9	83.4	61.4	
Architecture & Construction -----	552.7	586.5	509.0	462.5	
Local Assistance -----	81.2	79.0	71.0	71.0	
Maintenance & Security -----	1,190.2	1,288.8	1,315.3	1,329.3	14.0
Buildings & Grounds -----	1,045.3	1,742.1	1,155.3	1,151.6	
Security & Protection -----	144.9	146.7	160.0	177.7	
Rental Buildings -----	---	---	---	---	
Operational Support -----	1,430.1	1,507.3	1,563.5	1,518.2	(45.3)
Communications Services -----	172.6	177.8	186.3	185.3	
Consolidated Services, O.B. 8 & 9 -----	---	10.2	54.0	54.0	
Data Processing -----	---	33.6	48.3	48.3	
Office Services -----	73.0	81.7	90.6	95.6	
State Printing Plant -----	900.9	919.8	873.3	828.0	
Procurement -----	146.7	143.9	159.5	155.5	
Transportation -----	136.9	140.3	151.5	151.5	
Management Assistance -----	144.7	157.2	147.0	149.9	2.9
Administrative Procedure -----	62.3	61.3	61.8	61.8	
Legal Office -----	22.4	22.6	20.5	19.4	
Management Assistance -----	42.4	55.1	39.2	43.2	
State Records -----	12.7	14.0	19.5	19.5	
Insurance Office -----	4.9	4.2	6.0	6.0	
Totals -----	3,647.7	3,881.3	3,903.2	3,810.3	(92.9)
% of Change -----	---	6.4	0.6	(2.4)	

Departmental Mission

We recommend that agencies be directed by the administration to move further toward consolidation within the Department of General Services in respect to material supply, transportation services, communication services, and property acquisition.

The mission of the Department of General Services is threefold: (1) execute the functions of management and support as assigned by the Governor and specified by statute; (2) provide services to operating departments with greater efficiency and economy than they can individually provide for themselves; and (3) improve effectiveness and economy in the administration of state government by establishing and improving statewide standards and guidelines and by developing and implementing constructive changes in governmental policies and procedures.

The Department of General Services should continue its effort to centralize services for the various state agencies. The use of effective and efficient central service units is more economical than the duplication that is inherent in individual department-oriented service pro-

Department of General Services—Continued

grams. Some of the most costly services that state agencies continue to provide for themselves are material supply services, transportation services, communication services, and property acquisition even though the Department of General Services is constituted for and is engaged in an effort to provide clients these services on an equivalent or better basis and at a reduced cost.

Workload Standards

We recommend that the department continue to report annually under separate cover the progress achieved in developing and implementing workload standards as an on-going effort to improve efficiency.

Our 1968-69 analysis pointed out that the department had discontinued its annual report on workload standards. This report was originally requested by the Assembly Subcommittee on Standards, Procedures and Reporting and was assumed to be an annual report. The report was reissued for the 1969-70 budget year and was made a part of the Multiyear Program Statement for 1970-71. Work measurement and development of staffing standards should be continued by the department especially for tasks that require a high percentage of routine work. This effort should recognize opportunities to reduce staff requirements by employing new techniques and/or equipment. Equally important is the realization that standards are averages that should be improved over time as technology and experience dictate.

ANALYSIS AND RECOMMENDATIONS

This analysis is presented in the sequence of expenditures for operating units found in Table 2, page 72. Each unit is preceded by a statement of funding which specifies the type of support, source of funds, proposed expenditures and proposed staff.

ADMINISTRATION			
<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$843,738	163.6
Reimbursements -----	Item 43	1,099,319	
Total -----		\$1,943,057	163.6

The Administration Program contains the executive and staff support elements of the Department of General Services. Staff support includes financial management, personnel management, administrative services, and consolidated business services. A new position of Central Services Coordinator is being proposed to formalize functions performed by a temporarily established position in Consolidated Business Services. We concur with the establishment of this position in the Administration Division and recommend under our analysis of the Consolidated Services unit for Office Buildings 8 and 9 that the temporary position be abolished.

Buildings Standards Commission			
<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$10,000	1

Department of General Services—Continued

The Building Standards Commission was established to codify uniformly building regulations published by various state agencies and to interpret the code on request for state agencies, private firms and others.

Uniform codification is expected to be complete by the end of the 1969-70 fiscal year although updating of codes will continue to be necessary. The Governor's Budget reduces the number of staff positions to the commission by eliminating the chief analyst and two building code analysts. One secretarial position is authorized to provide staff services and program continuity to the State Building Standards Commission.

In prior year analyses, we recommended that funding be continued until uniform codification was complete. We therefore concur with the Governor's Budget on the reduction of staff service to the commission and the provision of a secretarial position at a cost of \$10,000 per year.

FACILITIES PLANNING

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Reimbursements -----	Item 43	\$807,661	53.4

We recommend disapproval of the nine new positions proposed for the Facilities Planning program. These positions are not justified based on an analysis of workload and existing capability within the Office of Architecture and Construction. This represents a savings of \$90,460 and is reflected by a corresponding reduction in General Fund reimbursements.

The Governor's Task Force on Efficiency and Cost Control recommended in November 1967 that space management and control responsibility be centralized within one agency. Subsequently, the Facilities Planning Division was delegated centralized responsibility. Twenty-one positions were transferred from various state agencies in the 1968-69 fiscal year. An additional 15 positions were requested by the division for the 1969-70 budget year.

In our 1969-70 Analysis of the Budget Bill we recommended deletion of 15 positions proposed for the Facilities Planning Program because the majority of the positions were supervisory and were not justified on a workload basis. The 15 positions were deleted as recommended.

For the 1970-71 fiscal year, Facilities Planning is proposing nine new positions. Careful review of justification and workload status information supplied by the division does not support the need for nine new positions. In our opinion, improved management procedures, application of work flow charting techniques, and the reassignment of workload to the current staff will eliminate the present workload problem. A study of state office facilities planning is in progress by the Legislative Analyst pursuant to SR 339, 1969 Regular Session. This resolution requires our office to "... identify and evaluate the organizational structure, underlying policies, and administrative regula-

Department of General Services—Continued

tions governing office space planning, design, and construction, . . . ,” and to report to the Legislature in 1971.

Our study is still in the fact finding stage but based on past observations, we believe the Office of Architecture and Construction is capable of absorbing additional workload in 1970-71 through proper management and cooperative interchange with the Facilities Planning Division. Therefore, in our opinion the creation of additional positions for Facilities Planning is premature at this time.

PROPERTY ACQUISITION

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$5,000	61.4
Reimbursements -----	Item 43	999,157	--
Total -----		1,004,157	61.4

Recommendation

1. *Planning by the administration should be directed toward consolidating all property acquisition and disposal services, except for the Division of Highways, within the Department of General Services by 1971-72.*

2. *The preliminary steps for consolidation of surplus state lands within the Department of General Services, Property Acquisition Division, for all state agencies other than the Division of Highways should begin now.*

3. *Recommendations relative to the University of California and the California community colleges' property acquisition programs contained in the ACR 142 report should be implemented.*

The Property Acquisition Division of the Department of General Services was established because of a recognized need for the centralization and coordination of real property acquisition and disposal within California state government. This division currently serves 15 state agencies, including the Department of Parks and Recreation which has provided the major acquisition workload under the Recreation Bond Act of 1964.

Legislative Concern Over Property Acquisition

Assembly Concurrent Resolution No. 142, 1968 Regular Session, requested the Joint Legislative Budget Committee to study the laws, policies, procedures and organizational structures covering land acquisition and disposal as performed by the different state agencies.

Pursuant to this request, we prepared a report entitled "A Survey of Land Acquisition and Disposal by State Agencies," dated February 3, 1969. In this report we concluded that the Department of Water Resources and the Department of General Services were both faced with a rapidly declining workload with respect to property acquisition. Our findings indicated that although consolidations of services among state agencies are often more efficient, there would be no benefit gained from combining these two acquisition programs at that time, particularly since the Department of Public Works was engaged in perform-

Department of General Services—Continued

ing services for the Department of Water Resources, and the Department of Water Resources was adjusting its staff downward as the workload was completed. However, in approximately two years the workload will have reached a point where property acquisition should be centralized within one department. Therefore, we recommend an assumption of all acquisition programs by the Department of General Services within two years.

With respect to the management and disposal of surplus state lands, we concluded that a feasibility study should be conducted immediately relating to consolidation of these functions within the Department of General Services. We also recommended that the University of California property acquisition program be made subject to the Property Acquisition Law and that the acquisition program of the California community colleges should be made subject to a review of the Property Acquisition Division prior to the expenditure of state funds.

The Supplemental Report of the Committee on Conference for the 1969 Budget Bill required that agencies involved in property acquisition programs review the report prepared by our office pursuant to ACR 142 and cooperate with the Department of General Services in preparing a reply. The required report was received on November 1, 1969. Perhaps the result could have been anticipated. The Department of General Services agreed with the concept of centralized property acquisitions but the agencies involved did not. We reaffirm the recommendation contained in our ACR 142 study and urge the administration to begin active planning to effectuate a consolidated property acquisition program by 1971-72.

A total of 31 positions are proposed for abolishment by the Property Acquisition Division in 1970-71. Nine of these positions will be eliminated in the 1969-70 fiscal year. A decline in activity combined with centralization of services has enabled reduction of the Los Angeles staff. In addition, 11 positions are cut from the old fairgrounds as activities shift to Cal Expo.

OFFICE OF ARCHITECTURE AND CONSTRUCTION

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 49	\$1,689,605	462.5
Revolving fund -----	Item 48	6,903,680	--
Reimbursements -----	Item 48	58,647	--
Total -----		\$8,651,932	462.5

These programs are discussed under our analysis of Items 48 and 49 which make appropriations for the Architecture Revolving Fund and the Architecture Public Building Fund respectively.

OFFICE OF LOCAL ASSISTANCE

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$922,653	71
Reimbursements -----	Item 43	7,155	--
Total -----		\$929,808	71

General Services

Item 43

Department of General Services—Continued

The major activity under this program is the administration of the State School Building Aid Law. Here, financial assistance is made available to school districts for the acquisition and development of school sites and construction.

Funds are also allocated to local agencies under the Emergency Flood Relief Law for the repair of local streets and roads damaged by floods.

BUILDINGS AND GROUNDS

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$919,074	1,151.6
Reimbursements -----	Item 43	11,389,061	--
Total -----		\$12,308,135	1,151.6

Grounds Maintenance

This program is responsible for the maintenance and preservation of state grounds. The major part of this workload is Capitol Park in Sacramento, where Grounds Maintenance provides all landscape design and general maintenance.

Building Maintenance

The program for building maintenance consists of providing all services necessary for the maintenance and operation of state buildings. This program employs members of the various crafts as well as general maintenance men.

Custodial Program

In our 1967-68 analysis of the Budget Bill we recommended the adoption of the federal custodial staffing standards. The Department of General Services accepted these standards, and as a result, greater efficiency and annual cost reduction have resulted. Consolidation of the custodial operations of other agencies has been recommended where savings and greater efficiency will result.

SECURITY AND PROTECTION

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$666,605	177.7
Reimbursements -----	Item 43	1,570,412	--
Total -----		\$2,237,017	177.7

The California State Police Division provides protection services for state buildings and property, their occupants, and visitors from hazards and criminal activities. Security, order, and protection are maintained during civil disturbances, demonstrations, disasters, and other unpredictable occurrences as well as during special public events, ceremonies, and visits of high officials.

In the 1970-71 budget year, 16 new positions are proposed to provide increased coverage and flexibility in regard to state facilities, occupants and elected officials in transit. Additional funding also is proposed for equipment that is necessary to keep pace with modern standards of

Department of General Services—Continued

security and protection. *It is recommended that the proposed funding for these new positions be approved as budgeted.*

RENTED BUILDINGS

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving fund -----	Item 47	\$219,094	--

The Department of General Services leases various buildings within the state which are sublet to state agencies. An example is the Herbst Building, 1407 Market Street, San Francisco. The department acts as the rent collector and sublets on a nonprofit basis.

COMMUNICATIONS

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$153,519	185.3
Revolving fund -----	Item 47	5,811,992	--
Total -----		\$5,965,511	185.3

1. *We recommend a continuing effort to achieve consolidation of communications facilities throughout the state where duplicate facilities and programs exist providing the level of service is not reduced below an acceptable standard and savings are anticipated.*

2. *We recommend that the proposed request to replace 14 vehicles for the Communication Division be reduced in the amount of \$19,665 because six of these vehicles will not reach the 100,000-mile guideline for replacement. This represents a reduction in the Service Revolving Fund.*

The Communications Division is responsible for planning and managing the state telecommunication facilities, assisting agencies in the development and implementation of their telecommunication requirements, providing installation and maintenance support, and insuring system reliability under all conditions. The microwave radio, VHF radio, telephone, teletype, and data system activities consist of planning, system design, installation-modification and maintenance.

The telephone services and facilities consist of planning, switch-board operations and state telephone directory management and preparation.

The Communications Division has requested replacement of 14 vehicles at an estimated cost of \$45,885 and this amount is included in the proposed budget. Justification for this replacement was based on the projection that all vehicles would reach the 100,000-mile guideline for replacement during the 1970-71 fiscal year. Our review of the documentation supporting the proposed replacement indicates that six of the vehicles will not reach the 100,000-mile guideline during the 1970-71 fiscal year.

CONSOLIDATED SERVICES—OFFICE BUILDINGS 8 AND 9

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving Fund -----	Item 47	\$1,084,029	54

Department of General Services—Continued

We recommend that the position of supportive services manager for O.B. 8 and 9 be deleted for a savings of \$16,008. This function will be performed as part of the duties of the Consolidated Services Coordinator which is authorized for the Administration Division for the next fiscal year. This represents a reduction in the Service Revolving Fund.

This program is designed to provide most support services on a consolidated basis for the two new 18-story office buildings located in downtown Sacramento. These buildings were ready for partial occupancy in February 1969, and the tenant departments are moving in on a phased schedule with full occupancy expected by the end of the 1969-70 fiscal year.

Staffing for this program is established at 25 in consolidated business services, 11 in supply services and 18 in reproduction services. The funding for this consolidated program comes from each tenant department's budget.

One position that has been in contention is the supportive services manager. This position was held in the organizational chart but was not to be filled without legislative review and approval. This manager has the responsibility of coordinating the services to tenant departments in such areas as the mail room, delivery of stock, supervision of the dock area and message service. He also must be in a position to answer complaints from dissatisfied tenants.

Currently, in all large state buildings the position of building manager exists, and this individual performs all of the above duties plus supervision of building maintenance personnel. There are supervising personnel in each of the service areas as well.

Therefore in our judgement, there is no need for a supportive services manager within the O.B. 8 and 9 unit. The position which has been held vacant since 1968 should be abolished for a savings of \$16,008.

DATA PROCESSING SERVICE CENTER

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving Fund -----	Item 47	\$752,705	48.3

We recommend that the Department of General Services place emphasis in the 1970-71 fiscal year on completing program conversion to the new EDP equipment and on problems associated with late billings to agencies.

A Data Processing Service Center was authorized within the Department of General Services in July 1968 by Administrative Order No. 68-32. The Legislative Analyst recommended establishment of such a center during the two previous years in the Analysis of the Budget Bill, and the Committee on Conference report of June 1968 recommended that a service center be established.

A decision to install a new computer system to replace the obsolete plugboard computers which were used by the Department of General Services was made and installation of an RCA Spectra 70/45 computer occurred in February 1969. Punched card applications run on the department's existing equipment together with 110 computer programs

Item 43**General Services****Department of General Services—Continued**

which were processed by an outside computer service bureau were to have been converted to the new computer in early 1969. However, a continuing backlog problem has existed in regard to agency billings and program conversion to the new equipment. This problem is directly related to an overly optimistic schedule for conversion and the organizational restructuring of the Data Processing Service Center.

OFFICE SERVICES

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$93,450	95.6
Revolving Fund -----	Item 47	1,181,662	--
Reimbursements -----	Item 43	19,000	--
Total -----		\$1,294,112	95.6

We recommend that the Department of General Services survey all agency facilities to determine the extent of excess duplicating equipment, the possibility of transferring such equipment to reproduction services or the printing plant, and the potential for eliminating small and inefficient reproduction facilities. This survey should be received by the Department of Finance and the Joint Legislative Budget Committee before funds are released to acquire additional or replacement duplication equipment.

The Office Services Division of the Department of General Services is composed of central office service, office machine repair, and reproduction services.

Central Office Services

The program of Central Office Services contains three subprograms. They are: (1) Interagency Mail and Messenger Service, (2) Office Machine Service, and (3) Reproduction Services. Reproduction Services and Office Machine Repair are supported by the Service Revolving Fund and are wholly reimbursed by the using agencies. The general administration of Central Office Services and the Interagency Mail and Messenger Programs are supported by a General Fund appropriation.

Office Machine Repair

This group serves many state agencies and repairs equipment ranging from desk-top calculators to typewriters. This program is being totally supported by the using agencies.

Reproduction Services

This unit provides complete central duplicating services for many state agencies. It also provides specialized and partial services to agencies with a workload large enough to support departmental reproduction units. This program has absorbed the reproduction unit that was formerly located in the Office of Architecture and Construction. This enables Reproduction Services to serve the complete Department of General Services of which the Office of Architecture and Construction is an integral part.

Department of General Services—Continued

The proposed \$90,298 equipment funding for the Office Services Reproduction unit is mainly for duplicating machines and accessory equipment. There is a proliferation of duplicating equipment throughout state agencies and in our judgment, much of this equipment could be brought under the control of the Department of General Services Reproduction Unit to provide cost reduction, improved service, and simplified management control. To determine the feasibility of centralizing control and operation by the department, an analysis should be made of each duplicating equipment installation to determine the present equipment inventory and the nature of the workload including quantity, quality and turn-around-time requirements. Such a study was requested of the Department of General Services in a hearing before the Assembly Government Organization Committee in February 1969 when the Legislative Analyst's report pursuant to SCR 108, 1968 General Session, was discussed. Subsequently, pursuant to SR 352 and HR 420, 1969 Regular Session, the Department of General Services was again required to reply to questions regarding excessive duplicating facilities and the prospects of centralized duplicating at the State Printing Plant.

The required report was transmitted to the Legislature in January 1970. In our judgment, it is not responsive to the Assembly Committee hearing or the two resolutions. Thus, the basic question of the extent of excessive duplicating facilities in state government and the possibility of a centralized service facility at the printing plant remains unresolved. It is recommended therefore, that the funding request be approved as budgeted with the provision that no funds be expended for duplicating or accessory equipment without prior agreement from the Department of Finance and the Joint Legislative Budget Committee after review of the requested information. The Office Services program has experienced an increased workload which supports the request for five new positions.

STATE PRINTING

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Revolving Fund	Item 46	\$17,800,000	828.0

The primary program of the Office of State Printing is to provide printing services for the judicial, legislative, and executive branches of government. Legislative printing includes all special reports, bills, forms and journals required by both houses of the Legislature. The agency printing program supplies all of the printing requirements for the individual agencies. The textbook printing program includes production of the majority of elementary textbooks specified by the State Board of Education.

Request for Office of State Printing Review by the Legislature

During the 1968 Regular Session, the Legislature passed two resolutions directing studies of the Office of State Printing. SCR 108 directed the Joint Legislative Budget Committee to conduct an analysis of the operations of the Office of State Printing. In response to this,

Department of General Services—Continued

our office submitted a report entitled *An Analysis of the Office of State Printing* to the Legislature in January 1969. House Resolution No. 240 required the Legislative Analyst and the Auditor General to make a study of printing done for the state and to investigate the feasibility of having some or all of this printing done by contract with private printers instead of the State Printer. The required study was completed and a joint report entitled *Report on State Printing Costs and Services* was submitted in January 1969.

A summary of these reports can be found in our analysis of the Budget Bill for 1969-70 on pages 51-52. The Supplementary Report of the Committee on Conference relating to the 1969 Budget Bill contained the following recommendations pertaining to the Office of State Printing.

1. The State Printer should take immediate steps to install a modern electronic photocomposition device in the Office of State Printing, thereby reducing the excessive composition costs of legislative materials and eliminating unnecessary delays in the delivery of legislative publications. The composition of agency printing can also be improved by the use of this device.

2. Offset printing presses should be installed to produce copy generated by the photocomposition device.

3. Immediate steps should be taken to improve the staffing standards, written procedures, management reports and workload standards.

4. A pilot program should be instituted in which printing jobs coming into the State Printing Plant are bid by both private industry and the State Printer.

5. A realistic five-year plan should be developed that provides for a balance of equipment within the plant, modernization of equipment and the proper use of private printing facilities.

6. The Legislative Analyst shall monitor the work of the Office of State Printing to insure that the intent of the above five statements is carried out.

Pursuant to the Conference Committee report, we have monitored the work of the Office of State Printing. The following can be reported:

1. Though workload and staffing standards have been established for most personnel and cost-center reporting is being utilized, reports to supervising management are still not current due to a backlog of work at the departmental data processing center.

2. The pilot study which was instituted to compare bidding prices of private industry and the State Printing Plant to evaluate potential benefit to the state was unresponsive to conference committee intent. The study, conducted from October through December 1969, was to represent all types of work done at the printing plant on the various job sizes. It became apparent in the early stages of the study that the State Printer did not feel that he could execute the study provisions requested by the Conference Committee because of statutory provisions regarding the use of state printing facilities. We recommend, therefore, that legislation be enacted in the 1970-71 session to permit the State Printer to enter into competitive bidding on all work performed under

Department of General Services—Continued

his jurisdiction, excepting legislative printing, with bids awarded on a least-cost basis.

3. A survey of periodical binding was conducted for one of the state colleges on work done by the State Printing Plant. Based on analysis of all requisitions for an entire year, it was found that receiving records were not accurately maintained and bills of lading were often unsigned. There has been an effort to correct these discrepancies.

4. Contrary to a schedule on page 78 of the Governor's Budget, it should be noted that 100 percent of the textbooks ordered for the 1969-70 year were not delivered by August 15th. In the 1969-70 production year basic books comprised of 13 separate titles were late in being delivered to the schools. Our office conducted a study on this subject, and late textbook delivery was found to be a complex problem involving agencies at every step of the textbook selection, production, and distribution system. Recommendations to correct these problems are contained in our report *A Study of the Processes of Textbook Selection, Production, and Distribution*. Specifically, we recommend that the State Printing Plant (1) tighten contract administration procedures, (2) use production charts, (3) obtain greater involvement of department executives, and (4) produce management reports on production that currently do not exist.

5. The State Printing Plant is in the process of installing electronic photocomposition equipment. Supporting technical staff has been acquired for the implementation process and installation of the device is scheduled for June 1970. It is intended that the photocomposition equipment will run parallel to the hot lead composition process during fiscal 1970-71 and become a fully independent operational system by July 1, 1971.

The Office of State Printing appears to be making a concerted effort to improve its production and reporting processes. Due to an anticipated workload reduction, mainly in textbook production, 45.3 positions have been eliminated.

OFFICE OF PROCUREMENT

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$1,174,334	155.5
Revolving fund -----	Item 47	5,958,394	--
Reimbursements -----	Item 48	77,129	--
Total -----		<hr/> \$7,209,857	<hr/> 155.5

Direct Purchasing

The Office of Procurement purchases all supplies and equipment in excess of \$25 for all state agencies except the University of California which is completely exempt and the State Colleges which are exempt for purchases of less than \$500. Procurement has the responsibility for developing specifications, requesting bids and awarding contracts.

Central Stores

Central Stores enables all state agencies to purchase common-use items at a minimum cost which is made possible by volume purchasing.

Department of General Services—Continued

Effective quality control of all items is another objective of this unit.

In the 1968-69 analysis we suggested that more agencies should do their small item purchasing through Central Stores in order to realize further savings. Many state agencies have apparently accepted this recommendation and are now purchasing more goods from Central Stores.

Documents

The documents and publications unit is responsible for the public sale of state publications. It acts both as a publisher of certain documents and as a consignee for public sale of certain documents printed by public agencies.

Traffic Management

Traffic Management provides traffic services and reviews state shipping and freight receipt practices.

We note that the Governor's Budget refers to a plan for closing the Los Angeles Purchasing Office during the 1970-71 fiscal year. Seventeen positions will be transferred to Sacramento and four positions eliminated for an approximate net dollar reduction of \$56,000. No further information has been received and therefore, we make no recommendation at this time. Before the budget hearings, we will investigate the feasibility of this plan and any possible additional costs or problems associated with the proposed closing of the Los Angeles office.

TRANSPORTATION

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$106,004	151.5
Revolving fund -----	Item 47	5,312,244	--
Reimbursements -----	Item 43	22,700	--
Total -----		\$5,440,948	151.5

The Transportation Division of the Department of General Services provides a program of centrally operated vehicle transportation which includes management services, maintenance, garage facilities, support to other agencies, and parking facilities for privately owned cars of state employees.

Fleet Management Program

The fleet management program is responsible for the administration of the state automotive pool. In addition, guidance, coordination, and service are provided all state agencies operating a total of nearly 30,000 vehicles of all types. Provision for adequate employee parking is also a responsibility of the program.

Garage Operations Program

Garage operations is the program responsible for the operation of the state garages. These garages give daily service to state-owned vehicles.

Department of General Services—Continued
Preventive Maintenance Program

Preventive maintenance performs needed maintenance work on state pool and agency vehicles. The major objective of this program is to schedule maintenance so that there is a minimum amount of major repair work or need for replacing the vehicle.

Statewide Inspection Program

Vehicle inspectors perform routine inspections of state-owned automobiles. They review and approve repair needs. They also perform an annual inspection of each car which has traveled 70,000 miles to determine whether the vehicle should be disposed of at that mileage. The current policy objective is to attain as close to 100,000 miles per vehicle as possible within a six-year period provided maintenance and repairs do not become excessive. The vehicles are rotated among users of high and low mileage to obtain maximum mileage during the six-year use-life. All vehicles are monitored for extent of use, cost of maintenance, and excessive maintenance.

Fleet Management Study Recommended

In our judgment, savings to the state are possible if the ownership and control for all state vehicles were centralized within the Department of General Services. Under such a program, the following advantages would accrue:

1. Vehicles of like specification would be monitored and rotated among compatible users to attain maximum mileage during the use-life (an example recently was discovered of a 16-year-old state vehicle with less than 50,000 miles).
2. Maintenance would be under tighter control to insure proper preventive maintenance, reduce percentage of vehicle unavailability, and eliminate the current practice where some agencies repair vehicles still under warranty.
3. Misuse of state vehicles could be minimized by the application of a uniform Department of General Services policy on the use of vehicles combined with standard audit procedures.
4. Uniform management and centralized control would reduce allocated overhead cost.

To achieve these advantages, we suggest that the feasibility of consolidating all state-owned vehicles within the Department of General Services be investigated. A common base of data should be used on a statewide basis to objectively document the findings. The Management Assistance Division should conduct this study and we recommend the addition of one senior management analyst to its staff for a total estimated cost of \$21,776. This represents an augmentation to the Service Revolving Fund.

ADMINISTRATIVE PROCEDURE

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Reimbursements -----	Item 43	\$1,125,856	61.8

The Administrative Procedure program consists of three activities—hearings, research and codification. The major function of the Office

Department of General Services—Continued

of Administrative Procedure is the conduct of hearings, which are adjudicatory proceedings under the Administrative Procedure Act and other laws.

The research activity represents a continuing study of administrative law and procedure and the publication of the Administrative Law Bulletin. The codification activity performs quasi-legislative services with respect to rulemaking by state agencies and supervises the filing or repeal of administrative regulations.

LEGAL OFFICE

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$300,383	19.4
Reimbursements -----	Item 43	62,000	--
Total -----		\$362,383	19.4

The Legal Office provides support in connection with a wide variety of contracts, leases, and real property transactions entered into by other state agencies which are subject to the approval of the Department of General Services. The department itself also makes contracts, purchases, leases and other real property transactions.

MANAGEMENT ASSISTANCE

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$701,126	43.2
Reimbursements -----	Item 43	70,000	--
Total -----		\$771,126	43.2

The Management Assistance Office is the unit assigned to planning, analysis, and the development and implementation of systems. This responsibility replaces the management support group formerly identified as the Systems Analysis Office. With the transfer of the responsibility for all control and coordination activities pertaining to Electronic Data Processing to the Office of Management Services, the need for the Systems Analysis Office as originally defined ceased to exist. The responsibilities of this new office include technical support for agencies receiving service from the department as well as support to the operating units of the Department of General Services.

The Management Assistance Office is currently undertaking two major projects of special interest. One is the testing of optical character recognition equipment (OCR) to determine the feasibility of applying this technique to state data conversion problems. The experimental test center to conduct this test will be operated by the Department of General Services Data Processing Service Center under the coordination of the Office of Management Services. The details of this experiment are discussed in our analysis under Item 36, Office of Management Services. The other is the installation and implementation of photocomposition equipment at the State Printing Plant. The technical staff and electronic computer support for the installation of photocomposition are provided by the Management Assistance Division. However,

Department of General Services—Continued

the responsibility for the overall program rests with the Office of State Printing and we discuss this project under the printing plant analysis.

The proposed increase of four positions is justified on a workload basis, and it is recommended that they be approved.

STATE RECORDS SERVICE

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$271,196	19.5

The State Records Service develops and coordinates the statewide records management program. It also consults and advises all state agencies on the establishment of their own records management programs. The unit is currently active in limiting the number of filing cabinets that can be purchased by a state agency. It performs this service by evaluating and auditing agency records and disposition programs and certifying to the Office of Procurement those agencies which meet existing standards.

Records Center Services

This is a separate program which provides low-cost storage for the state's records. This operation is generally concerned with the management of semiactive records.

INSURANCE OFFICE

<i>Funding</i>	<i>Source of funds</i>	<i>Proposed expenditures</i>	<i>Proposed staff</i>
Direct support -----	Item 43	\$66,349	6.0
Reimbursements -----	Item 43	1,384,000	--
Total -----		\$1,450,349	6.0

The Insurance Office attempts to protect the state's large investment of manpower, equipment and facilities by transferring the risk to insurance companies through the purchase of insurance. Independent risk management studies of insurance requirements are performed for state agencies and their personnel with a goal of promoting uniform insurance procurement procedures and reducing state expenditures.

In response to legislative recommendations emanating from the Committee on Conference, previously cited in our 1969-70 analysis, the Office of Insurance has taken the following actions.

The statistical record-keeping function has been improved with respect to automobile losses. Current reports provide the capability for the continuing evaluation that is being conducted as to the feasibility of the state assuming self-insurance risk on a cost/benefit basis. In the opinion of the Insurance Officer, it is currently in the best interest of the state to continue loss protection with the present carrier. However, preparation is in progress by the Insurance Office to present loss-risk cost/benefit alternatives prior to the time the present contract expires on July 1, 1971.

The state's coverage for automobile liability has been increased to the \$1 million combined single limits as recommended.

DEPARTMENT OF GENERAL SERVICES**Item 44 from the State School
Building Aid Fund**

Budget page 87

Requested 1970-71	\$906,883
Estimated 1969-70	961,369
Actual 1968-69	922,320
Requested decrease \$54,486 (5.7 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

This item provides support for the Office of Local Assistance chargeable to the School Building Aid program. Analysis of the program is included in our analysis of Item 43.

DEPARTMENT OF GENERAL SERVICES**Item 45 General Fund transfers to Service Revolving Fund****ANALYSIS AND RECOMMENDATIONS**

We recommend approval.

This item provides the machinery whereby funds appropriated from the General Fund to the various state agencies for the replacement or purchase of additional automobiles may be used to augment the Service Revolving Fund which finances the Department of General Services carpool.

Department of General Services**OFFICE OF STATE PRINTING****Item 46 from the Service Revolving Fund**

Budget page 86

Requested 1970-71	\$17,800,000
Estimated 1969-70	18,457,000
Actual 1968-69	17,716,285
Requested decrease \$657,000 (3.6 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

This item is discussed in our analysis of Item 43.

DEPARTMENT OF GENERAL SERVICES**Item 47 from the Service Revolving Fund****Budget page 86**

Requested 1970-71	\$20,320,120
Estimated 1969-70	22,915,937
Actual 1968-69	21,418,680
Requested decrease \$2,595,817 (11.3 percent)	
Total recommended reduction	\$13,897

SUMMARY OF RECOMMENDATIONS

	<i>Amount</i>	<i>Analysis page</i>
Recommended Reductions		
1. Purchase of vehicles (Communications Division)	\$19,665	79
2. Supportive Services Manager (O.B. 8 & 9)	16,008	80
Recommended Augmentation		
1. One senior management analyst	21,776	86
(Management Analysis Division)		

ANALYSIS AND RECOMMENDATIONS

This item is discussed in our analysis of Item 43.

Department of General Services
OFFICE OF ARCHITECTURE AND CONSTRUCTION

Item 48 from the Architecture Revolving Fund**Budget page 69**

Requested 1970-71	\$6,903,680
Estimated 1969-70	8,299,091
Actual 1968-69	8,128,809
Requested decrease \$1,395,411 (20.2 percent)	
Total recommended reduction	Special Review

GENERAL PROGRAM STATEMENT

The Office of Architecture and Construction functions primarily as an architectural and engineering service organization essentially similar to private architectural organizations. However, it is comparable only to the larger private organizations in that it provides a full spectrum of architectural and engineering services whereas the smaller private architectural organizations often provide only architectural services and must go outside their own organizations to obtain the various engineering services such as mechanical, electrical and civil.

One major difference between the state organization and private organizations is that it also operates an on-the-job inspection service during the construction period. This service is performed as a matter of course for all state projects which by law fall within the purview of the Office of Architecture and Construction. In addition, it renders both an architectural and inspection service to the state college system on a contract basis because the latter system is not required by law to use the services of the Office of Architecture and Construction but may do so at its discretion. The University of California is not re-

Office of Architecture and Construction—Continued

quired by law to use the services of the organization and as a matter of long-standing practice it never has used these services but relies entirely on private architects and engineers for its major projects.

The service fees charged by the Office of Architecture and Construction differ significantly from those charged by private architects in that the state organization is reimbursed for all of its out-of-pocket and overhead expenses in connection with any one job. On the other hand, the private architect usually negotiates a percentage of the estimated cost of construction and in the event that the private architect's out-of-pocket expense exceeds his fee, he must absorb the difference himself except where he has performed extra or special services for which additional fees are allowable in his contract with the client.

For the current fiscal year, the average fees of the Office of Architecture and Construction are projected to be 6.42 percent of the cost of construction which compares very favorably with the average of current negotiated fees of private architects taking into account the broad mix of project types with which the state organization is concerned. These run from simple warehouse buildings to difficult alteration projects and complex academic science buildings.

Comparisons cannot be made between the service fees charged by the Office of Architecture and Construction for on-the-job inspection work with that of private architects who normally do not provide this service as part of their regular contracts. Usually, in relationships between private architects and private clients where a client desires constant on-the-job inspection, he employs one or more inspectors, directly paid by him, although the individuals may be recommended by the architect. In any case, for the current fiscal year the Office of Architecture and Construction estimates that the average cost of this service is 1.9 percent of the project construction cost which is somewhat higher when compared with 1.8 percent in the 1968-69 fiscal year. The goal for the budget year is down very slightly to 1.89 percent. Principally, these changes are the result of a drop in volume of work and the increase in salaries and wages.

The Office of Architecture and Construction also performs a service which is rarely if ever rendered by a private architect to a private client. This is concerned with so-called "day labor" projects in which the state organization acts as architect and engineer, inspector and construction contractor. This is almost exclusively in connection with complex alteration or modernization projects. One of the most unusual areas where this service occurs is in the restoration of historic monuments such as the Los Angeles plaza area where an entire square block is being restored including the old Pico Hotel.

The office also performs a somewhat unusual service under a separately funded special program in which it does not perform any architectural or engineering design work but instead reviews the elementary and secondary school construction plans of private architects to ascertain whether they meet the minimum standards for seismic, wind and fire safety generally, as set forth in the "Field Act." This will be discussed in Item 49 immediately following.

Office of Architecture and Construction—Continued

The Architectural Revolving Fund from which the activities of the office are financed receives no revenues in the ordinary sense. Instead, funds appropriated by the Legislature for specific projects are deposited in the revolving fund and assessments are made against each project for the services of the office. Consequently, the actual volume of work for the office, and hence the potential amount of service funds which it may expend, is completely dependent upon the level of capital outlay appropriations provided by the Legislature. As a practical matter, the revolving fund is continuously appropriated to the office, but for some years it has been the practice to include a specific appropriation from the revolving fund in the Budget Bill in order that the Legislature may have an opportunity to review the activities of the office and the cost of its services.

ANALYSIS AND RECOMMENDATIONS

We recommend special review.

The budget as presented in the so-called "program" format appears to be inaccurate as well as being difficult to relate to the specific amount proposed to be appropriated in the Budget Bill. For example, if one takes the production or operation cost figures for the budget year as shown on page 69 line 71 at \$4,520,048, on line 7 at \$971,794, on line 11 at \$486,442, and on line 15 at \$2,651,442, the total comes to \$8,629,726 which is presumed to be the total operating cost of the office with the exception of its schoolhouse plans checking section. Obviously, this is considerably in excess of the amount of the appropriation proposed in the Budget Bill. Similar attempts with the figures shown for the actual year of 1968-69 and estimated year 1969-70 prove equally confusing.

On lines 48 and 49 of page 70 in the column for 1970-71, there is shown a total expenditure figure of \$8,651,932 which happens to be the total of Budget Bill Items 48 and 49 plus the reimbursement of \$58,647 shown as part of Item 48 in that schedule. With regard to man-years in the various elements of the program the number shown on page 70 line 49 (462.5) falls far short of a total arrived at by adding the man-years of the various elements as shown in the budget text. Similarly attempts to make mathematical sense out of the figures shown for the current budget year and the actual year of 1968-69, results in failure, since the figures do not add to the totals shown. Particularly, in the year of 1968-69 these element man-years should total a final figure as shown on line 49 because they usually represent actual man-years expended rather than the number authorized, taking into account unfilled positions, salary savings, etc.

As a consequence, it is impossible to make meaningful comparisons among the three years shown, other than to point out that the costs and the man-years for each of the program elements are showing a downward trend which is commensurate with the steady reduction in the state's construction program resulting primarily from reductions in fund availabilities for capital outlay.

We believe that the entire presentation and proposal needs to be carefully reviewed to determine accuracy and interpretation.

**Department of General Services
OFFICE OF ARCHITECTURE AND CONSTRUCTION**

**Item 49 from the Architecture Public
Building Fund**

Budget page 69

Requested 1970-71 -----	\$1,689,605
Estimated 1969-70 -----	1,584,604
Actual 1968-69 -----	1,485,682

Requested increase \$105,001 (6.6 percent)

Total recommended reduction ----- Special review

GENERAL PROGRAM STATEMENT

In Item 48 we alluded to the special function of the Office of Architecture and Construction in which it checks plans and specifications for major remodeling, additions to or new public school buildings. These plans and specifications are, with relatively few exceptions, prepared by private architects all over the state for the many school districts of the state. The Office of Architecture and Construction performs no design work of any kind in connection with these projects. It merely reviews them to determine their adequacy with respect to seismic, wind and fire safety.

The requirement for this service is provided by statute which directs that all public school entities in the state submit plans and specifications for review and approval. Where review develops inadequacies in plans or specifications, these are returned to the source with exceptions noted and a request that necessary changes be made and then rereferred to the office. The statute also sets the fee which is required to accompany each set of plans checked. This is based on a sliding scale of percentages against the estimated cost of the project and is paid by the school district. The fees, which were amended last in 1961, are adequate to meet all of the costs of the service and provide a very small balance.

ANALYSIS AND RECOMMENDATIONS

We recommend special review.

The construction value of proposed schoolhouse work in the state is the annual basic yardstick for the total workload measurement for the schoolhouse plan review section of the Office of Architecture and Construction. For several years, this value has been running at about \$330 million to \$335 million annually. However, the dollar amount is misleading because of inflationary factors. Consequently, the actual physical workload has been reduced slightly while the dollars remain fairly constant due to inflation.

The budget for the fiscal year 1968-69 was based on a staffing level of 88.5 authorized positions. In the current fiscal year, the authorization remained at the same level and for the budget year it is again proposed at the same level.

The increased amount proposed in the Budget Bill as compared with the anticipated expenditures for the current year, reflects the

Office of Architecture and Construction—Continued

increased cost of goods and services plus the upward salary adjustments that were made by the Legislature in 1969. However, at this point we must again refer to the detail of the program budget as presented, since it will be noted on page 69, line 30, that the operation cost estimated for 1970-71 is \$1,722,771 which is significantly more than the amount proposed in the Budget Bill item. It is also interesting to note on the same page and line in the column for the estimated current fiscal year the expenditure of \$1,627,701 is exactly the amount of the Budget Act item of 1969.

There is a totally separate consideration that should be taken into account at this time with respect to the plans checking activities of this office. The construction value of the plans submitted to this section are shown as remaining fairly constant at \$320 million a year, but if one takes into account the sharp inflation in construction cost that has occurred over the past three years, then one would have to assume that the \$320 million buys fewer square feet of building and hence the amount of plans checking activity should be reduced accordingly because the activity is geared not to dollars but to plans volume. Furthermore, in considering the total volume of plans that is projected for the budget year, there seems to have been no cognizance taken of the fact that inevitably the volume must drop significantly both because the state does not have the bond funds with which to assist the local school districts and that local district bond elections have been failing at an increasing rate, not only in California but across the nation. Therefore, we believe it is unrealistic to assume that the volume for the budget year will remain at the same level as anticipated for the current year and for prior years. In fact, we have serious doubts that the projection for the current fiscal year is at all realistic. Consequently, we recommend that the entire proposal be given special review by the Legislature to establish realistic bases for this activity.

CALIFORNIA EXPOSITION AND FAIR

Items 50, 51 and 52 from the General Fund and
transfer from the State Fair Fund

Budget page 94

Requested 1970-71 for appropriation -----	\$1,681,750
Requested 1970-71 for transfer -----	265,000
Estimated 1969-70 -----	1,307,231
Requested increase \$374,519 (28.6 percent)	
Increase to improve level of service \$374,519	
Total recommended reduction -----	\$357,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

- | | |
|--|-----|
| 1. Revise the format of the appropriation----- | 97 |
| 2. Reduce support subsidy by \$357,000----- | 98 |
| 3. Authorize portion of the above reduction for a study of a
joint Cal Expo and Community Center----- | 100 |

California Exposition and Fair—Continued
GENERAL PROGRAM STATEMENT

An Executive Committee of 14 members who are appointed by the Governor operates the California Exposition and Fair on a site located adjacent to Interstate 80 in the northeastern part of the City of Sacramento. The Exposition and Fair is the successor to the State Fair. The Exposition and Fair was intended to consist of an exposition of the resources, commerce and the unique values of California along with educational and entertainment features. It was to operate approximately 9 or 10 months each year. Every fall the exposition was to be augmented by special displays and agricultural attractions which would be the successor to the old State Fair.

At present the state has approximately \$30,000,000 invested in the new site and facilities at Cal Expo. This was funded primarily by a \$13,000,000 revenue bond issue on which the General Fund is paying \$1,130,000 annually for principal and interest because operating revenues are inadequate. The second major funding source was a \$7,010,000 loan from the Public Employees Retirement System for which approximately \$650,000 in interest is now being added to the principal each year. The third source of funding was approximately \$8 million appropriated from the General Fund.

With the above funds and other smaller amounts, the site was prepared, roads and utilities were installed, the racing facilities were constructed, the fair activities complex was constructed and the exposition center was partly completed. Other facilities were not even started. There is no current information available on the cost of completing Cal Expo. There is no agreed plan for its completion and there is no work being done to determine how or to what extent it should be completed. It is clear, however, that many millions of dollars will be required to complete the existing structures and to construct most of the originally proposed structures and facilities on a scale and in a manner consistent with the high quality of the structures now on the site.

Last session the executive committee and the administration announced a policy of selling off the property and facilities at Cal Expo and at the old fair site to private enterprise. In addition, private enterprise was to complete some unspecified structures and facilities at Cal Expo and to permit the state to use the premises for a short period each year to conduct a state fair. In the interval since this policy was announced the executive committee has appointed a special committee to dispose of the property. In November the special committee announced that it could not dispose of the entire property and received approval from the executive committee to pursue efforts to sell portions of the property. The expected result of this approach has not been made public. To date one major sale has been identified that involves selling approximately 60 acres of the old fair site at a reported price of \$600,000 to the federal government for a demonstration housing project. Several smaller sales to local government are also pending. Thus, the accomplishments to date represent a relatively insignificant sale of land to other governmental agencies and the determination that the proposed disposal of the entire property to private enterprise cannot be done under present conditions.

California Exposition and Fair—Continued
Results of 1969 Fair

The Agricultural Code requires that Cal Expo be operated by a non-profit corporation under the general supervision of the executive committee. After the corporation's disastrous first operating season in 1968, the executive committee discharged the corporation and is now operating Cal Expo as a regular operation of state government. The budget submitted last year for the 1969 fair was a relatively austere one which provided for an interim "holding action" pending resolution of the many problems involved in determining the future of Cal Expo or disposing of it. Although the Cal Expo site is not designed for the type of fair held on the old site, the executive committee with limited funds succeeded in reestablishing some elements of the old state fair at the new site last fall. The result was a more favorable public reaction. Instead of the \$1,392,559 in revenues originally estimated, the revenue will be approximately \$1,849,577. Most of the increase was from admissions which were \$270,000 higher than estimated.

The consequence of the above increase of \$457,000 in revenues over estimates and a small carryover of funds from the prior year was that the General Fund support appropriation to cover operating losses at Cal Expo was larger than needed. Only \$126,000 of the \$642,000 General Fund money appropriated for support will be expended. If this expenditure pattern were being followed for the next fiscal year the problems for Cal Expo would be substantially mitigated. However, this is not the case as will be discussed further under Analysis and Recommendations.

The reasons for the improved fair attendance and revenues last fall are difficult to determine but there is general agreement that the following were important factors: lower admission fees, management emphasis on better public relations, promoting a fair spirit, securing a NASA moon landing exhibit at a time when the first moon landing was receiving great public attention, some increased emphasis on agriculture, scheduling more fruit and vegetable exhibits and a better carnival because of the three weeks fair period, and, finally, generally better management of the resources and space available at Cal Expo.

The executive committee assumes that the favorable experience of the 1969 fair represents the beginning of a long upswing which will eventually permit Cal Expo to become self-supporting. Granted that the 1969 fall fair recovered from the disastrous 1968 season, the one year's experience to date under the present policies of the executive committee are not a reliable guide to determine whether the 1970 fair will draw more, less or the same attendance in the 1970 fair and future fairs. Cal Expo may only have reached the prior plateau of attendance and revenues of the old state fair.

ANALYSIS AND RECOMMENDATIONS**Form of the Budget Item**

Last year the Legislature found that the submission of the budget for Cal Expo through four budget items was unnecessarily complex and did not facilitate understanding of the true expenditures being author-

California Exposition and Fair—Continued

ized. Accordingly, the four items were consolidated into two items. This caused a number of technical problems and deficiencies. The Budget Bill for 1970 attempts to use the format developed last session but in order to solve a technical problem it adds another appropriation item. This brings the number of items to three.

The major reason for the technical difficulties and the complexity of the appropriations is the effort to use the old State Fair Fund for purposes of Cal Expo's transactions even though the fund was not set up for that purpose. Since Cal Expo is now operating entirely as a General Fund agency, we believe that its appropriation can be simplified and greater legislative control exercised if it is treated as a General Fund appropriation and the State Fair Fund not used. Under this approach operating revenues and transfers would be treated as augmentations to the support appropriation and all appropriations and authorized expenditures would show in one item.

We recommend that the Legislature strike items 50, 51, and 52 and insert the following two new items. Item 52.1 is a technical transfer. All the significant appropriations and controls are contained in Item 50.1.

50.1—For support of the California Exposition and Fair Executive Committee, Department of General Services together with the amounts shown in (c), (d) and (e) below in accordance with the following schedule ---- \$1,681,750
Schedule:

(a) Support from the General Fund----	\$551,750
(b) Payment only of interest and principal on revenue bonds to meet the provisions of Government Code Section 15849 from the General Fund ----	1,130,000
(c) Transfer by Item 52.1 in augmentation of Item 50.1 from the Fair and Exposition Fund in accordance with Section 19622, Business and Professions Code -----	265,000
(d) Reimbursement consisting of operating revenues -----	1,906,000
(e) Miscellaneous reimbursements -----	40,615

Total of authorized expenditures--	\$3,893,365
Less transfers and reimbursements above --	2,211,615

Amount of item -----	\$1,681,750
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Provided that any excess in operating revenues over that shown in (d) above shall reduce the General Fund support appropriation in (a) by an amount equal to the excess.

And in addition, there is appropriated from the General Fund, not to exceed \$350,000, to be made

California Exposition and Fair—Continued

available during August and September of 1970 upon order of the Department of Finance upon such terms and conditions for repayment as may be prescribed by the Department of Finance, for temporary loans to provide a change fund for the California Exposition and Fair.

- 52.1—For transfer in augmentation of Item 50.1 for support of California Exposition and Fair Executive Committee, payable from the State Fair Fund, in accordance with Section 19622, Business and Professions Code in the amount of \$265,000.

Cal Expo Expenditures

Shown below are the total expenditures for Cal Expo including all costs and financial assistance whether or not included in the Governor's Budget:

Operating subsidy from the General Fund -----	\$551,750
Payment of principal and interest on revenue bonds from the General Fund because of lack of operating revenues -----	1,130,000
Interest on Public Employees' Retirement System loan added to loan principal -----	659,000
Interest on General Fund loan to nonprofit corporation added to principal of loan -----	27,000
Maximum loss on operation and maintenance activities at old fair grounds being accumulated against revenues from sale of the property -----	60,000
Transfer from Fair and Exposition Fund to support Cal Expo (equivalent of General Fund money) -----	265,000
Minor capital outlay appropriation for totalizator from the General Fund -----	12,500
Revenues earned from fair operations and treated as reimbursements --	1,906,000
Miscellaneous reimbursements partly derived from other state agencies --	40,615
Loan from the General Fund for a change fund -----	350,000
Total of all expenditures and assistance -----	\$5,001,865

It is recommended that the support appropriation be reduced by \$357,000 to retain the same level of support subsidy as needed for the 1969 fair.

The budget for Cal Expo next year contains a substantial increase over the expenditure level of the current year. Although revenues for next year are estimated to increase only \$57,000 over the current year, the expenditures increase \$357,000 over the current year. The result is that much of the increased revenues earned in the 1969 fair are being offset next year by increased operating costs which do not bring an equivalent return in revenues.

The first stated objective of Cal Expo in the Governor's Budget is to "demonstrate that the California Exposition and Fair is attractive to private enterprise whose investments will eventually reduce or eliminate the necessity for state subsidy." This objective will not be achieved if increases in revenues are offset by increases in operating costs as proposed in this budget.

Simply stated, the paradox of Cal Expo is that in order to dispose of the property to private enterprise it is necessary to demonstrate a feasible financial operation consisting of an excess of revenues over

California Exposition and Fair—Continued

costs and an ability to draw large crowds. The budgetary response to this need is to increase expenditures in order to add more attractions and thereby draw more crowds. However it costs more to get the people to attend than they contribute in revenues. The end result merely demonstrates that the operation is uneconomic. Economic feasibility is best demonstrated by holding expenditures as low as possible while increasing revenues, or at least securing a rate of revenue return greater than the rate of expenditure increase.

Even assuming that increased expenditures will increase attendance, it still needs to be demonstrated that over a period of years the funds used to subsidize increased attendance would not produce a greater long-term return to the state if invested in new structures or facilities at Cal Expo. Thus, rather than merely buying improved annual attendance, the state might be able to improve its asset value and future revenue producing potential at Cal Expo if it uses the same money to complete the structures and add more needed facilities. The difficulty with this approach is that the present policy of disposing of the property to private enterprise provides no basis to plan for or determine how the state might improve its position at Cal Expo.

The executive committee's policy of disposing of Cal Expo to private enterprise in some unspecified manner leaves no logical basis for establishing either a short-term or long-term program for Cal Expo. Therefore, the most logical course for the state in a period of General Fund shortages is to reduce operating losses to a minimum. To do this the state should hold the 1970 fair expenditure level to the 1969 fair level while attempting to improve revenue performance as much as possible.

The management at Cal Expo believes that it is unrealistic to attempt to operate a 1970 fair at the same expenditure level as the 1969 fair because many persons would not voluntarily participate as they did in 1969. Instead management believes participants must be compensated for exhibits by means of premium payments or some form of recognition. This raises the question whether many counties, exhibitors and participants both in the Sacramento area and elsewhere are really interested in a fair at Cal Expo or whether they participate because their participation is purchased through premiums, receptions, awards, subsidized attendance, etc. The budget for 1970-71 returns to the practice of former years at the old fair of paying for much of the participation at the fair.

It is time that the state determine the true value of the fair by providing a budget for the 1970 season which will not encourage subsidized participation but will more nearly determine the true interest and value of the fair to its participants. A major part of the increased expenditures for next fiscal year is for premiums, judging and receptions which tend to purchase participation. Much of the remaining increase is for new features which will increase overall costs substantially more than revenues. This is the equivalent of purchasing attendance. We therefore recommend that operating expenditures be held at the same level as the 1969 fair.

California Exposition and Fair—Continued
Cal Expo and the Sacramento Community Center.

It is recommended that the Legislature authorize an appropriate portion of the \$357,000 reduction for a cooperative study with the City of Sacramento for a joint Cal Expo Community Center.

In past analyses and statements before interim hearings we have informed the Legislature of the complicated interrelationships between the future of Cal Expo, whether state operated or privately operated, and the proposed community center in downtown Sacramento. In a preliminary evaluation made for the Assembly Interim Committee on Governmental Organization, we indicated that certain limited advantages would accrue to the state's operation of Cal Expo if the community center were located at Cal Expo. Among these advantages are increased use of existing parking space, probable increased rental of existing space for conventions and meetings, possible participation by the City of Sacramento in financing completion of the exposition center structures, sharing of operating costs, etc. Advantages to the City of Sacramento could include use of certain Cal Expo facilities now in existence rather than constructing new facilities which would partially duplicate Cal Expo facilities, unlimited parking space and improved vehicular access at no cost to the city, leasing of land at Cal Expo at nominal costs for any city constructed structures rather than purchase of land by the city and removing it from the tax rolls, and finally a demonstration by the Sacramento area which is the primary beneficiary of Cal Expo that it is concerned about continuing a fair or exposition facility at Cal Expo.

Last year we recommended that the Legislature, among other things, make available a portion of the funds proposed to be appropriated for the operating subsidy at Cal Expo for a joint study with the City of Sacramento on the possibilities of consolidating the community center with Cal Expo. Although the Legislature did not accept that recommendation, it still appears to be valid because the basic problems of Cal Expo and the community center have not been resolved in the intervening time. While it is for the City of Sacramento to resolve its own policy problems, in this instance the economic interests of the state appear to parallel the area interests. Since both the local and state problems remain unresolved it appears appropriate for the Legislature to initiate cooperation at the state level.

**COMMISSION ON CALIFORNIA STATE GOVERNMENT
ORGANIZATION AND ECONOMY**

Item 53 from the General Fund

Budget page 98

Requested 1970-71	\$51,350
Estimated 1969-70	\$57,110
Actual 1968-69	\$49,428
Requested decrease \$5,760 (10.1 percent)	
Total recommended reduction	None

Commission on California State Government
 Organization and Economy—Continued
GENERAL PROGRAM STATEMENT

This commission was created by the 1961 Legislature to promote economy and efficiency in state government. The commission implements its objectives through study and review of state organization and administrative procedures, followed by recommendations submitted to the Legislature and the Governor.

The permanent staff of the commission is comprised of two individuals: an executive secretary appointed by the commission and a senior stenographer. The commission itself is composed of 13 members, nine of whom are general members and four of whom are legislators. Five of the general members are appointed by the Governor, two are appointed by the Speaker of the Assembly, and two by the Committee on Rules of the Senate. The members of the commission serve without compensation but are reimbursed for all necessary expenses incurred in the performance of their duties.

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

In 1969 the commission's projects included studies on executive compensation, consolidation of state health organizations and a department of industrial relations. The recommendations of the commission have resulted in increased executive compensation. Hearings are currently being held concerning the proposal for a Department of Industrial Relations.

For 1970 the commission anticipates looking into a variety of problems such as the cost of workmen's compensation to the state and merit salary increase policies. The commission is reviewing a proposal to expand short-term investing in banker's acceptances. A study dealing with state warehousing practices is underway, and a report will be forthcoming in the spring of 1970.

The proposed budget represents a 10.1 percent decrease over the current year due to termination of a consulting contract.

COMMISSION ON INTERSTATE COOPERATION

Item 54 from the General Fund

Budget page 100

Requested 1970-71 -----	\$99,100
Estimated 1969-70 -----	99,100
Actual 1968-69 -----	70,829
Requested increase None	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

The objective of the commission's program is the promotion of cooperation between various agencies of California state government and their counterparts in other state governments and at the federal level. This objective is met through the state's participation as a member of

Commission on Interstate Cooperation—Continued

the Council of State Governments, a quasi-official body which prepares and disseminates reports and comparative studies on the operations of the 50 state governments. In addition, the council provides the staff and planning of arrangements for the annual meetings of a number of associations of state officials. The California commission is composed of 19 members, seven from each house of the Legislature who are members of the committees on interstate cooperation of their respective bodies, and five state officers appointed by the Governor, one of whom is designated by him as chairman of the commission.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The \$99,100 proposed for the budget year is at the same level as the current year. The increase of \$28,271 over the expenditures reported for fiscal year 1968-69 is largely the result of the increase in the state's contribution (from \$69,725 to \$94,300) in support of the annual budget of the Council of State Governments which became effective in the current year. This contribution has constituted over 95 percent of the commission's expenditures for each of the past five fiscal years.

Travel and per diem expenses of the five state officers appointed to the commission by the Governor are funded from this appropriation. However, the legislative members of the commission receive reimbursement for their travel and per diem expenses while on commission business from the separate contingent funds of the Legislature. To this extent, therefore, the appropriation does not reflect the total annual support of this program.

As the commission has not made an annual report since that covering the biennium of 1963-65, we cannot evaluate adequately its contribution to the effectiveness of state government in the area of interstate cooperation. The present chairman of the commission, the State Controller, advises that a commission report will be forthcoming in February 1970.

The Council of State Governments reports that in fiscal year 1968-69 it published 57 reports and, as in the past, provided staff support for the annual conferences of its nine affiliated organizations which include the states' Chief Justices, court administrative officers, Attorneys General, budget officials, the Governors' conference and others. We have no data on the number of requests for information which the national council received from officials and agencies of California state government in the past year, but the council is an authoritative and comprehensive source of comparative information on state governmental activities and developments, and in our judgment it merits the continued support and participation of the state.

STATE PERSONNEL BOARD

Item 55 from the General Fund

Budget page 101

Requested 1970-71 -----	\$5,064,602
Estimated 1969-70 -----	5,476,187
Actual 1968-69 -----	4,819,188
Requested decrease \$411,585 (7.5 percent)	
Total recommended reduction -----	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. The board is required by Section 18712 of the Government Code to submit two reports to the Governor and the Legislature, one on an annual basis and the other on a biennial basis. 104

We recommend that consideration be given to amending the law to eliminate the requirement for the biennial report because its need, with the advent of annual regular sessions, is no longer justified.

2. Persons who fail to qualify for state employment are not routinely informed of the reasons for such failure. 105

We recommend that the board's rejection notices furnish an adequate explanation of the reasons for rejection. We further recommend that appeals not be allowed for rejections based on medical deficiencies or background investigations.

3. The annual gross separation rate from state employment has averaged about 25 percent of the total employees over the past three completed fiscal years. 108

We recommend that the board make a thorough study of reasons or causes of separations in an effort to determine if through changes in personnel management, selection processes or other procedures a reduction in the rate may be achieved and thus reduce its recruitment and selection workload.

4. The total number of position classifications in state employment exceeds 3,000 and there are approximately 150 different pay ranges which apply to these classifications. 109

We recommend that the board review its policies relative to the establishment of position classifications and pay ranges in an effort to reduce the complexity and volume of workload at both the board and operating agency levels.

5. The board has plans for expansion of its electronic data processing capability based upon its current personnel management transaction and record maintenance procedures. 109

We recommend that the State Office of Management Services provide the technical staff to review these procedures for the purpose of securing decentralization of record-keeping responsibilities and reduction of personnel documentation requiring authentication signatures prior to any expansion of the board's EDP capacity.

State Personnel Board—Continued

GENERAL PROGRAM STATEMENT

The State Personnel Board, a five-member constitutional body whose members are appointed by the Governor for 10-year staggered terms, is responsible for the administration of the State Civil Service System. Through its constitutional and statutory authority the board adopts such rules and regulations as it deems necessary for the proper administration of the merit system and the pay and classification plan in state employment. The board employs an authorized staff of 538.7 positions which is under the supervision of an executive officer.

The system administers two operational programs—the State Personnel Services Program, which provides personnel management services for the state's civil service system, and the Contract Personnel Services Program, which provides similar services to other public employers on a fully reimbursable basis. The board's internal administrative costs are prorated to the three elements comprising the "state program."

Legislation enacted during the 1969 Session of the Legislature gave the board the added responsibility of establishing and administering merit systems for city and county welfare and public health employees to insure compliance with federal requirements relating to grants-in-aid received by these entities for welfare and public health purposes. This activity has been assigned to the Contract Personnel Services Program and is discussed in the analysis of that program.

Although the board has both statutory and constitutional responsibility for insuring compliance with provisions of the State Civil Service Act relating to such personnel management matters as pay, classification, seniority, leaves-of-absence, lay-off procedures, discipline, examination, promotion, and employee records maintenance, it acts only in an advisory capacity to executive line management in matters concerning personnel training and the health and safety of employees.

Eliminate Outdated Reporting Requirement

We recommend that Section 18712 of the Government Code be amended to eliminate the requirement that the board prepare a biennial report in addition to the annual report. With the advent of annual legislative sessions, there is no longer justification for the biennial report and the material appearing in it could be included in the annual report.

The board is required under Section 18712 of the Government Code to submit to the Governor and Legislature a biennial report as well as an annual report. While the annual report is concerned primarily with salary adjustment recommendations and other matters having budgetary implications such as premium pay for overtime, payment of night shift differential and payment of health plan premiums, it also contains some of the material appearing in the presently required biennial report which is submitted on June 30th of each even-numbered year. Elimination of the biennial report would result in savings of approximately \$800 on a biennial basis.

We recommend that persons who fail in their qualification appraisal panel interviews, medical examinations, or background investigations

State Personnel Board—Continued

be advised by the board of the reasons for their failure in sufficient detail at the time of notification of such failure. We further recommend that no appeals be allowed for rejections based on medical deficiencies or background investigations.

In our analysis of the board's budget for fiscal year 1968-69, we commented on the number of appeals (approximately 432 per year) to the board on the results of qualification appraisal panel interviews (orals), medical examinations, and background investigations. Approximately 63 percent of such appeals were denied in 1968-69. Almost all of the appeals based on medical or background deficiencies were denied. Part of the appeals workload results from inadequate explanation of the reasons for rejection. Under the board's procedure, a "rejection notice" is routinely sent to an applicant who is found to be unacceptable for employment, but the notice does not advise the applicant of the reasons for his failure. If the applicant requests this information, he is furnished with a "disqualification report" which gives a general reason for his failure, but not the specific deficiencies or other factors that resulted in his rejection. For example, the report may recite merely that the candidate was disqualified because of "impression—lacks maturity." This procedure involves dual correspondence (i.e., following up the rejection notice with a statement of the basis for rejection) and it also tends to result in appeals by people who do not fully understand the reasons for their rejection. More complete information in this regard should reduce the number of appeals and the volume of written correspondence.

In our judgment, rejections based on medical evaluations of the board's medical officer should not be subject to board appeal. Further, rejection based on background investigations which apply to candidates for employment with the highway patrol and other law enforcement agencies often involves considerations which are best explored and resolved at an administrative rather than appellate level.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The board is requesting a support appropriation of \$5,064,602 for fiscal year 1970-71. This amount plus estimated reimbursements of \$1,501,701 results in a total proposed expenditure of \$6,566,303. A comparison of these costs for the past five years is shown in Table 1.

The most significant decrease in the budget-year expenditure proposal occurs in the personal services category (down \$205,579) which reflects a net reduction of 48.4 positions from the estimated staffing level in the current year. This reduction consists of 27 administratively established positions which are not proposed for continuation plus a net reduction of 21.4 currently authorized positions.

The proposed changes in the authorized staffing level for the budget year result in a 0.1 position increase in the number of authorized positions which will then total 543.8. This follows from a proposed increase of 34.5 positions (including 21.5 positions which were transferred in the current year from the Department of Social Welfare),

Table 1
Selected Statistical Data and Total Support Expenditures, State Personnel Board

<i>Detail</i>	<i>Actual</i> 1966-67	<i>(%)</i> ¹	<i>Actual</i> 1967-68	<i>(%)</i> ¹	<i>Actual</i> 1968-69	<i>(%)</i> ¹	<i>Estimated</i> 1969-70	<i>(%)</i> ¹	<i>Proposed</i> 1970-71	<i>(%)</i> ¹	<i>(%)</i> ²
Expenditures											
General Fund --	\$4,315,780	(6.0)	\$4,387,413	(1.6)	\$4,819,188	(9.8)	\$5,476,187	(13.6)	\$5,064,602	(-7.5)	(17.3)
Reimbursements --	772,742	(16.5)	844,236	(9.2)	269,313	(14.8)	1,393,785	(43.8)	1,501,701	(7.7)	(94.3)
Total -----	\$5,088,522	(7.5)	\$5,231,649	(2.8)	\$5,788,501	(10.6)	\$6,869,972	(18.7)	\$6,566,303	(-4.6)	(29.0)
Personnel											
man-years -----	450.2		401.8		427.4		459.0		417.1		
General Fund											
Reimbursed -----	71.1		74.1		75.1		117.8		111.3		
Total -----	521.3 ³		475.9 ³		502.5 ³		576.8 ³		528.4 ³		
Authorized positions -----	540.4		516.5		521.1		543.7		543.8		
Average No. civil service employees -----	113,710		113,776		116,853		119,059		115,000		
Average General Fund cost/employee --	\$37.95		\$38.56		\$41.24		\$45.99		\$44.00		

¹ This column indicates percentage of increase or decrease over prior years.

² Percentage increase over five years.

³ These totals are net figures which reflect authorized positions, administrative adjustments, salary saving, and positions abolished.

State Personnel Board—Continued

all of which are in the reimbursed category, less a reduction of 34.4 authorized positions.

Other budgetary decreases are reflected in a \$98,090 reduction in operating and equipment expenses and an estimated increase of \$107,916 in reimbursements. The above adjustments result in a total reduction of \$411,585 under estimated expenditures for the board's support in fiscal year 1969-70.

State Personnel Services Program

The State Personnel Services Program consists of three elements: (1) Recruitment, Selection and Employment Information, (2) Classification, Compensation and Personnel Administration and (3) Employee Development and Accident Prevention. Its objective is to provide and maintain a civil service work force which is qualified to perform all of the services required by state government. The total proposed budget-year expenditure of \$5,355,742 for the program is composed of \$5,064,602 from the General Fund (the requested appropriation) and \$291,140 in reimbursements. The proposed expenditure is \$447,257 less than estimated for the current year and reflects a reduction of 30.3 personnel man-years of employment (24.8 General Fund positions and 5.5 reimbursed positions) and related support costs.

The board's entire internal administration cost of \$1,757,689 is distributed among the three elements of this program. This amount is \$114,837 lower than the estimated cost of the activity in the current year and results in part from a reduction of 20.6 positions (15.4 General Fund positions and 5.2 reimbursed positions) below current-year estimated staffing. Budget-year reductions of 12.4 authorized positions in this function result in an estimated salary savings of \$95,474. Table 2 shows the proposed funding and allocation of staff, by element, for the State Personnel Services program.

Table 2
Budget-Year State Personnel Services Program Costs
Including Administration Program Distribution

<i>Program elements</i>	<i>Man-years allocated</i>	<i>General Fund cost</i>	<i>Administration cost as % of General Fund program support</i>
1. Recruitment, selection and employment information -----	209.3	\$3,315,579	
Administration distribution ----	70.8 ¹	(\$1,113,874)	33.6%
2. Classification, compensation and personnel -----	89.6	\$1,594,366	
Administration distribution ----	36.5 ¹	(\$575,164)	36.0%
3. Employee development and accident series -----	19.5	\$445,797	
Administration distribution ----	4.4 ¹	(\$68,651)	15.4%
Total positions -----	430.1	\$5,064,602	

¹ Total administration program positions (111.7) arbitrarily charged to elements in direct proportion to the percentage of total administration costs as distributed.

State Personnel Board—Continued

The state's civil service work force has averaged approximately 115,000 positions over the past three completed fiscal years (1966-67 through 1968-69), and the gross annual number of separations from state service during this period has averaged about 28,800 positions or 25 percent. The classification and pay plan for this work force has over 3,000 different classifications and 150 different pay ranges. Approximately 60.1 percent of the work force is at the maximum or highest step of the pay range authorized.

The board reports that in fiscal year 1968-69 the use of sick leave rose sharply from an average of 7.9 days per employee in 1967-68 to 8.5 days and resulted in a loss of 870,000 man-days or approximately 3,800 man-years of employment. No specific statewide program exists to control or reduce the use of sick leave. The board further reports that its projected goal of reducing the industrial injury rate by 10 percent during the most recent year for which data are available (1967-68) was not achieved as the rate per million man-hours dropped only from 18.4 in 1966-67 to 17.4 in 1967-68 or about 5.4 percent. This reduction in the accident rate was achieved even though the total number of industrial accidents reported increased over the prior year by approximately 6,000. Approximately 400 man-years of employment were lost to the state from this cause in fiscal year 1968-69. The incurred cost or future liability for payment of industrial accident indemnity claims awarded by the Workmen's Compensation Appeals Board increased from \$6.7 million in 1966-67 to \$7.8 million in 1967-68. The board's activity in developing the state program to reduce the rate of industrial accidents is discussed more fully in the analysis of the program element to which it is assigned.

Recruitment, Selection and Employment Information Element

This program element proposes a budget of \$3,315,579, which represents 62 percent of the total program cost. *We recommend that the board undertake a thorough study of the reasons for employee separations and consider whether the level of turnover might be reduced through improvement in management practices, selection processes or other procedures.*

We note that resignations from permanent positions average about 10,400 per year or about 9 percent of the work force and that separations by reason of voluntary quits and resignations from temporary appointments average 15,000 per year. While executive line management has the major responsibility for achieving reductions in employee turnover, we believe that the Personnel Board, which is responsible for providing centralized personnel leadership, should endeavor to determine the causes of these separations and their susceptibility to correction because any reduction in the separation rate would improve efficiency and economy in state government.

This program element has three primary tasks:

(A) The recruitment of qualified persons to fill vacancies occurring in state employment.

State Personnel Board—Continued

The \$564,745 budgeted for this activity supports 24.4 personnel man-years of employment within this segment of the element. A reduction of 5.8 authorized positions (3.8 assistant personnel analysts, 2 clerical typists II) is proposed in the budget year for a saving of \$67,383. These reductions are based on (1) a modification of recruitment efforts in critical occupations in which 80 or 90 percent of the total effort has been directed and (2) a projected overall decrease in recruitment activities.

(B) To maintain and establish competitive selection processes which apply not only to new applicants for state employment but also to state employees competing for promotion and which will insure that the qualitative as well as the quantitative needs of state employment will be met in a timely manner.

The \$2,504,919 budgeted for this function provides for 165.9 personnel man-years of employment. The board proposes a reduction of 15.5 authorized positions (0.8 assistant personnel analyst, 14.7 clerical positions) in the budget year. We are advised that this decision is based on the board's desire to comply with the administration's objective of reducing governmental costs. Payroll savings of \$89,161 plus associated support savings would result from this action.

(C) To provide all potential sources of recruitment with continuing advice on the need for applicants to fill the job requirements of the state.

This includes responding to requests for information on state employment opportunities received directly by the board and through its three public information counters in Sacramento, San Francisco and Los Angeles. The proposed funding of \$245,915 for this activity in the budget year provides 19 personnel man-years of employment as in the current year.

Classification, Compensation and Personnel Administration Element

The \$1,594,366 proposed for support of this program element amounts to 29.7 percent of the total program cost and provides for 89.6 man-years of employment.

(1) *We recommend that the board give serious consideration to reducing the number of position classifications and the number of pay ranges within the state civil service system.*

(2) *We further recommend that the state Office of Management Services be requested to provide the technical staff to review the entire personnel management transaction and record maintenance procedures of the board for the purpose of securing decentralization of record keeping responsibilities and reducing the amount of documentation requiring authentication signatures.*

Both of the matters referred to in our first recommendation above involve substantial personnel management documentation and detailed reporting procedures and complicate an already complex personnel transactions manual which runs to several volumes. We believe that simplification of personnel documentation related to transactions and

State Personnel Board—Continued

personnel record maintenance data must be accomplished prior to any consideration of expanding the board's electronic data-processing capability. We note that the Automated Personnel Transactions Data Communication's proposal of early 1968 (developed by a committee of state electronic data-processing experts) indicated that 2,467,000 personnel transaction documents representing over six million separate pieces of paper are originated each year by state agencies. The board's reporting requirements generate about 32 percent of this documentation.

We believe that the practice of establishing narrow job classifications for one, two or three employees is both an undesirable administrative policy and unnecessary to insure meeting the educational and other qualifications required of the majority of positions in state service. Considering that about 57,000 or one-half of the state employees (26,300 clericals, 12,200 janitors, 8,100 laborer-truck drivers, 5,000 correctional supervision) are grouped into a relatively small number of classes out of the over 3,000 now established for the 115,000 position work force, most of this element's workload, which consists of revising job classifications and establishing new job classifications, relates to a disproportionate share of the state's work force. During the period July 1, 1969, through December 17, 1969, the board approved the establishment of 96 new position classifications and the revision of specifications for 156 classifications.

We also question the necessity for maintaining approximately 150 different pay ranges in the state civil service system. The classified employees of the federal government for a number of years have been restricted to 18 such pay ranges. In summary, we believe that the factors discussed above contribute to the complexity of the personnel management problems confronting both the operational agencies and the board and impede the achievement of one of the board's basic objectives, that of securing greater efficiency and economy in government.

Employee Development and Accident Prevention

The proposed funding of \$445,797 for this element would support a staff of 19.5 positions whose objective is to provide training assistance to all state agencies through training courses or seminars such as the Management Development Institute. The element's staff develops and conducts the training program, and all costs thereof are reimbursed by the employing agencies of participating personnel. The staff also provides technical assistance to agencies having their own training staffs and disseminates information on pertinent courses of study offered by educational institutions. The element also provides technical assistance to agencies in the conduct of the state safety training program for defensive driving and compiles statistics on industrial accidents in state employment and sick leave usage.

The element's presently authorized staff of 17 positions was augmented in the current year by two associate personnel analysts and a half-time clerk-typist II. These two and one-half positions are requested for continuation in the budget year at a cost of \$27,050. They were initially employed on a temporary basis to augment existing staff assigned to the training programs offered by the Management Develop-

State Personnel Board—Continued

ment Institute, but the demand for these services by state agencies continues to exceed the capacity of the authorized staff. The board expects the demand to remain at this year's level, but if it does not the positions will not be filled since their costs are funded by reimbursements paid by the user agencies.

Board Activity in Program to Reduce the Industrial Accident Rate in State Employment

The board in June of 1968, acting under the authority of Section 19261 of the Government Code, (which states in part: "The board may establish standards of health and safety in state agencies and may develop a comprehensive health and safety program designed to improve the efficiency and raise the morale of state employees. . . .") held a special hearing on the problem of industrial accidents in state employment and as a result directed its staff to develop a program to reduce the state's industrial accident rate. Such a plan was developed and subsequently approved by the board in November, 1968. Following this action, the board submitted the plan to the executive cabinet for review and implementation, and it was approved by the cabinet in August, 1969, and will be placed in operation on February 2, 1970.

In October 1969, the Director of Finance approved the establishment of a second position of Safety Coordinator in the board staff plus clerical support to meet the staffing requirements for implementing the board's "Program to Reduce Occupational Injuries of State Employees," the objective of which is to reduce industrial injuries in state employment and thereby lower the cost of workmen's compensation benefits awarded to job-injured state employees. This implementation phase is expected to be completed in June 1970, and its estimated current-year cost of \$17,000 is being reimbursed by seven participating state agencies. These reimbursements are not reflected in the board's current-year budget, however, because approval for the program came too late for their inclusion.

CONTRACT PERSONNEL SERVICES PROGRAM

This program, whose costs are fully reimbursed, proposes a budget-year expenditure of \$1,210,561, which is an increase of \$233,588 over estimated current-year expenditures. This increase results from the expansion of the program's Merit Systems Element to meet the previously mentioned responsibilities added by Chapter 1283, Statutes of 1969, relating to the administration of local merit systems. The element insures compliance with federal merit system requirements which apply to certain local agencies receiving grants-in-aid under the Social Security Act as amended, the Public Health Service Act, and the Federal Civil Defense Act as amended. An estimated 37,754 local agency employees will be covered by the merit systems element in the budget year.

The Merit Systems Element has as its objectives the administration or (in cases where this responsibility has been delegated to local civil service commissions) the review, approval and audit of city and county employee merit systems in order to meet the requirements of federal laws governing the grant-in-aid features of federally funded civil de-

State Personnel Board—Continued

fense, welfare and public health programs. The element's staff also provides merit-system services for other public employers on a reimbursable basis.

The civil defense merit system, which covers 34 local jurisdictions, has been administered by the board for a number of years. It is federally funded under a contract with the California Disaster Office. This function, together with merit-system services provided other public employers, utilizes a staff of 21.5 personnel man-years.

The two new merit-system functions added in the current year are those related to the employees of city and county departments of welfare and public health. The board has established merit-system standards for such agencies which comply with federal law, and it has approved city or county merit systems which meet those standards. Such approved systems are administered by the city or county, but the board retains an audit or review responsibility. To date, 15 local merit systems covering an estimated 24,720 welfare employees and 5,860 public-health employees have been approved by the board.

If a merit system does not exist or an established local merit system fails to meet the required federal standards, the board is responsible for establishing and/or administering a system covering the federally funded employees of the affected public entities. The board estimates that it will provide such services in the budget year for 5,536 county or city welfare employees and 1,638 public health employees.

To carry out these new functions, 21.5 positions were transferred to the board in the current year from the Department of Social Welfare and eight new positions were established by administrative adjustment. These 29.5 positions are proposed for continuation in the budget year, and an additional 2.5 new positions are requested to handle an anticipated increase in workload. The federal funding for the above-described functions is derived through separate contracts with the State Departments of Social Welfare and Public Health.

The two remaining program elements—the Recruitment and Selection Element and the Other Technical Services Element—propose a total staffing level of 44.8 personnel man-years. These elements provide generally the same kinds of services to local governmental entities as the State Personnel Services program provides to the state's civil service system. Reimbursements in support of these two elements for the budget year are estimated at \$507,653.

Federally Reimbursed Services to Thailand

It is our understanding that the Thailand program, which provides training services in personnel administration to the government of Thailand under an annual contract with the federal Agency for International Development, will be completed (pending contract renewal) in the middle of the budget year. The staffing and funding of this program for the budget year is not reflected in the budget document as the contract renewal negotiations are still in progress. Heretofore, the program has utilized 3.5 to 5 personnel man-years on an annual basis and the funding, which is fully reimbursed, has averaged between \$85,000 and \$90,000.

SECRETARY OF STATE

Items 56 and 57 from the General Fund

Budget page 109

Requested 1970-71 -----	\$1,870,514
Estimated 1969-70 -----	1,646,978
Actual 1968-69 -----	1,536,715
Requested increase \$223,536 (13.6 percent)	
Total recommended reduction -----	30,606

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

We recommend deletion of six clerk-typist positions for a saving of \$30,606. A budget augmentation for automating the Corporate Filing Program is expected during the legislative session and these clerical positions will not be needed. 115

GENERAL PROGRAM STATEMENT

The Secretary of State, a constitutional officer, is responsible for carrying out the duties prescribed by Sections 12153 through 12264 of the Government Code. In addition to being the custodian of the enrolled copy of the Constitution, all acts passed by the Legislature, Journals of the Legislature and the Great Seal, the Secretary of State has specified responsibilities in the following program categories.

CORPORATE FILINGS

In order that the public interest be protected, strict adherence to the laws governing the establishment, revision or dissolution of the state's corporations must be maintained. Attorneys on the staff of the Secretary of State examine all articles of incorporation and related documents which revise or dissolve corporate entities, and attest to their compliance with the appropriate statutes before accepting them for formal filing. In addition, all applications for trademarks, corporate and fraternal names, and other documents required by law, are reviewed and registered.

ELECTIONS

As chief election's officer, the Secretary of State oversees and coordinates state elections. He compiles lists of registered voters within city, assembly, senatorial and supervisory districts by party affiliation, and publishes various statistical reports required by the Election Code.

He also solicits, assembles, supervises the printing of, and distributes all ballot arguments. It is his duty to conduct a semiofficial and official canvass of election results and make them a matter of public record.

The Secretary of State serves on the State Commission on Voting Machines and Vote Tabulating Devices with the Governor and Attorney General, and acts as the commission's secretary. During this year an executive secretary will be hired to assist the Secretary of State in carrying out this responsibility. At present, this activity includes a substantial investment in time for the purpose of general administrative duties and the evaluation of proposals for new devices or changes in already acceptable devices.

Secretary of State—Continued**FINANCING STATEMENTS**

The Uniform Commercial Code, Uniform Federal Tax Lien Registration Act and the Government Code require that the Secretary of State accept for filing as a public record financial statements which perfect security interests in personal property. Beginning January 1, 1970, notices of state tax liens will also be filed with the Secretary of State.

This activity entails the storage and retrieval of these documents upon request from the public. Most of the data processing in the department is concerned with this activity although the processes have not been completely automated.

NOTARY PUBLIC

Legislation passed in the 1967 session transferred the responsibility for the appointment of Notaries Public from the Governor's Office to the Secretary of State. This activity includes the issuance of original certificates and review of certificates every four years for purposes of renewing the appointments. The Secretary of State also provides verification of the authenticity of notary signatures upon request from the public.

ARCHIVES

The Chief of Archives and his staff collect, catalog, index and preserve historic and otherwise valuable papers and artifacts. A document restoration technician repairs documents and they are then laminated for permanent preservation. Reference services are provided for the public. The archivists receive some advice and direction from the Heritage Preservation Commission of which the Secretary of State is secretary.

ADMINISTRATION

The Secretary of State and his staff provide policy and supervision to the above functional activities, and perform personnel, budgetary, accounting and other administrative functions for the department.

ANALYSIS AND RECOMMENDATIONS

The amount requested for fiscal year 1970-71 represents an increase of \$223,536 or 13.6 percent over the amount estimated to be expended in the current fiscal year. A substantial portion of this increase is accounted for by the fact that 1970 will be a general election year and expenses will be incurred for the tabulation of registered voter lists and the preparation, printing and distribution of ballots and ballot proposition pamphlets. Increased administrative costs, financial statement filings and corporate filings account for the remainder of the increase.

It is estimated that the Secretary of State will remit to the General Fund \$4,676,929 in revenue as the result of filing fees collected.

Table 1 is a summary of the workload data for the past three years for the five functional programs discussed above.

Secretary of State—Continued

Table 1

<i>Program and Output</i>	<i>Actual 1968-69</i>	<i>Estimated 1969-70</i>	<i>Estimated 1970-71</i>	<i>Percent increase over 1969-70</i>
Corporate Filings Program				
Number of corporate documents filed -----	41,273	47,766	53,420	11.8
Elections Program				
Voters registrations -----	8,587,673	8,500,000	9,200,000	8.2
Candidates certified -----	44	1,000	--	--
Financing Statements Program				
Number of statements and notices filed -----	147,645	172,996	192,698	11.4
Number of certificates issued	32,444	34,066	35,429	4.0
Notary Public Program				
Number of notaries public appointed -----	24,198	25,510	26,530	4.0
Archives Program				
Archival Material -----	28,300 cf	29,000 cf	29,900 cf	none
Accessions -----	1,300 cf	700 cf	900 cf	28.6
Documents processed -----	300 cf	450 cf	600 cf	33.3
Documents restored (pages) --	1,500 cf	1,500 cf	3,000 cf	200.0
Documents laminated -----	1,300 cf	1,400 cf	2,800 cf	200.0

Corporate Filings Program

We recommend deletion of three (3) clerk-typist II positions and three (3) clerk-typist I positions for a savings of \$30,606.

As a result of legislation passed during the 1969 session, the Secretary of State is required to receive for recordation information regarding corporations and their agents not formerly filed. This requirement is expected to increase significantly the number of filings received during the initial period between April and July 1971 and subsequent renewal periods.

Anticipating that the entire process could be automated, the Secretary of State made a preliminary budget request to the Office of Management Services and the Department of Finance for upgrading the data processing equipment and for additional personnel to handle the design and implementation of the new application. Upon the recommendation of the Office of Management Services, it was decided that a consultant would be retained to examine the entire data receipt, storage and retrieval requirements of the Secretary of State including financial filings and election requirements as well as the new corporate filing application.

On January 5, 1969 a consultant was awarded a contract to perform the above study and a final report to the Secretary of State and the Office of Management Services is due approximately February 15, 1970. This study is expected to reveal: (1) the precise requirements of the collection, storage and retrieval of data for all applications within the Secretary of State's office and (2) a definition of current methods and alternative sources of electronic data processing capability.

No request for funds for implementation of the recommended program is included in the 1970-71 budget request. It is anticipated that a budget augmentation will be required during the legislative session of approximately \$400,000, but at this time the exact funding requirement cannot be determined.

Secretary of State—Continued

In the absence of a specific budget request for an automated system, and anticipating that the consultant will recommend some form of automation for the Corporate Filing Program because to perform the functions manually would be inefficient and ineffective, *we recommend that the clerical positions be deleted until such time as the consultant's findings and recommendations are evaluated and specific personnel requirements are determined.*

When the expected budget augmentation is received, we will conduct an analysis of the request for submission to the fiscal committees.

Secretary of State

HERITAGE PRESERVATION COMMISSION

Fiscal Year 1970-71

Item 58 from the General Fund

Budget page 114

Requested 1970-71 -----	\$800
Estimated 1969-70 -----	1,000
Actual 1968-69 -----	240
Requested decrease \$200 (20 percent)	
Total recommended reduction -----	None

GENERAL PROGRAM STATEMENT

The California Heritage Preservation Commission is composed of representatives of four state agencies, a private college or university, persons appointed by the Governor, University of California Regents, Trustees of the State Colleges, California State Library and two members appointed by each house of the Legislature. The Secretary of State is the secretary of the commission.

The commission's purpose is to advise the Secretary of State, whose duty it is to preserve historical and otherwise valuable documents, on matters regarding the identification, restoration and preservation of such documents. The commission will report to the Legislature during the 1970 session on its activities.

ANALYSIS AND RECOMMENDATIONS

The commission has requested \$800, a reduction of 20 percent from the current year estimated expenses, to provide for general administrative expenses, travel and the preparation of a report to the Legislature.

We recommend approval.