

STUDENT AID COMMISSION—Continued

ment and reporting requirements for students receiving financial aid funds. The report suggested that the commission establish an internal audit unit to investigate questionable institutional practices.

The budget proposes \$145,000 and three positions (two auditors, one clerical) for an institutional auditing unit. Approximately two-thirds of these funds would be derived from the guaranteed loan fund and one-third would come from the General Fund. This distribution reflects the relative amount of time auditors will spend reviewing the GSL and the state-funded awards programs.

Our review indicates that these positions are necessary to verify the enrollment status of students receiving awards and loans. Consequently, we recommend that they be approved.

General Government**OFFICE OF CRIMINAL JUSTICE PLANNING**

Item 8100 from the General
Fund and various funds

Budget p. GG 1

Requested 1983-84	\$19,446,000
Estimated 1982-83	15,790,000
Actual 1981-82	12,838,000
Requested increase (excluding amount for salary increases) \$3,656,000 (+23.2 percent)	
Total recommended reduction	\$3,000,000

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8100-001-001—Support		General	\$2,342,000
8100-001-214—Support		Indemnity	415,000
8100-001-890—Support		Federal	(300,000)
8100-011-890—State operations		Federal	(1,500,000)
8100-101-001—Local assistance		General	10,522,000
8100-101-214—Local assistance		Indemnity	5,672,000
8100-101-890—Local assistance		Federal	(4,000,000)
8100-101-903—Local assistance		Assessment	495,000
Total			\$19,446,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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|--|--------------------------|
| | <i>Analysis
page</i> |
| 1. <i>Suppression of Drug Abuse in Schools Program. Reduce Item 8100-001-001 by \$90,000 and Item 8100-101-001 by \$2,910,000. Recommend elimination of proposed new program because the program has not been authorized in statute.</i> | 1774 |
| 2. <i>Alternative Funding Source. Reduce Item 8100-001-001 by \$841,000 and Item 8100-101-001 by \$7,612,000 and make corresponding augmentations from the Peace Officers' Training Fund. Recommend surplus in Peace Officers' Training Fund, rather than the General Fund, be used to support</i> | 1775 |

local criminal justice assistance programs.

3. Plan for Indemnity Fund Expenditures. Recommend the Office of Criminal Justice Planning report to fiscal committees, prior to budget hearings, on how the different funding levels proposed in the budget will affect three local assistance programs financed from the Indemnity Fund. 1776

GENERAL PROGRAM STATEMENT

The Office of Criminal Justice Planning (OCJP) was created by Ch 1047/73 as the staff arm of the California Council on Criminal Justice (CCCJ). It is administered by an executive director appointed by the Governor. The council, which acts as the supervisory board to OCJP, consists of 37 members: the Attorney General, the Administrative Director of the Courts, 19 members appointed by the Governor, and 16 members appointed by the Legislature.

OCJP is divided into four program areas—(1) planning and operations, which provides staff support to various federal and state grant programs, (2) administration, (3) state and private agency awards, which allocates federal grants to state and private agencies, and (4) local project awards, which allocates state and federal grants to local governments. In the current year, OCJP has an authorized staff of 59.6 personnel-years.

ANALYSIS AND RECOMMENDATIONS

The total proposed expenditure program for the Office of Criminal Justice Planning in 1983-84 is \$25,738,000, consisting of \$12,941,000 from the General Fund, \$6,582,000 from special funds, \$5,800,000 in federal funds, and \$415,000 in reimbursements. Expenditures by the office will increase by the amount of any salary or staff benefit increase approved for the budget year. Table 1 shows the proposed funding, by source, for each of OCJP's four programs.

Table 1
Office of Criminal Justice Planning
Program Expenditures in 1983-84
(in thousands)

	<i>General Fund</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	<i>Totals</i>
1. Planning and operations.....	\$934	\$415	\$170	\$35	\$1,554
2. Administration.....	1,485	—	130	—	1,615
3. State and private agency awards ..	—	—	1,500	—	1,500
4. Local project awards	10,522	6,167	4,000	380	21,069
Totals.....	\$12,941	\$6,582	\$5,800	\$415	\$25,738

Table 2 summarizes OCJP expenditure levels for the past, current, and budget years. OCJP's General Fund requirements will increase in 1982-83 primarily because of a proposal to establish a new Suppression of Drug Abuse in Schools program, at a cost of \$3 million. An additional \$220,000 from the General Fund will be redirected from a program providing technical assistance for community-based organizations to replace federal funds previously used to administer the Crime Resistance and Career Criminal Apprehension programs.

Because of OCJP's method of accounting, the comparison of General Fund expenditures in the current year and budget year shown in Table 2 understates the change in appropriation levels between those years. This

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

is because all funds appropriated in prior years but still unspent are shown as current-year expenditures. A portion of these funds, however, may *not* be spent in 1982–83, and may be carried over to 1983–84. As a result, the amount shown in Table 2 for 1982–83 appears “too high”, and the amount shown for 1983–84 may be “too low.”

Table 2
Office of Criminal Justice Planning
Budget Summary
(dollars in thousands)

<i>Funding</i>	<i>Actual 1981–82</i>	<i>Estimated 1982–83^a</i>	<i>Proposed 1983–84</i>	<i>Change from 1982–83 to 1983–84</i>	
				<i>Amount</i>	<i>Percent</i>
1. General Fund.....	\$8,371	\$10,721	\$12,864	\$2,143	19.9%
2. Indemnity Fund	3,972	5,069	6,087	1,018	20.1
3. Assessment Fund.....	—	—	495	495	—
4. Correctional Training Fund.....	495	—	—	—	—
Total Direct Appropriations.....	\$12,838	\$15,790	\$19,446	\$3,656	23.2%
5. General Fund Carryover	—	—	77	77	—
6. Reimbursements	6	689	415	–274	–39.8
7. Federal Funds	23,307	13,419	5,800	–7,619	–56.8
Totals	\$36,151	\$29,898	\$25,738	–\$4,160	–13.9%
<i>Program</i>					
1. Planning and Operations	\$1,315	\$1,903	\$1,554	–\$349	–18.3%
Personnel-years	21	25.5	25.4	–0.1	–0.4
2. Administration	1,495	1,588	1,615	27	1.7
Personnel-years	35.8	34.1	34.1	—	—
3. State and Private Agency					
Awards.....	7,070	3,360	1,500	–1,860	–55.4
4. Local Project Awards.....	26,271	23,047	21,069	–1,978	–8.6
Totals	\$36,151	\$29,898	\$25,738	–\$4,160	–13.9%
Personnel-years	56.8	59.6	59.5	–0.1	–0.2%

^a Estimated expenditures for 1982–83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

Changes in Federal Grant Program

In past years, OCJP has administered funds provided to California by the Law Enforcement Assistance Administration (LEAA), under the provisions of the Federal Omnibus Crime Control and Safe Streets Act of 1968, as amended, and the Justice System Improvement Act of 1979.

The federal budgets for fiscal years 1981 and 1982 appropriated no funds for grants to state and local governments under the Justice System Improvement Act, and OCJP anticipates that no additional funds will be appropriated in 1983. OCJP indicates that in the current year, it will complete the phase-out of this federal program with the exception of a few minor reporting requirements.

The OCJP will continue to administer funds allocated to California by the federal Office of Juvenile Justice and Delinquency Prevention (JJDP). The office anticipates that California will receive about \$4.3 million of JJDP funds from the FFY 83 budget.

Legislation Expands OCJP's Responsibilities

Prior to 1977-78, OCJP's primary function was to administer federal Safe Streets Act funds. Since then, the Legislature has enacted a number of bills which have expanded OCJP's responsibilities. Some of the major new programs assigned to the office are discussed below.

Victim and Witness Assistance Centers. Chapter 1256, Statutes of 1977, established a program within OCJP through which public or private non-profit agencies can help crime victims and witnesses relate more effectively to the criminal justice system. Ch 713/79, increased penalty assessments for felonies and misdemeanors, and provided that the additional revenue would be deposited in the Indemnity Fund to be divided equally between OCJP, for allocation to local victim and witness assistance centers, and the Board of Control for the Victims of Crime Program, which provides direct assistance to crime victims and citizens who sustain injuries while aiding crime victims. Companion legislation to the 1981 Budget Act (Ch 102/81) reauthorized the local victim and witness assistance center program, increased revenues to the Indemnity Fund, and provided that Indemnity Fund revenues may be used to support the program.

Career Criminal Apprehension Program. Chapter 1167, Statutes of 1978, established a career criminal apprehension program. Participating local law enforcement agencies are required to concentrate enhanced management efforts and resources on career criminals (serious repeat offenders). Such efforts include crime analysis and improved management of patrol and investigative operations. These provisions of law were reauthorized by Ch 1292/82 and will terminate on January 1, 1986.

Crime Resistance Program. Chapter 578, Statutes of 1978, gave statutory status within OCJP to a California Crime Resistance Task Force originally created on August 5, 1977, by executive order. Its purpose is to assist the Governor and OCJP in furthering citizen involvement in local law enforcement and crime resistance efforts. This measure also established a crime resistance grant program to provide funds to successful local crime resistance and prevention programs, and disseminate information on successful techniques. These provisions of the law were reauthorized in Ch 1291/82, and will sunset on January 1, 1986.

Career Criminal Prosecution Program. Chapter 1151, Statutes of 1977, created a program to aid district attorneys' offices in prosecuting career criminals. The law provides that the career criminal prosecution units shall perform "vertical" prosecution, whereby one prosecutor follows a particular case to its conclusion. The act also establishes guidelines for prosecutors to follow in seeking sentences for individuals considered to be career criminals.

Sexual Assault Programs. Chapter 917, Statutes of 1980, transferred the Rape Victim Counseling Centers Program from the Department of Social Services to OCJP. This program provides grants to local sexual assault counseling centers which operate 24-hour telephone counseling services, and meet other specified criteria. The act also requires OCJP to establish an advisory committee to develop a training course for district attorneys in the investigation and prosecution of sexual assault cases.

Chapter 1062, Statutes of 1981, requires that the sexual assault centers and the training courses for district attorneys also address the needs of children who are victims of sexual exploitation or abuse.

Gang Violence Suppression Program. Chapter 1030, Statutes of 1981, established a Gang Violence Suppression Program to provide financial and technical assistance to district attorneys to enable them to concentrate

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

prosecution efforts and resources on persons involved in gang-related violent crime. The act specifies that it will become operative only if federal funds are made available for its implementation.

Prosecutor and Public Defender Education and Training. Chapter 116, Statutes of 1982, established a program of local assistance for education, training and research for public prosecutors and public defenders. These provisions of law will sunset on January 1, 1986.

Required Report Not Submitted

Chapter 1632, Statutes of 1982, requires each state agency to include in its 1983–84 budget request, information on certain legislatively-mandated publications and recommendations on whether any of the publications should be discontinued. At the time this *Analysis* was written, OCJP had not submitted the required report.

Drug Abuse Program

We recommend that funds requested for the proposed Suppression of Drug Abuse in Schools Program be deleted because the program has not been explicitly authorized in statute, for a General Fund savings of \$3,000,000 (\$90,000 in Item 8100-001-001 and \$2,910,000 in Item 8100-101-001).

The Governor's Budget requests \$3 million from the General Fund to create a program for the Suppression of Drug Abuse in Schools. The budget indicates that the program will be designed to combat drug use among school age children, and to curtail drug trafficking in and around school areas. The budget proposes expenditures of \$90,000 for 2.5 administrative positions, and \$2,910,000 for grants to local law enforcement agencies to enable them to work in conjunction with school districts to develop innovative and model programs which suppress and prevent drug abuse among teenagers, with particular focus on use and trafficking within the school environment.

There can be no question that drug abuse in the schools is a major problem. It may be that the proposed new program would be effective in combatting this problem, although no information on the program is available. At the present time, however, the OCJP lacks explicit statutory authority to implement the proposed program.

All of the other programs discussed in this analysis have been specifically established and delegated to OCJP by the Legislature. The authorizing legislation generally specifies program guidelines, establishes criteria for entities receiving grants, and frequently requires periodic reports to the Legislature. This allows the Legislature to effectively review and control the use of state funds.

In the case of the Suppression of Drug Abuse in Schools program, however, there are no guidelines or program requirements which the Legislature could use in overseeing the expenditure of state funds.

Because this program does not fall within OCJP's statutory responsibilities, and no legislative guidelines for the program have been established, we cannot recommend approval of the request at this time. Accordingly, we recommend that funds for the Suppression of Drug Abuse in Schools program be deleted from the Budget Bill, for a General Fund savings of \$3 million (\$90,000 in Item 8100-001-001 and \$2,910,000 in Item 8100-101-001). If the Legislature wishes to establish this program, funds for the budget year could be included in the authorizing legislation.

Alternative Fund Source for Local Assistance Programs

We recommend that surplus revenues in the Peace Officers' Training Fund be used instead of General Fund monies to support local assistance programs for law enforcement and prosecutorial agencies, for a General Fund savings of \$8,453,000 (\$841,000 in Item 8100-001-001 and \$7,612,000 in Item 8100-101-001) and corresponding augmentations from the Peace Officers' Training Fund.

The Office of Criminal Justice Planning proposes expenditures totaling \$8,453,000 from the General Fund to finance three local assistance programs that provide grants primarily to local law enforcement and prosecutorial agencies. The budget requests \$2,822,000 for the Career Criminal Apprehension program, \$1,618,000 for the Crime Resistance program, and \$4,013,000 for the Career Criminal Prosecution program. Each of these programs initially was financed with federal funds under the Law Enforcement Assistance Administration grant program. These programs now are established by state law, and are supported from the General Fund.

Our analysis indicates that the Peace Officers' Training Fund (POTF) rather than the General Fund, could be used to finance OCJP's grant programs in the budget year, for two reasons. First, the POTF would be an appropriate alternative fund source for these programs because it was established to provide grants to local governments for training and other services in order to increase the effectiveness of law enforcement agencies. The OCJP's grant programs each provide funds to increase the effectiveness of local law enforcement or prosecutorial efforts. Specifically, the Career Criminal Apprehension program assists law enforcement agencies to develop crime analysis capabilities and improve management of patrol and investigative operations. The Crime Resistance program provides funds to local governments for disbursement to law enforcement agencies and private organizations to encourage citizen involvement in crime prevention programs. The Career Criminal Prosecution program finances units in district attorneys' offices which concentrate prosecutorial efforts on serious repeat criminal offenders.

Second, the Peace Officers' Training Fund will have a surplus of nearly \$12 million in 1983-84, according to projections in the Governor's Budget. Of the \$34,510,000 available in the fund in 1983-84, the budget proposes an appropriation of \$4,147,000 to the Commission on Peace Officer Standards and Training for developing training programs, establishing job-related selection standards for law enforcement agencies, providing technical and management assistance, and administering a local assistance program. An additional \$18,412,000 is budgeted to reimburse local governments for a portion of the costs of training law enforcement officers. The balance of the revenues in the fund, \$11,951,000, is designated a reserve for economic uncertainties. Our review indicates that there is no need to maintain a surplus in the fund which is equivalent to 53 percent of proposed expenditures in the budget year.

Given the funding cut-backs necessary in other areas of the budget to keep expenditures within limited revenues, it makes no sense to carry an unnecessarily large reserve into 1984-85 particularly when these funds could be used to minimize cuts in other programs having a high priority to the Legislature.

Our analysis indicates that use of POTF revenues to support OCJP's programs which provide grants to enhance local law enforcement efforts would be consistent with the general purposes for which the fund was

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

established, although it would represent a departure from the way in which the Legislature traditionally appropriates such revenues.

For the reasons given above, we recommend that surplus revenues in the Peace Officers' Training Fund be used to support the Career Criminal Apprehension program, the Crime Resistance program, and the Career Criminal Prosecution program in the budget year. This would permit a General Fund reduction of \$8,453,000, and give the Legislature that much more fiscal flexibility. It would require a corresponding augmentation to the office's budget from the Peace Officers' Training Fund. If the Legislature adopts the recommendation, the Peace Officers' Training Fund would have a reserve for economic uncertainties of \$3,498,000 at the end of the budget year.

Plan for Indemnity Fund Expenditures

We recommend that prior to budget hearings, the Office of Criminal Justice Planning report to the legislative fiscal committees on what impact each of the three different funding levels proposed in the budget would have on the activities of OCJP programs supported from the Indemnity Fund.

The Indemnity Fund is one of five special funds which receive revenues from the Assessment Fund. The Assessment Fund was created by Ch 530/80 to streamline the system for collecting and distributing revenues collected from penalty assessments levied on criminal and traffic fines. The Indemnity Fund also receives revenues from fines levied for convictions of driving under the influence of alcohol and drugs, pursuant to Ch 940/81. The Governor's Budget proposes that the Indemnity Fund support three programs administered by the Office of Criminal Justice Planning, the Board of Control's Victims of Crime program, and a related state-mandated local program, as shown in Table 3.

Table 3
Indemnity Fund Expenditure Summary
(in thousands)

	1982-83 Estimated Expenditures	1983-84 Proposed Appropriation
<i>Office of Criminal Justice Planning</i>		
Victim Witness Centers	\$3,826 ^a	\$4,672 ^a
Rape Victim Counseling Centers	752 ^a	810 ^a
Child Sexual Abuse Counseling Centers	90 ^a	190 ^a
Administration	401	415
Subtotals	\$5,069	\$6,087
<i>Board of Control</i>		
Payments to Crime Victims and Good Samaritans	\$14,340	\$14,337
Local Mandate	65	65
Administration	2,172	2,248
Subtotals	\$16,577	\$16,650
Totals	\$21,646	\$22,737

^a Subject to the availability of Indemnity Funds.

There is considerable uncertainty over whether revenues to the Indemnity Fund will be sufficient to support the proposed level of expenditure for these programs in the current or budget years. This is due largely to

the fact the fine revenues from driving-under-the-influence violations have not yet reached projected levels. For this reason, the 1982 Budget Act contains language making \$2.7 million of the amounts appropriated for direct support of the OCJP programs available for expenditure *only* upon certification by the Director of Finance that sufficient funds are available, and after 30-day prior notification has been given to the Legislature's fiscal committees and the Joint Legislative Budget Committee. The Governor's Budget indicates that about \$1.7 million of the restricted funds probably will not be collected in 1982-83.

Due to continued uncertainties regarding Indemnity Fund revenues, the Budget Bill proposes similar, but expanded, restrictions on the appropriations proposed for OCJP's programs in 1983-84. While the measure appropriates a total of \$5,672,000 for direct support of the three programs, two items of control language affect the amount of funds that will be available for expenditure. The first restriction provides that \$2,052,000 of this appropriation may be expended only if the Director of Finance certifies that sufficient funds are available in the Indemnity Fund, and provides the required notification to the Legislature. The second provision specifies that the amounts available for expenditure may be increased by a total of \$648,000 above the initial appropriation if the Director of Finance certifies that sufficient additional revenues exist in the Indemnity Fund. Table 4 summarizes the three alternative funding levels proposed in the Governor's Budget.

Table 4
Office of Criminal Justice Planning
Alternative Levels of Indemnity Fund Support in 1983-84
(in thousands)

	<i>I</i>	<i>II</i>	<i>III</i>
	<i>Funding Level if Revenues are Less Than Anticipated</i>	<i>Proposed Appropriation, Subject to Availability of Funds</i>	<i>Funding Level if Revenues are More Than Anticipated</i>
Victim Witness Centers	\$3,000	\$4,672	\$5,200
Rape Victim Counseling Centers	620	810	870
Child Sexual Abuse Counseling Centers	—	190	250
Administration	415	415	415
Totals	\$4,035	\$6,087	\$6,735

At the time this *Analysis* was written, the Office of Criminal Justice Planning had not yet determined what impact each of the different funding levels proposed in the Governor's Budget would have on the number of centers funded and the volume of services provided under the three programs in the budget year. In order to ensure that the Legislature has adequate information on which to base its decisions to allocate Indemnity Fund revenues between competing state programs, we recommend that the Office of Criminal Justice Planning report to the legislative fiscal committees, prior to budget hearings, on the impact that each of the three different funding levels proposed in the budget would have on the activities of the programs supported by the Indemnity Fund.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

Item 8120 from the Peace
Officers' Training Fund

Budget p. GG 9

Requested 1983-84	\$22,559,000
Estimated 1982-83.....	22,417,000
Actual 1981-82	18,605,000
Requested increase (excluding amount for salary increases) \$142,000 (+0.6 percent)	
Total recommended reduction	\$198,000

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8120-001-268—Support		Peace Officers' Training	\$4,147,000
8120-101-268—Local Assistance		Peace Officers' Training	18,412,000
Total			\$22,559,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. *Operating Expenses. Reduce Item 8120-001-268 by \$198,000.* Reduce amount proposed for operating expenses to correct overbudgeting.

GENERAL PROGRAM STATEMENT

The Commission on Peace Officer Standards and Training (POST) is responsible for raising the level of professional competence of local law enforcement agencies by establishing minimum recruitment and training standards, and by providing management counseling. Through a local assistance program, the commission reimburses agencies for costs incurred as a consequence of participating in the training courses.

The commission has 87.9 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations totaling \$22,559,000 from the Peace Officers' Training Fund for support of the commission and for assistance to local law enforcement agencies in 1983-84. Of this amount, \$4,147,000 is appropriated for support of the commission. This amount is \$142,000, or 3.6 percent, more than estimated current-year expenditures. This increase is due largely to the proposed addition of two positions for the new Center for Executive Development, as discussed below. The budgeted amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

An appropriation of \$18,412,000 is requested for assistance to local law enforcement agencies. This is the same amount as estimated current-year expenditures. Table 1 shows expenditures and personnel-years for the commission's four program elements.

Table 1
Commission on Peace Officer Standards and Training
Budget Summary
 (dollars in thousands)

<i>Expenditures</i>	<i>Actual 1981-82</i>	<i>Estimated 1982-83</i>	<i>Proposed 1983-84</i>	<i>Change from 1982-83</i>	
				<i>Amount</i>	<i>Percent</i>
Standards	\$1,149	\$1,663	\$1,667	\$4	0.2%
Training	1,868	2,139	2,277	138	6.5
Administration	(1,556)	(1,786)	(1,790)	(4)	(0.2)
Local Assistance *	15,691	18,615	18,615	—	—
Subtotals	\$18,708	\$22,417	\$22,559	\$142	0.6%
Less reimbursements	103	—	—	—	—
Totals	\$18,605	\$22,417	\$22,559	\$142	0.6%
<i>Personnel-Years</i>					
Standards	11.3	18.2	18.6	0.4	2.2
Training	28.0	27.8	29.6	1.8	6.5
Administration	35.0	38.2	37.7	-0.5	-1.3
Totals	74.3	84.2	85.9	1.7	2.0%

* Amount includes administrative support for local assistance (\$168,000 in 1981-82 and \$203,000 in 1982-83 and 1983-84) allocated to the local assistance program, but funded from the commission support budget item.

Growing Surplus in Training Fund

The commission and its local assistance program are supported by the Peace Officers' Training Fund (POTF), which derives its revenues from penalty assessments on criminal and traffic fines. These penalty assessments are deposited first in the Assessment Fund, and then transferred to other funds, including the POTF, by a statutory formula. Chapter 966, Statutes of 1981 (SB 210), increased the POTF's share from 24.17 percent to 30.83 percent until January 1, 1986, and reduced the Driver Training Penalty Assessment Fund's share by a corresponding amount.

As a result of revenues rising faster than expenditures, the POTF will have a surplus of \$7.5 million at the close of the current year, and almost \$12 million at the close of the budget year. Table 2 displays the status of the POTF.

Table 2
Peace Officers' Training Fund
 (dollars in thousands)

<i>Sources of Funds</i>	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>
Beginning balance	\$5,058	\$7,450	\$7,511
Assessments on fines	21,488	24,972	26,053
Interest and other income	509	946	946
Totals	\$27,055	\$33,368	\$34,510
<i>Expenditures and Transfers</i>			
Commission support	\$3,185	\$4,005	\$4,147
Local assistance	15,420	18,412	18,412
Transfers to General Fund	1,000	3,440	—
Totals	\$19,605	\$25,857	\$22,559
Total Ending Reserves	\$7,450	\$7,511	\$11,951

In our analysis of the budget for the Office of Criminal Justice Planning (Item 8100), we recommend the appropriation of \$8,453,000 from the

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued

POTF to fund three law enforcement and prosecutorial local assistance programs. These programs have goals consistent with the general purposes for which the POTF was created but currently are supported by the General Fund. Approval of this recommendation would result in a POTF surplus of \$3,498,000, or approximately 15 percent of proposed 1983-84 expenditures.

POST to Provide Direct Training

The budget proposes adding two positions, at a cost of \$133,000, to support POST's new Center for Executive Development (CED). Two other positions were redirected during the current year to establish the center. The CED was created to (1) coordinate and improve current management and executive training courses, currently conducted largely by the California State University; and (2) establish a "Command College", enabling POST to provide direct training of high-level law enforcement officials.

Although providing direct training by POST represents a significant departure from existing policy, the request is adequately documented, and we have no analytical basis for recommending any change in the amount budgeted for this purpose.

Operating Expenses Overbudgeted

We recommend a reduction in operating expenses to correct for overbudgeting, for a savings of \$198,000 to the Peace Officers' Training Fund (8120-001-268).

The commission is requesting \$1,208,000 for operating expenses and equipment in 1983-84. As shown in Table 3, these expenditures have been overbudgeted for at least four years.

Table 3
Commission on Peace Officer Standards and Training
Operating Expenses and Equipment Costs
(dollars in thousands)

	<i>Budgeted</i>	<i>Expended</i>	<i>Percent Spent</i>
1978-79	\$786	\$582	74.1%
1979-80	820	537	65.5
1980-81	768	600	78.1
1981-82	1,356	656	48.4

Our analysis indicates that this overbudgeting has occurred primarily because POST has failed to relate its budget estimates to prior-year actual expenditures. As a result, the budgeted amount is significantly higher than the amount likely to be expended by POST.

In budgeting operating expenses, state agencies traditionally apply price increase factors developed by the Department of Finance, as set forth in the department's annual price letter. If an agency elects to apply the specific price letter guidelines to some items of expense, it is required to use a percentage factor (4 percent for 1983-84) for goods and services which are not specified in the guidelines. Where key items of expense are not specifically covered by such guidelines, the agency may instead, as POST did, increase the total prior-year expenses by a set percentage, in order to adjust these costs for inflation. The general increase was 7 percent for 1982-83 and 5 percent for 1983-84.

An application of the general increase factor to POST's 1981-82 actual expenditures (adjusted for expenses to support additional positions approved for the current year and proposed for the budget year) indicates that POST's operating expense should be budgeted at \$1,010,000 for 1983-84.

On the basis of this analysis, we recommend that POST's operating expense request be reduced by \$198,000 (Item 8120-001-268).

STATE PUBLIC DEFENDER

Item 8140 from the General
Fund

Budget p. GG 12

Requested 1983-84	\$3,921,000
Estimated 1982-83	7,438,000
Actual 1981-82	7,102,000
Requested decrease (excluding amount for salary increases) \$3,517,000 (-47.3 percent)	
Total recommended reduction	None
Recommendation pending	\$3,921,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. Major Policy Change. Withhold recommendation on \$3,921,000 proposed for the office of the State Public Defender, pending the receipt of workload and staffing data (Item 8140-001-001).

GENERAL PROGRAM STATEMENT

The office of State Public Defender was created in 1976. Its primary responsibility is to provide legal representation for indigents before the Supreme Court and courts of appeal, either upon appointment by the court or at the request of an indigent defendant. These same services also may be provided by private attorneys appointed by the court. The Public Defender has offices in Los Angeles, Sacramento, San Diego, and San Francisco, and is authorized 158 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$3,921,000 from the General Fund for the support of the State Public Defender (SPD) in 1983-84. This is \$3,517,000, or 47 percent, below estimated current-year expenditures. This amount, however, makes no allowance for any salary or staff benefit increase that may be approved for the budget year.

Staffing for the Office Reduced by Nearly 50 Percent

We withhold recommendation on the proposed budget for the office of the State Public Defender, pending the receipt of workload and staffing information.

The budget proposes to reduce the State Public Defender's office by approximately 50 percent, from the 158.0 personnel-years in the current year to 80.2 personnel-years in the budget year. The budget also proposes

STATE PUBLIC DEFENDER—Continued

transferring \$1.7 million from the SPD's budget to the courts to pay the additional costs of appointed counsel necessitated by the reduction. (A discussion of funding for appointed counsel appears in our analysis of Item 0250.)

The budget indicates that this reduction will limit the office's activities to death penalty appeals, and the most complex noncapital cases. It is not known whether these "complex noncapital" cases are intended to include cases that the office is mandated to accept (for example, prisoner writs where the county public defender withdraws from the case because of conflict), or whether the proposed funding level will be sufficient to perform these duties.

According to the budget, the basis for the proposed reduction is that private appointed counsel can handle cases for significantly less cost than the SPD. Our analysis indicates that on a straight cost-per-case basis, this is correct. For the budget year, private appointed counsel are expected to be paid \$1,485 a case, based on a rate of \$40 per hour. The *average* cost of the SPD is approximately \$3,350 a case.

A significant part of the SPD's higher average cost-per-case, however, represents overhead which may not decline in direct proportion to a decline in staffing. Therefore, the proposed reduction probably will increase the average cost significantly. Conversely, the average cost per case of the SPD probably would decline if the total staffing level increased. On a *marginal* cost basis, an additional case costs the SPD an average of \$2,125, or 43 percent more than the cost of private appointed counsel.

Fiscal comparisons, however, must be supplemented by a comparison of the "quality" of representation provided by the SPD and private counsel. The SPD generally has been recognized by judges, independent observers, and by the Attorney General's office, as performing a superior job to most private appointed counsel. Additionally, the Attorney General's office has indicated that responding to a case handled by the SPD actually is less time-consuming (and hence less expensive) than a privately handled appeal, because valid issues are more clearly delineated, and invalid issues are not pursued needlessly. A higher quality appeal also reduces court costs, to the extent that it reduces the need for court of appeal staff to research and raise issues for the court to address that have not been addressed by the defendant's counsel.

Furthermore, the SPD maintains that it has reduced court costs by discouraging prisoners from pursuing unwarranted appeals, and by addressing many legitimate prisoner grievances through alternative channels. Finally, the office has improved the performance of court-appointed attorneys by conducting seminars, answering telephone inquiries, and establishing a "brief bank"—a library of various issues that have been raised successfully in the past, enabling private attorneys to follow successful guidelines.

While we have no way of calculating whether the various additional benefits from SPD representation outweigh the additional costs of the SPD, a reduction of the magnitude proposed by the budget would probably impair the ability of the office to perform its functions and could affect adversely the other components of the criminal justice system. While using appointed counsel is clearly less expensive in terms of direct costs, it is uncertain whether the total justice system cost per case is more or less than for appointed counsel, because of the factors cited above. If the SPD is in fact less costly than appointed counsel, the net effect of the budget

proposal will be to increase overall state costs.

Our analysis of information provided by the Department of Finance (DOF) and the SPD indicates that the proposed funding level may necessitate larger personnel reductions than those acknowledged in the budget. This is because the DOF, in calculating the estimated dollar savings, deducted funding for each position at the top step of the salary range, despite the fact that many of the SPD's employees are not at the top step. Furthermore, because staff reductions must be performed in accordance with the state's seniority rules, lower salaried employees within each class probably will be terminated first. We have requested data from the SPD outlining the effects of the reduction on the office and showing the level of workload which the office will be able to handle in the budget year. Pending receipt of this information, we withhold recommendation on the \$3,921,000 requested to support the SPD's office.

ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS

Item 8160 from the General
Fund

Budget p. GG 14

Requested 1983-84	(\$1,000,000) ^a
Estimated 1982-83	2,964,000
Actual 1981-82	1,793,000
Requested decrease \$1,964,000 (-66.3 percent)	
Total recommended reduction	None

^a Funding is provided under Item 9680, State-Mandated Local Programs.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Capital Case Defense Item Underbudgeted. Recommend 1784 that the Department of Finance report to the fiscal committees, prior to budget hearings, on the ability of the state to pay anticipated county claims with the amount budgeted for that purpose.

GENERAL PROGRAM STATEMENT

Under Section 987.6 of the Penal Code (Ch 1334/65), the state may reimburse counties for a portion of their expenditures in providing legal assistance to indigents charged with criminal violations in the trial courts or involuntarily detained under the Lanterman-Petris-Short Act. The reimbursements may not exceed 10 percent of a county's expenditures for such purposes.

Under Ch 1048/77, the state reimburses counties for the costs of investigative services and expert witnesses necessary for the defense of indigents in capital cases.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$1,000,000 from the General Fund for assistance to counties for defense of indigents in 1983-84. The requested amount is \$1,964,000, or 66 percent, below estimated current-year expenditures. The reduction results from two factors.

ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS—Continued

First, estimated current-year expenditures are artificially high, and do not provide a meaningful basis for determining the trend in expenditures. The level of expenditures in 1982–83 includes \$1,189,000 which was appropriated by Ch 1586/82 to cover a 1981–82 deficiency in the capital case defense program, as discussed below.

Second, the budget proposes to eliminate general state support for local public defenders' offices. The state first funded this program in 1965–66, and since 1968–69 the appropriation level has remained at \$775,000 annually. This amount currently represents less than 1 percent of county costs. Our analysis indicates that because the current amount of state assistance provided pursuant to Ch 1334/65 is so minimal, the proposed reduction probably will have a negligible impact on local public defenders' offices. Furthermore, this reduction should result in a minor administrative savings to the state and to those counties that currently file for the assistance.

Capital Case Defense Underbudgeted

We recommend that the Department of Finance report to the fiscal committees, prior to budget hearings, on the ability of the state to pay anticipated county claims with the amount budgeted for that purpose.

Background. Each year, prior to December 1, counties submit claims for actual costs incurred in the prior fiscal year for various state-mandated local programs. Counties also file estimates of costs they expect to incur in the current year. Thus, in November 1982, counties filed actual claims for 1981–82, and estimates for 1982–83. The Controller's office pays current-year claims from the appropriation for that year, based on the counties' estimates. It also pays the difference between the actual claims and estimates submitted the previous year, using funds remaining for that year. If the amount of funds available to make these payments are not sufficient, the Controller must seek a deficiency appropriation, which is generally included in the Local Mandated Cost Claims Bill.

Appropriation Request Underbudgeted. The 1981 Budget Act appropriated \$1 million for this program—the same amount appropriated in the current year and requested for the budget year. That amount, however, proved to be insufficient for 1981–82, and Ch 1586/82 was enacted to appropriate an additional \$1,189,000 needed to cover the deficiency. The deficiency was due to three factors: (1) an increase from 24 to 39 in the number of counties filing claims, (2) an increase in county costs for psychiatrists and other expert witnesses, and (3) a number of cases pending from previous years were decided, and thus became eligible for reimbursement. In late 1982, the 39 counties submitted actual claims for 1981–82 totaling \$2,993,000. As a result, an additional deficiency appropriation of as much as \$800,000 (the difference between 1981–82 estimates and actual expenditures) appears to be needed.

A total of 41 counties have filed estimated claims for 1982–83 totaling \$3,466,000. As a result, an additional \$2,466,000 may be needed above the \$1 million appropriated to cover estimated 1982–83 claims.

A review of the expenditure trend in this program indicates that the \$1 million requested in the budget for 1983–84 will be inadequate, and that either an increased Budget Act appropriation or a deficiency appropriation will be needed in the budget year. For this reason, we recommend that the Department of Finance report to the fiscal committees, prior to budget hearings, on the ability of the state to pay anticipated claims with the amount budgeted for that purpose.

SUBVENTION FOR GUARDIANSHIP/CONSERVATORSHIP PROCEEDINGS

Item 8170 from the General
Fund

Budget p. GG 15

Requested 1983-84	(\$3,250,000) ^a
Estimated 1982-83	4,379,000
Actual 1981-82	2,742,000
Requested decrease \$1,129,000 (-25.8 percent)	
Total recommended reduction	None

^a Funding is provided under Item 9680, State-Mandated Local Programs.

GENERAL PROGRAM STATEMENT

This item reimburses counties for costs mandated by Ch 1357/76. That legislation revised procedures, terminology, and definitions relating to guardianship and conservatorship, and required additional local expenditures to (1) provide appointed counsel and court investigators to represent the interests of proposed wards or conservatees under specified circumstances and (2) provide court investigators to conduct periodic reviews of guardianships and conservatorships.

Chapter 1357 requires financially able wards and conservatees to pay for legal representation at guardianship/conservatorship proceedings, in order to reduce state-mandated costs. Chapter 1326, Statutes of 1982, amended the act to permit counties to assess the estate of each ward or conservatee or guardianship for the costs of the periodic investigations required by Chapter 1357. The amount of the assessment is to be determined by the State Controller based on the statewide average cost of such investigations each year. A county may waive any or all of an assessment on the basis of hardship when a guardianship or conservatorship is terminated by court order, but not when it is terminated by death. In future years the amount of state funds that will have to be appropriated to reimburse local governments for mandated costs will be reduced by the amount of reimbursements received from the estates of deceased wards/conservatees.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$3,250,000 from the General Fund to reimburse local governments for the mandated costs they incur under the guardianship/conservatorship program in 1983-84. This amount is 26 percent below current-year estimated expenditures of \$4,379,000. The current-year amount, however, includes \$1.1 million appropriated by Ch 1586/82 to pay 1980-81 and 1981-82 claims in excess of the amount appropriated for those years. Thus, the amount requested for the budget year is equal to the amount of claims anticipated for the current year.

At the time this analysis was prepared, the Controller's office had received claims for 1982-83 costs amounting to approximately \$2.8 million. Consequently, the amount requested in the budget to fund claims in 1983-84 appears to be warranted.

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALSItem 8180 from the General
Fund

Budget p. GC 15

Requested 1983-84	\$500,000
Estimated 1982-83.....	1,672,000
Actual 1981-82	1,325,000
Requested decrease \$1,172,000 (-70.1 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Eliminate Excessive State Costs. We recommend that the state reimburse homicide trial costs according to current state standards for travel expenses and attorney and investigator rates.

1787

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$500,000 from the General Fund to reimburse counties for specified costs resulting from homicide trials.

Under current law, counties are reimbursed for all costs that exceed the revenue derived from 1.25 cent local property tax rate. Expenditures for this program since 1971-72 are shown in Table 1.

Table 1
Reimbursements to Counties for Costs of Homicide Trials
1971-72 through 1983-84

	<i>Expense</i>
1971-72.....	\$95,964
1972-73.....	370,105
1973-74.....	164,824
1974-75.....	55,000
1975-76.....	199,727
1976-77.....	1,182
1977-78.....	—
1978-79.....	424,842
1979-80.....	1,208,724
1980-81.....	1,121,000
1981-82.....	1,325,000
1982-83 (estimated)	1,672,000
1983-84 (proposed)	500,000

There is no way to forecast the number and dollar value of future claims for reimbursement of homicide trial costs. Consequently, we have no basis for recommending any change in the budgeted amount.

County Claims for Juan Corona Retrial Costs Exceed \$4 Million

Estimated current-year expenditures of \$1,672,000 include reimbursements paid to Sutter County for the costs of the recently completed Juan Corona retrial.

Sutter County has submitted claims to the state for Corona trial costs covering the period July 1978 through September 1982. These claims total approximately \$4.5 million. The State Controller's office has paid or approved payment of \$4.0 million on these claims. Payment of about \$0.5 million is being withheld pending receipt of further documentation and justification. For example, the Controller is questioning a bill submitted by the county's prosecution team for one dinner for two persons in Mexico costing \$1,200. The Controller is also questioning a claim for hotel expenses incurred by a witness that totaled \$1,099 for eight nights and did not include the cost of the room. The Controller advises us that in still another claim the county submitted a bill for living expenses for four people for four days that totaled \$4,310. Not only did the county pay for these expenditures, it also reimbursed one of the persons \$200 in per diem payments!

Improve Fiscal Controls

We recommend that the state reimburse homicide trial costs according to current state standards for travel expenses, attorney fees and investigator rates, in order to guard against the type of excesses that occurred in the Corona retrial.

The administration proposes to begin reimbursing counties in 1983-84 for 80 percent, rather than for 100 percent, of the costs that exceed the property tax threshold. This action requires implementing legislation, which is included in the companion implementation bill that accompanies the Budget Bill. This cost-sharing approach should give counties incentives to more carefully audit and monitor homicide trial costs. As the Corona retrial made obvious, counties currently have no financial incentive to evaluate costs of conducting homicide trials once costs exceed the statutory threshold. Because the cost-sharing approach should help protect the state from future problems similar to those experienced with the Corona retrial, we recommend approval of the proposed change.

To further protect the state from the type of excessive costs that occurred during the Corona retrial, we recommend that the legislation also specify that the state will not reimburse counties for costs that exceed Board of Control standards for travel and per diem expenses. In addition, we recommend that the legislation limit reimbursement for attorney and investigator services to the rates charged by the Attorney General's office. The legislation, however, should permit the Controller to reimburse extraordinary costs, in unusual cases, if the county provides sufficient documentation of the need for such expenditures.

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS

Item 8190 from the General

Fund

Budget p. GG 16

Requested 1983-84	\$600,000
Estimated 1982-83.....	895,000
Actual 1981-82	1,664,000
Requested decrease \$295,000 (-32.9 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

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

Claims Payment

Funds are appropriated in this item to pay claims of up to \$50,000 each against all General Fund agencies except the University of California (claims against the University are funded under Item 6440). The Department of Justice administers the funds and, with the approval of the Board of Control, directly settles any claim up to \$25,000. Approval of the Department of Finance must be obtained for the payment of any claim between \$25,000 and \$50,000. Claims above \$50,000 generally are funded separately, through legislation containing an appropriation. Special fund agencies reimburse the General Fund for payments made under the program on their behalf.

Tort claims related to the state's Mediterranean Fruit Fly eradication efforts are not paid from this item. Chapter 332, Statutes of 1982 established a separate fund—the Mediterranean Fruit Fly Claims Fund—for the purpose of paying claims, settlements, or judgments against the state arising from the eradication efforts. In our analyses of the budgets for the Board of Control (Item 8700) and the Department of Justice (Item 0820), we discuss Medfly claims processing workload and related administrative costs.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$600,000 from the General Fund for payment of tort liability claims in 1983-84. This is the same amount as *appropriated* by the 1982 Budget Act. Total General Fund *expenditures* in 1982-83, however, are expected to be \$675,000 because of special legislation, Ch 602/82, which appropriated \$75,000 from the General Fund for payment of these claims.

Table 1 summarizes statewide tort liability claims in the current and budget years. In addition to the \$600,000 appropriated for claims of up to \$50,000 against General Fund state agencies, \$8,041,000 is budgeted for

claims against the Department of Transportation in 1983-84. Thus, the total amount budgeted in 1983-84 for claims against state agencies is \$8,641,000.

Table 1
Administration and Payment of Tort Liability Claims
Summary of Statewide Activity
(in thousands)

	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83</i>	<i>Proposed</i> <i>1983-84</i>	<i>Change</i> <i>1982-83 to 1983-84</i>	
				<i>Amount</i>	<i>Percent</i>
1. Staff Services					
a. Department of Justice					
General Fund	\$3,592	\$3,654	\$3,813	\$159	4.4%
Special Fund	2,259	2,435	2,651	216	8.9
b. Department of Transportation ..	4,366	4,584	4,768 ^a	184	4.0
c. Board of Control.....	74	75	75	—	—
Subtotals	\$10,291	\$10,748	\$11,307	\$559	5.2%
2. Claim Payments					
a. Department of Justice					
General Fund	\$1,628	\$675	\$600	-\$75	-11.1%
Special Fund	461	220	—	-220	-100.0
b. Department of Transportation ..	7,127	7,732	8,041 ^a	309	3.9
Subtotals	\$9,216	\$8,627	\$8,641	\$14	0.2%
3. Insurance Premiums					
a. General Fund	\$74	\$73	\$78	\$5	6.8%
b. Special Fund	232	227	231	4	1.8
Subtotals	\$306	\$300	\$309	\$9	3.0%
Totals	\$19,813	\$19,675	\$20,257	\$582	2.9%

^a These amounts do not reflect any impact from the reduction in Department of Transportation legal staff proposed in the Governor's Budget.

Unknown Impact of Attorney Reductions. The budget proposes a reduction of 34 attorney positions and 17 clerical staff from the Department of Transportation's legal unit. The department has not yet determined how the reduction will affect its ability to defend the state in tort litigation, and therefore it is unable to estimate the impact of the reduction on the amount of tort claim payments that may be made in the budget year. The tort liability item in the budget does not reflect any changes in either administrative costs or tort claim payments that could result from the proposed reduction in legal staff.

Table 2
Summary of Tort Claims Activity
(Excluding Department of Transportation)
(dollars in thousands)

	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>
1. Tort claims filed with Board of Control ^a	1,536	1,636	1,510	1,783
Change from prior year	8%	7%	-8%	18%
2. Total claims payments	\$1,952	\$1,965	\$2,643	\$2,089
Change from prior year	27%	1%	34%	21%
3. Administrative costs	\$2,863	\$3,185	\$3,855	\$5,925
Change from prior year	8%	11%	21%	54%

^a This amount does not include automobile tort claims, which are processed by the Insurance Office, Department of General Services.

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued

Table 2 shows total tort claims workload (excluding Caltrans) from 1978-79 through 1981-82. Claims payments and administrative costs have increased each year during the four-year period, although the rate of increase has fluctuated widely.

Tort Liability Insurance

In past years, this item provided funds to cover the cost of premiums charged by private insurance carriers to insure the state against tort liability for claims between \$5 million and \$50 million. This insurance coverage was terminated May 20, 1978, because the administration, with the concurrence of the Legislature, determined that it was no longer cost-beneficial for the state to buy this type of insurance at existing market rates.

Historically, the state also has purchased a number of small liability policies, some of which are required to fulfill equipment lease or revenue bonding requirements, and others which are discretionary. The budget estimates that the state will spend \$300,000 on such policies in the current year. This amount is \$6,000, or 2 percent, less than the amount expended in 1981-82.

In Section 4.7 of the 1981 and 1982 Budget Acts, the Legislature adopted language to prohibit the use of funds appropriated in the budget to purchase discretionary tort liability insurance policies unless 30 days' advance notice and a cost-benefit analysis of the proposed policies are provided to the Joint Legislative Budget Committee. Similar language is proposed in Section 7 of the 1983 Budget Bill.

COMMISSION FOR ECONOMIC DEVELOPMENT

Item 8200 from the General
Fund

Budget p. GG 17

Requested 1983-84	\$337,000
Estimated 1982-83	326,000
Actual 1981-82	270,000
Requested increase (excluding amount for salary increases) \$11,000 (+3.4 percent)	
Total recommended reduction	\$15,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. *Outside Consultants. Reduce Item 8200-001-001 by \$15,000.* Recommend deletion of funds for outside consultant because funding has not been justified. 1792

GENERAL PROGRAM STATEMENT

The Commission for Economic Development was established in 1972 to provide guidance on statewide economic development. It is composed of 17 members, including six members of the Legislature, and is chaired by the Lieutenant Governor. The commission's statutory responsibilities include considering and recommending economic development programs

for improving the state's economy. It is authorized to appoint advisory committees from outside its membership, and is required to report annually to the Governor and Legislature.

In the current year, the commission has a staff of 6.8 positions.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a General Fund appropriation of \$337,000 for support of the commission in 1983-84. This is \$11,000, or 3.4 percent, more than current-year expenditures. This increase will grow by the amount of any salary or benefit increase approved for the budget year.

Table 1 shows the past, current and budget-year requirements of the commission.

Table 1
Commission for Economic Development
Budget Requirements and Funding
(dollars in thousands)

	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83^a</i>	<i>Proposed</i> <i>1983-84</i>	<i>Changes from</i> <i>1982-83</i>	
				<i>Amount</i>	<i>Percent</i>
Costs					
Personal Services.....	\$168	\$194	\$200	\$6	3.1%
Operating Expenses	105	137	140	3	2.2
Total Costs	\$273	\$331	\$340	\$9	2.7%
Funding					
General Fund.....	\$270	\$326	\$337	\$11	3.4%
Reimbursements	3	5	3	-2	-40.0
Authorized Positions (staff-years)	6.3	6.8	6.8	—	—

^a This amount does not reflect the 2 percent unallotment directed by Executive Order D-1-83.

Budget-Year Changes

As shown in Table 1, the proposed \$11,000 increase in General Fund expenditures is the net result of (1) an additional \$6,000 budgeted for personal services, (2) an increase of \$3,000 for operating expenses and equipment and (3) a \$2,000 reduction in reimbursements.

The \$6,000 increase requested for personal services would be used for (1) merit salary adjustments and (2) restoration of the employer's retirement contribution, following a one-time reduction in the size of the contribution during 1983. The budget-year changes are summarized in Table 2.

Table 2
Budget-Year Changes
(in thousands)

	<i>Change</i>	<i>Total</i>
1982-83 Revised Budget		\$326
1. Cost Changes		
a. Merit salary adjustments.....	\$1	
b. Restoration of retirement contributions.....	5	
c. Operating expenses	3	
2. Decreased Reimbursements	2	
1983-84 Proposed Budget	\$11	\$337

COMMISSION FOR ECONOMIC DEVELOPMENT—Continued**Excessive Budgeting for Outside Consultants**

We recommend that the amount budgeted for external consultant and professional services be reduced by \$15,000 because these funds have not been justified. (Item 8200-001-001).

The budget requests \$15,000 for external consultant and professional services in 1983-84. This is the same amount budgeted for this purpose in the current year, but \$14,000 more than the \$1,000 actually spent during 1981-82. As of December 31, 1982, none of the \$15,000 budgeted for external consulting in 1982-83 had been spent. Moreover, at the time this *Analysis* was prepared, the commission was not able to identify any specific uses for these funds, either for the balance of the current year or for the budget year.

Lacking justification for these funds, we recommend that the \$15,000 budgeted for external consultant and professional services be deleted, for a corresponding savings to the General Fund.

MOTION PICTURE COUNCIL

Item 8220 from the Motion Picture Account of the Special Deposit fund

Budget p. GG 18

Requested 1983-84	\$192,000
Estimated 1982-83.....	184,000
Actual 1981-82	151,000
Requested increase (excluding amount for salary increases) \$8,000 (+4.3 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Motion Picture Council (MPC) was established in 1974 as an advisory body to encourage production of motion pictures in California. It is composed of 14 members. Ten public members, with specific qualifications, are appointed by the Governor. The remaining four members represent the Legislature.

Responsibilities of the MPC include (1) developing and distributing promotional materials which encourage production of films and commercials in California, (2) helping movie companies to secure filming locations and permits, (3) establishing fees and granting permits for filming on state-owned property, and (4) coordinating activities of local entities which perform similar functions.

Activities of the council are funded from fee-revenues which are deposited in the Motion Picture Council Account of the Special Deposit Fund. Annual expenditures of the council are limited to the amount of fee revenues collected each year and any surplus which may be available in the account from previous years.

The staff of the MPC consists of three positions in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$192,000 from the Motion Picture Council Account of the Special Deposit Fund for support of the council in 1983-84. This is \$8,000, or 4.3 percent, more than estimated current-year expenditures. This increase will grow by the amount of any salary or benefit increase approved for the budget year.

The budget proposes no staffing or program changes. The proposed \$8,000 increase reflects a \$5,000 increase in personal services expenditures, and an increase of \$3,000 in operating expenses for anticipated price increases. The \$5,000 increase in personal services expenditures consists of merit salary adjustments (\$1,000) and restoration of the employer's retirement contribution, following a onetime reduction in that contribution during the January-June 1983 period (\$4,000). Table 1 shows the council's budget requirements for the past, current and budget years, as well as the proposed changes for 1983-84.

Table 1
Motion Picture Council
Budget Requirements and Budget Year Changes
(dollars in thousands)

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change From</i>	
	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>	<i>1982-83</i>	
				<i>Amount</i>	<i>Percent</i>
Personal Services	\$96	\$95	\$100	\$5	5.3%
Operating Expenses	55	89	92	3	3.4
Totals	\$151	\$184	\$192	\$8	4.3%
Authorized positions (staff-years)	3.6	3.0	3.0	—	—

Fee Collections and Expenditures

Expenditures by the MPC are funded from fees which the council is authorized to establish and charge for the use of state-owned property in filming movies and commercials. Revenues from these fees are also used as reimbursements to affected state agencies, such as the Department of Parks and Recreation, for their costs associated with such filming.

Currently, the fees range from \$600 to \$1,200 per day of filming, depending on the number of vehicles admitted to the filming site. These fees were established in 1981 and are reviewed periodically by the council.

Economic Impact Study

In November 1982, the MPC contracted with the UCLA Graduate School of Management for an economic impact study of the California motion picture industry. Scheduled to be completed in March 1983, this study is to provide statistics on production levels, employment patterns, tax-revenue generation and competition for the California motion picture business. Information from this study will be used by the council to review the current permit process, and to design its promotional strategy for the coming year. In addition, the MPC will look into establishing a nonprofit organization for soliciting private donations to supplement its fee revenues.

General Government
CALIFORNIA ARTS COUNCIL

Item 8260 from the General
Fund

Budget p. GG 19

Requested 1983-84	\$9,827,000
Estimated 1982-83.....	10,833,000
Actual 1981-82	11,455,000
Requested decrease (excluding amount for salary increases) \$1,006,000 (-9.3 percent)	
Total recommended reduction	\$61,000

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8260-001-001—Support		General	\$2,143,000
8260-101-001—Local Assistance		General	6,934,000
8260-101-890—Local Assistance		Federal Trust	(852,000)
Chapter 1258, Statutes of 1980—Local Assistance		General	750,000
			<u>\$9,827,000</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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1. *Operating Expenses. Reduce Item 8260-001-001 by \$61,000.* Recommend deletion of amounts requested for various unjustified operating expenses.

GENERAL PROGRAM STATEMENT

The enabling legislation for the California Arts Council directs it to (a) encourage artistic awareness and expression, (b) assist local groups in the development of arts programs, (c) promote the employment of artists in both the public and private sector, (d) provide for the exhibition of artworks in public buildings, and (e) ensure the fullest expression of artistic potential. In carrying out this mandate, the Arts Council has focused its efforts on the development of a grants program to support artists in various disciplines.

The council has 54.7 authorized personnel-years during the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$9,827,000 from the General Fund for the California Arts Council in 1983-84. This is a decrease of \$1,006,000, or 9.3 percent, from estimated current-year expenditures. This reduction, however, makes no allowance for any salary or staff benefit increase that may be approved for the budget year.

In addition to General Fund support, the budget indicates that the council will receive federal funds totaling \$852,000 in 1983-84. Thus, as summarized in Table 1, the council is proposing a total expenditure program of \$10,679,000, a decrease of \$1,006,000, or 8.6 percent, from estimated current-year expenditures.

Table 1
California Arts Council
Budget Summary
(dollars in thousands)

	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83^a</i>	<i>Proposed</i> <i>1983-84</i>	<i>Change</i> <i>from 1982-83</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Funding</i>					
General Fund	\$11,455	\$10,833	\$9,827	-\$1,006	-9.3%
Federal funds	1,042	852	852 ^b	—	—
Totals	\$12,497	\$11,685	\$10,679	-\$1,006	-8.6%
<i>Program</i>					
Cultural participation	\$2,411	\$2,130	\$1,732	-\$398	-18.7%
Grant expenditures	(1,858)	(1,634)	(1,266)	(-368)	-22.5
Administrative costs	(553)	(496)	(466)	(-30)	-6.0
Organizational grants	6,889	6,885	5,956	-929	-13.5
Grant expenditures	(5,727)	(5,796)	(4,960)	(-836)	-14.4
Administrative costs	(1,162)	(1,089)	(996)	(-93)	-8.5
Direct support and training of artists	118	115	—	-115	-100.0
Grant expenditures	(80)	(73)	(—)	(-73)	-100.0
Administrative costs	(38)	(42)	(—)	(-42)	-100.0
Statewide projects	3,079	2,555	2,991	436	17.1
Grant expenditures	(2,441)	(1,908)	(2,335)	(427)	22.4
Administrative costs	(638)	(647)	(656)	(9)	1.4
Central Administration (distributed) ..	(1,315)	(1,328)	(1,471)	(143)	10.8
Totals (all funds)	\$12,497	\$11,685	\$10,679	-\$1,006	-8.6%
Grant expenditures	10,106	9,411	8,561 ^c	-850	-9.0
Administrative costs	2,391	2,274	2,118 ^c	-156	-6.9
Personnel-years	53.7	54.7	44.8	-9.9	-18.1

^a Estimated expenditures for 1982-83 do not reflect the two percent unallotment directed by Executive Order D-1-83.

^b The council advises that federal funds will total \$602,000 in 1983-84, not \$852,000, as shown in the Governor's Budget and contained in the Budget Bill.

^c Due to a mathematical error, grant expenditures and administrative cost totals do not match those shown on page GC 26 of the Governor's Budget and contained in the Budget Bill.

Proposed Program Reductions

The budget proposes a reduction of \$1,684,000, reflecting cuts in several grant programs (\$1,387,000) and related administrative costs (\$297,000). These reductions are shown in Table 2. Individual reductions are discussed below.

Table 2
California Arts Council
Proposed Budget Reductions

<i>Grants</i>	
Artists in Social Institutions	\$368,000
Touring Programs	315,000
Public Participation	275,000
Technical Assistance	160,000
Interagency Arts Coordination	110,000
Statewide Arts Service Organizations	86,000
Maestro-Apprentice Program	73,000
Administrative Costs	297,000
Total	\$1,684,000

CALIFORNIA ARTS COUNCIL—Continued

Artists in Social Institutions. The budget proposes to eliminate this program, for a savings of \$368,000 in grants. This program supports artists who conduct participatory arts activities in social institutions, such as hospitals, correctional facilities, mental health facilities, and homes for the elderly.

Touring Programs. The touring programs reimburse nonprofit sponsors for up to 50 percent of the fees paid to touring artists, in order to improve access to performing arts programs throughout the state. The budget proposes to reduce grants funded from state and federal sources for the touring programs from \$859,000 to \$544,000. This is a reduction of \$315,000, or about 37 percent, from the current-year level. Furthermore, the Arts Council advises us that only \$125,000 in federal funds will be available for the touring programs in 1983–84, not the \$375,000 shown in the budget document. Thus, in the aggregate, the reduction in state and federal funds would leave \$294,000 in grant funds for the touring programs in the budget year. This is \$565,000, or 66 percent, less than the current-year levels.

Public Participation. The budget also proposes to eliminate this program, which helps arts organizations include special constituencies in their planning and programming, through such activities as publicity, reduced ticket prices, and additional performances, for a savings of \$275,000 in grants.

Technical Assistance. This program provides fiscal and management services and training to artists and arts organizations that represent underserved populations. As proposed by the administration, the program would be reduced by \$160,000, or 58 percent, from the current-year level of grant funds.

Interagency Arts Coordination. This program, which supports and coordinates arts programs with other state departments, is also proposed for elimination, for a savings of \$110,000 in grant funds.

Statewide Arts Service Organizations. This program supports statewide associations of arts organizations through grants for conferences, workshops, seminars, and information services. The budget proposes to eliminate funding for the program, for a savings of \$86,000 in grant funds.

Maestro-Apprentice Program. Also proposed for elimination is this program, under which experienced master artists provide apprenticeship training for young artists, for a savings of \$73,000 in grants.

Administration. The budget also proposes to reduce related administrative costs by \$297,000 and seven positions.

Because of the nature of these programs, we have no analytical basis for recommending that any of them be restored to previous levels.

In addition to the proposed reductions, the budget requests an *increase* of \$537,000 to reestablish full-year funding for the State and Local Partnership program. Last year, in response to a recommendation contained in our *Analysis*, the Legislature shifted the program's funding cycle, allowing a one-time reduction of \$537,000. The proposed return to full-year funding is consistent with the Legislature's action of last year, and we recommend that the additional amount be approved.

Operating Expenses Overbudgeted

We recommend a reduction of \$61,000 to eliminate overbudgeting for operating expenses, for a corresponding savings to the General Fund (Item 8260-001-001).

The Arts Council's budget request includes \$879,000 for operating expenses. Our analysis of the proposed expenditures indicates that \$61,000 of this amount is not justified, as summarized in Table 3. A discussion of each item follows.

Table 3
California Arts Council
Reductions in Operating Expenses Recommended by Analyst

<i>Purpose</i>	<i>Amount Requested</i>	<i>Analyst's Proposal</i>	<i>Difference</i>
Central administration	\$25,000	—	\$25,000
Grants panel transportation.....	52,000	\$48,000	4,000
Administrative intern	16,000	—	16,000
Evaluation funds.....	80,000	68,000	12,000
Newsletter articles	4,000	—	4,000
Total.....			\$61,000

Central Administration. The budget includes \$25,000 to pay for a portion of the central administrative costs of various state agencies, such as the Department of Finance and the Department of General Services. Because the Arts Council is supported by the General Fund, however, it is not billed for these costs. Therefore, the \$25,000 is not needed, and we recommend its deletion.

Grants Panel Transportation. The council's budget includes \$52,000 to pay travel costs of persons who serve on panels that review grant applications. Due to the proposed reductions in the council's budget, two review panels will be eliminated, for a savings of \$4,000. These savings, however, are not reflected in the council's budget. Accordingly, we recommend deletion of \$4,000.

Administrative Intern. The council proposes to add an intern to its staff for nine months to help with the review of grant applications, at a cost of \$16,000. However, the elimination of the two grant review panels discussed above, should reduce—rather than increase—the council's administrative workload. Therefore, the addition of the one intern is not supported by workload, and we recommend deletion of the \$16,000 requested for this purpose.

Evaluation Funds. The budget proposes \$80,000 to evaluate the council programs that fund resident artists in schools, communities, and social institutions. Because the artists in social institutions program is proposed for elimination, the scope of the evaluation projects can be scaled back, for a savings of \$12,000. Accordingly, we recommend that this amount be deleted.

Newsletter Articles. The budget includes \$14,000 for an intern to write articles for the council's newsletter. This is about the same amount that is budgeted for this activity in the current year. In addition, the budget proposes an increase of \$4,000 to purchase articles for the newsletter. The council, however, has no plans for expanding the size or number of issues of the newsletter. Therefore, our analysis indicates that the need for commissioned articles is not justified on the basis of workload, and we recommend deletion of \$4,000 requested for this purpose.

NATIVE AMERICAN HERITAGE COMMISSION

Item 8280 from the General
Fund

Budget p. GG 27

Requested 1983-84	\$148,000
Estimated 1982-83	172,000
Actual 1981-82	193,000
Requested decrease (excluding amount for salary increases) \$24,000 (-14.0 percent)	
Total recommended reduction	\$1,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Communication Expenses. Reduce by \$1,000.* Recom- 1798
mend reduction to eliminate overbudgeting.

GENERAL PROGRAM STATEMENT

The nine-member Native American Heritage Commission was established on January 1, 1977, by Chapter 1332, Statutes of 1976. Commission members are appointed by the Governor and serve without compensation, although they are reimbursed for their actual and necessary expenses. The commission's responsibilities and powers are directed toward the identification, cataloging and preservation of places of special religious or social significance to Native Americans, in order to ensure the expression of Native American religion. The commission has 4.1 authorized positions in the current year. Support services are provided by the Department of General Services.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$148,000 from the General Fund for support of the commission in 1983-84. This is a decrease of \$24,000, or 14 percent from estimated current-year expenditures. This decrease, however, makes no allowance for any salary or staff benefit increases that may be approved for the budget year. The decrease proposed in the level of commission expenditures reflects savings from the elimination of funding for both a resource coordinator and a limited-term archaeologist position, partially offset by increases in operating expenses.

Overbudgeted Communication Costs

We recommend a reduction of \$1,000 due to overbudgeting of communication expenses.

The 1983-84 budget states that communication expenditures by the board are estimated to be \$10,000. Discussions with Department of General Services staff indicate that this amount was not calculated in accordance with the budget directions issued by the Department of Finance. As a consequence, the requested amount is \$1,000 in excess of what will be needed in the budget year. Accordingly, we recommend a \$1,000 reduction in communication-related expenses.

Budget Bill Language Requires Termination

Language contained in the 1981 Budget Act (Item 8280-001-001) provides that the Native American Heritage Commission shall be phased out during the period 1981-82 through 1984-85. This language is also contained in the 1983 Budget Bill.

CALIFORNIA PUBLIC BROADCASTING COMMISSION

Item 8290 from the General
Fund

Budget p. GG 29

Requested 1983-84	\$1,940,000
Estimated 1982-83.....	2,437,000
Actual 1981-82	2,025,000
Requested decrease (excluding amount for salary increases) \$497,000 (-20.4 percent)	
Total recommended reduction	\$146,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Public Broadcasting Fund. Recommend enactment of legislation to eliminate the Public Broadcasting Fund. 1801
2. *Public Broadcast Facilities. Reduce Item 8290-001-001 by \$146,000.* Recommend a reduction in funds proposed for this program because no analytical justification is available to support the proposed increases. 1802

GENERAL PROGRAM STATEMENT

The California Public Broadcasting Commission (CPBC) was established by Ch 1227/75 as an independent entity in state government. The commission is composed of 11 members, and is charged with encouraging the growth and development of public broadcasting. Specified duties and powers of the commission include (1) making grants to public broadcasting stations, (2) facilitating statewide distribution of public television and radio programs, (3) applying for, receiving and distributing funds, (4) conducting research and demonstration activities, (5) promulgating regulations, (6) supporting systems of interconnection between stations, and (7) reporting annually to the Governor and Legislature. As a result of Ch 1086/79 (AB 699), the commission is also required to encourage local and state government and educational use of cable channels.

The commission has 11.2 authorized personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$1,940,000 from the General Fund for support of the California Public Broadcasting Commission (CPBC) in 1983-84. This is \$497,000, or 20.4 percent, less than estimated expenditures from all funds in 1982-83. However, current-year expenditures include \$557,000 in specified one-time costs including:

- \$350,000 for environmental programming by public broadcasting, financed by the Environmental License Plate Fund,
- \$50,000 for statewide telecommunications planning, financed from federal funds, and
- \$157,000 for specific hardware construction, financed by the General Fund.

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

Table 1
California Public Broadcasting Commission
Budget Summary by Program
(in thousands)

<i>Programs</i>	<i>Actual 1981-82</i>	<i>Estimated 1982-83^a</i>	<i>Proposed 1983-84</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Statewide Programming:					
Grants.....	\$1,086	\$1,166	\$775	-\$391	-33.2%
Continuing Program Costs	230	186	128	-58	-31.7
Total	\$1,316	\$1,352	\$903	-\$449	-33.2%
Personnel-years	2.3	2.1	0.5	-1.6	-76.2
Public Broadcast Facilities:					
Grants.....	\$280	\$446	\$571	\$125	28.0%
Continuing Program Costs	137	125	208	83	66.4
Total	\$417	\$571	\$779	\$208	36.4%
Personnel-years	2.1	1.9	2.4	0.5	26.3
Statewide Distribution/Intercon- nection:					
Grants.....	—	\$157	—	-\$157	—
Continuing Program Costs	\$202	274	\$204	-70	-25.6%
Total	\$202	\$431	\$204	-\$227	-52.7%
Personnel-years	2.6	2.6	1.7	1.1	-39.3
Research and Demonstration/ Telecommunications:					
Grants.....	\$15	—	—	—	—
Continuing Program Costs	142	\$59	—	-\$59	—
Total	\$157	\$59	—	-\$59	—
Personnel-years	2.1	1.9	—	1.9	—
Cable Responsibilities:					
Expenditures	—	\$24	\$54	\$30	125.0%
Personnel-years	—	—	0.5	-0.5	—
Administration (distributed)	(\$185)	(\$225)	(\$229)	(\$4)	(1.8%)
Personnel-years	2.6	2.5	3.5	1.0	40.0
Totals	\$2,092	\$2,437	\$1,940	-\$497	-0.2%
(Grants)	(\$1,381)	(\$1,769)	(\$1,346)	(\$-423)	(-23.9%)
(Continuing Program Costs)	(711)	(668)	(594)	(-74)	(-11.1)
Total Personnel-years.....	11.7	11.2	8.6	-2.6	-23.2
Funding					
General Fund.....	\$1,989	\$1,919	\$1,940	\$21	1.1%
Federal Trust Fund	50	50	—	-50	—
Environmental License Plate Fund.....	100	350	—	-350	—
Public Broadcasting Fund.....	-114	118	—	-118	—

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

Thus, the apparent decrease in total expenditures is due to the elimination of one-time funds, rather than to program reductions. In fact, when one-time expenditures are excluded from the totals, the level of funding proposed for the CPBC in 1983-84 is \$60,000, or 3 percent, above the comparable 1982-83 level. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

Table 1 shows funding sources for the CPBC in the past, current and budget year, as well as estimated and proposed expenditures for all CPBC programs.

State Telecommunications Policy

In the *Analysis of the 1982-83 Budget Bill*, we pointed out that a significant percentage of the commission's funding is directed toward telecommunications activities, including planning and some acquisition of telecommunications hardware. Noting a lack of overall policy coordination and direction in the telecommunications area, we recommended that the appropriate legislative committee hold hearings on state telecommunications policy and programs, including those programs in the telecommunications area administered by the CPBC.

At the direction of the Legislature, we have undertaken a study of state policy in the telecommunications area. In the course of that study, we found that the disarray and fragmentation of state telecommunications policy is even more serious than we thought at the time we prepared last year's *Analysis*, and that this fragmentation is continuing to increase. Our report, which will be transmitted to the Legislature during February or March, will focus on those actions that could be taken to facilitate the development of a sound policy toward state telecommunications activities, including those carried out by the CPBC.

Zero-Based Budget

As required by the *Supplemental Report of the 1982 Budget Act*, the CPBC has submitted to the Department of Finance a zero-based budget for 1983-84. Our analysis of the materials provided by the commission and the Department of Finance indicate that these agencies have done a commendable job in fulfilling this requirement and in establishing the baseline needs of CPBC programs.

Public Broadcasting Fund

We recommend enactment of legislation to eliminate the Public Broadcasting Fund because the fund complicates unnecessarily the budget process.

State funds to support the CPBC primarily come from the General Fund. In the past, this support has been provided through the Public Broadcasting Fund (PBF), which was established to support the development, operation, interconnection, and programming of public broadcasting systems throughout the state. Originally, the Legislature anticipated that the PBF would receive revenues from the General Fund, the federal government, and other public or private grants.

Our analysis indicates that there is no justification for continuing the Public Broadcasting Fund.

The PBF was originally established as a continuously appropriated fund to better facilitate grant awards to public broadcasting facilities. As a result

CALIFORNIA PUBLIC BROADCASTING COMMISSION—Continued

of Ch 1284/78 (AB 3322), however, all resources available to the fund will be subject to appropriations in the annual Budget Acts, beginning on July 1, 1983. Thus, the original justification for the fund no longer exists.

In fact, we believe that the existence of the fund results in unnecessary administrative expense, due to the necessity of transferring monies through an additional fund for use by the CPBC.

Accordingly, we recommend enactment of legislation to terminate the Public Broadcasting Fund. We further recommend that, beginning in 1983–84, (1) General Fund support for the CPBC be appropriated directly to the commission, (2) federal grants be appropriated directly to the commission from federal trust funds, and (3) other public or private grants be appropriated as reimbursements to the commission through the General Fund item.

Public Broadcast Facilities

We recommend that the level of funding for grants and administrative costs be continued at the current year levels because the proposed increases have not been justified, for a savings of \$146,000 to the General Fund.

By statute, the CPBC is charged with the responsibility for supporting public broadcasting. One way in which it fulfills its responsibility is by making direct grants to public broadcasting television and radio stations. These grants, which are budgeted at \$570,500 in 1983–84, are disbursed in equal amounts to all public broadcasting television stations (\$22,000 each) and radio stations (\$4,500 each). In addition, each of five minority-controlled and operated public broadcasting stations received \$4,950 in 1982–83, and is scheduled to receive \$12,000 in 1983–84. The justification for these additional grants is that the viewing/listener audience for minority stations is less affluent than the audiences for other stations. Furthermore, most minority stations are relatively new, and pledges and contributions from listeners are not yet sufficient to sustain these stations.

Direct grants are used by television and radio broadcasters for a variety of purposes. For example, in the current year, five television stations used these grants to support or expand local programming. One television station used the money for local promotion of programs, while another used the funds to purchase 10 video cassette recorders for classroom teachers to use (on a loan basis) in conjunction with instructional television.

Use of the grants by radio stations also varied widely. Eight radio stations bought equipment to expand or improve the technical quality of their local productions. Six intended to use the funds as seed money to raise additional local financial support for programs. Five applied the funds directly to productions, through payment of personnel and production expense. Three applied the money to needed repair or maintenance of facilities for broadcast. One used the money to promote public awareness of local programs.

A second manner in which the CPBC aids public broadcasting stations is through its fellowship program. This program, established in 1981–82, has placed 12 fellows with public broadcasting stations. All 12 fellows are still in the program, so there is no data available on the success of the program in terms of placing fellows in long term, full-time employment with public broadcasting facilities.

Table 2
Base Grants to Public Broadcast Facilities

	1981-82	Estimated 1982-83	Percent Increase	Proposed 1983-84	Percent Increase
Public Radio Stations (27) ^a	\$2,520	\$3,592	42.5%	\$4,500	25.3%
Public TV Stations (12)	10,200	17,750	74.0	22,000	23.9
Minority-Operated Stations (5)	—	4,950	100.0	12,000	142.4
Fellowship Program (Total)	90,000	90,000	—	125,000	38.9

^a Twenty-five radio stations participated in this program in 1981-82.

Table 2 lists the amount of CPBC direct grants to public broadcasting stations in the past, current and budget years. As the table demonstrates, the budget proposes significant increases in funding for both the direct grants and the fellowship program in 1983-84. Our review of the proposed increases shows that: (1) There is no analytical basis for selecting one level of funding for *direct grants* over another level. Rather, the appropriate level of funding for grants depends on the priority of these grants to the Legislature, relative to other demands on the state's General Fund. (2) Because the fellowship program has yet to place any fellows in full-time employment, and therefore has not demonstrated its effectiveness, any increase in the level of funding for the program at this time would be premature.

In light of other demands made on the General Fund, and the sharp cutbacks proposed in the budget for other programs having a high priority to the Legislature, we recommend that these programs be continued at the current year funding levels, for a savings in Item 8290-001-001 of \$146,000.

AGRICULTURAL LABOR RELATIONS BOARD

Item 8300 from the General
Fund

Budget p. GG 35

Requested 1983-84	\$7,106,000
Estimated 1982-83	8,981,000
Actual 1981-82	8,826,000
Requested decrease (excluding amount for salary increases) —\$1,875,000 (—20.8 percent)	
Total recommended increase	\$1,132,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Staff Reduction. Augment by \$1,132,000.* Recommend staffing level based on appropriate ALRB and NLRB standards.

1804

GENERAL PROGRAM STATEMENT

The Agricultural Labor Relations Board (ALRB) protects the rights of agricultural workers to join employee organization, bargain collectively with their employers, and engage in concerted activities through representatives of their own choosing. Agricultural workers currently are excluded from coverage under the National Labor Relations Act, which

AGRICULTURAL LABOR RELATIONS BOARD—Continued

guarantees similar benefits to other workers in the private sector.

Current-year staffing for the board is 192.7 personnel-years.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$7,106,000 from the General Fund for support of the ALRB in 1983-84. This is a decrease of \$1,875,000, or 20.8 percent, below estimated current-year expenditures. The reduction, however, makes no allowance for any salary or staff benefit increase that may be approved for the budget year.

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

Table 1
Agricultural Labor Relations Board
Budget Summary
(dollars in thousands)

	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83</i>	<i>Proposed</i> <i>1983-84</i>	<i>Change from</i> <i>1982-83</i>	
				<i>Amount</i>	<i>Percent</i>
Administrative services					
(distributed)	(\$642)	(\$683)	(\$629)	(-\$54)	(-7.9%)
Personnel-years	18.1	17.4	12.2	-5.2	-29.8
Board administration	3,619	3,587	2,837	-750	-20.9
Personnel-years	70.3	65.2	48.1	-17.1	-26.2
General counsel administration	5,207	5,394	4,269	-1,125	-20.9
Personnel-years	109.3	110.1	74.6	-35.5	-32.2
Totals	\$8,826	\$8,981	\$7,106	-\$1,875	-20.8%
Personnel-years	197.7	192.7	134.9	-57.8	-30.0

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

The decrease proposed in the board's budget for 1983-84 is due primarily to a proposed staffing reduction which would result in total savings of \$2,344,000 in the budget year. The administration proposes elimination of (a) three legal positions, in order to minimize the proliferation of individual departmental "house counsel" staffs which duplicate state legal services provided by the Attorney General, for a savings of \$144,000 and (b) 47.4 positions to bring ALRB staffing in line with workload and staffing standards which it developed in 1979, for a savings of \$2.2 million. The decrease is offset, in part, by routine merit salary and price adjustments.

Agency Unable to Fulfill its Mandates Under Budget Reductions

We recommend that Item 8300 be augmented by \$1,132,000 to restore 22.2 positions (17.2 technical and 5 clerical positions) to enable the ALRB to carry out its statutory responsibilities.

Although the budget states that the proposed staffing reductions are designed to bring the board's staffing in line with its 1979 staffing standards, our analysis indicates that the ALRB would *not* be able to fulfill its statutory responsibilities with the proposed staffing level. Specifically, we have these concerns with the administration's proposal.

1. *Reductions in "house counsel" ignore the nature of the board's activities.* Our analysis indicates that the reasons given for eliminating "house

counsel" in other line departments do not apply to the ALRB. The Legislature has authorized the board to perform its own legal work, including representing itself in appeals before the courts. More importantly, because the ALRB is a quasi-judicial agency, it employs attorneys at every level of its operation. Consequently, it does not have what might be considered a typical "house counsel" unit.

2. *The Department of Finance (DOF) did not apply the 1979 workload and staffing standards correctly.* The 1979 standards used by DOF to determine the appropriate level of funding for the board in 1983-84 are "field standards." They were designed for application to the regional offices only; they were never intended to apply to the general counsel's litigation staff or the board administration staff, as DOF has done.

3. *The DOF made several calculating errors in applying the 1979 standards to the board's workload for 1983-84.* For example, it applied the standards for handling unfair labor practice (ULP) cases to an estimated workload of 937 cases, rather than to the 1,000 cases shown in the budget. In some instances, adjustments were applied against inappropriate classifications.

Our analysis also notes, however, that the ALRB has contributed to the budget problem of improperly identifying staffing requirements for 1983-84 by failing to (1) administer and to validate the 1979 standards and (2) develop standards for other areas of board activity such as compliance and court litigation. In 1979, due to the newness of the Agricultural Labor Relations Act, the ALRB's caseload had not significantly affected these areas. By now, however, the ALRB should have been able to develop these standards because the National Labor Relations Board (NLRB), after which the ALRB was patterned, has pioneered a workload standards system which has become a model for other federal agencies.

We recommend that ALRB staffing be based on its own workload standards and, in those case where the board has failed to develop standards, on applicable NLRB standards. Table 2 provides a staffing pattern for the ALRB, that our analysis indicates is needed to meet ongoing statutory requirements in 1983-84.

In some cases, we have modified NLRB standards to account for procedural differences in the two agencies. For example, ALRB unfair labor practices (ULP) hearings tend to be longer than NLRB hearings because most testimony given before ALRB hearing officers must be translated from a foreign language, primarily Spanish, to English. Moreover, many issues, such as make-whole remedies, are more difficult for the ALRB to resolve because of the highly transient nature of employment in California agriculture. In these areas, we have allowed approximately 50 percent more processing time for the ALRB. We based this adjustment on the difference between the "field level" standards for the two boards in processing ULP complaints (148 hours for the NLRB versus 226 hours for the ALRB).

The staffing shown in Table 2 represents technical staff only. Clerical staff is budgeted at the rate of 40 percent of technical staff by the NLRB and 29 percent by the ALRB. On the basis of the ALRB past experience, we estimate that 5.0 clerical positions are needed to support the 17.2 additional technical staff positions identified in Table 2.

Thus, on a workload basis, we recommend that Item 8300 be augmented by \$1,132,000 to restore 22.2 positions to the ALRB program. Approval of this recommendation would result in a budget that is \$743,000, or 8.3 percent, below the board's estimated current-year expenditures.

AGRICULTURAL LABOR RELATIONS BOARD—Continued

Table 2
Legislative Analyst's Recommended
Staffing Level of Primary ALRB Activities for
Technical Staff Based on ALRB or NLRB
Production Standards^a

	<i>Production Standards (in hours)</i>	<i>Projected Workload units</i>	<i>Staffing Recommended by Legislative Analyst (Personnel- years)</i>	<i>Staffing Level Proposed in Governor's Budget (Personnel- years)</i>	<i>Difference</i>
Board Administration					
• Board decisions.....	143 ^c	100	7.9	—	—
• Miscellaneous motions	10 ^b	400	2.2	—	—
• ULP hearings	155 ^c	125	10.8	—	—
• Representation cases					
—Settled prior to hearing	37 ^b	7	0.2	—	—
—Settled by hearing	50 ^b	18	0.5	—	—
• Language translation services.....	—	—	1.0	—	—
Subtotals	—	—	22.6	19.0	3.6
General Counsel Field Staff					
• Election petitions	94	75	3.9	—	—
• ULP charges	55	1,000	30.6	—	—
• ULP complaints	226	130	16.3	—	—
• Compliance	150 ^c	45	3.8	—	—
Subtotals	—	—	54.6	42.0	12.6
General Counsel—Court Litigation					
• Appeal of board decisions	231 ^c	43	5.5	—	—
• Injunctions	95 ^b	30	1.6	—	—
• ULP advice	39 ^b	64	1.4	—	—
• Miscellaneous	—	—	.5	—	—
Subtotal.....	—	—	9.0	8.0	1.0
Total Technical Staff.....	—	—	86.2	69.0	17.2

^a Table excludes all management, supervisory, and clerical personnel.

^b NLRB standard.

^c Modified NLRB standards.

Agency Publication

Pursuant to Ch 1632/82, which requires the review of certain state agency publications, the board recommends that it be permitted to continue publishing its annual report to the Legislature. We concur with the board's recommendation because the report provides valuable information which assists the Legislature in monitoring ALRB activities.

PUBLIC EMPLOYMENT RELATIONS BOARD

Item 8320 from the General
Fund

Budget p. GG 41

Requested 1983-84	\$4,817,000
Estimated 1982-83.....	4,626,000
Actual 1981-82	4,422,000
Requested increase (excluding amount for salary increases) \$191,000 (+4.1 percent)	
Total recommended reduction	\$225,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
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1. *Administrative Overhead. Reduce by \$155,000.* Recommend deletion of two regional director positions and related clerical support, because the board's existing regional office structure results in unnecessary overhead costs. 1808
2. *Field Clerical Positions. Reduce by \$70,000.* Recommend deletion of four clerical positions not justified by workload standards. 1809
3. *Administrative Reform.* Recommend legislation to clarify management accountability in the board, for a potential General Fund savings ranging from \$92,000 to \$1.0 million annually. 1809

GENERAL PROGRAM STATEMENT

The Public Employment Relations Board guarantees to public education and state civil service employees, the right to join employee organizations and engage in collective negotiations with their employers regarding salaries, wages, and working conditions. It does so by administering three acts: (1) the Education Employment Relations Act (EERA), which affects public education employees (K through 14), (2) the State Employer-Employee Relations Act (SEERA), which affects state civil service employees, and (3) the Higher Education Employer-Employee Relations Act (HEERA). The Board is authorized to have 105.6 personnel-years in 1982-83.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$4,817,000 from the General Fund for support of the Public Employment Relations Board (PERB) in 1983-84. This is an increase of \$191,000, or 4.1 percent, above estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year. The \$191,000 increase is due primarily to merit salary adjustments and increases for the impact of inflation on the board's 1982-83 budget for operating expenses.

During 1982-83, the board anticipates spending \$600,000 from the \$908,000 remaining from a 1979 Budget Act appropriation for one-time costs associated with the implementation of HEERA and SEERA. The board is requesting reappropriation of the balance remaining from that appropriation (\$308,000) to cover costs primarily associated with HEERA. Thus, the board proposes a total expenditure of \$5,125,000 in 1983-84. This is \$101,000, or 1.9 percent, below current-year expenditures (including expenditures from the 1979 appropriation).

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued

Table 1 shows the board's proposed expenditures and personnel-years by program, for the prior, current, and budget years.

Table 1
Public Employment Relations Board
Budget Summary
(dollars in thousands)

Program	Actual 1981-82	Estimated 1982-83 ^b	Proposed 1983-84	Change from 1982-83	
				Amount	Percent
Administration (distributed to other programs)	(\$788)	(\$940)	(\$982)	(\$42)	(4.5%)
Personnel-years	(27.7)	(34.6)	(34.6)	—	—
Board operations	1,351	1,428	1,484	56	3.9
Personnel-years	30.5	29.5	29.5	—	—
Regional office operations	1,186	1,156	1,203	47	4.1
Personnel-years	26.2	31.5	31.5	—	—
Administrative law	1,448	1,490	1,549	59	4.0
Personnel-years	27.7	31.5	31.5	—	—
General counsel	437	552	581	29	5.3
Personnel-years	11	13.1	13.1	—	—
Totals, ongoing costs	\$4,422	\$4,626	\$4,817	\$191	4.1%
Unallocated workload adjustment ^a	—	600	308	-292	-48.7
Totals	\$4,422	\$5,226	\$5,125	-\$101	-1.9%
Personnel-years	95.4	105.6	105.6	—	—

^a One-time cost funded from reappropriations.

^b Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

Excessive Administrative Overhead Costs

We recommend deletion of two regional director positions and related clerical support, in order to eliminate excessive administrative overhead, for a General Fund savings of \$155,000.

The PERB operates three field offices—in Sacramento, Los Angeles, and San Francisco—with a regional director, public employment relations representatives, hearing officers, a regional attorney, and clerical support staff located in each office. The regional directors in Los Angeles and San Francisco are supervised by the regional director in Sacramento who, in turn, reports to the general counsel who is also located in Sacramento. Neither the regional attorneys nor the hearing officers report to the regional director, but instead, also report to the general counsel.

Our review indicates that, each regional director supervises an average of only 2.3 public employment relations officer positions. The officers handle matters relating to representation issues, including supervising elections to allow public employees to select appropriate employee organizations. They also arrange for mediation and fact-finding when negotiations between employers and employee organizations reach an impasse. In fact, because one of these positions has been vacant since August 1981, each regional director has actually supervised only two professional employees during the past 18 months. Yet, the PERB regional directors receive approximately the same salary as their counterparts in the Agricultural Labor Relations Board (ALRB) who supervise an average of

10.7 attorneys and field examiners.

We can find no basis for maintaining one regional director for each 2.3 public employment relations officers, especially in view of the greater responsibility required of the regional director counterparts in the ALRB. A single regional director located in Sacramento should be sufficient to supervise seven public employment relations officers in the field offices. For this reason, we recommend deletion of two regional director positions and related clerical support, for a General Fund savings of \$155,000.

Clerical Positions Overstaffed

We recommend deletion of four clerical positions to bring PERB clerical staffing in line with NLRB standards and ALRB practices, for a General Fund savings of \$70,000.

The PERB currently has 33 technical and 22 clerical positions in its three regional offices, the general counsel's office and the division of administrative law (which houses the board's hearing officers). This is a staffing ratio of one clerical position for every 1.5 technical positions. The National Labor Relations Board (NLRB) and the Agricultural Labor Relations Board (ALRB) perform similar functions with a staffing ratio of not more than one clerical position for each two technical staff members. Our analysis indicates that the duties carried out by the PERB staff are not sufficiently different from the duties carried out by their NLRB and ALRB counterparts to justify a higher clerical support ratio. We, therefore, recommend the deletion of four clerical positions, for a savings of \$70,000, to bring PERB clerical staffing in line with NLRB standards and ALRB practices.

PERB Needs Restructuring

We recommend that legislation be enacted making (1) the board chairman clearly accountable to the Governor and the Legislature for case processing at the board level and (2) the general counsel accountable for all other management matters.

In each of our last two analyses, we have raised concerns about the PERB's inability to issue decisions on a timely basis.

Some of the cases on the board's docket involve allegations by employees that they have been discriminated against by their employer or employee organization because they exercised their rights under the new collective bargaining laws. Such discrimination cannot be remedied, nor can the rights of other employees be protected, until the board issues its decisions.

Two years ago, we presented data which showed that in 1980 the board was four times slower than the ALRB, three times slower than the New York State Public Employment Relations Board, and almost eight times slower than the Massachusetts Labor Relations Commission, in processing unfair labor practice (ULP) cases at the board level. (For a more complete discussion see the *Analysis of the 1981-82 Budget Bill*, pp. 1513-1515.)

PERB Continues to Have Productivity Problems. In order to improve case processing, the Legislature enacted Ch 1088/80 which increased the board from three to five members, effective January 1, 1981. (This will result in costs of \$594,000 in 1983-84.) In addition, the Legislature adopted language in the *Supplemental Report to the 1981 Budget Act* requiring the board to establish time targets and related procedures for its case processing system, and to report to the fiscal committees on its actions by December 1, 1981.

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued

In its report, the board indicated that it had established time targets. Our review, however, indicated that the board had *not* adopted procedures to meet these time targets. Moreover, we found that it was impossible to compare the board's targets with the time targets adopted by comparable agencies, such as the New York and Massachusetts boards, because the PERB's time targets addresses processing time from the date of deliberation to the date on which a decision is issued. The time targets used by other boards to manage their workload are aimed at processing time from the date that they *received* a case and all other related materials, rather than the date of deliberation.

In last year's *Analysis* we demonstrated that the board's 1981 record was even worse than its 1980 record. The expanded board had issued even fewer decisions in 1981 than the three-member board had issued in previous years. (See *Analysis of the Budget Bill for Fiscal Year 1982-83*, pp. 1641-1643.) In response to the poor performance by the board, the Legislature adopted language in *The supplemental Report of the 1982 Budget Act* requiring the board to report quarterly to the Legislature, beginning July 1, 1982, "on its progress in complying with its procedures for processing of its cases".

The board did not issue its first report until December 30, 1982—six months after the due date. The report shows that case processing at the field staff level has been expedited to meet the board's time targets, and that new procedures have been adopted by the board to expedite case processing. Further, the report indicated that PERB had established a new goal to issue two decisions per board member per month, for a total of 120 decisions per year.

The report, however, fails to prove that significant progress has been made at the board level to meet its case processing goal. Although it more than doubled its 1981 performance when it issued only 36 decisions, the board issued only 84 ULP and representation case decisions in 1982. This was far short of its goal, and 20 percent fewer decisions than the number issued by the ALRB, even though it had one of its 5 board positions vacant during that year. Seventeen of PERB's 1982 decisions were issued during the last 17 days of the year.

The PERB's report also demonstrates that very little progress has been made in reducing the time that it takes to process cases. For example, on January 1, 1982, the board had six cases on its docket for more than two years, 19 cases for more than 18 months, and 40 cases for more than 12 months. According to the board's report, on September 30, 1982, there were six cases that had been on the docket for more than two years, 18 cases for more than 18 months, and 42 cases for more than 12 months.

Problems Not Due to Lack of Resources. A lack of funds is not the source of the board's problems. Table 2 compares the 1981-82 expenditures and primary workload indicators of the California, Massachusetts, and New York agencies which administer collective bargaining laws. The costs incurred by the California PERB were almost twice as much as the costs incurred by its New York counterpart and 7½ times more than the costs of its Massachusetts counterpart in handling a reasonably comparable level of workload in 1981-82.

One of the major factors accounting for the differences in costs among the three boards is staffing at the board level. The California board has five full-time members; the New York board has one full-time member and two part-time members; and the Massachusetts board has three full-time members. Moreover, each member of the California board is authorized two attorneys to assist with decision-writing. In contrast, the New York

Table 2
Expenditure and Primary Workload Indicators
of Selected State Agencies
Which Administer Public Collective Bargaining Acts
1981-82
(dollars in thousands)

	1981-82 Expenditures	Number of positions	ULP Case Filings	Primary Workload Indicators	
				Petitions for Elections	ULP and Repre- sentation Case Decisions
California Public Employment Relations Board	\$4,422	108.5	733	150	57
New York State Public Employment Relations Board	2,300	57	700	50	139
Massachusetts Labor Relations Commission	586	25	709	99	118

board uses a single attorney to assist with decision-writing, and the Massachusetts commission uses a pooled-attorney concept where a total of 12 attorneys serve not only as hearing officers but also defend commission actions in court and assist the commission in researching and writing decisions. The budget shows that it will cost \$1,484,000 in 1983-84 to support the California board's five members, 10 legal advisors and clerical support staff.

Board Needs Restructuring. Our analysis indicates that the inability of the board to process its cases expeditiously is due largely to organizational problems of the board. For instance, accountability is spread among three organizational elements (the board members, the general counsel and the executive director). This prevents the Governor or the Legislature from holding any one person accountable for case processing failures.

In order to remedy these problems, we recommend that legislation be enacted to restructure the PERB in order to make (1) the board responsible only for its own judicial issues, (2) the chairman clearly accountable to the Governor and the Legislature for cases processing at the board level, and (3) the general counsel responsible for all other case processing and administrative matters, including general administration. This legislation should follow the general administrative model, that has evolved from the NLRB and the ALRB, where judicial and administrative powers are separated between the board and the general counsel. The PERB general counsel should, however, retain responsibility for the hearing officers because, unlike his NLRB and ALRB counterparts, the PERB general counsel has no prosecution responsibility.

If our recommendations were adopted, the statutory position of executive director and related clerical support, could be eliminated. This would result in General Fund savings of approximately \$92,000 annually. An existing executive assistant position could be reclassified to carry out general administrative duties under the direction of the general counsel. Additional General Fund savings, of as much as \$1.0 million annually, could be achieved if the legislation eliminated two board members and

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued

the authorization which allows the board members to use attorneys to assist with decision-writing.

Agency Publications

Pursuant to Ch 1632/82, which requires the review of certain state agency publications, the board recommends that it continue publishing its annual report to the Legislature. Our analysis indicates that the report provides valuable information which assists the Legislature in monitoring the board's operation. We, therefore, concur with the board's recommendation.

**PUBLIC EMPLOYMENT RELATIONS
BOARD—REAPPROPRIATION**

Item 8320-490 from the General
Fund

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

Item 375 of the 1979 Budget Act appropriated \$1,285,812 for the implementation of two new collective bargaining acts affecting state civil service employees and employees of the state's two higher education systems. The unexpended balance of the 1979 appropriation has been reappropriated each year since that time. The budget shows that the board will spend approximately \$600,000 of the 1979 appropriation in 1982-83, and is requesting that the balance, estimated at \$308,000, be reappropriated for expenditure in 1983-84.

These funds initially were appropriated to cover the one-time costs associated with dividing employees into "bargaining units" and holding elections in each unit to determine which, if any, employee organization is to represent the employees in the unit for bargaining purposes. Most of these costs result from administering mail-ballot elections to more than 200,000 employees.

Elections for bargaining units for state civil service employees and employees of the California State University have nearly been completed. The 1983-84 reappropriation would be used primarily for elections affecting employees of the University of California.

The collective bargaining acts give the parties a number of due process rights which, if exercised, can significantly delay the completion of the unit-determination and election process. As a result, the board does not have complete control over the timing of the expenditure of the funds. Because the funds will be used for the purpose for which they were originally appropriated, we recommend approval of the request.

DEPARTMENT OF INDUSTRIAL RELATIONS

Item 8350 from the General
Fund and the Industrial Rela-
tions Construction Industry
Enforcement Fund

Budget p. GG 46

Requested 1983-84	\$75,343,000
Estimated 1982-83.....	78,567,000
Actual 1981-82	94,062,000
Requested decrease (excluding amount for salary increases) \$3,224,000 (-4.1 percent)	
Total recommended reduction	None
Recommendation pending	\$8,281,000

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8350-001-001—Department Support		General	\$69,602,000
8350-001-216—Enforcement of Laws Relating to the Licensing of Contractors		Industrial Relations Con- struction Industry Enforce- ment	512,000
8350-001-452—Elevator Inspections		Elevator Safety Inspection Account, General	2,131,000
8350-001-453—Pressure Vessel Inspections		Pressure Vessel Inspection Account, General	3,098,000
8350-001-890—Department Support		Federal	(13,977,000)
Total			\$75,343,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Uninsured Employers' Fund (UEF). Recommend that the Department of Industrial Relations establish procedures for reviewing UEF claims to reduce the program's litigation costs and report to the legislative fiscal committees and the Joint Legislative Budget Committee by December 15, 1983. 1819
2. Workers' Compensation Adjudication. Recommend that the Administrative Director of the Division of Industrial Accidents study, on a pilot basis, the possibility of using information and assistance officers to settle certain workers' compensation disputes and report to the legislative fiscal committees and the Joint Legislative Budget Committee by December 1, 1984. 1819
3. Cal-OSHA. Withhold recommendation on proposed \$4,891,000 reductions in Cal-OSHA program, pending receipt of specified information. 1821
4. Labor Standards Enforcement. Withhold recommendation on proposed \$3,390,000 reductions in the Division of Labor Standards Enforcement, pending receipt of specified information. 1821
5. Uniform Civil Penalties. Recommend legislation establishing a citation and uniform civil penalty system for violation of labor laws regarding wages, hours, and working conditions (potential increase in General Fund revenue: up to \$750,000 annually). 1822

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

6. Licensing and Registration. Recommend enactment of legislation making various licensing and registration functions in the Division of Labor Standards Enforcement self-supporting (potential General Fund savings \$300,000 annually). 1823
7. Program Evaluation of Apprenticeship Program. Recommend that the Department of Finance review operations of Division of Apprenticeship Standards to (a) determine if all of the 1939 prescribed duties of the division are still relevant and (b) develop proposed performance and workload standards, and report to the legislative fiscal committees and the Joint Legislative Budget Committee by December 15, 1983. 1824

GENERAL PROGRAM STATEMENT

The purpose of the Department of Industrial Relations is to "foster, promote and develop the welfare of the wage earners of California, improve their working conditions and advance their opportunities for profitable employment." To fulfill these broad objectives, the department provides services through the following eight programs:

1. **Administrative Supporting Services.** Includes the office of the Director. Provides overall policy direction, legal, public information, fiscal management, personnel, training, data processing services, and consultation services to employers regarding compliance with the California Occupational Safety and Health Act (Cal-OSHA).

2. **Self-Insurance Plans Unit.** Issues certificates of self-insurance to those enterprises and public agencies demonstrating financial capability to compensate their workers fully for industrial injuries, and monitors financial transactions involving such injuries.

3. **State Mediation and Conciliation Services.** Investigates and mediates labor disputes, and arranges for the selection of boards of arbitration.

4. **Division of Industrial Accidents and the Workers' Compensation Appeals Board.** Adjudicate disputed claims for compensating workers who suffer industrial injury in the course of their employment, approve rehabilitation plans for disabled workers, and administer the Uninsured Employers' Fund (UEF).

5. **Division of Occupational Safety and Health.** Administers the California Occupational Safety and Health Act (Cal-OSHA), enforces all laws and regulations concerning the safety of work places (including mines and tunnels), and inspects elevators, escalators, aerial tramways, radiation equipment and pressure vessels.

6. **Division of Labor Standards Enforcement.** Enforces a total of 15 wage orders promulgated by the Industrial Welfare Commission, and more than 200 state laws relating to wages, hours and working conditions, child labor and the licensing of talent agents and farm labor contractors.

7. **Division of Apprenticeship Standards.** Promotes apprenticeship programs and other "on-the-job" training for apprentices and journeymen, and promotes equal opportunity practices in these programs.

8. **Division of Labor Statistics and Research.** Gathers data regarding collective bargaining agreements, work stoppages, union membership, and work-related injuries and illnesses as part of the Cal-OSHA plan for identifying high-hazard industries for intensified safety enforcement efforts.

The department is authorized 2,353.4 personnel-years in 1982-83.

Reimbursement of Mandated Local Costs

Under Section 2231(a) of the Revenue and Taxation Code, the state reimburses local governmental agencies for increased costs imposed by state legislation enacted after January 1, 1973. The Budget Bill (Item 9680-101-001) contains funding for two different measures enacted since that time, which increase workers' compensation benefits and affect local entities as employers.

ANALYSIS AND RECOMMENDATIONS

The budget requests four appropriations totaling \$75,343,000 for support of the Department of Industrial Relations (DIR) in 1983-84. The appropriations consist of (1) \$69,602,000 from the General Fund for departmental support, (2) \$512,000 from the Industrial Relations Construction Industry Enforcement Fund for enforcement of laws relating to the licensing of contractors, (3) \$2,131,000 from the Elevator Safety Inspection Account for the elevator inspection program, and (4) \$3,098,000 from the Pressure Vessel Inspection Account for the pressure vessel inspection program.

The budget proposes a total expenditure program for the department of \$92,360,000 in 1983-84, including reimbursement and federal funds. This amount is \$5,138,000, or 5.3 percent, below estimated current-year total expenditures. The department's budget will increase by the amount of any salary or staff benefit increase approved in the budget year.

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

Table 1
Department of Industrial Relations
Budget Summary
(dollars in thousands)

	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83^a</i>	<i>Proposed</i> <i>1983-84</i>	<i>Change from</i> <i>1982-83</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Funding</i>					
General Fund	\$94,062	\$73,113	\$69,602	-\$3,511	-4.8%
Industrial Relations Construction Industry Enforcement Fund	—	464	512	48	10.3
Elevator Safety Inspection Account	—	2,036	2,131	95	4.7
Pressure Vessel Inspection Account	—	2,954	3,098	144	4.9
Subtotals	\$94,062	\$78,567	\$75,343	-\$3,224	-4.1%
Reimbursements	1,697	2,946	3,040	94	3.2
Federal funds	15,293	15,985	13,977	-2,008	-12.6
Totals	\$111,052	\$97,498	\$92,360	-\$5,138	-5.3%
<i>Program</i>					
Administrative support, distributed to other programs	(\$6,309)	(\$7,064)	(\$7,927)	(\$863)	12.2%
Administrative support, undistributed	20	19	20	1	5.3
Personnel-years	149.9	169.4	178.3	8.9	5.3

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Regulation of workers' compensation insurance plans.....	909	1,040	1,181	141	13.6
Personnel-years.....	25.3	26.7	29.5	2.8	10.5
Conciliation of labor disputes....	1,400	1,372	1,443	71	5.2
Personnel-years.....	27.3	26.0	26.1	0.1	0.4
Adjudication of workers' compensation disputes	31,393	32,857	35,311	2,454	7.5
Personnel-years.....	736.8	777.7	764.6	-13.1	-1.7
Prevention of industrial injuries and deaths	33,173	34,063	31,342	-2,721	-8.0
Personnel-years.....	637.2	663.2	567.3	-95.9	-14.5
Enforcement of laws relating to wages, hours, and working conditions.....	16,755	18,211	16,027	-2,184	-12.0
Personnel-years.....	440.8	480.6	394.6	-86.0	-17.9
Apprenticeship and other on-the-job training	5,218	5,501	4,472	-1,029	-18.7
Personnel-years.....	128.7	135.1	105.8	-29.3	-21.7
Labor force research and data dissemination.....	2,184	2,435	2,564	129	5.3
Personnel-years.....	61	74.7	73.4	-1.3	-1.7
Subtotals	\$91,052	\$95,498	\$92,360	-\$3,138	-3.3%
Local mandates.....	20,000	2,000	(2,000) ^b	-2,000	-100.0
Totals.....	\$111,052	\$97,498	\$92,360	-\$5,138	-5.3%
Personnel-years.....	2,207.0	2,353.4	2,139.6	-213.8	-9.1%

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

^b Funded in Item 9680-101-001.

The \$5,138,000 decrease in the department's budget is due largely to proposed reductions of (1) \$2,445,000 from the General Fund and \$2,446,000 in federal funds to eliminate 88.6 personnel-years in the Cal-OSHA program, (2) \$3,390,000 from the General Fund to delete 84.3 personnel-years in the Division of Labor Standards Enforcement, and terminate the concentrated enforcement program and (3) \$708,000 from the General Fund to delete 19.1 personnel-years in the Division of Apprenticeship Standards. The decrease also reflects the transfer of \$2 million for reimbursement of local mandates from a departmental budget item in the current year (Item 8350-101-001) to an item which consolidates all local mandated cost reimbursement appropriations in 1983-84 (Item 9680-101-001).

As shown in Table 2, the savings from these proposed reductions are partially offset by increased costs of (1) \$4,370,000, due to merit salary increases and adjustments necessary to maintain the purchasing power of the department's 1982-83 budget for operating expenses, and (2) \$1,481,000 (\$656,000 from the General Fund, \$380,000 from federal funds, and \$445,000 from reimbursements) for workload changes and new or expended programs.

ADMINISTRATION**Fiscal Operations Have Improved**

In 1982-83, the Legislature augmented the department's budget by 10 positions and \$335,000 from the General Fund to enable the department to correct serious problems in its fiscal operations. This action was taken in response to a preliminary audit report prepared by the Department of

Table 2
Department of Industrial Relations
Proposed 1983-84 Budget Changes
(in thousands)

	<i>Changes</i>	<i>Total</i>
<i>Current-Year Expenditures (Revised)</i>		\$97,498
Budget-Year Changes:		
Merit salary adjustments	\$1,219	
Price increases	3,151	
Workload changes	1,243	
• Enhance department efforts to collect UEF recoveries, delinquent fees, and penalties and continue limited-term accounting staff.....	(404)	
• Increase staff to audit self-insured employers for adequacy of workers' compensation payments	(109)	
• Enable Cal-OSHA Standards Board to comply with Ch 567/79 (AB 1111)	(350)	
• Continue veterans' training program for federal government	(380)	
Program Changes	-10,751	
• Reduce Cal-OSHA staff by 88.6 personnel-years.....	(-4,891)	
• Eliminate concentrated enforcement program in the Division of Labor Standards Enforcement and reduce talent agency registration staff	(-3,390)	
• Increase staff to provide consultation to garment manufacturing industry on labor law compliance, monitor compliance with child labor laws in the entertainment industry and provide funding for newly-created California Entertainment Commission	(238)	
• Reduce apprenticeship program staff by 19.1 personnel-years	(-708)	
• Make technical modification in funding for legislative mandates	(-2,000)	
Total, budget-year changes.....		-\$5,138
Budget-year request		\$92,360

Finance (dated April 9, 1982) which indicates that DIR's fiscal office (1) had a 100-day backlog in the payment of invoices, (2) relied on the honor of vendors to return any overpayments made by the department, and (3) maintained undeposited checks, totaling about \$1 million dating from July 1981 in open, unprotected areas, (4) returned checks when dispositions cannot be determined, rather than placing them in the Uncleared Collections Account, and (5) was unable to reconcile its 1981-82 expenditures with the State Controller's records.

At the time this *Analysis* was prepared, the department had filled all of the new positions except for a CEA II position, which was established to direct the administrative support functions in the department. The department also has developed new procedures and an operations manual to address the problems identified by the Department of Finance. As a result, most of these problems appear to have been corrected. We will continue to monitor departmental progress in this area and report to the Legislature as appropriate.

Travel Budget Management Improved. Because the department failed to manage its 1981-82 travel budget adequately, the Legislature adopted language in the 1982 Budget Act requiring the Department of Finance to allot travel funds to the Department of Industrial Relations on a quarterly basis, and only after an audit demonstrates that DIR has managed its travel funds properly during the previous quarter. This procedure appears to be working. The department has maintained its expenditures within the first two quarterly allotments in 1982-83.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Distribution of the 1982-83 Unallocated Reduction. In the 1982 Budget Act, the Legislature approved departmental requests for General Fund increases totaling \$5,883,000 for workload and new or expanded programs. At the same time, however, the Legislature imposed an unallocated General Fund reduction of \$3,672,000 on the department. Table 3, which displays the distribution of the reduction among programs, shows that the workers' compensation adjudication, Cal-OSHA, and apprenticeship programs absorbed most of the unallocated reduction.

Table 3
Department of Industrial Relations
Program Increases and Reductions
1982-83
(dollars in thousands)

<i>Program Increases</i>	<i>Program Increases Approved by the Legislature</i>		<i>Department's Distribution of Unallocated Reduction</i>		<i>Net Program Increases</i>	
	<i>Amount</i>	<i>Personnel-Years</i>	<i>Personnel</i>	<i>Years</i>	<i>Amount</i>	<i>Personnel-Years</i>
Administration						
—Increase workload in fiscal operation.....	\$335	10	—	—	\$335	10
Administration of workers' compensation benefits						
—Add 15 judge teams for additional workload.....	2,135	53	—\$1,454	—33	681	20 ^a
Prevention of industrial injuries and deaths (Cal-OSHA)						
—Increase occupational health enforcement inspections, develop additional occupational health standards, conduct an infertility study and educational outreach for occupational health hazards	2,102	49	—1,532	—28	570	21
Enforcement of laws relating to wages, hours, and working conditions						
—Expand unlicensed contractor/cash-pay enforcement program	686	29	—186	—5	500	24
Apprenticeship and other on-the-job training						
—Establish new program to improve classroom instruction for employment-based training	625	19	—500	—14	125	5
Totals.....	\$5,883	160	—\$3,672	—80	\$2,211	80

^a Includes staffing for four judge teams.

DIVISION OF INDUSTRIAL ACCIDENTS**Litigation Costs of Uninsured Employers' Fund Program are Too High**

We recommend the adoption of supplemental report language requiring the department to (1) establish procedures to review UEF claims through an administrative claims process prior to litigation and (2) report to the legislative fiscal committees and the Joint Legislative Budget Committee on these procedures by December 15, 1983.

Prior to 1982, payment of UEF benefits could not start until after a workers' compensation judge issued a judgment. In order to reduce litigation, the Legislature passed Ch 984/81, which allows the department to establish an administrative claims process. Notwithstanding the provisions of Chapter 984, however, the department still requires a judgment in most cases prior to making such payments.

Our analysis indicates that the current practice results in excessive litigation costs and delays in the resolution of many UEF cases. If claims against the fund were first reviewed by a workers' compensation claims examiner with authority to settle routine cases, fewer cases would have to be litigated. This would permit the program to operate more efficiently and in the same manner as most workers' compensation insurance companies.

This procedure would produce savings in three ways. First, it takes less personnel time to adjust administratively workers' compensation claims than to litigate them. Second, the claims examiners who would administer such a procedure are less costly than attorneys. Third, this procedure would reduce litigation before the Workers' Compensation Appeals Board. The amount of such savings would depend on the manner in which the procedure was implemented. We, therefore, recommend the adoption of the following supplemental report language:

"The Department of Industrial Relations shall establish procedures to review claims against the Uninsured Employers' Fund through an administrative claims process prior to litigation, and shall report to the legislative fiscal committees and the Joint Legislative Budget Committee on those procedures by December 15, 1983."

Use Information Officers to Settle Workers' Compensation Disputes

We recommend the adoption of supplemental report language requiring the Administrative Director of the Division of Industrial Accidents to (1) study, on a pilot basis, the possibility of using information and assistance officers to settle workers' compensation disputes, and (2) report to the legislative fiscal committees and the Joint Legislative Budget Committee by December 1, 1984.

The Division of Industrial Accidents resolves disputes involving workers' compensation benefits between workers who are injured in the course of their work and their employers or the employer's insurance carrier. The disputes are heard by 139 workers' compensation judges who are assigned to 21 field offices located throughout the state.

At the current time, most workers' compensation disputes are placed on a "conference calendar" in most field offices. The purposes of the "conference" hearing is to allow a workers' compensation judge to (1) ensure that all parties are fully prepared to proceed to trial, (2) focus the dispute by obtaining stipulations to as many issues as possible, and (3) encourage the parties to settle the disputes without a formal hearing. The disputes which are not settled at the conference stage are scheduled for trial at a later date on the "trial calendar." When trials are held, the judges hear the cases and render formal decisions.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

The division also employs 21 information and assistance officers who disseminate information to the public regarding workers' compensation benefits. In several offices, these officers also assist workers' compensation judges with cases where an injured worker elects not to use an attorney to represent himself or herself before the judge. In such cases, the information and assistance officers perform essentially the same duties as judges do during the "conference" hearings. Cases which cannot be settled are referred to the judges for formal hearings and decisions.

System May Become Overloaded. In recent years, the number of disputed workers' compensation cases has risen much faster than the number of new judges, thereby posing a serious threat of overloading the workers' compensation adjudication system. For example, case filings have risen from 65,802 in 1971-72 to 119,637 in 1981-82, and are expected to rise to 125,850 in 1983-84. This represents an increase of 82 percent in actual case filings through 1981-82, and a projected increase of 91 percent by 1983-84. The number of judges has been increased by 31 percent (33 new judges) during the same period, including four judges which were added in 1982-83. No new judges are proposed in 1983-84.

The division has managed, thus far, to avoid major backlogs by adopting new procedures which have increased efficiency and encouraged a greater rate of settlements. These new procedures, for example, have reduced backlogs on trial calendars in some field offices from up to two years in 1981-82 to about two-to-four months in most offices in 1982-83. It is not known, however, whether these procedures will enable the division to handle the increased workload that is expected in 1983-84.

Our analysis indicates that the potential overload problem could be avoided by allowing information and assistance officers to assume at least part of the conference calendar for regular cases, just as they do in cases where the worker is without legal representation. The amount of General Fund savings that would result from the use of these officers for conference hearings is not known, and would depend on the number of such hearings they could handle. However, savings of approximately \$88,000 would accrue for each judge team that could be replaced by an information and assistance officer. (A judge team consists of a judge, a senior legal stenographer, an office assistant II, and 0.8 hearing reporter at a cost of about \$144,000 in 1983-84.) For these reasons, we recommend that the following supplemental report language be adopted directing the division to study the use of these officers in this manner, on a pilot basis:

"The Administrative Director of the Division of Industrial Accidents shall study, on a pilot basis, the use of information and assistance officers to settle conference calendar workers' compensation disputes. The study should be carried out in at least four district offices for a year, and be evaluated by all interested parties to such disputes. The director shall report to the legislative fiscal committees and the Joint Legislative Budget Committee on the results of the study by December 1, 1984."

DIVISION OF OCCUPATIONAL SAFETY AND HEALTH**Cal-OSHA Reductions**

We withhold recommendation on the proposed reductions in the Cal-OSHA program, pending receipt of clarifying information from the Department of Finance.

The budget proposes to reduce 1983-84 expenditures for Cal-OSHA by \$2,445,000 from the General Fund and \$2,446,000 in federal funds. A total of 88.6 positions are proposed for deletion. There are, however, several errors in the proposal. For example, positions which were already deleted by the department in order to comply with the unallocated reduction imposed on it in 1982-83, are proposed for deletion. In addition, some positions which are not part of the Cal-OSHA program are included in the reduction.

We understand that the Department of Finance is planning to submit a letter to the fiscal committees to make the necessary corrections. We have no basis for determining the impact of the proposed reduction on the Cal-OSHA program without this information. We, therefore, withhold recommendation on the proposed reduction, pending the receipt of additional information from the Department of Finance.

DIVISION OF LABOR STANDARDS ENFORCEMENT**Staffing and Workload Standards**

In the *Supplemental Report of the 1982 Budget Act*, the Legislature required the Labor Commissioner to adopt staffing and workload standards and report on them by December 1, 1982. We have reviewed the report and generally concur with its recommended approach. The new system proposes four budget "yardsticks" for field staff:

- 348 closed labor law enforcement proceedings (all types) annually for deputy labor commissioner I and related classes.
- 130 closed proceedings annually for deputy labor commissioner I positions in the concentrated enforcement program.
- 260 hearings annually for the deputy labor commissioner II positions.
- 120 cases closed annually for field attorneys.

The budget yardsticks were derived from historical performance data. They will be used primarily to determine staffing levels for future years, and as a basis for establishing performance standards through the collective bargaining process. We will monitor and report on the use of the yardsticks in future analyses.

Labor Standards Enforcement Reductions

We withhold recommendation on the proposed reductions in the Division of Labor Standards Enforcement, pending receipt of clarifying information from the Department of Finance.

The budget proposes to delete 84.3 personnel-years from the Division of Labor Standards Enforcement and \$3,390,000 from the General Fund in 1983-84. The stated intent of the reduction is to reflect increased efficiency.

The major component of the reduction is the termination of the concentrated enforcement program (67 personnel-years). This program conducts special inspections of industries, such as the garment manufacturing, hotel-motel, restaurant and residential health care industries, that are known to have a high incidence of labor law violations. Program staff are assigned in Los Angeles, San Diego, and the San Francisco Bay area.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

The positions identified for deletion in the budget do not correspond with the positions currently assigned to the concentrated enforcement program. Because of this problem, we cannot assess the impact of deleting the remaining 17.3 personnel-years. We understand that the Department of Finance is planning to submit a letter to the fiscal committees to correct this problem. We, therefore, withhold recommendation on the proposed reduction, pending receipt of additional information from the Department of Finance.

Uniform Civil Penalties Needed

We recommend enactment of legislation establishing a citation and uniform civil penalty system for all violations of laws and regulations which govern wages, hours, and working conditions and which are enforced by the Labor Commissioner.

Under current law, the Labor Commissioner enforces 15 wage orders which are promulgated by the Industrial Welfare Commission, and more than 200 state laws relating to wages, hours, and working conditions. Violators of these laws are subject to a wide range of sanctions, including (1) a jail sentence of up to six months and/or a fine of not more than \$500, (2) a state prison sentence of up to five years and/or a fine of up to \$1,000, (3) civil penalties ranging from \$10 to \$100 per employee, (4) combinations of civil penalties and jail sentences or fines, and (5) no penalty at all.

Although violators of most labor laws are subject to jail sentences and/or fines (misdemeanor penalties), only about 1 percent of the prosecution cases closed by the Labor Commissioner result in the imposition of such penalties. Moreover, misdemeanor prosecutions have declined from 716 in 1978-79 to 596 in 1981-82. The decline and infrequent use of misdemeanor penalties is due to the growing number of more serious criminal cases which occupy the time of the participants in the criminal justice system.

Consequently, the potential deterrent effect of a misdemeanor penalty for a Labor Code violation is not significant. It is a misdemeanor, for example, to fail to comply with state regulations requiring the payment of a minimum wage. On discovering a violation, the Labor Commissioner may collect for the worker an amount equal to the difference between the actual wages paid and the minimum wage. Without a misdemeanor prosecution, however, there is no penalty—not even interest on the unpaid wages. Theoretically, an unscrupulous employer who knows that a misdemeanor prosecution is not likely could continue to violate the law knowing that the only penalty that he or she will face, if caught, is payment of back wages.

We, therefore, recommend that legislation be enacted to establish a uniform civil penalty citation system covering all provisions of the Labor Code that are enforced by the Labor Commissioner. Either the state child labor laws or the unlicensed contractor laws, both of which are enforced by the Labor Commissioner, could be used as a model. Under these laws, civil penalties of as much as \$500 per violation, or \$100 per employee per violation may be imposed. In addition, both enforcement models provide an administrative appeal process and prescribe higher civil penalties in cases of repeated and willful violations.

Our analysis indicates that this legislation would (1) provide a uniform and effective deterrent to the violation of state labor laws, (2) simplify

enforcement procedures by avoiding the involvement of the court system except in cases where civil suits are needed to collect delinquent wages and penalties, (3) reduce the workload of local prosecutors, and (4) result in increased revenue to the General Fund of up to \$750,000 annually from the new civil penalties, depending on the nature of the civil penalty system enacted.

Licensing Function Should be Self-Supporting

We recommend that legislation be enacted to make the various functions in the licensing and registration program of the Division of Labor Standards Enforcement self-supporting (potential additional General Fund revenue of approximately \$300,000 annually).

The Special Programs Section in the Division of Labor Standards Enforcement assists the field enforcement staff to ensure that employers comply with the legal requirement to obtain workers' compensation insurance. It also issues licenses and permits for purposes of regulating special employment relationships in which there have been or may be problems complying with various provisions of the Labor Code. These relationships include (1) agents who counsel, direct, or arrange engagements for artists and entertainers, (2) farm labor contractors, (3) garment and apparel manufacturers, (4) firms which have employees who are paid for performing work in their homes, (5) employees who are paid for performing work in their homes, (6) agents who recruit athletes for a fee to sign with professional athletic teams, (7) persons who are paid to load and unload agricultural products, (8) sheltered workshops which are permitted to pay less than minimum wages to severely handicapped workers, and (9) minors who are employed in various theatrical productions.

The section also grants exceptions to minimum wage and other requirements of the Industrial Welfare Commission (IWC) orders. Most of the minimum wage exemptions are granted to sheltered workshops.

The division is authorized to charge fees for issuing licenses and permits in all of these programs except sheltered workshops, theatrical permits for minors, and special exemptions from the minimum wage and other provisions of the IWC orders. Only the athletic agent and garment manufacturing programs are required to be self-supporting. The statutes provide that the agricultural produce unloader program be self-supporting in the San Francisco Bay area, but not in other parts of the state. The remaining licensing, registration, and special exemption programs require substantial General Fund subsidies.

Our analysis indicates that, with one exception, there is no analytical basis for requiring the General Fund to subsidize these programs. The one exception to the policy of making these programs self-supporting is the services that are provided to sheltered workshops, which fulfill a public welfare need by providing training and employment opportunities to severely handicapped people. Consequently, we continue to recommend that legislation be enacted to require the division to establish fees administratively at levels which would make all but the sheltered workshop programs self-supporting. (For a more complete discussion of this issue, please see the *Analysis of the 1982-83 Budget Bill*, pp 1664-1666.)

Projected Additional Revenue. It is not possible to estimate precisely the additional General Fund revenue that would be generated by this legislation because the division's expenditure records do not distinguish between the costs of the licensing, registration, and special exemption programs and the program that assists field staff to enforce workers' com-

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

pensation laws. Based on an estimate furnished by the division, enactment of the recommended legislation would result in General Fund savings of approximately \$300,000 annually.

DIVISION OF APPRENTICESHIP STANDARDS**Budget Reductions**

The budget proposes to reduce the Division of Apprenticeship Standards by 19.1 personnel-years, which is a decrease of 14.1 percent below the current-year staffing level, and \$708,000 (General Fund) in 1983-84. The stated intent of the reduction is to reflect increased efficiency in consulting with local apprenticeship committees and monitoring apprenticeship programs. The proposed reduction would delete two of five existing area administrator positions, eight of the division's 17 senior apprenticeship consultants and four of the division's 53 consultant positions.

The impact of these reductions on program accomplishments cannot be assessed because the division has failed to develop performance and staffing standards. Without such standards, we have no analytical basis for recommending any change in the budget.

Evaluation of Apprenticeship Program Needed

We recommend adoption of supplemental report language requiring the Program Evaluation Unit of the Department of Finance to evaluate the operation of the Division of Apprenticeship Standards to (1) determine if its duties as prescribed by the Legislature in 1939 are relevant to the needs of apprenticeship programs in the 1980's and (2) develop proposed performance and staffing standards for the division.

The duties of the Division of Apprenticeship Standards and the part-time, 14-member California Apprenticeship Council were prescribed by the Shelly-Maloney Apprenticeship Standards Act of 1939, and have not been modified significantly since that time. Among other things, the act requires the division and the council to (1) foster, promote, and develop the welfare of apprentices and advance their opportunity for profitable employment, (2) cooperate in the formation of joint apprenticeship committees (JAC's), consisting of equal representation of management and union officials, to provide overall direction to apprenticeship programs, (3) provide assistance to JAC's as necessary, (4) establish standards for minimum wages, maximum hours, and working conditions for apprentices, (5) oversee the development and operation of employment agreements between employers and apprentices, and (6) review and audit all selection and disciplinary procedures and proceedings of apprenticeship programs to ensure conformity with state requirements.

In the early days of the Shelly-Maloney Act, consultants from the division provided the only staff assistance available to the JAC's. Since that time, however, several JAC's have established full-time staffs, training facilities, and annual budgets which, in some cases, are larger than the division's annual budget. There are, however, some apprenticeship programs which have no staffs and which rely heavily on the division for staff assistance.

In view of a large number of fully staffed JAC's, it is not clear that all the duties prescribed in 1939 for the division are still relevant to the needs of apprenticeship programs in the 1980's. Moreover, as we have noted earlier, the division has failed to establish performance and staffing stand-

ards which are necessary to allow the division to manage its resources effectively or to permit the Department of Finance and the Legislature to evaluate the division's annual budget requests. We, therefore, recommend that the following supplemental report language be adopted:

"The Department of Finance shall review the operations of the Division of Apprenticeship Standards in the Department of Industrial Relations to (1) determine if all of the duties mandated in 1939 are relevant to the needs of apprenticeship programs in the 1980's and (2) develop proposed performance and staffing standards. The Department of Finance shall report its findings to the legislative fiscal committees and the Joint Legislative Budget Committee by December 15, 1983."

Agency Publications

Pursuant to Ch 1632/82, which requires the review of certain state agency publications, the department recommends that it be permitted to continue publishing its annual report to the Legislature and the *California Work Injuries and Illnesses* reports. Our analysis indicates that the annual report provides valuable information which enables the Legislature to monitor the activities of the department. The work injuries reports are required by the federal government as part of the state's Cal-OSHA program. On this basis, we concur with the department's recommendation to continue these publications.

DEPARTMENT OF INDUSTRIAL RELATIONS—CAPITAL OUTLAY

Item 8350-301 from the General

Fund, Special Account for

Capital Outlay

Budget p. GG 63

Requested 1983-84	\$44,000
Recommended approval	3,000
Recommendation pending	41,000

ANALYSIS AND RECOMMENDATIONS

Minor Capital Outlay

We recommend approval of \$3,000 for office alterations. We withhold recommendation on \$41,000 requested to install a halogen fire suppression system in the San Francisco Computer Center, pending receipt of the State Fire Marshal's evaluation of this project.

The budget proposes a total of \$44,000 in minor capital outlay (\$150,000 or less per project) for the Department of Industrial Relations. The request would fund two projects at the department's headquarters facility in San Francisco.

The budget proposes \$41,000 to install a halogen fire suppression system in the computer center. The halogen fire suppression system is similar to automatic fire sprinklers, but rather than dispensing water, the halogen system dispenses a fire suppressing, breathable gas which will not damage sophisticated equipment or asphyxiate occupants. The State Administrative Manual recommends that halogen-type fire suppression systems be installed in major computer centers operated by the state.

DEPARTMENT OF INDUSTRIAL RELATIONS—CAPITAL OUTLAY—Continued

In discussing this project with the department staff, they indicated that the proposed project had not been reviewed or approved by the State Fire Marshal's office. The Health and Safety Code indicates that the State Fire Marshal is responsible for fire safety in all state office buildings. Accordingly, before the Legislature considers appropriation of funds for the new system, the State Fire Marshal should evaluate the proposed project. Pending receipt of this information, we withhold recommendation on the \$41,000.

The budget also proposes \$3,000 for minor office alterations at the San Francisco office. The department indicates that the proposed alteration would improve space efficiency by eliminating two offices and increasing the amount of space devoted to open office landscaping. We recommend approval of the requested project.

UNINSURED EMPLOYERS' FUND

Item 8370 from the General
Fund

Budget p. GG 65

Requested 1983-84	\$4,922,000
Estimated 1982-83.....	5,592,000
Actual 1981-82	4,211,000
Requested decrease \$670,000 (-12.0 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Uninsured Employers' Fund (UEF) was established by Ch 1598/71, for the purpose of providing workers' compensation benefits to employees for work-related injuries in cases where the employer fails to provide compensation. The program, which is administered and enforced by the Department of Industrial Relations, was originally intended to be financed by penalties and recoveries of awards from uninsured employers. However, experience has demonstrated that substantial support from the General Fund is required to keep the program solvent.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

As shown in Table 1, expenditures from the UEF are projected to be \$6,300,000 in 1983-84, an increase of \$130,000, or 2.1 percent, above estimated current-year expenditures.

The program is financed from three sources. First, the budget proposes an appropriation of \$4,922,000 from the General Fund for transfer to the UEF. This is \$670,000, or 12 percent, less than the current-year appropriation. This comparison, however, is misleading. Funding for 23 positions costing \$670,000 was provided in this item for the current year. The budget proposes to fund these positions in the Department of Industrial Relations' main support item (8350-001-001). Thus, the level of General Fund support proposed for this function in 1983-84 is the same as the amount provided during the current fiscal year.

Table 1
Uninsured Employers' Fund
Budget Summary
(in thousands)

<i>Funding</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>	<i>Amount</i>	<i>Percent</i>
Beginning reserves.....	\$544	\$487	\$549	\$62	12.7%
Appropriation (Item 8370).....	4,211	5,592	4,922	-670	-12.0
Penalties and recoveries.....	555	640	851	211	33.0
Totals.....	\$5,310	\$6,719	\$6,322	-\$397	-5.9%
Expenditures.....	\$4,823	\$6,170	\$6,300	\$130	2.1%
Ending reserves.....	\$487	\$549	\$22	-\$527	-96.0%

The second source of funding for this program is revenue from penalties and recoveries. These revenues are expected to be \$851,000 in 1983-84, an increase of \$211,000, or 33 percent, over current-year revenues from this source. This increase is expected to result from three new positions, which are being requested to strengthen the collection function in the Department of Industrial Relations (see Item 8350-001-001).

Third, \$527,000 in expenditures will be financed by drawing down reserves in the UEF, from \$549,000 at the end of 1982-83 to \$22,000 at the end of 1983-84.

Based on information available at the time this analysis was prepared, the expenditure level proposed for the UEF in 1983-84 appears to be reasonable. However, workers' compensation benefit payments are difficult to predict because they depend largely on the number and extent of industrial injuries that occur during the fiscal year.

Current-year expenditures are running slightly ahead of budget estimates, primarily because of an unusually large claim (\$250,000) that was paid in July. We will continue to monitor the status of the UEF, and report during the budget hearing on the adequacy of the proposed appropriation in light of more recent information.

DEPARTMENT OF PERSONNEL ADMINISTRATION

Item 8380 from the General
Fund and the Deferred Com-
pensation Fund

Budget p. GG 66

Requested 1983-84	\$2,905,000
Estimated 1982-83.....	3,260,000
Actual 1981-82	3,038,000
Requested decrease (excluding amount for salary increases) \$355,000 (-10.9 percent)	
Total recommended reduction	25,300
Total recommended transfer to other items	185,834
Total recommended reduction from other department budgets	\$2,134,000

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued**1983-84 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund		Amount
8380-001-001—Support		General		\$2,531,000
8380-001-915—For support of the deferred compensation insurance plan		Deferred Plan	Compensation	374,000
Total				\$2,905,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. *Operating Expenses and Equipment. Reduce Item 8380-001-001 by \$17,200 and Item 8380-001-915 by \$8,100 and reimbursements by \$14,700.* Recommend deletion of funding for operating expenses and equipment that has not been justified. 1831
2. *Budget Display.* Recommend that the three new positions for the dental program be reflected in the labor relations program, rather than in the management program. 1833
3. *Technical Adjustments.* Recommend changes be made to reflect cost of supporting collective bargaining operations in the budgets of contributing state agencies. 1834
4. *Compensation Surveys.* 1834
 1. Recommend legislative changes allowing the compensation survey function to be transferred from the DPA to the SPB.
 2. *Reduce Item 8380-001-001 by \$163,834 and increase Item 1880-001-001 by \$163,834.* Recommend that the \$163,834 and 5.6 positions proposed for survey workload be transferred from the DPA to the SPB.
 3. *Reduce Item 8380-001-001 by \$22,000 and increase Item 1880-001-001 by \$22,000.* Recommend transfer of consulting funds from the DPA to the SPB.
5. *State-Owned Housing.* 1836
 1. Recommend that the department report prior to budget hearings on changes in rental rates for state-owned property and on department plans to continue this policy.
 2. Recommend adoption of Budget Bill control language directing the DPA to adjust rental rates paid by employees for state-owned housing to reflect market values.
 3. Recommend adoption of a control section directing the Department of Finance to reduce support appropriations of state agencies by \$2.1 million (\$1.8 million General Fund) to offset additional reimbursements the agencies will receive as a result of rental rates being increased to reflect market values.
6. *Governor's Budget Presentation.* Recommend budget include program element and component displays for each program. Further recommend that positions and expenditures, by fund source, be displayed for each program element. 1839
7. *Data Processing.* Recommend department develop a data processing master plan. 1839
8. *Agency Publications.* Recommend the continuation of 1840

three departmental publications and the transfer of two publications to the SPB.

GENERAL PROGRAM STATEMENT

The Department of Personnel Administration (DPA) was established effective May 1, 1981, pursuant to the Governor's Reorganization Plan No. 1 of 1981, in order to manage the nonmerit aspects of the state's personnel system. The State Personnel Board (SPB) continues to be responsible for administering the merit aspects of the state civil service system.

The State Employer-Employee Relations Act (SEERA), Chapter 1159, Statutes of 1977, provides for collective bargaining for most state civil service employees. Under the SEERA, the DPA, in cooperation with the departments, is responsible for (1) reviewing existing terms and conditions of employment subject to negotiation; (2) developing management's negotiating positions, (3) representing management in collective bargaining negotiations and (4) administering negotiated memorandums of understanding (MOUs).

The DPA is also responsible for providing for the compensation, terms and conditions of employment of managers and other state employees not represented in the collective bargaining process.

The DPA has 114 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two appropriations of \$2,905,000 from the General Fund and the Deferred Compensation Plan Fund for support of the department in 1983-84. This is \$355,000 or 11 percent less than estimated expenditures from those funds for the current year. Expenditures by the department will increase, however, by the amount of any salary or staff benefit increase approved for the budget year.

The reduction of \$355,000 in the department's budget for 1983-84 is misleading. Total DPA expenditures, including expenditures from reimbursements, are estimated at \$5,223,000 in 1983-84, which is \$856,000 or 20 percent *more* than estimated current-year expenditures. The budget proposes that major functions of DPA, which are supported by a direct General Fund appropriation in the current year, be supported by reimbursements from other state agencies in 1983-84.

Table 1 presents expenditures and personnel-years for each of the DPA's three programs during the three-year period ending June 30, 1984.

Table 1
Department of Personnel Administration
Budget Summary
(in thousands)

Program	Actual 1981-82	Estimated ^a 1982-83	Proposed 1983-84	Change	
				Amount	Percent
Management	\$1,953	\$2,018	\$2,486	\$468	23.2%
Labor Relations	2,097	2,349	2,737	388	16.5
Administration	(718)	(921)	(947)	(26)	(2.8)
Total Expenditures	\$4,050	\$4,367	\$5,223	\$856	19.6%
Less Reimbursements	-1,012	-1,107	-2,318	-1,211	109.4
Total State Costs (excluding reimbursements)	\$3,038	\$3,260	\$2,905	-\$355	-10.9%
General Fund	2,738	2,862	2,531	331	-11.6
Deferred Compensation Plan Fund	300	398	374	24	-6.0
Personnel Years	96.1	104.9	111.6	6.7	6.4

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

The workload, cost, and other changes proposed in the department's budget for 1983-84 are displayed in Table 2. Merit salary adjustments, increases to offset the effects of inflation on the department's purchasing power, and the restoration of funding for employer contributions to the PERS following a one-time reduction in the current year account for an increase of \$247,000 (all funding sources). The reduction in the deferred compensation program (-\$35,000) and the dental program (-\$98,000) reflect one-time costs during the current year that will not continue in 1983-84.

Table 2
Department of Personnel Administration
Proposed Budget Changes by Fund
(in thousands)

	<i>General Fund</i>	<i>Deferred Compensation Plan Fund</i>	<i>Reim- bursements</i>	<i>Total</i>
1982-83 Revised Budget ^a	\$2,862	\$398	\$1,107	\$4,367
1. Workload Changes				
a. Contract Administration-Labor Relations program	—	—	137	137
b. Legal-Labor Relations program	13	—	47	60
2. Program Changes				
None				
3. Cost Changes				
a. Merit salary adjustment	41	—	24	65
b. Price increase	29	6	16	51
4. Other Changes				
a. Onetime Deferred Compensation Pro- gram Cost	—	-35	—	-35
b. Restore retirement benefit reduction in current year	82	5	44	131
c. Full-year cost of programs initiated in cur- rent year—dental	—	—	-98	-98
d. Funding shift from General Fund for reim- bursements	-836	—	1,041	205
e. Reparation pay—Chapter 523/82	340	—	—	340
Total Proposed Changes	-\$331	-\$24	\$1,211	\$856
1983-84 Proposed Budget	\$2,531	\$374	\$2,318	\$5,223

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

New Positions

The budget proposes nine new positions, consisting of:

- Three positions to administer the statewide Dental Insurance Plan. (Five limited-term positions were funded in the current year.)
- Two labor relation attorneys to handle collective bargaining workload. (These positions were established administratively in the current year.)

- Four positions to negotiate and administer collective bargaining agreements.

The budget also proposes to provide funds through reimbursements to fill four currently vacant labor relations positions.

Operating Expenses and Equipment Overbudgeted

We recommend a reduction of \$40,000 (\$17,200 General Fund in Item 8380-001-001, \$8,100 in Item 8380-001-915, and \$14,700 in reimbursements) to correct for overbudgeting and unjustified requests for operating expenses and equipment.

Our analysis of the department's Supplementary Schedule of Operating Expenses (Schedule 11) and Supplementary Schedule of Equipment (Schedule 9) reveals several instances of overbudgeting. Table 3 summarizes the reductions that we recommend be made in the department's operating expense and equipment budget. A discussion of each item follows:

Table 3
Department of Personnel Administration
Operating Expenses and Equipment

<i>Item</i>	<i>Amount Requested</i>	<i>Analyst's Recommendation</i>	<i>Difference</i>
1. Facilities operation	\$365,000	354,000	\$11,000
2. Central administrative services	8,000	—	8,000
3. Data processing services	16,000	15,000	1,000
4. Consulting—Office of Administrative Law	7,000	—	7,000
5. Equipment—Word processor	13,000	—	13,000
Totals	\$409,000	\$369,000	\$40,000

Facilities Operation. The department is requesting a total of \$365,000 for facilities operation in the budget year. A review of the department's proposed rent expenditures reveals that \$11,000 is budgeted for rental of negotiation rooms to be used during the collective bargaining negotiation sessions. The department recently moved its training function to a downtown Sacramento facility where it occupies 11,886 square feet. This training site includes classrooms, breakout rooms, restroom facilities, and a lounge area. We find that this site, with appropriate scheduling, could accommodate the needs for additional space during negotiation sessions. Therefore, we recommend a reduction of \$11,000 in facilities operation, for a savings of \$11,000 in reimbursements.

Central Administrative Services. The budget proposes \$8,000 for central administrative services that include statewide pro rata and statewide cost allocation plan charges. The Department of Finance, however, indicates that this amount has been adjusted so that there will be no billing for the budget year. The adjustment reflects the overcharging for these services in prior years. Therefore, we recommend an \$8,000 reduction in the Deferred Compensation Plan Fund (Item 8380-001-915).

Data Processing Services. The department's budget provides \$16,000 for computer services purchased from the Teale Data Center. This is an increase of \$1,000, or 6.7 percent, over revised 1982-83 expenditures of \$15,000. The department advises that the additional funds are requested to cover the price increase in the data center's rates. The center, however, anticipates no general rate increase in 1983-84. Accordingly, we recommend deletion of the \$1,000 (all funds) budgeted for data center rent increases.

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

Consulting—Office of Administrative Law (OAL). The department is requesting \$7,000 for consulting and professional services to be provided by the Office of Administrative Law. The Department of Finance's budget instructions for 1983-84 advise agencies to transfer funds for OAL from consultant and professional services to central administrative services (pro rata). As stated earlier, the department has no billing charges for central administrative services. Accordingly, we recommend a deletion of \$7,000 (\$3,700 from the General Fund and \$3,300 in reimbursements.)

Equipment—Word Processor. The department is requesting \$13,250 for the purchase of a word processing machine for its legal labor relations functions. We believe that the funding request for this equipment is premature because the DPA has not established the need for word processing equipment. The normal state procedure calls for a feasibility study by the requestor prior to making the request for funding. This study is used by the requestor and the Office of Procurement of the Department of General Services to (a) document the need for the machine, and (b) determine the type and cost of the machine that should be purchased.

We recommend that funding for the word processing equipment be deferred until completion of the required feasibility study, for a savings of \$13,000 to the General Fund.

Management Program

The management program is responsible for (1) developing the administration's policy regarding management relations, (2) coordinating the consistent application of terms and conditions of employment for non-civil service employees, (3) administering the Deferred Compensation Program and (4) coordinating and providing for training of nonrepresented employees (that is, those not covered by the collective bargaining provisions under the SEERA).

Deferred Compensation Program

The budget proposes an additional \$78,000 in the current year and \$43,000 in the budget year from the Deferred Compensation Plan Fund for increased costs in the deferred compensation program. DPA advises that the number of program participants has increased from 18,500 to an estimated 36,000 in 1983. Our analysis indicates that the proposed expenditures are justified due to increased costs.

Reparation Payments

The budget proposes the addition of \$340,000 as a special expense item for the initial reparation payment authorized by Chapter 523, Statutes of 1982 (AB 2710). This law provides for the reparation of salary losses suffered during the period 1942-47 by persons dismissed from state civil service as a result of Resolution Chapter 49, Statutes of 1941-42, First Extraordinary Session (SCR 15).

Chapter 523 declares the intent of the Legislature to appropriate funds for payment of claims from the 1983 Budget Act. Eligible claimants may receive payments for up to four years, with eligibility determined by the DPA.

Labor Relations Program

The purposes of this program are to (1) represent the Governor in all labor relations areas subject to the State Employer-Employee Relations Act (SEERA) and the Higher Education Employer-Employee Relations Act (HEERA), (2) administer personnel regulations regarding terms and conditions of employment relative to represented employees (that is, those covered by collective bargaining provisions under the SEERA), (3) develop personnel policy with respect to represented employees and (4) provide training policy and programs for represented employees.

Additional Positions for Dental Program Shown Incorrectly in the Budget

We recommend that the three new positions for the dental program be shown in the labor relations program, rather than the management program.

The budget proposes three positions, financed through reimbursements, to permanently oversee the operation of the State Dental Plan.

In the 1981-82 year, five positions (two professional and three clerical) were established administratively to administer the Statewide Dental Insurance Plan, which was implemented effective January 1, 1982, pursuant to action taken by the Legislature in enacting the 1981 Budget Act. These positions were continued during the current year on a limited-term basis. The budget proposes that three of these five positions be continued on a permanent basis. Our analysis indicates that the positions are justified on a workload basis.

The budget incorrectly shows these positions in the department's management program, rather than its labor relations program. We recommend that these three positions be properly reflected in the budget by placing them in the labor relations program.

Two Additional Attorney Positions to Handle Collective Bargaining Legal Workload

In the current year, two labor relations counsel positions were established administratively to deal with the workload requirements associated with collective bargaining. The budget requests that the positions be continued on a permanent basis. Our analysis indicates that the positions are justified on a workload basis.

Four New Positions to Negotiate and Administer Collective Bargaining Agreements

The budget proposes the expenditure of \$137,000 for four new reimbursed positions to provide negotiation support and administrative services within the department's contract administration unit. These four positions are to be added to the existing labor relations program's staff to address the administration of collective bargaining activities. Our analysis indicates that the four positions are justified, based on the department's workload.

Shift Funding for Collective Bargaining Activities from General Fund to Reimbursements

The budget proposes a significant change in how the administration of collective bargaining activities is to be funded. Costs which are clearly and directly chargeable to collective bargaining are shifted in the budget for 1983-84 from the General Fund to reimbursements. Table 4 shows the activities for which the shift in funding is proposed.

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

Table 4
Department of Personnel Administration
Collective Bargaining Activities
Proposed for Funding From Reimbursements
1983-84

<i>Program Activity</i>	<i>Personal Services</i>	<i>Operating Expense and Equipment</i>	<i>Total</i>
Negotiations support	\$276,900	\$37,900	\$314,800
Labor Relations	472,700	89,380	562,080
Personnel Services	105,350	10,005	115,355
Employee Compensation	43,600	5,025	48,625
Four New Positions for Contract Administration.....	113,000	24,000	137,000
Total	\$1,011,550	\$166,310	\$1,177,860

Our analysis finds that this shift in funding from the General Fund to reimbursements to support the collective bargaining activities is appropriate. This is because the collective bargaining costs directly attributable to other state agencies would be charged to those departments and would, therefore, be reflected as a program cost in the budgets of the various departments budgets.

Total Cost of DPA's Ongoing Collective Bargaining Operations Should Be Reflected in Budgets of Contributing State Agencies

We recommend that prior to budget hearings, the Department of Finance (1) identify which state agencies will provide additional funds to support DPA's ongoing collective bargaining operations and (2) make technical adjustments reflecting the cost of such additional support in the budgets of each contributing agency.

The budget proposes to switch costs for activities which are clearly and directly attributable to collective bargaining from the General Fund to reimbursements from other state agencies. The DPA estimates these costs to be \$1,177,860 in 1983-84, and has provided a breakdown of charges, by unit, for each of the 20 bargaining units covering civil service and related employees. Information on how these collective bargaining charges are to be allocated among the various state agencies, however, has not been provided. So that the Legislature can have a complete picture of how funds requested in the budget will be used, we recommend that, prior to the budget hearing, the Department of Finance make the technical adjustments necessary to properly reflect this cost in the budgets of the appropriate state agencies.

Data Needed by the Legislature

We recommend that:

- 1. Legislation be enacted amending the Government Code to transfer the compensation survey function from the Department of Personnel Administration (DPA) to a pay research section within the State Personnel Board (SPB).*
- 2. The \$163,834 and 5.6 analyst positions requested to conduct these compensation survey functions be transferred from the DPA to the SPB.*
- 3. The \$22,000 budgeted for U.S. Bureau of Labor Statistics (BLS) salary surveys be transferred with the salary survey function from the DPA to the*

State Personnel Board (SPB).

Recognizing its need for data which can be used to evaluate the appropriateness of negotiated salary increases, the Legislature added language to DPA's support item in the 1982 Budget Act (Item 8380-001-001) which includes \$156,032 for the 5.6 positions to conduct the compensation survey functions.

Prior to the enactment of the State Employer-Employee Relations Act (SERRA) in 1977 and the Higher Education Employer-Employee Relations Act (HEERA) in 1978, the Legislature relied on salary survey data provided by the SPB in determining whether state salaries were trailing or leading salaries paid in comparable private or local government employment. The results of these surveys were published and were considered in establishing salaries for state civil service and related employees and for nonacademic employees at UC and CSU.

With the advent of collective bargaining for state civil service employees, responsibility for the salary survey function was moved from the SPB to the DPA. The DPA, however, has not provided compensation to the Legislature in the same manner as that which was provided by the SPB. The apparent reasons for this change are attributed to: (1) the desire to reduce costs, and (2) the belief that publishing comprehensive wage survey data would be detrimental to the collective bargaining process.

Although under the SEERA and HEERA, compensation rates paid in the private or other public sectors are no longer the prime factor determining compensation increases, the Legislature may need information on these rates in order to facilitate its evaluation of the reasonableness of negotiated memoranda of understanding (MOUs). Additionally, the Governor's Office, the CSU system and the UC require data on prevailing compensation rates for a wide variety of occupations in order to establish appropriate pay levels for state employees. Currently, these three entities, as well as unions which are the exclusive representatives of state employee bargaining units, each collect the data.

In light of collective bargaining, it may be inappropriate for the DPA, which represents the Governor in the negotiating process, to supply this wage survey data to the Legislature.

Our analysis indicates that, rather than continue to have DPA responsible for collecting wage survey data, the state should adopt a process for obtaining the data similar to one used by the government of Canada. This process, we believe, can provide the data which the state needs in a more cost-effective manner than the current system.

Within the Canadian government, there is a national agency—the Pay Research Bureau—which, in consultation with the executive branch of government and the unions, conducts and publishes nationwide surveys of prevailing compensation in Canada. The independent surveys then become the basic public data used in bargaining for wages in the national government, other public jurisdictions and industries. This process has been effective in Canada and is estimated to be significantly less costly than the alternative system in which all parties conduct their own independent survey.

Within California, the SPB, as an independent constitutional body, could serve to provide these compensation surveys in the way that the Pay Research Bureau does. We believe that the establishment of a pay research section within the SPB would result in reliable comparative data being provided in a consistent manner by an impartial source. We also find that the collection of this data could be financed through reimbursements

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

from the interested parties. These parties would include the Governor, UC, CSU, the state employee unions and other public jurisdictions.

Because this would provide the data needed by all parties involved in the bargaining process at far less cost than these parties now incur in collecting it themselves, we recommend that:

1. Legislation be enacted amending the Government Code to transfer the compensation survey function from the DPA to a pay research section within the SPB. This pay research section would conduct compensation surveys to provide the data needed by the Legislature, administration, UC, CSU, and state collective bargaining exclusive representatives to: (1) evaluate negotiated compensation increases, and (2) provide calculated percentage differences between state civil service salaries and salaries paid in nonstate employment.
2. The \$163,834 and 5.6 positions requested to conduct these compensation survey functions be transferred from the DPA to the SPB.
3. The \$22,000 requested to purchase salary survey information from the U.S. Bureau of Labor Statistics be transferred from the DPA to the SPB.

State-Owned Housing

We recommend that:

1. Prior to budget hearings, the DPA provide to the Legislature (a) the results of efforts to increase rental rates on state-owned property in order to reflect market values and (b) its plans for ensuring that rental rates are adjusted in the future to reflect changes in market values.

2. Control language similar to that included in the 1980 and 1982 Budget Acts be adopted directing the DPA to adjust, effective July 1, 1983, rental rates paid by employees residing in state-owned housing to reflect market values.

3. A control section be adopted directing the Department of Finance to reduce support appropriations of state agencies by a total of \$2.1 million to reflect the additional reimbursements these agencies will receive as a result of rental rate adjustments, for a \$1.8 million savings to the General Fund and a \$.3 million savings to various special funds.

Legislature Directed That Rents Be Set To Reflect Market Value. In the Budget Act of 1980, the Legislature directed the Board of Control to revise the rental structure on state-owned housing to reflect the market values of these units. At its October 1980 meeting, the board formally adopted such a policy, effective July 1, 1981, and directed its staff to develop a plan to implement the policy.

In the 1981-82 *Analysis*, we noted that:

- A plan had been developed but had not yet been approved by the board.
- Implementation of the market value rental policy could increase state rental income by over \$2 million annually.
- The Governor's Budget for 1981-82 made no allowances for the additional rental income which state departments would collect from their employees as a result of implementing the new rental policy.

Subsequently, the Legislature added Control Section 24.50 to the 1981 Budget Act, which required that any increases in reimbursements resulting from such increased rents paid by employees for state-owned housing be accounted for as unscheduled reimbursements and not be available for expenditure.

New Rental Policy Was Not Implemented. Effective May 1, 1981, pursuant to Governor's Reorganization Plan No. 1 of 1981, authority to establish rental rates for state-owned housing was transferred from the Board of Control to the DPA. The DPA, however, did not implement the rental policy established by the Legislature.

Legislature Again Instructs DPA to Adjust Rents

In last year's *Analysis*, we noted that:

- According to information provided by the DPA, 13 state agencies own a total of 1,092 rental units, and these agencies would receive additional reimbursements of approximately \$2.2 million (\$1.9 million General Fund) in 1982-83 if the market value policy were implemented effective July 1, 1982.
- These additional reimbursements are based on appraisals conducted by the Department of Transportation and the Department of General Services.

Subsequently, the Legislature instructed the Department of Personnel Administration (DPA) and the CSU Board of Trustees to take several actions regarding adjustment of rental rates on state-owned housing. Specifically, the Legislature:

- Added Control Section 24.50 to the 1982 Budget Act, which reduces appropriations of departments having employee-related housing by \$1.1 million (\$950,000 General Fund reduction). The Department of Finance was directed to apportion these reductions among the affected departments:
- Adopted language in the *Supplemental Report to the 1982 Budget Act* which requires DPA to report to the legislative budget committees by March 1, 1983 on (1) the amounts by which rates for state-owned housing were changed in 1982-83 to reflect market values, (2) the amounts of additional reimbursements which the various state agencies will receive in 1982-83 as a result of these rate changes, (3) the DPA's plans for adjusting rental rates in the future to reflect changes in market values and (4) the total amount of reimbursements (by fund) expected to be received by the state in 1983-84 as a result of the new policy.
- Specified in DPA's 1982 Budget Act appropriation (Item 8380) that if housing is a term or condition of employment, the rental rate shall not exceed 25 percent of the employee's gross salary.
- Adopted Chapter 1095, Statutes of 1982 (SB 1636), which gave rental-rate setting authority to the CSU Board of Trustees and declared legislative intent that all of the above provisions shall apply to the Trustees of the CSU for housing under their jurisdiction.

The Legislature's Directive Once Again Is Ignored. In December 1982, DPA advised the Joint Legislative Budget Committee on the progress it had made with regard to adjusting the rental rate on state-owned housing to reflect market values. The DPA said that although it had estimated in 1981 that these adjustments would generate \$1.9 million to the General Fund annually, it now projects revenues to be closer to \$450,000. The DPA cited the following reasons for the decline in estimated revenue:

- The adjusted rates will be in effect for only one-half of the fiscal year, instead of the full year, as anticipated by the Legislature.
- Rate increases must be negotiated if the employee/occupant is re-

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

quired to live in the state-owned housing as a condition of employment, resulting in 50 percent decrease in revenue.

The budget for 1983-84 reflects reductions from the support appropriations of departments having employee rented housing totaling \$450,000 in the current year and \$900,000 in the budget year, in recognition of the additional reimbursement these agencies will receive as a result of the adjustment in rental rates paid by employees occupying state-owned housing.

The reduction for 1982-83 is less than half the amount by which the Legislature directed the Department of Finance to reduce support appropriations of General Fund departments having employee-rented housing (\$950,000).

Administration's Plans for Continuing Policy are Not Clear. The 1983 Budget Bill does not contain the language included under Item 8380 or Control Section 24.50 in the 1982 Budget Act calling for the Department of Finance to reduce the support appropriations from agencies with employee-rented housing. Accordingly, it is not clear what the administration's plans with regard to the market-rate policy are. Nor is it clear how the policy is being implemented in the current year.

For these reasons, we recommend that:

1. "Prior to legislative budget hearings, the DPA provide to the Legislature a report on (a) the amounts by which rates for state owned housing were changed in 1982-83 to reflect market values, (b) the amounts of additional reimbursements the various state agencies have or will receive in 1982-83 as a result of these rate changes, by fund, (c) DPA's plans for making future annual adjustments in rental levels to reflect changes in market value, and (d) the total amount of reimbursements expected to be received by the state in 1983-84 as a result of the new policy, by fund."
- The following language be added to the DPA's budget support items: "Provided further that the Department of Personnel Administration shall adjust effective July 1, 1982 and annually thereafter, the rental rates paid by state employees for state-owned housing to reflect market values."
- The following control section be added to the Budget Bill: "Notwithstanding any other provision of this act, support appropriations of departments having employee rented housing are hereby reduced by a total of \$2,134,000 (\$1,834,000 General Fund) to offset additional reimbursements these agencies should receive as a result of the adjustment effective July 1, 1983 of rental rates paid by employees for state-owned housing to reflect market values. The Department of Finance shall apportion this reduction among the departments."

These reductions account for the transfer of rental rate setting authority for CSU employees to the CSU Board of Trustees under Chapter 1095, Statutes of 1982 (AB 1636).

ADMINISTRATION PROGRAM

The Administration Program consists of (1) executive management, (2) legal assistance with respect to employer-employee relations, and (3) central support services, including accounting, budgeting, and duplicating services. Program costs are distributed between the department's two line programs.

Improving Budget Presentation

We recommend that supplemental report language be adopted directing the Department of Finance to display in the budget document all input and output data for each program element in the Department of Personnel Administration, including a display of positions and expenditures, by fund source, for each program element.

The Governor's Reorganization Plan No. 1 of 1981 transferred functions and staff to the DPA from the State Personnel Board, the Department of General Services, the State Board of Control, and the Department of Finance. Prior to this transfer in 1981, these departments displayed in their budgets many of the functions and program elements now administered by the DPA.

The budget for 1983-84 contains only a single summary table for each of the department's three identified programs. No information on program elements is reported. As a result, these tables do not provide sufficient information for the Legislature to determine personnel or expenditure changes by fund source or program element.

In addition, information on performance measures has been deleted from the budget. Specifically, the following information, which was included in the 1981-82 budget is no longer reported:

- Number of participants and hours in centralized training.
- Number of department training plans reviewed.
- Number of meet and confer sessions held.
- Number of participants in Deferred Compensation program.

The elimination of detailed budget information on the department's programs and activities leaves the Legislature without adequate information for carrying out review and oversight. To remedy this problem, we recommend that the Legislature direct the Departments of Personnel Administration and Finance to provide more complete information on positions and expenditures in future budgets.

Data Processing Master Plan

We recommend the Department of Personnel Administration, in consultation with the Department of Finance, State Office of Information Technology, develop a data processing master plan and submit it to the fiscal committees and the Joint Legislative Budget Committee by December 1, 1983.

Under the Governor's Reorganization Plan No. 1 of 1981, several functions were transferred to the DPA from the State Personnel Board, State Board of Control, Department of General Services and Department of Finance. The transfer of functions included salary administration, administration of working hours, training, performance evaluation, layoff and grievance administration, merit award program administration, and deferred compensation plan administration.

The DPA staff advise that development of a major electronic data processing (EDP) system is needed to support these functions and the collective bargaining function. Currently, the department contracts with other agencies, such as the Department of General Services, the State Personnel Board, and the State Controller's Office for data processing services.

Our analysis indicates that the DPA lacks sufficient information about future EDP development to accurately determine its potential needs. This

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

has led the department to request incremental increases to its data processing budget. We believe that a more comprehensive approach is needed to provide the data processing support needed by all department programs.

Currently, the department does not have a data processing plan. Accordingly, we recommend that the department work closely with the State Office of Information Technology in putting together a master plan, and submit the plan to the Legislature by December 1, 1983.

Agency Publications

We recommend that responsibility for two legislatively mandated salary survey reports be transferred to the SPB if the salary survey function is transferred to the State Personnel Board, as we recommend.

Chapter 1632, Statutes of 1982, requires each agency to submit, along with its 1983–84 budget, a list of publications which are legislatively mandated and which require in excess of 100 employee hours to produce.

Table 6 shows DPA's response to Chapter 1632, as well as both the department's and our recommendations with respect to the continuation of each publication.

Table 6
Department of Personnel Administration
Legislatively-Mandated Publications
1983–84

<i>Title and Description</i>	<i>Authority</i>	<i>DPA Recommendation</i>	<i>LAO Recommendation</i>
1. Training—Training activity servicewide, by department, in-service and out-service.	Government Code, Section 19995.1	Continue.	Continue.
2. Safety Retirement—Determine which classes meet all, or part of the criteria for application to state safety category of membership in the Public Employees' Retirement System.	Government Code Sections 18861 and 19838	Should be issued only when classes are being added or deleted. Annual report unnecessary when no change recommended.	Issue only when classes are being added or deleted.
3. Comparable Worth—Analysis of information relevant to the setting of salaries for female dominated jobs.	Government Code Section 19827.2	Discontinue. Salaries are now bargainable. The negotiating parties should agree, at the table, on what specific data is required.	Discontinue.
4. Salaries—Findings relating to ^a salaries of employees in comparable occupations in private industry and other government agencies.	Government Code Section 19826	Same as above.	Transfer to the SPB ^b
5. Lead-lag—Specific percentage ^a differences between salaries of state civil service employees and nonstate employees.	Ch 326, Item 8380-001-001, Statutes of 1982	Same as above.	Transfer to the SPB ^b

^a Reports that take less than 100 hours to produce.

^b The preparation of this report by the SPB is contingent on the transfer of the salary survey function to the SPB. If the salary survey function is not transferred to the SPB we recommend that the DPA continue to provide the report.

As Table 6 indicates we concur with the recommendations of the department in regard to the status of the reports on training, safety retirement, and comparable worth.

Consistent with our earlier recommendation to transfer the salary survey function from the DPA to the SPB, we recommend that responsibility for preparing the reports on salaries and lead-lag be transferred to the board. If the salary survey function is not transferred to the board, we recommend that these two reports continue to be prepared by the DPA.

Two Tiered Retirement System

Chapter 327, Statutes of 1982 (SB 1326), requires the Department of Personnel Administration, in conjunction with the Board of Administration of the Public Employees' Retirement System, to develop legislation which will implement a two-tiered retirement system. This second tier to the current PERS retirement program would improve the coordination of benefits between social security and the PERS for state employees. Chapter 327 states that retirement costs to the state and its employees would be reduced by the establishment of a two-tiered retirement system.

At the time this *Analysis* was prepared, both the DPA and the PERS were developing the required legislation.

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

Item 8450 from the General
Fund

Budget p. GG 70

Requested 1983-84	\$5,378,000
Estimated 1982-83	4,441,000
Actual 1981-82	4,925,000
Requested increase (excluding amount for salary increases) \$937,000 (+21.1 percent)	
Total recommended reduction	\$155,000

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8450-001-001—General Fund support		General	\$3,328,000
8450-001-016—Death-without-dependency support		General, Special Account	2,050,000
Total			\$5,378,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Savings from Reorganization. Reduce by \$155,000.* Recommend reduction to reflect savings from transfer of legal defense responsibilities to the Department of Industrial Relations. 1844
2. *Cancer Presumption.* Recommend that the Department of Finance report to the fiscal committees, prior to budget hearings, on its plans for funding reimbursements required by Ch 1568/82. 1844

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

3. Major Revenue Reform. Recommend that the Legislature place before the voters a constitutional amendment designed to: 1845
 - a. Clarify the state's entitlement to death-without-dependency revenue (Potential savings: \$1-2 million annually).
 - b. Make the subsequent injury program self-supporting. (Potential savings: \$1.3 to \$2.3 million annually).
4. Major Administrative Reform. Recommend enactment of legislation designed to: 1846
 - a. Revise claims settlement practices to reduce incidence of litigation.
 - b. Provide for the reimbursement of employers or their insurance carriers for subsequent injury benefits in lieu of direct payments to workers.
 - c. Eliminate the "waiting period" provisions of existing law.

GENERAL PROGRAM STATEMENT

Existing law provides that when a worker with a preexisting permanent disability or impairment suffers a subsequent industrial injury resulting in a combined permanent disability of 70 percent or more, the employer is responsible only for that degree of permanent disability arising from the subsequent injury. The balance of the disability benefit obligation is assumed by the state. The purpose of this program is to provide an incentive for employers to hire persons who have a permanent (but partial) disability or impairment.

The cost of this program is paid by an annual appropriation and by revenue from Ch 1334/72 (as amended by Ch 12/73), which implemented a constitutional amendment enacted in 1972. This statute requires an employer or his insurance carrier to pay to the state, in a lump sum, workers' compensation benefits whenever a worker dies leaving no surviving heirs. These payments are collected by the Department of Industrial Relations, placed in the General Fund and used to offset the cost of the subsequent injury program.

Applying for Benefits

When an employee who has a preexisting disability suffers a subsequent injury in the course of his work, he files a claim with his employer or the latter's insurance carrier for disability benefits warranted by the second injury only. If the employee and the employer (or the insurance carrier) cannot agree on the proper level of benefits, the issue is litigated before the Workers' Compensation Appeals Board (WCAB). In these cases, the employee almost always is represented by legal counsel.

The employee may also apply for benefits from the Subsequent Injury Fund at the same time he applies for benefits from his employer, or he may wait until the claim against his employer is settled. Most employees do the latter. In either case, an employee may apply for subsequent injury benefits only by filing a claim with the WCAB which is given sole authority to "fix and award the amounts" of subsequent injury benefits. Usually, the claim is fully litigated, although it may be settled by a formal agreement between the worker and the state. All such agreements must be approved by the WCAB.

The responsibility for providing legal defense to the fund was trans-

ferred from the Attorney General to the Department of Industrial Relations in 1982-83. The State Compensation Insurance Fund administers the payments to the recipients, and is reimbursed for its services from the fund.

The Waiting Period

Under current law, the state-paid benefits from the Subsequent Injury Fund do not commence immediately. If injured workers have already received compensation for a disability from other sources (such as social security or insurance settlements), they must wait a specified period before they can receive subsequent injury benefits. The purpose of the waiting period is to prevent the employee from receiving benefits from the Subsequent Injury Fund which would duplicate the benefits already received for the prior disability. This period is determined by dividing the total amount of any previous compensation by the weekly rate at which the injured employee is entitled to permanent disability payments. The weekly payment, which depends on the employee's average weekly wage at the time of the second injury, currently ranges from \$50 to \$130 per week for permanent partial disability, and from \$84 to \$196 per week for permanent total disability.

Permanent *total* disability benefits are paid for life, while permanent *partial* disability benefits are paid for a period ranging from 3 weeks to 12 years, depending on the extent of the disability. After termination of permanent *partial* disability benefits, persons entitled to subsequent injury benefits are also entitled to life pensions of up to \$64 per week, depending on the extent of their disability and the amount of their earnings at the time of the industrial injury.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$5,378,000 to fund workers' compensation benefits paid under the subsequent injury program during 1983-84. This amount consists of (1) \$3,328,000 from the General Fund (Item 8450-001-001) and (2) \$2,050,000 in death-without-dependency payments (Item 8450-001-016). Together, these appropriations are \$937,000, or 21 percent, more than estimated current-year expenditures. The increase is due primarily to increased costs of workers' compensation benefits.

Table 1 shows the sources and uses of funds under the subsequent injuries program for the prior, current, and budget years.

Table 1
Workers' Compensation Benefits for Subsequent Injuries
Budget Summary
(in thousands)

Funding	Actual	Estimated	Proposed	Change	
	1981-82	1982-83	1983-84	Amount	Percent
General Fund appropriation (Item 8450-001-001)	\$2,071	\$2,878	\$3,328	\$450	15.6%
Death-without-dependency payments (Item 8450-001-016)	2,856	1,563	2,050	487	31.2
Totals	\$4,927	\$4,441	\$5,378	\$937	21.1%
<i>Program</i>					
Benefit payments	\$4,129	\$3,583	\$4,493	\$910	25.4%
State Compensation Insurance Fund service charges	203	211	235	24	11.4
Attorney General services	595	647	650	3	0.5
Totals	\$4,927	\$4,441	\$5,378	\$937	21.1%

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued**Administrative Costs Overbudgeted**

We recommend a reduction of \$155,000 (Item 8450-001-001) to eliminate overbudgeting for legal defense costs.

Legal defense responsibilities were transferred from the Attorney General to the Department of Industrial Relations in 1982-83. The budget of the Department of Industrial Relations (Item 8350-001-001) shows that this reorganization will result in savings of \$164,000 in 1982-83 and \$155,000 in 1983-84. The budget for the subsequent injury program, however, fails to reflect these savings and, instead, provides funding for the higher costs that would have been incurred by the Attorney General. We, therefore, recommend that Item 8450-001-001 be reduced by \$155,000 to reflect these savings.

Recent Legislation Not Funded in Budget

We recommend that the Department of Finance report to the fiscal committees, prior to budget hearings, on its plans for funding Ch 1568/82, which presumes that the causes of certain forms of cancer in fire fighters are job related.

Chapter 1568, Statutes of 1982 (AB 3011), requires the WCAB, when resolving workers' compensation benefit disputes, to "presume" that certain forms of cancer contracted by fire fighters are caused by employment-related conditions unless the employer proves otherwise. Prior to this measure, a fire fighter, in order to receive such benefits, was required to prove that his/her cancer was caused by employment-related conditions.

The fiscal committees, on hearing the measure, were advised that it would result in additional, but unknown, costs to those state agencies which employ fire fighters. Furthermore, the Department of Finance advised the Legislature that the measure would result in full-year costs to local governmental agencies of up to \$3.1 million annually, beginning as early as 1983-84. The act did not appropriate funds for such costs, but, instead, recognized that local agencies could seek reimbursement through the Board of Control. The act requires that "all reimbursements to a local agency or school district or any state agency" be paid from the General Fund appropriation to the subsequent injury program.

The budget does not provide additional funding for the reimbursements to be paid from the subsequent injuries program pursuant to Ch 1568/82. Accordingly, we recommend that the Department of Finance report to the fiscal committees, prior to budget hearings, on its plan for providing funding for state and local costs resulting from the measure.

Subsequent Injuries Program Needs Major Funding Reforms

We recommend that a constitutional amendment and implementing legislation be enacted to:

1. *Require employers or their insurance carriers to pay to the state the difference between any partial-dependent benefit and any total workers' compensation benefit in death-without-dependency cases.*

2. *Make the subsequent injury program self-supporting.*

Death-Without-Dependency Revenue. Chapter 1334, Statutes of 1972, and Ch 12/73, which implemented a constitutional amendment approved by the voters in 1972, require employers or their insurance carriers to pay to the state a workers' compensation death benefit in cases where a worker who dies as the result of an industrial injury leaves no surviving heirs. In such cases, the state receives, in a lump sum, the amount of the benefit that is usually paid to one *total* dependent (for example, a dependent spouse or child). At the current time, this benefit is \$60,000, but it will rise to \$70,000 on January 1, 1984. Lump-sum payments to the state, however, are discounted from these levels, and are expected to be approximately \$55,100 in 1983 and \$64,170 beginning on January 1, 1984. The revenue from these payments, which is called death-without-dependency revenue, is placed in the General Fund and used to offset the costs of the subsequent injury program.

In cases where the deceased worker has no totally dependent spouse or children, a *partial* dependent death benefit may be paid. Such benefits usually go to dependents such as parents, uncles, or aunts. The partial dependency death benefit is paid at the rate of four times the amount of the annual contribution provided by the deceased worker. However, it may not exceed \$60,000 for one partial dependent or \$85,000 for more than one partial dependent. These limitations will rise to \$70,000 for one dependent and \$95,000 for more than one dependent on January 1, 1984.

The interaction of these two benefit provisions has caused problems since the beginning of the program. For example, assume that an unmarried worker who has no children dies as a result of an industrial injury. Assume further that the employer's insurance carrier is able to demonstrate that the worker has been paying a utility bill for his aged mother at an average cost of \$30 per month because her limited income did not cover all of her living expenses. Under these circumstances, prior to June 14, 1979, the worker's mother would have received a partial death benefit of \$1,440 (four times the actual annual amount of the contribution) and the state would have received nothing.

On June 14, 1979, however, a California Court of Appeal ruled that, in industrial death cases where there are partial dependents, the state is entitled to the difference between the partial dependent death benefit and the benefit that the state would have received had there been no dependent. This ruling was issued in the case of *The Department of Industrial Relations vs the Workers' Compensation Appeals Board and Jeremy Shannon Tessler*, commonly referred to as the Tessler case. Under this ruling, the mother in the example set forth above would get \$1,440 and the state would get \$53,660.

On May 22, 1982, the California Supreme Court overturned the *Tessler* ruling. As a result, the state once again is unable to collect death benefits in industrial death cases where partial dependent benefits are paid.

We can find no basis for allowing some employers (or their insurance carriers) to avoid making payments to the state required of other employ-

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

ers under essentially the same circumstances merely because a partial death benefit payment is made. Furthermore, current law as interpreted by the supreme court tends to encourage employers and insurance companies to seek out partial dependents, even when none is claimed, as a means of avoiding the required payment to the state. The end result is that employers and insurance companies often receive a windfall savings, while, the state's taxpayers must contribute more to support the subsequent injury program.

We, therefore, recommend that a constitutional amendment be presented to the voters, and that implementing legislation be enacted, requiring employers or their insurance carriers to pay to the state the difference between any partial dependent benefit and the total death benefit when there are no surviving heirs. This would result in additional death-without-dependency revenue of between \$1.0 and \$2.0 million annually, allowing a corresponding savings to the General Fund.

Program Should be Self-Supporting. The subsequent injury program requires an appropriation of \$3,328,000 from the General Fund in 1983-84, in addition to the \$2,050,000 in revenue available to the program from industrial death benefits where there are no surviving heirs. The 1972 National Commission on State Workmen's Compensation Laws recommended that all states make their subsequent injury programs self-supporting. At least 28 states now operate their subsequent injury programs in this manner, including Arizona, Connecticut, Florida, New York, Pennsylvania, Ohio, Oregon, and Wisconsin. These states generally levy an annual assessment on insurance companies and a corresponding charge on self-insured employers to fully fund their subsequent injury programs.

We believe that it would be appropriate for California to make its subsequent injury program self-supporting in the same manner. A self-supporting program would have the advantages of (1) ensuring that adequate resources are available for funding subsequent injury benefits and (2) spreading the liability for hiring handicapped workers among all employers. Accordingly, we recommend that a constitutional amendment be presented to the voters, and that implementing legislation be enacted making the subsequent injury program self-supporting, consistent with practices in most other states.

We estimate that an annual charge equal to approximately 0.1 percent of insurance premiums paid by all California employers (estimated \$2.8 billion in 1982) would be necessary to support the subsequent injury program. This would avoid the need for a General Fund appropriation to support the program. Savings in 1983-84 would be \$3,328,000 were the program now operating on a self-supporting basis.

Program Needs Major Revision

We recommend that legislation be enacted to:

1. *Revise claims settlement procedures under the subsequent injury program to parallel those used by insurance companies.*
2. *Provide for the reimbursement of employers or their insurance companies, rather than direct payments to employees.*
3. *Eliminate the "waiting provision" for benefits in existing law.*

In recent years, our analyses of the subsequent injury program have indicated that major revisions in the program are needed to minimize

administrative problems and reduce the amount of time an injured worker must wait before benefit payments actually commence. (For a more complete discussion of our findings, see *Analysis of the Budget Bill of the State of California for the Fiscal Year 1979-80*, pages 1249-1258.)

Simplifying Administration. Under existing law, the subsequent injury program requires an excessive amount of litigation. This litigation places an unnecessary financial burden on both the state and the recipients of benefits. The recipient, in fact, often has to pay the cost of hiring an attorney twice: first to represent his interests in disputes involving benefits from the employer for whom he worked when he sustained his second injury, and again to represent him before the WCAB in his claim for workers' compensation benefits. Litigation also contributes to disruptions in the flow of benefits to disabled workers. Legal delays before the WCAB are growing longer and more complex.

Excessive litigation results from the fact that the WCAB has the sole authority to "fix and award the amounts" of subsequent injury benefits.

Our analysis indicates that the program would be more cost-effective if it were (1) administered by the Director of Industrial Relations, following general practices and procedures of insurance companies, and (2) litigation were pursued only in those cases where a claim's validity is subject to reasonable doubt. The State Compensation Insurance Fund reports that only 25 percent of its cases require formal litigation. For this reason, we recommend that the Director be empowered to establish rules and regulations for awarding benefits under the program in as many cases as possible, so as to avoid litigation before the WCAB. Such a program could eliminate the need for litigation in approximately 75 percent of the cases.

Reimbursing Employers. Most of the subsequent injury programs adopted by other states in recent years have incorporated a provision recommended by the Council of State Governments. This provision requires insurance carriers or self-insured employers to make subsequent injury payments directly to recipients and then file for reimbursement from the state. This simplifies program administration and significantly reduces legal costs. The employee is required to file *only one* claim with his insurance company or employer. If the parties are unable to reach agreement as to the proper level of benefits, the claim is litigated before the WCAB. The insurance company or self-insured employer assumes full responsibility for paying all workers' compensation payments, and recovers the subsequent injury fund portion (the portion now paid directly to workers) from the state on a quarterly basis. Disputes between the insurance carrier and the state over such claims are resolved by the WCAB.

This approach has several advantages:

- it shifts the burden of screening cases to the employer or his insurance company,
- it greatly reduces the employee's need to litigate for benefits,
- it reduces the administrative costs of paying benefits. For example, the State Compensation Insurance Fund mailed 47,076 semi-monthly checks to 4,631 recipients in 1981-82. Under our recommendation, payments would be made quarterly to not more than the 200 insurance companies selling workers' compensation insurance plus a few self-insured employers.
- it would encourage employers to hire the handicapped by making them more aware of the fact that their liability for workers' compensation costs would not be increased in the event a handicapped employee sustains a new injury. A great deal of doubt has been expressed

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—Continued

over the years as to whether the present program achieves its primary goal of encouraging employers to hire the handicapped because of the lack of awareness on the part of employers regarding the program.

Elimination of the Waiting Period. A basic purpose of the workers' compensation permanent partial disability program is to replace a portion of the income lost due to the industrial injury until the worker is able to reenter the labor market and again generate his or her own income. Benefits are limited to the period during which the employee is reasonably expected to require supplemental income. These periods range from three weeks to almost 12 years, depending on the seriousness of the disability. Life pensions are provided only for those persons with the most serious disabilities, as determined by the WCAB.

The statutory "waiting period provision" of the subsequent injury program violates the objective of the permanent partial disability program by disrupting the normal flow of benefits while a credit is built up for compensation which was received for the preexisting disability. The purpose of the "waiting provision" in existing law is to prevent employees from receiving subsequent injury benefits which would duplicate benefits received earlier from other sources for the preexisting injury. As far as we can determine, none of the other state subsequent injury programs is concerned with whether recipients may receive double compensation in some cases for the preexisting disability.

If the legislation that we recommend were enacted, costs would increase due to the elimination of the waiting period, and savings would result from the administrative reform. On balance, we believe this legislation probably would, over a period of years, result in a net increase in costs to the subsequent injury program. The program, however, does not generate sufficient data to identify the specific increased costs or savings.

It is likely that any fiscal effect resulting from the legislation that we recommend would only show up over a relatively long period of time. It would take several years to convert the program entirely from making direct payments to employees to reimbursing insurance carriers. Moreover, there are a large number of cases in the pipeline that would not be affected by the legislation. For example, on June 30, 1982, there were 2,722 outstanding claims with total liabilities estimated at \$43.6 million. Two of these industrial injuries occurred in 1946.

WORKERS' COMPENSATION BENEFITS FOR DISASTER SERVICE WORKERS

Item 8460 from the General
Fund

Budget p. GG 70

Requested 1983-84	\$365,000
Estimated 1982-83	365,000
Actual 1981-82	257,000
Requested increase: None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

This item provides \$365,000 for the payment of workers' compensation benefits to volunteer personnel (or their dependents) who are injured or killed while providing community disaster relief services. This amount is the same as estimated current-year expenditures. The total amount of compensation paid fluctuates with the volume of both training exercises and actual emergencies such as fires, floods, or earthquakes. Past experience indicates that cost estimates prepared by the State Compensation Insurance Fund, which administers the program, have been realistic.

BOARD OF CHIROPRACTIC EXAMINERS

Item 8500 from the State Board
of Chiropractic Examiners
Fund

Budget p. GG 72

Requested 1983-84	\$589,000
Estimated 1982-83	513,000
Actual 1981-82	512,000
Requested increase (excluding amount for salary increases) \$76,000 (+14.8 percent)	
Total recommended reduction	\$16,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Operating Expenses. Reduce Item 8500-001-152 by \$16,000.* Recommend reduction because request to purchase more hours of investigation has not been justified. 1850

GENERAL PROGRAM STATEMENT

The seven-member Board of Chiropractic Examiners, established by initiative in 1922, is responsible for protecting the users of chiropractic services by assuring adequate training and minimum performance standards for chiropractors practicing in California. The board seeks to accomplish its goals through licensing, continuing education, and enforcement of the Chiropractic Act.

The board is an independent agency directly supervised by the Governor's Office. It has 4.1 authorized positions in the current year.

BOARD OF CHIROPRACTIC EXAMINERS—Continued**ANALYSIS AND RECOMMENDATIONS**

The budget proposes an appropriation of \$589,000 from the State Board of Chiropractic Examiners Fund for support of the board in 1983–84. This is \$76,000, or 14.8 percent, above estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year. The \$76,000 increase includes \$4,000 for personal services and \$72,000 for operating expenses and equipment.

Current Year Revenue Estimates Inaccurate

The 1983–84 budget estimates that revenues in the current-year will be \$473,000. This amount, however, does not reflect the fiscal effect of recent administrative changes made by the board to increase license, reinstatement, and examination fees to their respective statutory maximum levels. When these administrative changes are taken into consideration, the board estimates that it will receive \$537,000 in revenues during the current year. Table 1 indicates the effect of these changes on the State Board of Chiropractic Examiners Fund.

Table 1
State Board of Chiropractic Examiners
Fund Condition Statement
1982–83 and 1983–84
(in thousands)

	1982–83	1983–84
Beginning Reserves, Adjusted	\$100	\$124
Total Revenues	537	564
Total Resources	\$637	\$688
Total Expenditures	–513	–589
Ending Reserves	\$124	\$99

Total estimated resources and expenditures for the current year are \$637,000 and \$513,000, respectively. The expenditure level for the current year includes a proposed deficiency appropriation of \$75,000 for increased enforcement costs. Based on current-year revenue and expenditure projections, the June 30, 1983 fund balance will be \$124,000. This amount, plus projected budget-year revenues, should be sufficient to support the board's proposed expenditure level without enactment of fee legislation prior to the November 1983 renewal cycle.

Increased Level of Enforcement

We recommend a reduction of \$16,000 because funds requested for an increased level of investigation have not been justified.

The board contracts with the Division of Investigation in the Department of Consumer Affairs for investigative services on a per-hour basis. In the current year, the board anticipates that it will purchase 3,028 hours from the division at \$42 per hour, for a total cost of \$127,176. For the budget year, the board estimates it will purchase 3,389 hours at a rate of \$44.35, which will result in a total cost of \$150,302. This is an increase of approximately \$23,000, or 18 percent, above estimated current-year expenditures.

The board has identified two reasons why it plans to purchase more

hours from the division during 1983-84. First, the board anticipates that it will receive more complaints. Second, the board expects an increase in the average number of hours needed to close a complaint investigation.

Table 2 shows the number and disposition of complaints received by the board, during the 1979-80 to 1983-84 period.

Table 2
Board of Chiropractic Examiners
Historical and Projected Summary of
Disposition of Complaints Received
1979-80 through 1983-84

	<i>Nonjurisdictional</i>		<i>Resolved In-House</i>		<i>Investigated</i>		<i>Total Number</i>	<i>Percent</i>
	<i>Number</i>	<i>Percent of Total</i>	<i>Number</i>	<i>Percent of Total</i>	<i>Number</i>	<i>Percent of Total</i>		
1979-80	80	21.3%	185	49.3%	110	29.3%	375	100.0%
1980-81	80	22.1	195	53.9	87	24.0	362	100.0
1981-82	75	22.0	190	55.7	76	22.3	341	100.0
1982-83	80	23.8	180	53.6	76	22.6	336	100.0
(estimated)								
1983-84	90	24.3	180	48.7	100	27.0	370	100.0
(projected)								

As Table 2 indicates, the total number of complaints received by the board has declined each year since 1979-80. Despite this trend, the board anticipates receiving 34, or 10 percent, more complaints in 1983-84 than it estimates it will receive in the current year, and more than it has received in any year since 1979-80. In addition, the board's estimates indicate that more of these new complaints are expected to be investigated and that fewer will be resolved in-house, than in previous years. This assumption differs from stated board policy to minimize the number of cases sent to investigation and maximize the number resolved in-house.

The board also has indicated that the average number of hours the division requires to close a complaint investigation has increased in recent years. The board estimates that the average number of hours needed to close a case increased from 30 hours in 1980-81 to 42 hours in 1981-82, and will continue to increase in the future. According to the board, this increase was due to the increasing complexity of chiropractic investigations. The board, however, has been unable to document this claim.

Our analysis indicates that the increase in the average number of hours required by the division to close an investigation is due primarily to the improved screening efforts of the board itself. The board indicates it is attempting to screen complaints more effectively. In the past, the division has had to devote some investigative time to relatively simple complaints. The board's screening effort has permitted the division to focus on more complex cases. As a result, the division has experienced an increase in the average hours of investigation per case. Because this is a one-time adjustment, however, we do not anticipate that the average hours per case will continue to increase in the future.

As a result, we recommend a reduction of \$16,000 in the appropriation in Item 8500-001-152, for a corresponding savings to the State Board of Chiropractic Examiners Fund. The reduced level will permit the board to purchase the same number of hours from the Division of Investigation in 1983-84 that it will purchase during the current year, adjusted for the estimated per-hour rate increase.

BOARD OF OSTEOPATHIC EXAMINERS

Item 8510 from the Contin-
gency Fund of the Board of
Osteopathic Examiners

Budget p. GG 74

Requested 1983-84	\$255,000
Estimated 1982-83.....	245,000
Actual 1981-82	250,000
Requested increase (excluding amount for salary increases) \$10,000 (+4.1 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The five-member Board of Osteopathic Examiners was established by initiative in 1922 for the purpose of regulating the practice of osteopathy. The board licenses osteopaths through an examination process, and takes appropriate disciplinary action for violations of laws, rules or regulations. The board has 3.6 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$255,000 from the Contingent Fund of the Board of Osteopathic Examiners for support of the board in 1983-84. This is an increase of \$10,000 or 4.1 percent, above estimated current-year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The \$10,000 increase includes \$5,000 for operating expenses, and \$5,000 in personal services.

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

Item 8530 from the Board of
Pilot Commissioners'
Special Fund

Budget p. GG 75

Requested 1983-84	\$83,000
Estimated 1982-83.....	74,000
Actual 1981-82	57,000
Requested increase (excluding amount for salary increases) \$9,000 (+12.2 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun is responsible for certifying the qualifications of pilots for vessels entering or leaving those bays. This three-member board, which is appointed by the Governor, licenses, regulates and disciplines pilots through such activities as examinations and complaint handling.

The board has a total of four authorized positions, consisting of an administrative assistant and three board commissioners. The administrative assistant provides support for the board and the Pilotage Rate Committee. This five-member committee, appointed by the Governor, prepares recommendations on pilotage rates for the Legislature.

Both the board and committee are supported by the Board of Pilot Commissioners' Special Fund. The fund's revenues are derived from a percentage assessment on pilot fees, which are collected directly by the pilots from the ships they serve. The law provides that a maximum assessment of 5 percent of pilotage fees shall be paid into the fund. The current assessment is 3.5 percent.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$83,000 from the Board of Pilot Commissioners' Special Fund for support of the commission in 1983-84. This is \$9,000, or 12.2 percent, above estimated current year expenditures. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year.

The increase proposed for 1983-84 is necessitated by three factors: (1) an increase in departmental and statewide pro rata charges, from \$15,465 in the current year to \$22,379 in the budget year, (2) increased operating expenses due to inflation, and (3) adjustments in retirement benefits.

Effective January 1, 1983, the percent assessment on pilotage fees was increased by the board, with Department of Finance approval, from 1 percent to 3.5 percent. This adjustment, which still leaves fees below the statutory maximum, was needed primarily to meet the rising departmental and statewide pro rata charges. In recent years, these increases have been defrayed by fund surpluses. In the process, the fund surplus has declined from \$113,000 in 1982 to a projected \$17,000 at the end of the budget year.

CALIFORNIA HORSE RACING BOARD

Item 8550 from the Fair and Exposition Fund and various funds

Budget p. GG 77

Requested 1983-84	\$4,988,000
Estimated 1982-83.....	4,859,000
Actual 1981-82	4,010,000
Requested increase (excluding amount for salary increases) \$129,000 (+2.7 percent)	
Total recommended reduction	\$15,000

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8550-001-191—Horse Racing Board		Fair and Exposition	\$1,485,000
8550-001-942—Horse Racing Board		Special Deposit	53,000
—Continuing Appropriation—Horseman's Organization Welfare Special Account			1,400,000
—Continuing Appropriation—Standardbred Sires Stakes Fund		Special Deposit	2,050,000
Total			\$4,988,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Salary Savings. Reduce Item 8550-001-491 by \$15,000.* 1855
Recommend reduction to reflect additional salary savings be included in the board's budget, for a reduction of \$15,000.
2. *Temporary Help. Recommend adoption of supplemental report language directing the California Horse Racing Board to report to the Joint Legislative Budget Committee on the effects of increasing temporary help.* 1857
3. *Fiscal Management. We recommend adoption of Budget Act language to ensure that debts incurred by the CHRB in 1980-81 are resolved.* 1857

GENERAL PROGRAM STATEMENT

The California Horse Racing Board (CHRB) regulates all horse race meetings in the state where parimutuel wagering is allowed. Responsibilities of the board include promoting of horse racing, regulating wagering, and maximizing the horse racing revenues collected by the state. The board's activities consist of (1) licensing all participants in horse racing, (2) contracting with stewards to officiate at all races, (3) enforcing the regulations and laws under which racing is conducted, and (4) collecting the state's horse racing revenues.

The board consists of seven members appointed by the Governor and has a staff of 49.2 authorized personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

As Table 1 shows, the budget proposes total program expenditures of \$6,058,000 to support the California Horse Racing Board in 1983-84. This is an increase of \$129,000, or 2.2 percent, over estimated current-year expenditures. Total expenditures will increase further by the amount of any salary or staff benefit increase approved for the budget year.

Table 1
California Horse Racing Board
Summary of Program Expenditures
(dollars in thousands)

Program Elements	Personnel-Years			Expenditures		
	Actual 1981-82	Estimated 1982-83	Requested 1983-84	Actual 1981-82	Estimated 1982-83	Requested 1983-84
Licensing	10.6	11.0	12.7	\$262	\$288	\$334
Enforcement	11.8	14.0	16.0	734	732	798
State Steward	14.0	14.0	14.0	900	1,070	1,070
Standardbred Sires Stakes	1.0	1.0	1.0	1,424	2,050	2,050
Administration (undistributed) ..	9.2	9.2	9.2	366	391	406
Horseman's Organization Welfare Special Account	—	—	—	1,224	1,398	1,400
Totals	46.6	49.2	52.9	\$4,910	\$5,929	\$6,058
<i>Financing</i>						
California Standardbred Sires Stakes Fund Account General Fund	—	—	—	1,424	2,050	2,050
Fair and Exposition Fund	—	—	—	1,309	1,358	1,485
Racetrack Security Account	—	—	—	53	53	53
Horseman's Organization Welfare Special Account	—	—	—	1,224	1,398	1,400
Reimbursements	—	—	—	900	1,070	1,070

The proposed increase in the board's 1983-84 budget consists primarily of \$75,000 for temporary help and funds needed to offset the effects of inflation on the prices which the board must pay.

The proposed level of expenditures will be funded by:

- \$1,485,000 from the Fair and Expositions Fund (a 9.4 percent increase over the budget year),
- \$53,000 from the Racetrack Security Account,
- \$1,070,000 in reimbursements for steward's expenses,
- \$2,050,000 statutorily appropriated for the Standardbred Sires Stakes program, and
- \$1,400,000 appropriated by statute for the Horseman's Organization Welfare Special Account.

Salary Savings Underbudgeted

We recommend that additional salary savings be included in the board's budget, for a reduction of \$15,000.

When budgeting for salaries and wages, agencies normally recognize that savings will accrue due to the following factors: vacant position(s), leaves of absences, delays in filling new positions, and the filling of positions at the minimum step of the salary range. Therefore, to prevent overbudgeting, an estimate of salary savings, generally as a percentage reduction in the gross salary and wage amount, is reflected in each budget.

In recent years, the board has realized salary savings in excess of the amounts anticipated in the budget. For example, at the close of 1978-79 and 1979-80, the board had unexpended balances of \$36,000 and \$34,000, respectively, in its personnel service account. In 1980-81, the Legislature

CALIFORNIA HORSE RACING BOARD—Continued

reduced the board's budget request by \$20,000 to reflect anticipated salary savings, but the board was still able to generate \$15,000 in salary savings. The board then transferred these savings from its personnel service account to its operating expenses and equipment account.

The budget estimates that salary savings in 1982-83 will be \$35,000. For 1983-84, however, the budget anticipates salary savings of only \$20,000. Based on actual salary savings achieved in the past, and the amount anticipated in 1982-83, we recommend salary savings be increased to \$35,000, for a savings of \$15,000.

Horseman's Organization Welfare Special Account

Chapter 1043, Statutes of 1980, provided that 50 percent of the monies from unclaimed parimutuel tickets that otherwise would go to the state's General Fund be allotted instead to three horseman's organizations to fund a welfare program for employees of horse owners and trainers. In 1983-84, these allotments will amount to \$1.4 million, or approximately 28 percent of the CHRB's budget.

Last year, each of these horsemen's organizations were required by the CHRB to submit a five-year program detailing how these welfare funds would be expended. These reports were submitted in December 1982, and show that:

1. Approximately 70 percent of the proposed 1983-84 expenditures would be for medical and dental programs, and
2. The remaining 30 percent would be allocated to "welfare" activities including:

<i>Program</i>	<i>1983-84 Proposed Cost</i>
• Residential Board and Care Facility ^a	\$252,000
• Chaplaincy Program, including a vehicle and driver	92,000
• Recreation Hall Attendants (at quarter horse race meetings)	10,000
• Burial Program	— ^b
• "Backstretch News"—a newsletter to facilitate communication within the community of horsemen	2,000
• Education (English classes)	3,000
• Soccer Team	500
Total	\$359,500

^a Supports the operation of the Las Casitas Residential Board and Care Facility at Solano Beach, California.

^b Costs for this program in 1981-82 were \$29,000.

It is not apparent what control, if any, the CHRB exercises over how these funds are expended. Nor is it apparent to what extent the horse owners and trainers share in the cost of either the medical and dental programs or the cost of other welfare program expenditures.

At present, the Legislature does not have oversight as to how these funds are used. Consequently, it is not clear that the expenditures proposed by the three horsemen's organizations coincide with the Legislature's intent in enacting Chapter 1043.

Given that the source of funding for these welfare programs is, in effect, the General Fund, we question whether the state should bear the major cost of programs which traditionally are directly financed by employers in other industries. We also question whether the uses of state funds for such purposes as newsletters, soccer teams, and recreation hall attendants

is appropriate, given other demands on the General Fund.

The Legislature may wish to consider taking one or more of the following actions:

- Direct the CHRB to promulgate regulations concerning the "appropriate" use of HOWSA funds.
- Require annual budgetary review of all HOWSA funded programs.
- Reduce the funding level of HOWSA to support only those programs fulfilling the legislative intent of the original statutes.
- Require a percentage "match" of private funding for all state funds received by this program.

Increasing Temporary Help

We recommend the adoption of supplemental report language directing the CHRB to report to the Joint Legislative Budget Committee by March 1, 1984, on the effects of increasing temporary help.

The budget proposes to increase the CHRB temporary help fund by \$75,000 to augment its permanent staff of licensing personnel during peak licensing periods. These funds would be used to support 3.7 positions for the purposes of licensing horse racing personnel (1.7 personnel-years) and enforcing horse racing laws (2.0 personnel-years).

The board recently conducted a trial program in which two additional investigators (for a total of four) and three additional clerks (for a total of four) were provided for a five-day period at a race meeting. As a result of this five-day trial program, the board issued 286 licenses, located a fire hazard, and received \$1,400 in license revenues. These results indicate that the additional temporary help is justified based on the board's workload. Further, our analysis indicates that these positions may, in fact, result in an increase in horse racing license fees resulting from license issuance, due to greater enforcement. Finally, hiring temporary help in the location of the meet precludes the board from paying overtime and reimbursing travel to its own employees.

Due to the relatively small nature of the pilot program, we cannot identify what the appropriate level of temporary help is, nor do we have analytical data to support the particular level of support requested. So that the Legislature may adequately determine the appropriate level of funding for this activity in the future, we recommend the adoption of the following supplemental report language:

"The California Horse Racing Board shall report to the Joint Legislative Budget Committee by March 1, 1984, on the effects of added personnel on the collection of licensing fees and enforcement of horse racing laws."

Fiscal Management

We recommend adoption of Budget Act language to ensure that debts incurred by the CHRB in 1980-81 are paid in full.

In the Analysis of the 1982-83 Budget Bill, we recommended that the CHRB adopt procedures to improve fiscal management and accountability. Since that time, the CHRB has significantly improved those procedures.

The board, however, still has a deficiency of \$35,000 resulting from Attorney General fees incurred in 1980-81. The board attempted, but failed, to gain passage of deficiency legislation in the 1982 session.

In order to ensure that these debts of the board are not carried forward

CALIFORNIA HORSE RACING BOARD—Continued

indefinitely, we recommend the adoption of the following Budget Act language in Item 8550-001-191:

“Provided further, that \$35,000 of the amount provided in Schedule (b) shall be available for expenditure only upon certification, by May 1, 1984, by the Director of the Department of Finance that liabilities carried over from the 1980–81 fiscal year for payment of Attorney General fees have been satisfied in full. In the absence of such certification, this amount shall be transferred by the Director of Finance to the Attorney General for payment of the outstanding fees.”

CALIFORNIA EXPOSITION AND STATE FAIR

Item 8560 from the General

Fund

Budget p. GG 81

Requested 1983–84	\$10,282,000
Estimated 1982–83.....	9,913,000
Actual 1981–82	9,184,000
Requested increase (excluding amount for salary increases) \$369,000 (3.7 percent)	
Recommendation pending	\$10,282,000

1983–84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8560-001-001—Support		General	\$1,741,000
8560-011-001—Appropriation of Revenues		General	8,541,000
Total			\$10,282,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Revised Revenue and Expenditure Estimates. Withhold recommendation on the 1983–84 budget for Cal-Expo, pending reconciliation of conflicting base revenue and expenditure estimates for the current year. 1859

GENERAL PROGRAM STATEMENT

The California Exposition and State Fair (Cal-Expo) manages the annual state fair each summer, and provides a site for various events staged during the remainder of the year.

Cal-Expo began operating at its present site in Sacramento during 1968, under the supervision of the California Exposition and Fair Executive Committee within the Department of General Services. Chapter 1152, Statutes of 1973, transferred control over Cal-Expo to the Department of Parks and Recreation. Chapter 1148, Statutes of 1980, established Cal-Expo as a separate state entity, governed by an 11-member board of directors.

Cal-Expo has 169.9 authorized personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two appropriations from the General Fund, totaling \$10,282,000, for support of Cal-Expo in 1983-84. This is an increase of \$369,000, or 4 percent, over estimated current-year General Fund expenditures. This amount will increase by the amount of any salary or staff benefits increase approved for the budget year.

The budget also includes a continuing support appropriation of \$265,000 from the Fair and Exposition Fund and \$180,000 in expenditures from reimbursements, bringing total 1983-84 expenditures to \$10,727,000. The total estimated expenditure for 1982-83 does not reflect the 2 percent unallotment directed by Executive Order D-1-83.

Item 8560-001-001 appropriates the state's General Fund subsidy for Cal-Expo. The amount of the subsidy is equal to the difference between Cal-Expo's operating revenues and its total budgeted costs. The budget requests \$1,741,000 for this purpose in 1983-84.

Cal-Expo's operating revenues are deposited in the General Fund. Item 8560-011-001 appropriates to Cal-Expo an amount from the General Fund equal to the operating revenues that Cal-Expo expects to receive. Expenditures from this appropriation cannot exceed the amount that Cal-Expo actually earns and deposits in the General Fund. Therefore, if actual revenues fall short of the estimate, the amount available for expenditure is reduced accordingly. The 1983-84 budget anticipates that operating revenues will be \$8,541,000, and requests an appropriation of this amount.

Significant Budget Changes

No significant program changes are budgeted for 1983-84. The net expenditure increase of \$369,000 consists of \$273,000 for personal services and \$96,000 for operating expenses and equipment.

Updated Revenue and Expenditure Estimates Needed

We withhold recommendation on the proposed budget for Cal-Expo, pending reconciliation of the conflicting revenue and expenditure estimate provided for the current year.

Our analysis indicates that the proposed budget does not provide the Legislature with accurate estimates of Cal-Expo's revenues and expenditures for either the current or the budget years.

According to the budget document, revenues and expenditures in 1983-84 are expected to be about what they were in 1982-83. The 1982-83 revenue and expenditure estimates shown in the budget, however, are outdated. For example, the budget shows current-year revenues from State Fair admissions as being \$4,163,000—the level assumed when the 1982-83 budget was approved. Cal-Expo reports, however, that actual State Fair admission revenues were \$3,004,000—\$1,159,000 less than the amount shown in the budget. Similarly, the budget document shows 1982-83 total expenditures as being \$10,178,000, while the latest information from Cal-Expo estimates these expenditures at \$9,599,000—a difference of \$579,000.

Given these discrepancies, we are unable to evaluate Cal-Expo's request for the budget year. We therefore withhold recommendation on Cal-Expo's budget, pending reconciliation of conflicting current-year revenue and expenditure estimates.

DEPARTMENT OF FOOD AND AGRICULTURE

Item 8570 from the General
Fund and various funds

Budget p. GG 83

Requested 1983-84	\$87,613,000
Estimated 1982-83	84,777,000
Actual 1981-82	121,575,000
Requested increase (excluding amount for salary increases) \$2,836,000 (+3.3 percent)	
Total recommended reduction	2,614,000
Recommendation pending	\$1,697,000

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8570-001-001—Support		General	\$38,105,000
8570-001-111—Support		Agriculture	27,491,000
8570-001-112—Loans for Alcohol Production		Ethanol Fuel Revolving Ac- count, Agriculture	1,218,000
8570-001-190—Support		Resources Account, Energy and Resources	2,642,000
8570-001-191—Support		Fair and Exposition	951,000
8570-001-890—Support		Federal Trust	(1,691,000)
8570-101-001—Local Assistance, Pest Detection and Regulation of Pesticides		General	8,491,000
8570-101-111—Local Assistance		Agriculture	7,707,000
8570-101-191—Unemployment Benefits and Exhibi- tion Premiums for Local Fairs		Fair and Exposition	625,000
8570-111-001—Local Assistance, Salaries of County Agricultural Commissioners		General	383,000
Total			\$87,613,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Pest Response Program. Recommend adoption of supple- 1869
mental report language requiring the department to re-
port to the Legislature by October 1, 1983, on (1) the
operation of each element of the program, (2) the scien-
tific basis for these activities and (3) the steps it is taking
to provide a stronger scientific basis for the program.
2. *Plant Pest Research Contracts. Reduce Item 8570-001-001 1871*
by \$500,000. Recommend reduction to eliminate funds
for plant pest research and development contracts because
the department has not proposed specific research projects
or developed research priorities.
3. Animal Pest Response Program. Withhold recommenda- 1871
tion on \$1,697,000 (\$818,000 General Fund and \$879,000
Resources Account of the Energy Resources Fund) re-
quested to fund the second year of the expanded Animal
Pest Response Program, because the department has not
decided how it will implement the program expansion.
4. *Public Education Program. Reduce Item 8570-001-190 by 1874*
\$434,000. Recommend reduction to eliminate contracts
funds and one position for a program to educate residents

of other states about the Gypsy Moth and Japanese Beetle, because the department has not identified (1) the specific audience to be reached, (2) how to reach this audience and (3) what action the program is intended to elicit.

5. ***Gamma Irridation of Spices. Reduce Item 8570-001-190 by \$53,000.*** 1875
Recommend reduction to eliminate contract funds for spice irradiation research because (1) this work will not have a significant impact on pesticide use and (2) the research should be funded by the spice industry.
6. ***Research on Insect Viruses. Reduce Item 8570-001-190 by \$50,000.*** 1876
Recommend reduction to eliminate contract funds for research on insect viruses because the department has not justified the need for this research.
7. ***Predator Control. Reduce Item 8570-001-001 by \$793,000.*** 1877
Recommend reduction to eliminate funds for the Predator Control Program because (1) the industries which benefit from this program should pay for it and (2) the cost-effectiveness of the program is doubtful.
8. ***Apiary Inspection Program. Reduce Item 8570-001-001 by \$63,000.*** 1880
Recommend elimination of augmentation because the department previously testified before the Legislature that it would fund this program expansion by redirecting existing resources.
9. ***Pesticide Enforcement Payments to Counties. Reduce Item 8570-101-001 by \$523,000.*** 1881
Recommend reduction to delete proposed increase in payments to counties for pesticide use enforcement because the department has not justified the need for this increase.
10. ***Accounting for Payments to Counties.*** 1882
Recommend adoption of supplemental report language directing the department to account for all payments to counties so that information on total state aid to counties for agricultural purposes is available by program area and funding source.
11. ***Fair and Exposition Fund.*** 1882
Recommend that the department of Food and Agriculture and the Department of Finance jointly report to the Legislature prior to budget hearings, on the condition of the Fair and Exposition Fund and on the proposed use of the money in the fund during 1983-84.
12. ***Local Fairs—Technical Correction.*** 1883
Recommend adoption of revised Budget Bill language for Item 8570-101-191 to correct a drafting error.
13. ***Allocation of Administrative Costs. Reduce Item 8570-001-001 by \$198,000 from the General Fund and increase Item 8570-001-111 by an equal amount from industry assessments.*** 1883
Recommend that industry funds be used to provide a proportionate share of the administrative costs of the department's Pest Control and Eradication programs.

GENERAL PROGRAM STATEMENT

The Department of Food and Agriculture promotes and protects the state's agricultural industry, protects public health and safety, assures an abundant supply of wholesome food, develops California's agricultural policies, preserves natural resources to meet requirements for food and

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

fiber, and assures true weights and measures in commerce.

The department's activities are broad in scope. They include:

- Pest identification and control.
- Regulation of pesticide use and protection of farmworker health and safety.
- Crop forecasting.
- Financial supervision of local fairs.
- Enforcement of standards of quality, quantity, and safety in agricultural and certain consumer goods.
- Administration of marketing orders.
- Providing financial assistance for the use of alcohol and other alternative energy sources in agriculture.

The department supervises the county agricultural commissioners and operates many programs jointly with them. Its headquarters is in Sacramento, and other departmental offices are located throughout the state. The department has 1,927 authorized positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes nine appropriations totaling \$87,613,000 from various state funds for support of the Department of Food and Agriculture, county agricultural commissioners, and local fairs in 1983-84. This is an increase of \$2,836,000, or 3.3 percent, above estimated current-year expenditures. Estimated current-year expenditures have not been adjusted to reflect the 2 percent General Fund unallotment mandated by Executive Order D-1-83.) The increase proposed for the department will grow by the cost of any salary or staff benefit increases that may be approved for the budget year.

Total expenditures from all funding sources of \$102,664,000 are proposed for 1983-84. This is an increase of \$929,000, or 0.9 percent, above current-year estimated total expenditures. Table 1 shows the sources of funds for these proposed expenditures. In addition to the amounts requested in the Budget Bill, total expenditures include expenditures from reimbursements and federal funds, as well as \$12,035,000 from continuing appropriations for local fairs from the Fair and Exposition Fund. The budget indicates that financial assistance to local fairs will decrease by \$1,870,000 in 1983-84. This is the primary reason why total expenditures in 1983-84 increase by only \$929,000 above the current-year level, whereas the amount of appropriations requested in the Budget Bill increases by \$2,836,000.

Spending Not in Budget. The department plans to collect and spend approximately \$15,900,000 in industry fees for various inspection and administrative services that it performs for the agriculture industry. These programs involve 465 personnel-years of department staff effort, much of it seasonal. Major programs, that are not included in the budget are shipping point inspection (third-party inspections requested to certify the grade of fresh produce), canning tomato inspection, wine grape inspection, egg quality control, livestock identification (brand inspection), and the administration of marketing order trust funds.

In addition, the Director of Food and Agriculture supervises the operation of 27 marketing orders for programs established at industry request to aid in the production, control, and advertising of agricultural products. The individual boards that administer these marketing orders collected

Table 1
Department of Food and Agriculture
Sources of Funds
(1983-84)
(in thousands)

A. Support		
1. General Fund (Item 8570-001-001)		\$38,105
2. Agriculture Fund (Item 8570-001-111)		27,491
3. Ethanol Fuel Revolving Account (administration of loans) (Item 8570-001-112)		69
4. Resources Account, Energy and Resources Fund (Item 8570-001-190)		2,642
5. Fair and Exposition Fund (Item 8570-001-191)		951
6. Federal Trust Fund (Item 8570-001-890)		1,691
7. Reimbursements		
a. Veterinary laboratory fees	\$308	
b. Grain inspection fees	418	
c. Insurance costs for local fairs (paid through department)	240	
d. Miscellaneous	509	
		<hr/> 1,475
Total Department Support Expenditures		<hr/> \$72,424
B. Loans for Ethanol Fuel Production—Ethanol Fuel Revolving Account (Item 8570-001-112)		
		\$999
Total State Operations (A + B)		<hr/> \$73,423
C. Assistance to Counties		
1. General Fund (Item 8570-101-001)		
a. Subventions for pesticide regulation	\$2,968	
b. Subventions for pest detection	5,523	
		<hr/> 8,491
2. General Fund (Item 8570-111-001) subventions for salaries of agricultural commissioners		383
3. Agriculture Fund (Item 8570-101-111)		
a. Pesticide mill tax ^a	\$4,869	
b. Unclaimed gasoline tax refunds ^b	2,796	
c. Weights and Measures fees	42	
		<hr/> 7,707
Total Assistance to Counties		<hr/> \$16,581
D. Assistance to Local Fairs—Fair and Exposition Fund		
1. Continuing appropriations ^c	\$12,035	
2. Unemployment insurance and benefits and exhibition premiums (Item 8570-101-191)	625	12,660
Total Expenditures in Governor's Budget		<hr/> \$102,664

^a Section 12844, Food and Agricultural Code.

^b Section 224(3) Food and Agricultural Code.

^c Section 19622-19630 Business and Professions Code. Extension of continuing appropriations proposed in Control Section 30.07 of the Budget Bill.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

and spent approximately \$43,000,000 in 1981-82. The marketing order expenditures are not included in the budget. Funds collected by the marketing order boards are treated as special trust funds. Neither the special inspection programs nor the marketing order programs are included in total expenditures, as shown in Table 1.

Funding Policies

For the most part, the General Fund finances departmental activities that benefit the public and agriculture in general, while special fees and taxes deposited in the Department of Food and Agriculture Fund (Agriculture Fund) support activities that serve specific identifiable segments of the agriculture industry. Where a segment of the agriculture industry (1) imposes costs on or presents a hazard to the public or general agriculture and (2) has an impact on the general public that requires enforcement activities by the state, the programs are funded through fees paid by the responsible agriculture industry and deposited in the agriculture fund.

Many of the department's programs serve multiple purposes, so that the determination of who benefits from them and who should pay their cost has become increasingly difficult in recent years.

Growth in Ongoing General Fund Support

The budget proposes a total of \$46,979,000 in appropriations from the General Fund for the department (including local assistance) in 1983-84. This is an increase of \$2,211,000, or 4.9 percent, above current-year estimated General Fund expenditures. However, current-year General Fund expenditures include \$2,333,000 for Medfly emergency eradication costs. If the emergency Medfly expenditures are excluded from General Fund expenditures in the current year, the amount requested for General Fund support of ongoing programs in 1983-84 represents an increase of \$4,544,000, or 10.7 percent. Essentially, the budget replaces the one-time expenditure of \$2,333,000 for Medfly eradication with a proposed increase of \$2,391,000, to provide full-year funding in 1983-84 for the pest prevention program which began in the current year.

Local Assistance Expenditures

The budget proposes a total of \$29,241,000 for assistance to counties and local fairs in 1983-84.

County Assistance. The budget proposes \$16,581,000 for assistance to county agricultural programs (excluding local fairs). This includes \$7,837,000 for county pesticide regulatory activities, of which \$2,968,000 is from the General Fund and \$4,869,000 is from the counties' share of the tax on pesticides sold in California (the pesticide mill tax). The budget also includes \$5,523,000 from the General Fund for county pest detection programs, which involve the placement and monitoring of insect traps to detect infestations of the Medfly, Gypsy Moth, Japanese Beetle, and other potentially damaging pests that are not established in the state.

Unclaimed Gas Tax Money. Unclaimed gasoline tax money (the estimated amount of tax paid on motor fuel attributable to off-road agricultural use which is not refunded to farmers) provides \$2,796,000 for county assistance. It also provides \$500,000 each year for department administrative costs and a departmental reserve of \$1,000,000 for emergency eradica-

tion, control, or research relating to pests and weeds. At the end of each fiscal year, the unexpended balance of this emergency reserve becomes available for counties in the next fiscal year.

During the current year, the counties will receive \$51,000 of unclaimed gas tax money, which is the unexpended balance of the 1981-82 emergency reserve. As of January 1983, the department had set aside \$860,000 of the 1982-83 emergency reserve for use in eradicating Gypsy Moth infestations. Consequently the maximum amount which would remain unexpended and available for transfer to the counties in 1983-84 would be \$140,000.

Financial Assistance to Local Fairs. The department oversees the operation of 80 local fairs which are authorized by state law. These local fairs are conducted by district agricultural associations (state agencies), by nonprofit citrus fruit fair organizations, and by counties. The budget proposes \$625,000 in Item 8570-101-191 from the Fair and Exposition (F&E) Fund for assistance to local fairs. This amount consists of \$400,000 for the cost of unemployment insurance and benefits for fair personnel, and \$225,000 for vocational education programs and premiums (prizes) for fair exhibits. Item 8570-001-191 appropriates \$951,000 from the F&E Fund for support of the department's Division of Fairs and Expositions, which supervises the operation of the local fairs and allocates state funds among them. The F&E Fund receives a portion of state horseracing revenues which would otherwise be deposited in General Fund.

Most of the state's financial assistance to local fairs does not appear in the Budget Bill. The budget indicates that the department will allocate \$12,035,000 to local fairs in 1983-84 for support and capital outlay, according to statutory guidelines. Money for these allocations comes from the F&E Fund, and is continuously appropriated to the department. Although Ch. 1284/78 has sunsetted continuing appropriations, including those for allocations to local fairs, Control Section 30.07 of the Budget Bill would extend the continuing appropriation of these funds.

Significant Program Changes

Table 2 shows the significant changes, by funding source, proposed in the budget for each of the department's programs. These changes are discussed below.

Pesticide Regulation. The budget adds \$103,000 for contract research related to the use of viruses to control insect pests and the use of radiation as a substitute for chemical fumigation. The budget also adds \$434,000 and one position for a public awareness program to inform residents of states infested by the Gypsy Moth and the Japanese Beetle of California's efforts to prevent the introduction of these pests into California.

As part of the Governor's proposed statewide reduction in departmental legal staffs, the budget proposes a reduction of \$53,000 to eliminate one lawyer and 0.5 support positions for the pesticide enforcement program. The legal staff employed by the department currently consists of three lawyers assigned to pesticide enforcement and a fourth lawyer who is a general advisor to the Director of Food and Agriculture.

Current-year expenditures include \$119,000 from the California Environmental License Plate Fund for the third year of the urban pesticide information program. The department used this money to equip and operate a trailer which displays appropriate pest management techniques for gardening and small-scale agriculture. Because all equipment purchases and the development of the displays have been completed, the

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Table 2
Department of Food and Agriculture
1983-84 Major Budget Changes By Program
(in thousands)

	General Fund	Agri- culture Fund	Energy and Resources Fund	Fair and Exposition Fund	Other	Total
1982-83 Base Budget (Revised)	\$44,768	\$33,570	\$2,766	\$15,434	\$5,197	\$101,735 ^a
1. Pesticide Regulation						
a. Research—insect viruses and irradiation	—	—	103	—	—	103
b. Public Awareness of pests	—	—	434	—	—	434
c. Legal Services Reduction	-21	-26	—	—	-6 ^b	-53
d. Reduction of Urban In- formation Program	—	—	—	—	-119 ^c	-119
e. Increased Funding to Counties	87	436	—	—	—	523
2. Plant Pest and Disease Pre- vention						
a. Deletion of 1982-83 Med- fly eradication costs	-2,333	—	—	—	—	-2,333
b. Bee Disease Control and Apiary Inspection	63	55	—	—	—	118
c. New Laboratory Equip- ment	101	—	—	—	—	101
d. Completion of Gene Re- sources Project	—	—	—	—	-650 ^c	-650
e. Full-year funding for ex- pansion of pest preven- tion program	1,561	—	—	—	—	1,561
f. Deletion of one-time 1982 -83 pest prevention equipment costs	—	—	-239	—	—	-239
g. Termination of Guayule Project	—	—	—	—	-187 ^c	-187
3. Animal Pest and Disease Prevention/Inspection Serv- ices						
a. Additional position for Milk Inspection	—	53	—	—	—	53
b. Full-year funding for ex- pansion of pest preven- tion program						
(i) Veterinary Laborato- ries	600	—	—	—	—	600
(ii) Emergency plan- ning unit	218	—	—	—	—	218
c. Deletion of one-time ap- propriation for Veteri- nary Laboratory equipment	—	—	-399	—	—	-399
4. Standards and Inspection Services						
a. Equipment for avocado inspection	—	25	—	—	—	25
b. Deletion of one-time ap- propriation for Tijuana inspection station	—	—	—	—	-40 ^d	-40

5. Measurement Standards						
a. Device Testing	—	—	—	—	35°	35
6. Financial Assistance to Local Fairs	—	—	—	-1,870	—	-1,870
7. Administration						
a. Deletion of one-time appropriation for farmlands preservation project	—	—	—	—	-100°	-100
b. Deletion of one-time appropriation for biomass farming project	—	—	-138	—	—	-138
8. Baseline and Miscellaneous Changes	1,935	1,085	115	47	104	3,286
Total, 1983-84 Budget Changes	\$2,211	\$1,628	-\$124	-\$1,823	-\$963	\$929
Total, 1983-84 Proposed Budget	\$46,979	\$35,198	\$2,642	\$13,611	\$4,234	\$102,664

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

^b Federal funds.

^c California Environmental License Plate Fund.

^d Special Account for Capital Outlay.

^e Reimbursements.

\$119,000 is being eliminated. According to department staff, other existing funds will be used to finance trailer visits to local fairs and other sites in 1983-84.

The budget proposes to increase state funding for county pesticide use enforcement activities from \$7,314,000 in the current year to \$7,837,000 in 1983-84, an increase of \$523,000, or 7.2 percent. This total increase consists of an estimated \$436,000 increase in pesticide mill tax collections and a cost-of-living increase of \$87,000 in the General Fund subvention for county pesticide use enforcement activities.

Plant Pest and Disease Prevention. Current expenditures in this program include \$2,333,000 for emergency Medfly eradication costs. The budget proposes to eliminate these expenditures in 1983-84 because the eradication project has been completed. Partially offsetting this reduction is an increase of \$1,561,000 to provide full-year funding for the pest prevention and detection program which was begun in the current year with an augmentation of \$7,141,000 and 142 personnel-years. The current-year money was provided to partially fund the expansion of the department's pest prevention and detection activities, including the operation of the agricultural inspection stations at California's borders, trapping for insect pests, and planning emergency responses to pest infestations. However, current-year funding is at a reduced level primarily because of planned delays in filling new positions in order to achieve savings targets for the first year of the program.

For 1983-84, the budget requests an additional \$1,561,000 from the General Fund to provide full-year funding for these positions and \$500,000 for research contracts. A reduction of \$239,000 is proposed from the Energy and Resources Fund, because of current-year, one-time equipment purchases. The budget proposes an increase of \$118,000 (\$63,000 from the General Fund and \$55,000 from assessments paid by bee owners) for additional apiary inspections to prevent and detect bee diseases. The money would be used to provide one additional state apiary inspector, and

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

to provide funds to the counties for increased apiary inspections. The budget also proposes an increase of \$101,000 from the General Fund for laboratory equipment used to identify and study all types of plant pests. The money will be used to add new equipment to the laboratories and to replace existing older obsolete equipment.

The budget does not include any additional funds for the gene resources project in 1983–84. During the current year, the department will spend \$650,000 from the California Environmental License Plate Fund to contract with the National Gene Resources Council to determine the genetic diversity of various economically important plants and animals, and to recommend policies for California to preserve these gene resources. The gene resources projects received a total of \$722,000 during the two previous fiscal years.

The department also proposes to discontinue the guayule project, for a savings of \$187,000 to the Environmental License Plate Fund in 1983–84. The guayule plant produces rubber. The department's project has attempted to increase the rubber production of guayule plants, and to reduce production costs by carrying out breeding studies and research on the most efficient means of growing and harvesting the plant.

Animal Pest and Disease Prevention/Inspection Services. The budget for 1983–84 adds \$600,000 to the department's veterinary laboratory program, and \$218,000 for animal disease emergency planning from the General Fund, in order to provide full-year funding for the animal portion of the pest prevention program begun during the current year. Partially offsetting this increase is a reduction of \$399,000 from the Energy and Resources Fund, due to a one-time appropriation in the current year to purchase new equipment for the veterinary laboratories. The budget proposes an increase of \$53,000 from dairy industry fees in the Agriculture Fund to add one inspector and provide additional laboratory analyses of manufactured milk products.

Standards and Inspection Services Program. The budget proposes an increase of \$25,000 from avocado industry fees to purchase additional inspection equipment. Estimated expenditures in the current year include \$40,000 from the Special Account for Capital Outlay for California's contribution to the cost of constructing an agricultural produce inspection station in Mexico near the California border.

Measurement Standards. The budget proposes an increase of \$35,000 from reimbursements for the approval of new weighing and measuring devices. Manufacturers reimburse the department for the expense of approving new types of devices. These reimbursements have been larger than previously estimated.

Financial Assistance to Local Fairs. The budget indicates that financial assistance to local fairs will be reduced from \$14,530,000 during the current year to \$12,660,000 in 1983–84, a reduction of \$1,870,000, or 12.9 percent. On the other hand, the budget estimates that the surplus in the Fair and Exposition Fund will increase by \$2,939,000 in 1983–84. The budget does not indicate what will be done with this surplus money.

Administration. Current-year spending for the administration program includes \$100,000 for a contract study of farmlands preservation and \$138,000 (the remainder of an appropriation made by Ch 907/80) for biomass farming studies. The budget for 1983–84 reflects the elimination of these one-time appropriations.

Pest Response Program

We recommend that the Department of Food and Agriculture report to the Legislature by October 15, 1983 on (1) the operation of each element of its pest prevention program, (2) the scientific justification for the specific program structure and level of activity in each element, and (3) the steps it has taken to develop a firm scientific basis for each portion of the program.

Background. The 1982 Budget Act included \$7,525,000 for partial-year funding of the ongoing cost of a pest response program to expand the department's pest prevention and detection programs. Of this amount, \$5,535,000 was from the General Fund and \$1,990,000 was from the Resources Account in the Energy and Resources Fund (ERF). The 1983-84 budget requests an additional \$2,391,000 from the General Fund to provide full-year funding for the increased level of activity begun in the current year.

Table 3 identifies, for each component of the pest response program, (1) the amount of funds included for the baseline program level in the absence of the pest response expansion, (2) funding for the 1982-83 start-up of the pest response program which is continued in the budget year, and (3) the amounts requested for full-year funding of the pest response program in 1983-84.

Table 3
Department of Food and Agriculture
Pest Prevention and Detection Program Funds
1983-84
(in thousands)

	<i>Base Program Level</i>	<i>Continuation of 1982-83 Pest Response Funding^a</i>	<i>Proposed Increase for Full-Year Funding in 1983-84</i>	<i>Total 1983-84 Request</i>
Plant Industry				
A. Exclusion	\$3,582	\$1,891	\$745	\$6,218
B. Detection and Emergency Projects				
1. Local Assistance	3,474	2,049	—	5,523
2. State Operations	3,498	2,443 ^b	719	6,660
C. Analysis and Identification	2,405	142 ^c	97	2,614
Subtotal, Plant Industry	\$12,959	\$6,525	\$1,561	\$21,045
Animal Industry				
A. Emergency Planning	4,144	200 ^d	218	4,562
B. Veterinary Laboratories	2,215	800 ^d	600	3,615
Subtotal, Animal Industry	\$6,359	\$1,000	\$818	\$8,177
Unallocated Health Benefit increase ^e	—	—	12	12
Total	\$19,318	\$7,525	\$2,391	\$29,234

^a Excludes \$239,000 in one-time support costs and \$376,000 of capital outlay costs in 1982-83.

^b Includes \$954,000 from the Energy and Resources Fund.

^c Includes \$35,748 from the Energy and Resources Fund.

^d From the Energy and Resources Fund.

^e \$12,000 increase in employee health benefits which has not yet been allocated by the department to individual program elements.

The department's pest prevention program was expanded to comply with the recommendations of the Governor's Pest Response Task Force

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in its report of January 1982. That report called for an increase of \$16 million in 1982-83 to expand the department's ongoing pest prevention and detection programs. For example, the task force recommended that the number of agricultural border inspection stations be increased from 7 to 16, and that these inspection stations be operated on a 24-hour basis to ensure that all vehicles entering California on any major highway could be inspected. The department later reduced its request to \$8.7 million and the Legislature made a further reduction, so that the amount appropriated by the 1982 Budget Act was \$7,764,000. (This amount includes the \$7,525,000 shown in Table 3 plus \$239,000 in one-time support costs.) In addition, \$3,474,000 originally provided in 1981-82 for the Medfly emergency was used to continue Medfly trapping on a nonemergency (pest detection) basis.

As a result of the increased funding, the department has expanded its ongoing plant pest prevention programs by (1) expanding the border stations and the interior (state quarantine) activities, (2) doubling detection trapping for Gypsy Moth, Japanese Beetle, apple maggot, and a variety of fruit flies, (3) establishing a plant pest response team responsible for eradication activities once an exotic pest has been detected, and (4) expanding the exotic plant pest analysis and identification staff. The department, however, has not begun to implement any of the authorized program expansion for animal pest and disease prevention.

Program Not Based on Scientific Analysis of the Problem. In our *Analysis of the 1982-83 Budget Bill*, we noted that the task force report did not present a scientific analysis of either the pest problems faced by California or the alternatives available for dealing with them. For example, the recommendations regarding border inspection stations were not based on an analysis of (1) whether the border stations are an effective means of excluding pests, (2) which pests could be excluded by these stations, (3) which highways would be the most likely routes for the introduction of pests, or (4) how more intensive border inspection would affect the internal inspection and detection work of the department. The task force itself concluded that there was "insufficient scientific knowledge upon which to base decisions concerning pests in California's environment."

The *Supplemental Report to the 1982 Budget Act* expressed the intent of the Legislature that the pest response program be reviewed and evaluated by an external body. Language in the report required the department to establish a pest response review committee, composed mainly of scientists and representatives of the agricultural industry, to provide an external objective evaluation of the department's overall pest prevention program and to make recommendations on necessary changes.

At the time this *Analysis* was prepared, the committee had been appointed, but had not met. The department has advised us that this committee may meet in the early spring to review preliminary proposals for the 1983-84 research and development contracts. However, at this time, there are no plans for the committee to review the overall focus and direction of the pest prevention program.

In addition, the Director appointed a Plant Pest Science/Technology Review and Advisory Committee in 1982 to "establish a scientific base for current and anticipated projects for the detection, identification, eradication, and control of exotic plant pests." The 15-member committee is made up of professionals in plant protection disciplines from the department, the U.S. Department of Agriculture, the California county agricultural

commissioners' staffs, the University of California, and private institutions. As of late January 1982, this committee had met only twice, and had not made any recommendations.

Accordingly, the department still lacks a systematic analysis of the pest problems confronting the state.

We recognize that the department will need to continue pest prevention and detection activities for the foreseeable future. These activities, however, should be directly linked to a scientific determination of which exotic pests pose the greatest threat to California and which exclusion, detection, and eradication techniques would be most cost-effective in meeting these threats.

Therefore, we recommend that the department provide the Legislature, by October 15, 1983, with a report detailing (1) the specific activities in each element of its pest prevention program, (2) the scientific basis for the current program design and level of activity in each of these elements, and (3) the specific steps it is taking to develop a firm scientific basis for each activity. For example, the department should provide specific justifications for the present (1) locations and hours of operations of the border inspection stations and (2) densities, locations, and seasonal basis of detection trapping for specific pests.

Plant Pest Research and Development Contracts

We recommend deletion of \$500,000 (Item 8570-001-001) requested for plant pest research because the department has not developed the research program.

The budget requests \$500,000 from the General Fund for research and development contracts to improve plant pest detection and eradication techniques. The department, however, has not developed any specific research proposals, nor established priorities for the research.

The Plant Pest Science/Technology Review and Advisory Committee, appointed by the Director in 1982, was assigned responsibility for developing (1) a prioritized "list of research needs for exotic pest detection, identification, evaluation, eradication, and control," and (2) a "methodology for soliciting and issuing grants to agencies and individuals for conducting needed exotic pest research." This committee has met twice, but has not issued any findings or recommendations.

We agree that the department should improve the effectiveness of its pest detection and prevention programs through a program of research and development. This research program, however, should be based on a clear delineation of research priorities and objectives.

Because the department has not put forward any specific research proposals or established specific research priorities, we have no basis on which to recommend to the Legislature that the amount requested for research and development contracts be approved. Accordingly, we recommend deletion of the \$500,000. If the department does formulate a list of proposed research projects and priorities, we will reexamine its request and advise the Legislature of any change in our recommendation that may be warranted.

Animal Pest Response Program

We withhold recommendation on a total of \$1,697,000 requested to fund the second year of the expanded Animal Pest Response program, because the department has not begun to implement the current-year expansion of the program, and because there are no firm plans for the second year of the program.

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In the 1982 Budget Act, the Legislature provided the department with \$1,000,000 from the Resources Account, Energy and Resources Fund, for the portion of the pest response program related to animal health and disease control. The department is requesting \$1,818,000 to complete the expansion of the program in 1983-84. As of early February 1983, the department had not begun to implement this expanded program, and its plans for the remainder of 1982-83 and for 1983-84 were unclear. Therefore we are withholding recommendation on \$1,697,000 for this expansion (\$1,818,000 less \$121,000 for additional laboratory supplies).

Emergency Planning Unit (\$418,000). The current-year budget includes \$200,000 from the Energy and Resources Fund to establish an emergency planning unit in the Bureau of Animal Health. The unit's function would be to gather information on exotic animal diseases which might threaten California's livestock and poultry industries, and to formulate plans for the state's response to these emergencies. The department received eight additional positions to staff the unit, including four veterinary medical officers. The department's funding request for 1982-83 assumed a three-month delay in filling these positions.

In order to comply with legislative reductions to its budget, the department chose to further delay filling the new positions until February 1983. As of early February 1983, none of the position had been filled, and it was not clear whether any would be filled during the remainder of 1982-83, because of the hiring freeze imposed by the Governor's Executive Order D-1-83.

The department's plans for implementing this program still appear to be tentative. Currently, the department expects to locate the veterinarian in charge of the unit in Sacramento and establish field offices in Tulare and Redding. However, there are no specific work plans and hiring schedules at present. These plans and schedules will not be formulated until the unit chief and the heads of the two field offices are hired.

Because this program is not operating at present, and because its funding needs for 1983-84 cannot be determined without specific operating plans, we withhold recommendation on \$418,000 proposed in the budget for the emergency planning unit in 1983-84. This amount consists of \$200,000 from the Resources Account of the Energy and Resources Fund, which is a continuation of current-year funding, and an additional \$218,000 from the General Fund, which is the amount proposed in the budget to provide full-year funding for the program in 1983-84.

Veterinary Laboratories (\$1,279,000). The current-year budget includes an additional \$800,000 from the Resources Account of the Energy and Resources Fund for 27 new positions at the department's veterinary laboratories. The department operates five veterinary laboratories located throughout the state to diagnose livestock and poultry diseases in order to detect disease outbreaks and the introduction of exotic diseases into California. In addition, the laboratories perform screening tests for various animal health regulatory programs.

The primary purpose of the \$800,000 augmentation was to increase the technical expertise of the laboratory staff, and to expand the laboratory's operations into new areas, such as toxicology. The 27 new positions include five veterinary scientist positions with advanced specialized training.

In addition to the \$800,000 augmentation which was part of the pest

response and detection proposal, the laboratories also received \$399,000 from the Resources Account of the Energy and Resources Fund in the current year to purchase additional equipment. For 1983-84, the budget proposes a total of \$1,400,000, an increase of \$600,000 from the General Fund, to provide full-year funding for the pest response and detection program expansion at the veterinary laboratories.

As of early February 1983, none of the new positions for the veterinary laboratories had been filled. Instead, the department was negotiating with the University of California to provide various veterinary diagnostic services at Davis and possibly Tulare. If the department and the University agree on a contract, some or all of the \$800,000 appropriated to the department for new veterinary laboratory positions will be used instead to contract with the university.

This change in program direction is consistent with legislative intent expressed in Ch 1536/82. Chapter 1536 authorizes (1) the construction of a central veterinary diagnostic laboratory at the University of California, Davis, (2) provides for the transfer of the state veterinary system from the department to the university, and (3) authorizes the Director of Food and Agriculture to contract with the university for specific veterinary laboratory services prior to the construction of a new laboratory at Davis and the transfer of the entire system to the university.

We withhold recommendation on \$1,279,000 requested for the veterinary laboratory portion of the pest response program in 1983-84 because the department has not decided how it will proceed, a specific plan for the expenditure of this money has not been presented, and it is not clear who will operate the program. This amount consists of the increase of \$600,000 requested for 1983-84 and \$679,000 of the \$800,000 provided in the current year.

We recommend approval of the remaining \$121,000 because this portion of the current-year augmentation is to provide the existing laboratory program with an adequate level of funding for laboratory supplies and other operating expenses.

Tabulation of Funds on Which We Are Withholding Recommendation. Table 4 shows the funds on which our recommendation is pending, by program and funding source.

Table 4
Proposed Animal Pest Response Program
1983-84
Requested Funds on Which Legislative Analyst
Recommendation is Pending
(in thousands)

	<i>General Fund^a</i>	<i>ERF^b</i>	<i>Totals</i>
Animal Health—Emergency Planning	\$218	\$200	\$418
Veterinary Laboratories	600	679	1,279
Totals	\$818	\$879	\$1,697

^a Item 8570-001-001.

^b Resources Account, Energy and Resources Fund, Item 8570-001-190

DEPARTMENT OF FOOD AND AGRICULTURE—Continued**Proposed Energy and Resources Fund Contract Projects**

The budget requests \$537,000 from the Energy and Resources Fund for three projects which would be carried out primarily through contracts. We recommend deletion of these funds. Each of the three projects that would be funded with the \$537,000 is discussed below.

Gypsy Moth and Japanese Beetle Education Program

We recommend deletion of \$434,000 requested in Item 8570-001-190 (Resources Account, Energy and Resources Fund) to establish a Gypsy Moth and Japanese Beetle education program for residents of the eastern part of the nation, because the department has failed to identify (1) the specific audience to be addressed by the program, (2) how to reach this audience, and (3) precisely what response the program is intended to elicit from this audience.

The budget proposes \$434,000 and one personnel-year from the Resources Account of the Energy and Resources Fund to finance an educational program about the Gypsy Moth and the Japanese Beetle. The purpose of the program is to make residents of the eastern part of the nation who may travel into California more aware of California's efforts to prevent the introduction of these pests into the state.

The Gypsy Moth has become the most serious pest of shade, forest, and fruit trees in the northeastern portion of the United States. This pest is always present in these areas, but its population grows explosively during periodic outbreaks which last from two to three years. Gypsy Moth larvae can defoliate entire forests during an outbreak. In 1981, at the height of the most recent outbreak, 13 million acres in the eastern United States were defoliated.

The natural spread of the Gypsy Moth is only a few miles per year since the female moth cannot fly. However, vehicles can transport infestations rapidly over long distances, because Gypsy Moth eggs can "hitchhike" on goods and people moving from infested areas. Automobiles, recreational vehicles, and outdoor household items such as picnic tables, barbecues, and bicycles are attractive hosts for Gypsy Moth egg masses.

The Japanese Beetle is another insect pest established in the eastern United States. The larvae of the beetle feed almost exclusively on turf and plant roots, while adult beetles feed on the foliage of fruit and other trees. California has successfully eradicated the Japanese Beetle in the past.

There are basically two means by which the Japanese Beetle can be introduced into California. The first is through the transportation of turf or potted plants containing beetle larvae into the state. At present, the state requires certification that such material coming from an infested state originated in a beetle-free area of that state.

The second and more likely method of introduction is the hitchhiking of adult beetles during the spring and autumn on commercial airliners traveling from airports which are infested. The adult beetles generally enter the cabin and luggage compartments during airplane servicing or loading, and then leave the plane while it is being unloaded or serviced at its destination. Airline passengers do not carry Japanese Beetles on board in their belongings.

The department proposes to initiate a program aimed at educating the residents of states already infested with the Gypsy Moth and Japanese

Beetle in order to supplement the expanded pest prevention and detection program approved by the Legislature in 1982 for implementation in California. The objective of the program would be to heighten the awareness of people driving to California of the dangers posed by the Gypsy Moth and Japanese Beetle to the state's agricultural productivity and natural resources.

The department proposes to develop television and radio advertisements and printed material for release in the eastern states. Presumably, the messages would motivate people in infested areas to take precautions to reduce the likelihood that they would inadvertently transport Gypsy Moths or Japanese Beetles into California.

The department has given us no indication how it will conduct this program. More specifically:

1. The areas of Gypsy Moth and Japanese Beetle infestations cover a significant portion of the nation, containing many millions of people. Given the limited funding proposed by the department, any educational program is likely to be so diluted as to be ineffective.

2. The department has not defined its intended audience more specifically than potential travelers from infested states who are driving or moving into California.

3. The department has provided no indication what actions it would encourage prospective travelers to take. It seems unrealistic to expect a cross-country traveler to inspect his or her vehicle for Gypsy Moth egg masses before entering into California.

4. Because the most likely means of introducing the Japanese Beetle is by hitchhiking on commercial airlines, a general education program would have little effect in discouraging the importation of this pest.

5. While the proposed education program clearly relates to the overall pest exclusion activities carried on by the Division of Plant Industry, it is proposed for funding in the Division of Pest Management, Environmental Protection, and Worker Safety (which regulates pesticides). The department has not proposed any means of coordinating this work with the pest exclusion activities at the border inspection stations under the supervision and control of the Division of Plant Industry.

In summary, we recommend deletion of the \$434,000 and one personnel-year because the department has failed to identify (1) the specific audience of the program, (2) how this audience would be reached, and (3) precisely what response the program is intended to elicit from its audience.

Gamma Irradiation of Spices

We recommend deletion of \$53,000 requested in Item 8570-001-190 (Resources Account, Energy and Resources Fund) for spice irradiation research, because (1) the potential for a significant reduction in pesticide use resulting from the proposal is minimal and (2) the research should more appropriately be financed by the spice industry which would realize the benefit from it.

The budget requests \$53,000 from the Resources Account of the Energy and Resources Fund for research on the feasibility of substituting gamma irradiation for fumigation in the production of spices. The objective is to develop a method of reducing the use of energy and pesticides in spice production.

Currently, the production of many spices, including onion and garlic powder or flakes, is an energy-intensive process. The raw spice is first

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dried in an oven, then ground, rehydrated, and treated with pesticides to eliminate any pest, then redried before packing. Gamma irradiation has the potential of ridding spice of pests without the use of pesticide while at the same time reducing the amount of energy needed in the present production process.

Gamma irradiation is a process in which agricultural products are passed near a radioactive substance, such as cobalt 60 and exposed to controlled amounts of radiation. The radiation can kill pest and disease organisms. Therefore, it can substitute for hazardous chemical fumigants such as ethylene dibromide (EDB). During the current year, the department will spend \$150,000 from the General Fund on research to determine whether fruits and vegetables can be exposed to pest-killing doses of radiation without reducing their quality or storage life. Results of this work are not yet available.

Radiation studies could prove valuable to the industry because of the potential for radiation processing to provide a relatively safe and economical substitute for chemical fumigation which is hazardous for employees. The present proposal, however, would be of little direct benefit in this regard, because, according to the department, the California spice industry's use of fumigants is minor in relation to the total usage in the state. Furthermore, any reduction in energy use in the production process would reduce industry production costs and directly benefit the spice producers, not the state.

In sum, because the potential for significant reduction in pesticide use from this proposal is minimal, and the cost savings from any reduction in energy usage would be a direct benefit to the industry, we recommend that the \$53,000 in state funds be deleted, and that the industry finance the work.

Insect Viruses

We recommend a reduction of \$50,000 from the Resources Account of the Energy and Resources Fund (Item 8570-001-190) to eliminate contract funds for research on insect viruses, because the department has not justified the need for this research or described specifically how the money would be used.

The budget requests \$50,000 from the Resources Account of the Energy and Resources Fund for contract studies of baculoviruses, a group of viruses which primarily infect insects and which potentially could be used as pesticides. This money would be used to fund scientific studies which may justify an exemption of one or more of these viruses from the federal requirement for a pesticide tolerance. The U.S. Environmental Protection Agency establishes federal tolerances for pesticides. A tolerance is the amount of a pesticide which may remain as a residue on a particular type of fruit or vegetable or other agricultural commodity offered for sale.

According to department staff, the proposed studies would consist of feeding virus particles to experimental animals, such as mice, in order to verify the absence of any ill effects, and thus provide a basis for obtaining an exemption from the EPA tolerance requirement. The department maintains that exemption from the tolerance requirement would remove a potential obstacle to registration of these viruses as pesticides by the EPA.

These viruses eventually would be produced and sold by private companies. The department justifies using state funds for these studies based on (1) the potential of the viruses to replace toxic chemical pesticides and (2) the department's conclusion that private companies will not vigorously develop the viruses as pesticides because they are highly specific for individual insect species and, therefore, have a smaller potential market than many chemical pesticides.

We recommend elimination of the requested funds because the department has not identified (1) which baculoviruses would be studied, (2) the specific tests to be performed, (3) specific companies which would be interested in developing the viruses, or (4) the types and amounts of chemical pesticides which these viruses could replace in California.

Furthermore, the department staff indicate that the total cost of registering a baculovirus as a pesticide may be as much as \$1,000,000. The department has not explained why the expenditure of \$50,000 by the state for these studies will significantly speed the commercial development of these viruses.

Predatory Animal Control

We recommend deletion of \$793,000 requested in Item 8570-001-001 for support of the Predatory Animal Control program because (1) the recipients of the special service provided by the program should finance the program and (2) the funding increase received by the program in 1981-82 has not been cost-effective and, in fact, casts doubt on the cost-effectiveness of the entire program.

Background. The Predatory Animal Control (PAC) program is directed toward (1) the protection of livestock, poultry, and other property and (2) the suppression of wildlife borne diseases, such as rabies. The primary activity of the PAC program is the trapping of coyotes to protect sheep and cattle. The present PAC program is cooperatively funded by the California Departments of Food and Agriculture (DFA) and Health Services (DHS), the U.S. Army, 35 contracting counties, and the U.S. Fish and Wildlife Service (USFWS), which administers the program. Table 5 provides a summary of funds expended by the PAC program, by source, for the past five years.

Table 5
Predatory Animal Control
Summary of Funds Expended by Source
1978-79 through 1982-83
(in thousands)

	1978-79	1979-80	1980-81	1981-82	1982-83
DFA	364	381	409	675	793
DHS	93	98	105	113	31
USFWS.....	807	853	862	876	714
U.S. Army	20	21	25	29	31
Counties	687	856	1,039	1,015	524
Totals	\$1,971	\$2,209	\$2,440	\$2,708	\$2,093

Since 1969, the Legislature has made an annual appropriation from the General Fund to DHS for wildlife-borne disease control. However, funds for the DHS share of the PAC program were reduced to \$31,000 in the current year from \$113,000 in 1981-82. The level of DHS funding for the budget year is uncertain at this time, since the vector control program is proposed for inclusion in the Public Health Block Grant which is not

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detailed in the budget.

The remaining state contribution, targeted specifically for agriculture-related depredations, is appropriated to DFA. In 1981-82, DFA received \$675,000 from the General Fund for this portion of the PAC program. This amount was increased to \$793,000 for the current year. The budget proposes the same level of expenditure in 1983-84.

In the current year, 35 counties are participating in the PAC program, at a cost to the counties of \$524,000. This is a decrease of three counties and \$491,000 from 1981-82. In 1981, the latest year for which data are available, 48 percent of the cattle and calves and 38 percent of the lambs and sheep, the primary targets of predatory animals, were in the 23 non-participating counties.

Many counties not participating in the PAC program feel it is either not effective in preventing depredations or not cost-effective. Most nonparticipating counties provide wildlife disease suppression through their county departments of health. Ten provide predator control services through their county agricultural commissioners.

Cost-Effectiveness of Program. In 1981-82, the PAC program received a \$210,000 augmentation from the Legislature. An additional \$100,000 augmentation was included in the 1982 Budget Act, bringing the total increase to \$310,000 over the past two years. The 1982-83 increase appears to have been used by the USFWS to compensate for the decrease in funding from other program contributors during the current year.

There is no cost-effectiveness data on the total expenditures of PAC. Based on the limited information available on the recent increase of \$210,000 in 1981-82, our analysis indicates that these increases have not been cost-effective.

As a result of the \$210,000 augmentation in 1981-82, 10 additional animal damage control specialists (ADCS) were hired and assigned to 86 ranches covering 174,000 acres in northern California. A precise analysis of the cost-effectiveness of the increased funding would require a comparison of the value of losses from predators in 1980-81 with those in 1981-82 on the properties protected by the additional personnel. However, neither the DFA nor the USFWS isolated data on the reduction in the value of losses on those properties in 1981-82, thus making it impossible to determine the reduction in losses as a result of the added funding.

Table 6
Number of Animals Protected in 1981-82 and
Losses to Predators in 1980-81 on
86 Properties Protected by 10 ADCSs

<i>Animals</i>	<i>Number Protected 1981-82</i>	<i>Losses to Depredation 1980-81</i>		<i>Value of Losses 1980-81^a</i>
		<i>Number</i>	<i>Percent</i>	
Sheep/lambs	31,132	1,276	4.1%	\$97,729
Cattle/calves	24,088	217	0.9	59,189
Poultry	15,260	145	1.0	1,082
Goats	102	10	10.0	589
Totals	70,582	1,648	2.3%	\$158,589

^a The value of losses is based on our calculation of the average value per loss in the entire PAC program service area, as reported by USFWS.

Data are available, as shown in Table 6, on the number of animals protected by the 10 additional ADCSs in 1981-82 and the value of losses from predation experienced on these properties in 1980-81 before the 10 ADCSs were added.

Based on the average value per loss of the predations reported by the USFWS for 1980-81, we calculate the market value of the loss to predation on the 86 properties protected to be approximately \$160,000. Thus, the department spent \$210,000 in 1981-82 to prevent losses valued at \$160,000 in 1980-81. Even if the additional ADCSs could have eliminated all losses in 1981-82, the DFA was still spending in excess of \$1.30 for every \$1.00 of probable loss. It would have been more cost-effective for the state to compensate the ranchers directly for their losses.

A second possible indication of the cost-effectiveness of the \$210,000 augmentation for 1981-82 would be any reduction in the value of predation losses statewide following the augmentation. In the absence of any identified change in circumstances, a 40 percent increase in DFA funding for the PAC program should produce a measurable decrease in the value of losses from 1980-81 to 1981-82. The USFWS, however, reported that the value of losses to predators actually increased, from \$735,000 in 1980-81 to \$776,000 in 1981-82.

Thus, our limited analysis does not support the cost-effectiveness of the \$210,000 augmentations.

Inappropriate Funding Source. The principal beneficiaries of the PAC program are the livestock and poultry producers in the participating counties. Almost 85 percent of the verified predations in 1981-82 involved livestock and poultry. Similarly, 85 percent of PAC expenditures in 1981-82 were related to the destruction or removal of livestock and poultry predators, principally coyotes. The remainder of the program's expenditures were devoted to the control of raccoons, skunks, and other nuisance animals, and to the monitoring and suppression of diseases such as rabies and plague in wildlife.

While the DFA contribution to the PAC program is devoted specifically to agriculture-related predations, only a portion of the state's livestock and poultry producers receive protection from the PAC program. Therefore, it seems reasonable to expect those receiving protection to finance the service.

The concept of requiring the primary recipients of a service to pay for that service is well established in the DFA. The Pink Bollworm Control and the Livestock Identification (brand inspection) programs are funded by assessments on cotton and cattle, respectively. Furthermore, other states, such as Idaho and Nevada, use sheep industry assessments to partially fund their predatory animal control program.

In summary, we recommend deletion of \$793,000 from Item 8570-001-001 for General Fund support of the Predatory Animal Control program, because (1) the \$210,000 increase in 1981-82 for the program has not been cost-effective and in fact casts doubt on the cost-effectiveness of the entire state contribution of \$793,000, (2) many counties do not participate in the program, and (3) the special service provided to some of the state's livestock and poultry producers by the program should be financed by the persons who receive that service. It should be noted that the deletion of General Fund support for the PAC program would reduce total program funding by only 38 percent, assuming the maintenance of current funding levels by other program contributors.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued**Apiary Inspection Program Expansion**

We recommend deletion of \$63,000 requested in Item 8570-001-001 for the state matching portion of the expanded Apiary Inspection program, because the department previously advised the Legislature that it would absorb any increase in costs from such an expansion.

Chapter 889, Statutes of 1982, revised the fee assessment system for the department's Apiary Inspection program and required DFA to match the level of revenues collected for support of the program's operation. The budget proposes an augmentation of \$63,000 from the General Fund and 0.5 personnel-years to match the increase in bee industry assessments.

Chapter 889 contained no appropriation to cover the increase in General Fund support required. In fact, it specifically directed DFA to fund any increase in costs from existing appropriations. Furthermore, DFA indicated to the fiscal committees when the legislation was considered that it could meet the new General Fund obligation for the program by redirecting money from other unidentified General Fund programs.

Thus, the department's request for \$63,000 and 0.5 personnel-years runs counter to provisions of the legislation and stipulations made by the department when the bill was being considered. On this basis, we recommend that the \$63,000 and 0.5 personnel-years be deleted.

Legal Services Reduction

Currently, there are three attorney positions and two related clerical positions authorized in the Pesticide Use Enforcement Unit in the department's Division of Pest Management, Environmental Protection and Worker Safety. The budget proposes to eliminate one of these attorney positions and one-half of a clerical position, as part of the statewide reduction in department-based legal staff. Elimination of these positions would result in a savings of \$53,000, including \$21,000 from the General Fund, \$26,000 from the Agricultural Fund, and \$6,000 in federal funds.

Activities performed by the enforcement unit's legal staff include (1) assisting the Attorney General and local district attorneys in preparing, negotiating, and litigating enforcement actions against violators of pesticide laws or regulations (for example, sale or use of unregistered products, improper application, or failure to observe workers safety precautions), (2) assisting the Attorney General in defending the department against lawsuits, (3) reviewing proposed regulations and legislation, (4) consulting with other staff regarding pesticide registration actions, (5) determining the status of information designated as "trade secrets" when the department receives requests from the public to review department records, and (6) training state and local investigative staff in proper enforcement procedures.

The proposed one-third reduction in legal staff would limit the department's ability to perform these activities. Because much of the unit's legal workload is discretionary rather than mandatory, we cannot identify any specifically required legal functions that the department would be unable to perform as a result of the proposed reduction. Consequently, we have no basis on which to recommend a change in the proposed amount for legal services. The Legislature may, however, wish to consider the proposal in more detail, in keeping with legislative action on similar proposals in other budgets.

Unjustified Increase in Payments to Counties

We recommend a reduction of \$523,000 from the General Fund (Item 8570-101-001) to delete the proposed augmentation for payments to counties in support of pesticide use enforcement, because the department has not justified the need for this increase.

The budget request \$7,837,000 to partially support county pesticide regulatory activities in 1983-84. Of this amount, \$2,968,000 is requested from the General Fund to finance contracts with counties to pay for the added workload which resulted from pesticide regulations adopted by the department in 1980. The remaining \$4,869,000 is requested from the Agriculture Fund, and is the estimated county share of the pesticide mill tax established in 1971 to finance pesticide regulatory activities. Counties receive five-eighths of the mill tax receipts, and the remainder is used by the department to support its pesticide regulatory program.

The total budget request from both the General Fund and the Agriculture Fund is \$523,000, or 7 percent, more than estimated payments to the counties for this purpose in the current year. Two factors indicate that the requested increase is not justified.

First, the department has not established that county expenditures for pesticide regulation will increase in the budget year. Nor has the department identified specific price or workload changes in the counties. Instead, the increased amount primarily reflects a projected increase in pesticide mill tax revenues, five-eighths of which are automatically transferred to the counties under current law, regardless of whether they are needed for pesticide enforcement. Second, our review of summaries of the expenditure statements submitted by county agricultural commissioners to the department shows that total expenditures for pesticide use enforcement by all counties *decreased* by \$184,000 between 1980-81 and 1981-82 (the latest year for which data are available). Although expenditures in some counties increased, 23 counties showed a net reduction in expenditures, and 5 showed no change.

During the 1980-81 to 1981-82 period, state subventions increased by \$938,000, while total county expenditures for pesticide enforcement decreased by \$184,000. This suggests that *local* funding for pesticide enforcement may have decreased by more than \$1.1 million between 1980-81 and 1981-82. It thus appears probable that recent increases in state support for county pesticide enforcement have been used to *replace*, rather than augment, local resources.

Although some counties with Medfly infestations may have diverted funds to Medfly-related activities during 1981-82, pesticide enforcement expenditures decreased in 18 counties outside of the infested areas. Consequently, the Medfly infestation does not appear to explain the reduction in county pesticide enforcement expenditures.

We conclude that the department has not justified the requested increase in payments to counties. Moreover, we believe the department should reexamine the pesticide enforcement costs of the counties and propose a method for determining the appropriate amount of total state funds which each county should receive. We recommend that 1983-84 subventions for county pesticide enforcement be limited to the current-year level of \$7,314,000 until the department develops a specific basis for determining the amount each county should receive. To implement this reduction, the General Fund subvention in Item 8570-101-001 should be reduced by \$523,000. This will allow the full five-eighths of the pesticide mill tax money to flow to the counties, while saving the General Fund \$523,000.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued**Improvement Needed in Accounting for Payments to Counties**

We recommend that the Legislature direct the department to account for all 1983–84 payments to counties so that information on total state aid to counties is available, by program area and funding source, because present records do not readily show all state payments.

The department provides funds to the counties in a variety of ways. Some payments are readily identified because they are budgeted as "local assistance." The department also contracts with counties for a variety of services, using money budgeted under "state operations." It appears, however, that the department's accounting systems cannot readily provide information on state payments to counties from money budgeted for state operations. Without this information, it is difficult to separate state funds expended by counties for specific agricultural programs from county funds expended for the same programs. This information would be useful to the department and the Legislature in order to monitor changes in the funding levels of specific county programs and to determine the appropriate amount of state payments for these programs.

Accordingly, we recommend adoption of the following supplemental report language to direct the department to compile complete information on its payments to counties:

"The Department of Food and Agriculture shall account for 1983–84 payments to counties so that information on all state aid to counties, including contracts funded under state operations, is available by program area and funding source."

Fair and Exposition Fund

We recommend that the Department of Food and Agriculture and the Department of Finance jointly provide to the Legislature, prior to budget hearings, a detailed statement of the condition of the Fair and Exposition Fund, including (1) the estimated amounts and sources of funds in 1982–83 and in 1983–84 and (2) the proposed use of those funds in 1983–84.

The fund condition statement for the Fair and Exposition Fund (page GG 108 of the budget document) estimates that total resources available in the fund in 1983–84 will be \$20,168,000. The budget proposes state operations expenditures of \$2,701,000 in 1983–84 for the Division of Fairs and Expositions, the California Horseracing Board, and the California Exposition and State Fair. Of the remaining \$17,467,000, the budget indicates that local fairs will receive allocations totaling \$12,660,000, leaving the fund with a surplus of \$4,807,000 on June 30, 1984.

The Department of Food and Agriculture estimates that the amount in the fund after deducting proposed appropriations for state operations in 1983–84 will be only \$15,257,000, or \$2,210,000 less than the budget estimate of \$17,467,000. The Department of Food and Agriculture also indicates that it intends to allocate all of the \$15,257,000 to local fairs. In addition to this discrepancy, there are various inconsistencies between the fund condition statement for the Fair and Exposition Fund and the allocations to local fairs shown in the reconciliation with appropriations for the Department of Food and Agriculture.

Therefore, we recommend that the Department of Food and Agriculture and the Department of Finance reconcile their records and estimates

with the records of the State Controller, and provide the Legislature with a joint estimate of (1) the amount of money which will be available in the Fair and Exposition Fund for expenditure in 1983-84 and (2) how these funds will be used.

Technical Correction

We recommend adoption of revised Budget Bill language for Item 8570-101-191 to correct a drafting error.

Item 8570-101-191 appropriates \$625,000 from the Fair and Exposition Fund for assistance to local fairs. Language in the item designates the entire \$625,000 for unemployment insurance and benefits for local fairs. The budget indicates that \$225,000 of this appropriation is for fair exhibit premiums and vocational education programs pursuant to Section 19627.2 of the Business and Professions Code. According to the Department of Finance, the designation of the entire \$625,000 for unemployment insurance and benefits was the result of a drafting error. In order to correct this error, we recommend that Item 8570-101-191 be revised as follows:

8570-101-191—For local assistance, Department of Food and Agriculture, Program 60—Financial and Administrative Assistance to Local Fairs, payable from the Fair and Exposition Fund.....	\$625,000
Schedule:	
(a) Unemployment Insurance and benefits for local fairs	\$400,000
(b) Premiums, cost of judges' conference, and vocational education pursuant to Section 19627.2 of the Business and Professions Code	225,000

Provisions:

1. The funds in schedule (a) of this item are appropriated for the contributions, or the cost of benefits in lieu of contributions, payable from the Fair and Exposition Fund to the Unemployment Fund by all entities conducting fairs, including county, district, combined county and district, and citrus fruit fairs receiving funds pursuant to Division 8 of the Business and Professions Code, as a result of unemployment insurance coverage pursuant to Section 605 of the Unemployment Insurance Code.
2. Funds appropriated in schedule (a) of this item may be used to pay unemployment benefits or insurance costs incurred by local fairs during the 1979-80 fiscal year or any fiscal year thereafter.

Allocation of Administrative Costs for Control and Eradication Programs

We recommend a reduction of \$198,000 from the General Fund (Item 8570-001-001) and an equal increase in the appropriation from the Agriculture Fund (Item 8570-001-111) in order to eliminate General Fund support for the administration of industry-funded control and eradication programs.

The budget proposes total expenditures of \$8,021,000 for control and eradication of plant pests in 1983-84. Most of this amount, \$5,650,000, is provided by agricultural industry assessments paid into the Agriculture Fund to support specific pest control programs that benefit a particular industry. The largest of these industry-funded programs is the Pink Bollworm Control program, for which the budget proposes expenditures of

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

\$4,871,000 from the Agriculture Fund in 1983–84. The budget request includes \$344,000 for the administration of all of the control and eradication programs. However, all of this money is requested from the General Fund. We recommend that these administrative costs be shared by the General Fund and the Agriculture fund in the same manner that program costs are shared.

According to the department, it generally allocates administrative costs in proportion to personal services expenditures from each funding source. The department indicates that 57.6 percent of the personal services expenditures for nonadministrative positions in the control and eradication programs is paid from the Agriculture Fund. (Although the Agriculture Fund provides 70 percent of the total control eradication expenditures, the Pink Bollworm program includes a substantial amount of contract funds.)

Therefore, we recommend that \$198,000, or 57.6 percent, of the \$344,000 budgeted for administrative costs from the General Fund be replaced with an equal amount of money from industry fees in the Agriculture Fund.

DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY

Item 8570-301 from the General
Fund, Special Account for
Capital Outlay

Budget p. GG 109

Requested 1983–84	\$232,000
Recommended approval	143,000
Recommended reduction	89,000

ANALYSIS AND RECOMMENDATIONS

The budget includes \$232,000 from the General Fund, Special Account for Capital Outlay, for one major capital outlay project and one minor project for the Department of Food and Agriculture. Specifically, the department's proposal includes \$182,000 to install a sewer line for the Truckee inspection station, and \$50,000 to renovate the Vidal border station in San Bernardino County.

Install Sewer Line—Truckee Inspection Station

We recommend that Item 8570-301-036(a), install sewer line, Truckee inspection station, be reduced by \$89,000 to eliminate overbudgeted funds. We further recommend that any savings resulting from approval of our recommendation be transferred from the Special Account for Capital Outlay to the General Fund, in order to increase the Legislature's flexibility in meeting high priority needs statewide.

The budget proposes \$182,000 under Item 8570-301-036(a) to install a sewer line for the Truckee inspection station. The proposed funds would be used to install a six-inch gravity sewer line from the Truckee inspection station to an existing sewer line in the Truckee Sanitary District sewage system, a distance of approximately 2,400 feet.

The Truckee station currently uses a septic tank and leach field system

for sewage disposal. The department indicates that the existing arrangement is in violation of the Truckee Sanitary District's requirement that all facilities in the district be connected to the district's system. The California Regional Water Quality Control Board, Lahontan Region, by letter dated April 12, 1982, has directed the department to abandon its on-site wastewater system and to connect to the existing community sewage collection system.

Excessive Fees and Contingency. While the budget includes \$182,000 for this project, the OSA estimates that only \$104,000 is necessary to do the work. The OSA estimate, however, includes \$24,400 for architectural and engineering (A&E) fees and construction contingency—an amount equal to 32 percent of contract cost. We have repeatedly recommended that an amount equal to 18 percent of the estimated contract cost should be sufficient to cover A & E and contingencies for this type of project. The Legislature generally has approved these recommendations. We have also repeatedly requested OSA to provide information justifying fee and contingency requests in excess of 18 percent. The OSA, however, has not provided such information in connection with this project.

Using the 18 percent funding level that our analysis indicates should be sufficient for these costs, only \$93,000 should be needed to do the proposed work. Consequently, we recommend a reduction of \$89,000 to this item in order to reflect the amount needed to install the sewer line for the Truckee station.

Transfer to General Fund. Approval of this recommendation would leave an unappropriated balance of tideland oil revenue in the Special Account for Capital Outlay, where it would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's option in allocating funds to meet high priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendation be transferred to the General Fund.

Minor Capital Outlay Project

We recommend approval of Item 8570-301-036(b), minor projects.

Item 8570-301-036(b) provides \$50,000 for minor capital outlay for the Department of Food and Agriculture. The department indicates that these funds will be used to renovate the existing border station at Vidal.

In 1972, California regionalized pest exclusion activities with the state of Arizona, and the four agricultural inspection stations on the California-Arizona border were put on a standby basis. The department recently terminated its contract with the state of Arizona. During the time when the station was not operated on a full-time basis, the building deteriorated and was subject to vandalism. The department is requesting funds to improve and recondition the station to make it more compatible with the present full-time operations.

The Legislature provided \$376,000 in the 1982 Budget Act to renovate three other stations on the California-Arizona border. This proposal is consistent with prior legislative action and the cost is reasonable. We recommend approval.

DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY—Continued**Projects by Descriptive Category**

In *The Budget for 1983-84: Perspectives and Issues*, we identify a number of problems that the Legislature will confront in attempting to provide for high-priority state needs within available revenues. To aid the Legislature in establishing and funding its priorities, we have divided those capital outlay projects which our analysis indicates warrant funding into the following seven descriptive categories:

1. Reduce the state's legal liability—includes projects to correct life threatening security/code deficiencies and to meet contractual obligations.
2. Maintain the current level of service—includes projects which if not undertaken will lead to reductions in revenue and/or services.
3. Improve state programs by eliminating program deficiencies.
4. Increase the level of service provided by state programs.
5. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of less than five years.
6. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of greater than five years.
7. Other projects—includes noncritical but desirable projects which fit none of the other categories, such as projects to improve buildings to meet current code requirements (other than those addressing life-threatening conditions), utility/site development improvements and general improvement of physical facilities.

Individual projects have been assigned to categories based on the intent and scope of each project. These assignments do not reflect the priority that individual projects should be given by the Legislature.

The sewer line for the Truckee Station (\$93,000) and the Minor Project (\$50,000) under the Department of Food and Agriculture's budget fall under Category 7.

POLITICAL REFORM ACT

Item 8640 from the General

Fund	Budget p. GG 111
Requested 1983-84	\$1,774,000
Estimated 1982-83	1,696,000
Actual 1981-82	1,583,000
Requested increase (excluding amount for salary increases) \$78,000 (+4.6 percent)	
Total recommended reduction	None
Recommendation pending	\$965,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
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1. Franchise Tax Board. Withhold recommendation, pending review of new workload information related to the board's Political Reform Act duties.

GENERAL PROGRAM STATEMENT

The Political Reform Act of 1974, an omnibus elections measure, includes provisions relating to (1) campaign expenditure reporting and contribution limitations, (2) conflict-of-interest codes and related disclosure statements required of public officials, (3) the state ballot pamphlet, (4) regulation of lobbyist activity, and (5) establishment of the Fair Political Practices Commission (FPPC).

Funds to implement these provisions are budgeted for four state agencies (Secretary of State, Franchise Tax Board, Attorney General and Fair Political Practices Commission). Support for one of these agencies, the Fair Political Practices Commission, is provided directly by the Political Reform Act of 1974. Funds for the other three agencies and any additional funds for the commission are provided by the Legislature through this budget item.

The funds appropriated by this item are transferred by the State Controller to the items supporting the agencies responsible for the various functions mandated by the act.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$1,774,000 from the General Fund to carry out the provisions of the Political Reform Act in 1983-84. This is \$78,000, or 4.6 percent, more than estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year. The estimated expenditures for the current year include a separate General Fund appropriation of \$24,000 to finance previously underbudgeted administrative services.

Table 1 identifies the departments which will expend funds in support of the act, the general function each performs, and their estimated expenditures during the prior, current and budget years. The *subtotal* represents that amount appropriated through the Budget Act for support of the Political Reform Act. The *total* represents that amount available for carrying out the act's provisions, and includes funds appropriated by the Budget Act and the continuing appropriation made by Section 83122 of the Government Code.

Secretary of State*We recommend approval.*

Responsibilities assigned to the Secretary of State by the Political Reform Act of 1974 include receiving campaign expenditure statements and registering lobbyists. In addition, the Secretary of State prints and distributes information listed in lobbyist registration statements.

The budget proposes expenditures of \$569,000 to perform work in accordance with the act during 1983-84. This amount includes an appropriation of \$563,000 and reimbursements of \$6,000. This is \$14,000, or 2.5 percent, above estimated total current-year expenditures of \$555,000. The increase is the result of a \$17,000 merit salary adjustment and staff benefits increase, partially offset by a \$3,000 reduction in operating expenses and equipment.

POLITICAL REFORM ACT—Continued

Table 1
Appropriations in
Support of Political Reform Act of 1974
(in thousands)

<i>Function</i>		<i>Actual 1981-82</i>	<i>Estimated 1982-83</i>	<i>Percent Change 1981-82 to 1982-83</i>	<i>Pro- posed 1983-84</i>	<i>Percent Change 1982-83 to 1983-84</i>
1. Budget Act Appropriation						
Secretary of State	Filing of documents	\$500	\$549 ^a	9.8%	\$563	2.6%
Franchise Tax Board	Auditing State- ments	843	914	8.4	965	5.6
Attorney General	Enforcement	240	233	-3.0	246	5.6
Subtotals		\$1,583	\$1,696	7.1%	\$1,774	4.6%
2. Statutory Appropriation						
Fair Political Practices Commission (through Section 83122 of the Government Code) ..	Administration of Act	1,765	1,845	4.5	1,900	3.0
Totals, Political Reform Act		\$3,348	\$3,541	5.8%	\$3,674	3.8%

^a Includes a separate General Fund appropriation of \$24,000.

Budget-Year Workload for Franchise Tax Board (FTB)

We withhold recommendation on the FTB portion of this item, pending review of new information related to the board's workload.

The Political Reform Act (PRA) requires the Franchise Tax Board (FTB) to audit the financial transaction statements of: (1) lobbyists, (2) candidates for state office and their committees, (3) committees supporting or opposing statewide ballot measures, and (4) specified elected officials.

The FTB proposes budget-year expenditures for its PRA function of \$965,000, an increase of \$51,000, or 5.6 percent, over estimated current-year expenditures. Staffing for FTB is proposed at 22.5 personnel-years in both the current and budget years.

The PRA budget identifies a reduction in 1982-83 and 1983-84 of \$50,000, in order to reflect properly administrative support provided to the PRA program by the department. This reduction, however, is offset by an increase of \$50,000 in FTB's regular support budget in both years, so that there is no net change to the General Fund.

There are two key determinants of FTB's PRA staffing requirements: (1) the productivity rates at which the department audits documents and (2) the volume of audits to be done. With regard to audit productivity rates, it appears that the department's production rates in the current year are *higher* than originally estimated. FTB will have fully updated its estimate of productivity rates by the end of February 1983. With regard to audit volumes, the department will determine these by a random selection of legislative districts, to be held during the first week of February 1983.

In order that we can evaluate the department's PRA budget-year workload needs using the latest possible data, we withhold recommendation on FTB's budget request until updated information is available.

Attorney General's Duties

We recommend approval.

The Political Reform Act requires the Attorney General to enforce the criminal provisions of the act with respect to state agencies, lobbyists and state elections. In addition, the Attorney General is required to provide legal advice and representation to the commission, and is reimbursed through the act for these services. Current-year expenditures to provide required services are estimated at \$233,000, and \$246,000 is requested for the budget year, an increase of 5.6 percent.

Fair Political Practices Commission

The Fair Political Practices Commission is responsible for the administration and implementation of the act. The commission consists of five members, including the chairman and one other member who are both appointed by the Governor. The Attorney General, the Secretary of State and the State Controller each appoint one member. The commission is supported by a staff hired under its authority, and receives a statutory General Fund allocation adjusted annually for cost-of-living changes, based on an initial allocation of \$1 million.

In accordance with the Political Reform Act, the commission's statutory budget for 1983-84 is \$1,900,000. The budget does not provide any funds above the statutory minimum.

PUBLIC UTILITIES COMMISSION

Item 8660 from various special
funds

Budget p. GG 112

Requested 1983-84	\$37,303,000
Estimated 1982-83	36,268,000
Actual 1981-82	35,110,000
Requested increase (excluding amount for salary increases) \$1,035,000 (+2.8 percent)	
Total recommended increase	\$855,000 ^a

^a Recommended increase would be more than offset by an additional \$1,032,000 in General Fund revenue from prorata changes.

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8660-001-042—Railroad Grade Crossing Safety		State Highway Account, State Transportation	\$937,000
8660-001-046—Rail Passenger Service and Enforcement of Federal Railroad Track and Freight Car Equipment Standards		Transportation Planning and Development Account, State Transportation	543,000
8660-001-189—Energy Load Management for Agricultural Purposes		Energy Account, Energy and Resources	224,000
8660-001-315—Radiotelephone Utilities Regulation		Radiotelephone Utility Rate	55,000
8660-001-415—Transportation Regulation		Transportation Rate	13,209,000

PUBLIC UTILITIES COMMISSION—Continued

8660-001-461—Passenger Transportation Regulation	Public Utilities Commission Transportation Reimbursement Account	3,920,000
8660-001-462—Utility Regulation	Public Utilities Commission Utility Reimbursement Account	18,415,000
Total		<u>\$37,303,000</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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| 1. <i>Professional and Consulting Services.</i> Reduce Item 8660-001-462 by \$177,000. Recommend reduction of amount budgeted for professional and consulting services because full amount has not been justified. | 1893 |
| 2. <i>Pro Rata Charges.</i> Increase items 8660-001-042 by \$40,000, 8660-001-046 by \$23,000, 8660-001-189 by \$10,000, 8660-001-315 by \$2,000, 8660-001-461 by \$168,000, and 8660-001-462 by \$789,000. Recommend an increase in expenditures for pro rata charges to reflect administrative costs of programs supported by new special funding, resulting in increased General Fund revenue of \$1,032,000. | 1893 |
| 3. <i>Financial Examiners.</i> Recommend that the Department of Finance provide to the fiscal committees prior to budget hearings (1) a comparison showing the cost of utilizing private accounting firms to conduct audits versus the cost of continuing to use the commission's staff for this purpose, in order to determine the least costly alternative for the ratepayer, (2) the format and terms of the proposed contracts with private accounting firms, and (3) a report on whether the proposed \$1.3 million savings will be realized in the budget year, in light of the administrative layoff procedures required by collective bargaining. | 1898 |
| 4. <i>Liquefied Natural Gas (LNG) Task Force.</i> Reduce reimbursements by \$292,000. Recommend deletion of limited term positions prior to expiration because of decreased workload. | 1899 |
| 5. <i>Intercity Busing Deregulation.</i> Recommend that the commission identify savings because the commission's jurisdiction over intrastate activity of the interstate busing industry has been partially preempted by Federal law. | 1901 |

GENERAL PROGRAM STATEMENT

The Public Utilities Commission (PUC), created by constitutional amendment in 1911, is responsible for the regulation of privately owned public utilities. The term "public utility" includes such entities as electric, telephone, gas, warehouse, truck, bus companies, and pipeline corporations.

The commission's primary objective is to insure adequate facilities and services for the public at reasonable and equitable rates, consistent with a fair return to the utility on its investment. It is also charged by state and federal statutes with promoting energy and resource conservation in its rate-making and other decisions.

The five-member commission must approve all changes in operating methods and rate schedules proposed by regulated utilities and transportation companies. It investigates complaints registered against utilities, and may also initiate investigations of utility companies on its own volition. In all such cases, data is accumulated by the staff, hearings are held, decisions rendered, and compromise secured through enforcement procedures. Appeal of commission decisions may be made only to the California Supreme Court, whose review power is limited to questions of law.

During the current year, the commission is authorized to have 943.2 personnel-years.

ANALYSIS AND RECOMMENDATIONS

The budget proposes seven appropriations totaling \$37,303,000 from various state funds for support of the Public Utilities Commission in 1983-84. This is an increase of \$1,035,000, or 2.8 percent, over estimated current-year expenditures from these funds. In addition, the budget proposes expenditures of \$183,000 from the Federal Trust Fund and \$1,641,000 from reimbursements. Proposed expenditures from all sources of funds total \$39,127,000, which is \$1,006,000, or 2.6 percent, more than estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

The budget proposes to completely eliminate any General Fund support for the commission by shifting \$14.5 million from the General Fund and \$7.2 million from the State Energy Resources Conservation and Development Account (ERCDSA) to special fund support. This change in funding will result in a General Fund savings of \$21.7 million. All resources needed to support the commission in 1983-84 are proposed to come from the State Highway Account of the State Transportation Fund, the Transportation Planning and Development Account of the State Transportation Fund, the Energy Account of the Energy and Resources Fund, the Radio Telephone Utility Rate Fund, the Transportation Rate Fund, the Public Utilities Commission Transportation Reimbursement Account, the Public Utilities Commission Utilities Reimbursement Account, and the Federal Trust Fund, as detailed in Table 1.

As Table 1 shows, the budget proposes shifting support for (1) grade crossing activities from the General Fund to the State Highway Account, (2) rail passenger service from the General Fund to the Transportation Planning and Development (TP and D) Account of the State Transportation Fund, and (3) state participation in the enforcement of the Federal Railroad Administration's Railroad Track and Freight Car Equipment Safety Standards from the General Fund to the TP and D Account. Furthermore, the companion bill to the Budget Bill (SB 124/AB 223) provides that user funding will replace all state support for the regulation of gas, electrical and communications utilities, as well as the regulation of buses and trains. This would shift all activities currently being supported by the General Fund or ERCDSA to the Public Utilities Commission Transportation Reimbursement Account and the Public Utilities Commission Utilities Reimbursement Account. We discuss the user funding proposal in more detail later in this analysis.

PUBLIC UTILITIES COMMISSION—Continued

Table 1
Public Utilities Commission
Budget Summary
(in thousands)

<i>Program</i>	<i>Actual 1981-82</i>	<i>Estimated 1982-83*</i>	<i>Proposed 1983-84</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Regulation of Utilities:					
Rates	\$14,512	\$12,382	\$11,998	—\$384	—3.1%
Service and Facilities	3,670	4,387	4,667	280	6.4
Certification	1,434	1,958	2,130	172	8.7
Safety	976	1,550	1,621	71	4.6
Subtotals	\$20,592	\$20,277	\$20,416	\$139	0.7
Regulation of Transportation:					
Rates	\$8,236	\$9,001	\$9,574	\$573	6.4%
Service and Facilities	480	1,020	1,080	60	5.9
Licensing	5,370	5,449	5,772	323	5.9
Safety	2,289	2,374	2,285	—89	—3.7
Subtotals	\$16,375	\$17,844	\$18,711	\$867	4.9
Administration:					
Utilities	(\$5,700)	(\$5,646)	(\$5,955)	309	5.5
Transportation	(2,937)	(2,909)	(3,087)	178	6.1
Subtotals	(8,637)	(8,555)	(9,042)	487	5.7
Totals	\$36,967	\$38,121	\$39,127	\$1,006	2.6
Funding Source					
General Fund	\$15,901	\$15,109	—	—\$15,109	—100.0
State Energy Resources Conservation and Development Special Ac- count	7,345	6,474	—	—6,474	—100.0
State Highway Account, State Trans- portation Fund	—	277	937	660	238.3
Transportation Planning & Develop- ment Account, State Transporta- tion Fund	—	297	543	246	82.8
Energy Account, Energy and Re- sources Fund	—	214	224	10	4.7
Radio Telephone Utility Rate Fund ..	—	27	55	28	103.7
Transportation Rate Fund	11,864	12,360	13,209	849	6.9
Public Utilities Commission Trans- portation Reimbursement Ac- count	—	—	3,920	3,920	N/A
Public Utilities Commission Utilities Reimbursement Account	—	1,510	18,415	16,905	1119.5
Federal Trust Fund	476	183	183	—	N/A
Reimbursements	1,381	1,670	1,641	—29	—1.7
<i>Personnel-years</i>	<i>908</i>	<i>943.2</i>	<i>924.1</i>	<i>—19.1</i>	<i>—2.0</i>

* Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

Cost, Workload and Program Changes Proposed for 1983-84

The budget proposes certain cost, workload, and program changes in 1983-84, in addition to the major changes in funding source described above.

Proposed *workload changes* include (1) a reduction in support for grade crossing safety inspections to reflect a reduction in program costs and (2) an increase of four permanent positions, two of which are currently authorized on a limited-term basis until June 1983, for the Consumer Affairs Division. The additional Consumer Affairs workload is due to an increased

number of complaints and inquiries from customers and legislators concerning commission-regulated companies. Other workload changes result from a decrease in the volume of various reimbursable activities.

The PUC's changes in *program activity* include (1) deletion of 24 financial examiners who provide rate case auditing services, and 3 supporting clerical positions, (2) 4 new positions to respond to federal action regarding the divestiture of intrastate operations by the American Telephone and Telegraph Company, (3) 1 reimbursable position to administer and enforce new regulations pertaining to radiotelephone utilities (pursuant to Chapter 1016, Statutes of 1982) and (4) 7 positions to review water utility rate increase applications more thoroughly and to monitor compliance with commission orders. We discuss the auditor and telecommunications positions in more detail below.

Professional and Consulting Services Overbudgeted

We recommend deletion of \$177,000 from Item 8660-001-462 for professional and consulting services because the commission cannot specify how it will use the funds.

The 1983-84 budget proposes \$996,000 for professional and consulting services. This is an increase of \$8,000, or 1 percent, over authorized current-year expenditures for this purpose. Reimbursements will provide \$819,000 of this amount, and will pay for environmental impact report and liquefied natural gas activity, as well as cost monitoring of any new construction undertaken by utilities. The latter is required by Chapter 139, Statutes of 1982.

The remaining \$177,000 is not proposed for any specific purpose. Our review indicates that these funds were authorized to conduct *one-time* contract studies in the current year, and were inadvertently carried forward into the budget year. In fact, the commission withdrew from the Department of Finance's review its 1983-84 request for new contract services funding in the budget year. On this basis, we recommend deletion of the \$177,000.

Pro Rata Charges Understated

We recommend that expenditures for pro rata assessments be increased to reflect state administrative costs of programs supported by special funds, for an increase in General Fund revenues of \$1,032,000. (Increase Items 8660-001-042 by \$40,000, 8660-001-046 by \$23,000, 8660-001-189 by \$10,000, 8660-001-315 by \$2,000, 8660-001-461 by \$168,000, and 8660-001-462 by \$789,000.)

Government Code Sections 11270-11277 and 22828.5 provide the statutory authority for the assessment of pro rata charges to special funds. Pro rata charges are designed to recover "administrative costs" incurred by the Legislature, Controller, Treasurer, State Personnel Board, State Board of Control, and State Department of Finance in providing administrative and other services to programs supported by funds other than the General Fund. Chapter 327, Statutes of 1982, provides language that special accounts within the General Fund shall also be subject to pro rata assessments.

The budget for 1983-84 proposes expenditures of \$910,000 from the TRF and the ERCDSA for pro rata charges imposed on the commission. (The Department of Finance will transfer administratively the ERCDSA funds,

Table 2
Public Utilities Commission
Proposed Program Changes by Fund

PUBLIC UTILITIES COMMISSION—Continued

	General Fund	SERCDSA	State Trans- portation Fund— Highway Account	State Trans- portation Planning and Develop- ment Account	Energy and Resources Fund	Radio Tele- phone Utility Rate Fund	Trans- portation Rate Fund	PUC Trans- portation Reimburse- ment Account	PUC Utilities Reimburse- ment Account	Federal funds	Reimburse- ment	Total
1982-83 Current Year Revised	\$15,109	\$6,474	\$277	\$297	\$214	\$27	\$12,360	—	\$1,510	\$183	\$1,670	\$38,121
1. Cost Changes:												
Personal Services	737	267	11	12	8	—	505	—	—	—	—	1,540
Operating Expenses	117	330	2	2	2	—	323	—	—	—	—	776
2. Workload Changes:												
Railroad Grade Crossing Safety	-192	—	—	—	—	—	—	—	—	—	—	-192
Consumer Affairs	-57	85	—	—	—	—	21	—	—	—	—	49
Reimbursable Activities	12	—	—	—	—	—	—	—	—	—	-29	-17
3. Program Changes:												
CPA's in lieu of PUC Auditors	-1,350	—	—	—	—	—	—	—	—	—	—	-1,350
Restructuring Telephone Companies	168	—	—	—	—	—	—	—	—	—	—	168
Regulations of Water and Sewer Companies	—	—	—	—	—	—	—	—	288	—	—	288
Regulation of Radio Telephone Utilities	—	—	—	—	—	28	—	—	—	—	—	28
4. Funding Changes:												
User Funding (Payment of Fees by Regulated Utili- ties)	-11,923	-7,156	—	—	—	—	—	3,920	14,875	—	—	-284
Railroad Grade Crossing Safety	-647	—	647	—	—	—	—	—	—	—	—	—
Commuter Railroads	-120	—	—	120	—	—	—	—	—	—	—	—
State Participation in Federal Railroad Safety Pro- gram	-112	—	—	112	—	—	—	—	—	—	—	—
Water and Sewer Companies—User Funding	-1,742	—	—	—	—	—	—	—	1,742	—	—	—
1983-84 Proposed	—	—	937	543	224	55	13,209	3,920	18,415	183	1,641	39,127

which are to cover current-year costs, and do not appear in the PUC appropriations.) Our analysis indicates that the amount budgeted for pro rata charges is understated because it does not include funds to the proportionate share of state administrative costs attributable to programs supported by either the proposed user fee accounts or certain other special funds which support the commission.

The 1983-84 budget proposes to shift program costs totaling \$22,335,000 from the General Fund and the ERCDSA (which is an account within the General Fund) to the user fee reimbursement accounts. The budget also proposes an additional funding shift from the *General Fund* to other special funds, and an increase in special fund support because of new appropriations and cost increases in the budget year, in the amount of \$1,759,000. The Department of Finance (DOF) indicates that the proposed user fee accounts more-than-likely will be subject to pro rata charges, but such charges will not be recovered until 1985-86. This is because DOF's accounting system allows a two-year lag period before pro rata charges against new funds subject to such charges are collected. Our Analysis indicates that it would be preferable for the state to start collecting these charges in 1983-84, when such costs are first incurred. This would result in an immediate savings of \$1,032,000 to the General Fund. Accordingly, we recommend that the user fee appropriations in the PUC's 1983-84 budget be increased by \$1,032,000, and that pro rata charges be increased by the same amount, to reflect administrative costs attributable to programs supported by these accounts.

REGULATION OF UTILITIES

The Public Utilities Commission regulates the rates, services, and safety of gas, electric, communications, and water and sewer companies. It must approve the construction of new facilities by these utilities, and any stocks, bonds, or other financial instruments that they issue.

New Funding Mechanism Proposed for Regulation of Utilities

We recommend approval.

Under current law, certain of the PUC's activities are supported from fees imposed directly on industries regulated by the commission. For example, the cost to the PUC of regulating truckers and certain other transportation-related industries is funded from the Transportation Rate Fund. The regulated carriers pay application fees and a percentage of their gross revenues into the fund each year.

The Public Utilities Commission Utilities Reimbursement Account supports regulation activities covering water and sewer companies, and the Radio Telephone Utility Rate Fund supports regulation activities for the radio-telephone utilities. These companies are assessed a fee in proportion to the ratio that each of their gross intrastate revenues bear to total industry gross intrastate revenues.

Other PUC activities are supported by funds that utilize broader-based taxes to obtain their revenues. For example, conservation-related aspects of electric rate regulation are funded from the Energy Resource Conservation and Development Special Account of the General Fund. This account receives its revenues from a surcharge imposed on the electricity bills of all consumers in the state, regardless of whether they purchase electricity from a privately-owned (regulated) or publicly owned (unregulated) utility. The Energy Account of the Energy and Resources Fund provides support for the agricultural load management program. Partial

PUBLIC UTILITIES COMMISSION—Continued

funding for grade crossing inspections comes from the State Highway Account and the Transportation Planning and Development Account of the State Transportation Fund. The General Fund supports regulation of gas, communication, and passenger transportation companies. Reimbursements, federal funds, and small appropriations from various funds are used to support activities such as environmental impact studies.

User Fee Legislation

The companion bills to the Budget Bill (SB 124, AB 223) extend the user fee concept to all industries regulated by the commission, in order to fully supplant the funding for the commission now derived from the General Fund and ERCDSA. Under the proposed funding arrangement, two accounts, the Public Utilities Commission Transportation Reimbursement Account (PUCTRA) and the Public Utilities Commission Utilities Reimbursement Account (PUCURA), would support most utility and passenger transportation regulatory activity, while the TRF would continue to support the same activities it does now. Commission costs would be allotted to each industry (electric, gas, communications, and passenger transportation) on the basis of the staff time or other resource commitment required to regulate it. The rate would then be allocated to each regulated company in the industry by using a ratio based on each company's gross intrastate revenues as a percentage of the industry's gross intrastate revenues and other appropriate measures, as determined by the commission. The utilities would be allowed to recover fee expenses from ratepayers.

A provision in the companion bill would allow the PUC to set fees, at levels sufficient to produce revenues equal to the commission's budget plus an appropriate reserve. It would deposit passenger transportation company revenues in the new PUCTRA and add gas, electric and communications company revenues to the water and sewer company user fees already being deposited in the PUCURA.

The commission estimates that the cost of financing regulation of the companies subject to the new fees in 1983-84 would be distributed as follows:

Electrical	\$6,560,000
Gas and Steam Heat	4,984,000
Communications	3,619,000
Transportation	3,920,000
Total	\$19,083,000

This does not include any fees which would be charged to fund the reserve established by the companion bill to the Budget Bill.

We have previously recommended legislation to establish a fee schedule for all utilities regulated by the commission. Such a schedule would promote the fee-for-service concept because only those ratepayers whose interests are protected by the PUC would support the commission. Taxpayers who are served by municipal or public utility districts that are not subject to PUC regulation would no longer be required to support the commission through the General Fund or other broad based taxes. We also note that most other states' utility commissions are supported by assessments on the regulated industries themselves.

Because the budget proposal would link more clearly the costs and benefits of utility regulation, we recommend that it be approved.

Divestiture of American Telephone and Telegraph

The 1983-84 budget proposes four additional positions to develop and implement the actions required by the Modified Final Judgment of the American Telephone and Telegraph Company (AT&T) antitrust suit. These positions include two financial examiner positions for the Revenue Requirements Division, and one public utilities regulatory analyst and one associate utilities engineer for the Communications Division. Among the commission's primary concerns are that the proposed reorganization plan of the divestiture reflect local call patterns, that rates do not become excessive, and that the current quality of telephone services is maintained.

The Modified Final Judgment of the AT&T antitrust suit requires AT&T to divest itself of its 22 operating companies that provide telephone service to the public. A plan for divestiture must be submitted to the court by AT&T no later than February 1983, with the separation to take place approximately one year later. The proposed reorganization plan consolidates the 22 operating companies into seven regional holding companies.

In addition, AT&T must present a "local access and transport area" (LATA) map which specifies the boundaries and areas in which each local telephone company will be allowed to provide services after divestiture. AT&T or other long distance telephone operators will provide the long distance (inter-LATA) service between the LATA boundaries. The commission expects to challenge certain aspects of the LATA map which do not reflect local call patterns and which would require an individual to place a toll call for inter-LATA services, rather than a local call.

The additional positions would monitor the valuation and assignment of assets during the divestiture. The commission points out that local companies must not be financially stripped by AT&T before the divestiture is completed. If this were done, of course, the local telephone companies would not have an adequate capital base to venture into business on their own.

The commission also anticipates additional rate increase requests by the various local operating companies as a result of this breakup. Currently, local services are subsidized by long distance services, by the rental of telephone company equipment, and by other nonservice revenues. As a result of the divestiture, however, AT&T will retain (1) Bell Lab, which performs the research and development for all of AT&T operations, (2) Western Electric, which manufactures equipment used by AT&T, and (3) long distance service, which is the primary source of revenue for all telephone companies. The local companies, which include Pacific Telephone and Telegraph (PT&T), will continue to provide local services and will retain the yellow pages. The commission informs us that after divestiture, PT&T will receive only about 50 to 60 percent of its present revenues. As a result, PT&T most likely will be forced to request a rate increase to make up for its lost subsidy.

In addition to this rate increase, the FCC may propose that telephone users begin paying the local telephone companies a fee for the privilege of connecting to long distance facilities, regardless of whether telephone calls actually are made. This cost presently is built into the toll rates on the basis of use. The access charge would be recovered on a flat rate basis from local users. Based on nationwide coverage, this flat rate would be about \$7 per month per subscriber.

To avoid a sudden increase in rates, the FCC may initially require that the access charge be kept to a minimum, and then allow a gradual increase in rates over a few years, until this cost is fully distributed to all consumers.

PUBLIC UTILITIES COMMISSION—Continued

During the transition period, the difference between the rate charged and the actual cost of using the long distance facilities will continue to be allocated on the basis of use. This entire concept incrementally shifts the costs from large businesses, which frequently utilize toll services and therefore pay most of the cost now through use charges, to the residential and small business customers where unit costs of providing service are higher. In addition, if large businesses bypass local telephone companies completely and hook up directly to long distance providers, such as MCI Communications and Southern Pacific Communications, the local companies' loss of these customers may result in further rate increases, for their remaining customers.

In summary, divestiture will completely restructure the communications industry and have a significant impact on the ratepayer. We recommend approval of the proposed additional positions to monitor the implementation of the divestiture plan, and to ensure that transitional plans required by judicial order are implemented in a manner which minimizes the adverse effects on the California telephone subscriber.

Contracting With Private CPA Firm May Not Be Viable

We recommend that the Department of Finance provide to the budget committee prior to hearings (1) a comparison of what utility audits conducted by a private CPA firm would cost, relative to the cost of continuing to have these audits conducted by the commission's own staff, (2) the specific format and terms of the contract and (3) a determination of whether the \$1,300,000 proposed savings takes into account any administrative layoff procedures required by collective bargaining.

The budget for 1983-84 proposes to delete 24 financial examiners and 3 clerical positions. The commission informs us that these financial examiners now review financial statements submitted by utility companies, to insure that costs which are to be recovered from ratepayers are reasonable and necessary in providing services. The budget proposes to have these functions performed, instead, by certified public accounting firms, working under the direction of the commission and its staff. The firms would be paid directly by the utility companies. This proposal is based primarily on findings and recommendations resulting from a 1979 fiscal management audit of the PUC conducted by the Department of Finance.

The fiscal management audit summarizes the advantages of contracting with private CPA firms to perform public utility audits now performed by the commission's own staff. According to the report, one advantage of contracting with CPA firms is that it transfers audit costs from the general taxpayer to the utility ratepayer at a time when General Fund resources are limited. This argument, however, would no longer be applicable if the Legislature approves the administration's proposal to replace all General Fund support for the commission with revenues from user fees. Were this funding change to be approved, the costs would be borne by the utility ratepayer, not by the general taxpayer, regardless of whether the audits are performed by the employees or by public accounting firms. Accordingly, the relevant question is which alternative would result in the lowest cost to the ratepayer.

A preliminary review of the hourly rates charged by a private CPA firm indicates that contracting for private accounting firms *may* be more expensive than having the commission continue to perform these audit

functions. We recommend that the Department of Finance provide the Legislature with a comparison of what audits would cost under each approach (private CPA firms and commission staff), in order that the Legislature may reach an informed decision which is in the best interest of the ratepayer.

According to DOF's report, another advantage of contracting with a private accounting firm for services is that the commission would be forced to establish better specifications of audit tasks and criteria. We note, however, that the Legislature could require the PUC to develop such specifications for its own staff without requiring it to contract for private accounting services.

The third advantage of contracting out this work, according to the department's report, is that the commission would have a better opportunity to tailor its extended resources to its immediate needs and peak workload periods. This, however, would also remove a portion of the commission's regulatory program from legislative scrutiny, since funds for these contract services would not be included in the Budget Bill.

Finally, it is unclear if the projected savings of \$1,300,000 would be realized in the budget year. The employee layoffs resulting from this proposal would be subject to the administrative procedures required by collective bargaining and it could be several months after the start of the fiscal year before any payroll reduction actually occurs. As a result, we recommend that the Department of Finance inform the Legislature if the projected \$1,300,000 savings takes into account this administrative layoff procedure.

It may be that private accounting firms can offer more cost-effective services than the commission's own staff. These savings, however, are not documented and our preliminary review of rate schedules for private accounting firms suggests otherwise. Accordingly, until the Department of Finance provides to the Legislature a comparison of the costs to have utility audits conducted by private accounting firms versus the commission's audit staff, we cannot determine which of the methods is most economical for the ratepayer.

LNG Task Force Positions

We recommend deletion of six limited term positions because of reduced workload, for a savings of \$292,000 in reimbursements.

The 1983-84 budget requests that \$292,000 be funded through reimbursements, from the Western LNG Terminal Associates, for the support of six limited term positions to handle workload related to the construction of a proposed LNG terminal.

The PUC was granted temporary help funds in the 1977-78 budget to evaluate applications and develop the conditional permit for Western LNG Terminal Associates to construct and operate a LNG facility at Point Conception in Santa Barbara County. The Western LNG Terminal Associates is a partnership between the Pacific Gas and Electric Company and the Southern California Gas Company.

The 1979 Budget Act authorized a 28-position task force to develop a cost monitoring system for proposed LNG terminal construction and to perform related safety studies. The positions were limited to June 30, 1980. The 1980 Budget Act authorized the commission to continue 23 of the positions through December 31, 1984. Seventeen of these positions were deleted in the current year, pursuant to Section 20 of the Budget Act, leaving six full-time positions for this purpose in 1983-84. The department

PUBLIC UTILITIES COMMISSION—Continued

informs us that all six of these positions are currently vacant.

The existing and projected workload does not support the need to continue the six positions in the budget year for two reasons. First, Western LNG Associates has lost its supply commitment for this project. The partnership had planned to obtain a substantial portion of the natural gas for this project from Indonesia. The commission informs us, however, that because of project delays, Indonesia has sold its supply to another country. Second, PG&E has announced that it will not participate any further in the project beyond the site approval process because of the changed circumstances related to the availability of natural gas and the economic situation of the state. Accordingly, Western LNG Terminal Associates has requested the commission to allow it to delay construction and to include all site-related costs in its utility rate base, in order that it may hold the site for future use. The PUC informs us that if the commission approves this proposal, the site would not be utilized until 1990 at the earliest. A hearing by the commission regarding this request will not be held until late spring or early summer.

Thus, our analysis indicates there is no longer a need to continue the six remaining positions to monitor costs or conduct studies, as initially authorized by the Legislature. Consequently, we recommend that these positions be deleted one and a half years prior to their expiration date.

REGULATION OF TRANSPORTATION

The Public Utilities Commission regulates the rates, service, and safety of intrastate, privately owned highway carriers (for-hire truckers) and passenger carriers (primarily buses). It also administers state and federal regulations regarding railroad safety, and transmits to the Department of Transportation annual recommendations concerning railroad grade crossing, or intersections with streets, which should receive state funds for safety improvements. Finally, the commission has statutory authority to regulate the safety of certain rapid transit districts.

Table 3
Regulation of Transportation
Funding Sources
(in thousands)

	<i>Actual 1981-82</i>	<i>Estimated 1982-83</i>	<i>Proposed 1983-84</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
General Fund	\$4,206	\$4,707	—	—\$4,707	—100.0%
State Highway Account, State Transportation Fund.....	—	277	937	660	238.3
Transportation Planning and De- velopment Account, State Transportation Fund.....	—	297	543	246	82.8
Transportation Rate Fund.....	11,864	12,360	13,209	849	6.9
Public Utilities Commission Trans- portation Reimbursement Ac- count	—	—	3,920	3,920	—
Reimbursements	226	101	—	—101	—100.0
Federal Trust Fund.....	79	102	102	—	—
Totals.....	\$16,375	\$17,844	\$18,711	\$867	4.9%

The regulated highway carriers pay fees into the Transportation Rate Fund to support that portion of the commission's workload which involves them. The budget proposes that the passenger, rail, and rapid transit workload be supported from the Public Utilities Commission Transportation Reimbursement Account, the Transportation Planning and Development Account of the State Transportation Fund, the State Highway Account of the State Transportation Fund, the Transportation Rate Fund, and federal funds. Table 3 displays sources of support for this program in the past, current, and budget years, as shown in the budget.

Deregulation of Busing Should Result in Identified Savings

We recommend that the commission report, prior to the budget hearings, on whether the deregulation of busing will result in a savings to the state.

Prior to the Federal Bus Regulatory Reform Act of 1982, the commission had jurisdiction over all intrastate activities of privately owned bus services in matters relating to rates, services, licenses and safety. Federal law allowed the commission to condition entry into the busing industry upon providing services on certain unprofitable routes. It also allowed the commission to set tariffs (rate schedules) in a manner which permitted the bus companies to subsidize operation of the unprofitable routes by charging higher fares for service on the heavily traveled routes. This was the commission's method of providing a comprehensive network of intrastate busing services for California.

The Federal Bus Regulatory Reform Act of 1982 preempts the commission's jurisdiction over intrastate services provided by interstate carriers. This act reduced government regulation in favor of market competition. The changes in the main categories of regulations are as follows:

- **Operating authority.** Formerly, all interstate carriers required approval by the commission prior to engaging in intrastate services. The act provides that if the Federal Interstate Commerce Commission (ICC) grants permission for a carrier to provide interstate services, that carrier automatically has authority to engage in intrastate practice.
- **Intrastate rates.** The commission formerly was required to ensure that (1) rates and fees are just, reasonable and nondiscriminatory, (2) rate increases have prior approval, (3) rates be published and filed with the commission and (4) published rates are actually assessed. The act totally preempts the state's jurisdiction over rate reductions by ICC carriers engaged in intrastate activities. The ICC carriers now have the authority to reduce rates without the prior approval of the Public Utilities Commission. Rate increases still are subject to PUC approval.
- **Schedules.** Formerly, ICC carriers were required to obtain approval from PUC prior to adopting any intrastate scheduling revisions. An ICC carrier may now adjust its transportation schedules, merely upon notification to the commission, so long as it is not reducing its level of services to less than one trip a day on that particular route.
- **Miscellaneous.** The act also preempts state laws and regulations relating to ICC carrier pickup and delivery of express packages, newspapers, or mail in commercial zones.

In summary, this act, which reduces state government regulation of ICC carriers performing intrastate servivess should correspondingly reduce the related workload of the commission. The commission agrees that this conclusion is correct, but suggests that the act also *increases* its workload

PUBLIC UTILITIES COMMISSION—Continued

in two areas. First, the commission may find that its workload increases if the ICC grants authority to a significant number of new carriers who also wish to provide intrastate services.

Second, the PUC anticipates that its workload will increase because the act allows ICC carriers to appeal PUC decisions to the Federal Interstate Commerce Commission. Specifically, if the PUC denies an ICC carrier's request to reduce or discontinue service on a particular route, the carrier may petition the ICC for such permission. The ICC may override PUC's decision if it finds that the reduction or discontinuation of such service is consistent with the public interest and the route is unprofitable. Accordingly, PUC may find itself spending time determining if continuing services meet the ICC criteria and defending its decisions before the ICC.

In addition, the PUC informs us that it plans to propose legislation to change its existing regulations pertaining to intrastate busing services. It suggests that the proposed changes would increase the PUC's workload. The extent of this anticipated new workload is unclear, however, and it cannot be predicted whether it will be temporary or permanent in nature. For example, once certain precedents are set, the number of appeals may drop significantly.

The commission informs us that its budget does not identify any savings in 1983-84 which will result from deregulation of busing, or any potential new workload. This is because the federal act was not signed until October 1982, which was after the deadline for departments to submit budget change proposals to the Department of Finance. Therefore, neither the administration nor the Legislature have been provided the opportunity to review the savings to be realized by the commission, or the need to redirect these savings to support any new workload. Accordingly, we recommend that the commission report, prior to budget hearings, on the status of the busing reregulation program and provide specific workload information to support its findings of why or why not a savings will be realized.

**General Government
BOARD OF CONTROL**

Item 8700 from the General
Fund and Indemnity Fund

Budget p. GG 123

Requested 1983-84	\$17,107,000
Estimated 1982-83	21,185,000
Actual 1981-82	17,918,000
Requested decrease (excluding amount for salary increases) \$4,078,000 (-19.2 percent)	
Total recommended reduction	None

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8700-001-001—Support		General	\$522,000
8700-001-214—Support and Claims Payment		Indemnity	16,585,000
Total			\$17,107,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. *Excess Staff in the Hazardous Substance Claims Unit. Recommend reduction of \$56,000 in reimbursements in Item 8700-001-001.* Recommend deletion of two positions because workload is less than anticipated. 1904
2. *Mediterranean Fruit Fly Claims Processing.* Recommend the Board of Control report to the fiscal committees, prior to budget hearings, on its Medfly Claims payment policies, the workload resulting from these policies, and its ability to address the workload with existing staff. 1905
3. *Mediterranean Fruit Fly Claims Payment.* Recommend the adoption of Budget Bill Language exempting the Mediterranean Fruit Fly Claims Fund from a statute that would terminate, on July 1, 1983, the continuous appropriation made to the Board of Control from the fund. 1906
4. *Plan to Reduce Processing Time.* Recommend that prior to budget hearings, the Board of Control (a) explain to the fiscal committees why it has not submitted the annual report on the Victims of Crime program required by the *Supplemental Report to the 1979 Budget Act* and (b) submit to the committees its plan to reduce victims' claims processing time. 1907

GENERAL PROGRAM STATEMENT

The Board of Control is a three-member body consisting of the Director of General Services, the State Controller, and a third member appointed by and serving at the pleasure of the Governor. The board oversees diverse activities, including state administrative regulation and claims management, through the following programs: (1) Administration, (2) Victims of Crime, (3) Government Claims, (4) Local Mandated Costs, and (5) Hazardous Substance Claims. For the purpose of hearing local mandated cost claims, the board is augmented with two members representing local agencies.

The board has 108.8 authorized personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations totaling \$17,107,000 for the Board of Control in 1983-84. This is \$4,078,000, or 19 percent, less than estimated current-year expenditures. The budget for the board, however, will increase by the amount of any salary or staff benefit increase approved for the budget year.

Expenditures of anticipated reimbursements totaling \$170,000 during the budget year results in a total expenditure program of \$17,277,000. Table 1 shows the board's proposed funding and expenditures for the past, current and budget years.

The requested General Fund appropriation of \$522,000 is \$4,086,000, or 88.7 percent, less than estimated current-year General Fund expenditures. The decrease primarily reflects a one-time \$4,150,000 appropriation to the board in the current year for Medfly claims payment and claims processing. A decrease of \$181,000 in the board's reimbursements reflects one-time expenditures for Medfly claims processing staff in the current year that were authorized in the 1982 Budget Act.

BOARD OF CONTROL—Continued

Table 1
Board of Control
Budget Summary
(dollar in thousands)

	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83^a</i>	<i>Proposed</i> <i>1983-84</i>	<i>Change from</i> <i>1982-83</i>	
				<i>Amount</i>	<i>Percent</i>
Funding					
1. General Fund	\$785	\$4,608	\$522	—\$4,086	—88.7%
2. Indemnity Fund	17,133	16,577	16,585	8	0.1
Total Direct Appropriations	\$17,918	\$21,185	\$17,107	—\$4,078	—19.2%
3. Reimbursements	125	351	170	—181	—51.6
Totals	\$18,043	\$21,536	\$17,277	—\$4,259	—19.8%
Programs					
1. Administration ^b	(\$306)	(\$214)	(\$198)	(—\$16)	—7.5%
Personnel-years	8	4.8	3.8	—1	—20.8
2. Victims of Crime	17,363	16,577	16,585	8	0.1
Personnel-years	62.9	74.5	74.5	—	—
3. Government Claims	458	4,655	379	—4,276	—91.9
Personnel-years	12.9	20	13	—7	—35.0
4. Local Mandated Costs	222	209	218	9	4.3
Personnel-years	5.6	6.5	6.5	—	—
5. Hazardous Substance Claims	—	95	95	—	—
Personnel-years	—	3	3	—	—
6. Legislative Mandate ^c	95	65	[65]	—65	—100.0
Totals	\$18,043	\$21,536	\$17,277	—\$4,259	—19.8%
Personnel years	89.4	108.8	100.8	—8	—7.4%

^a Estimated expenditures for 1982-83 do not reflect the two percent unallotment directed by Executive Order D-1-83.

^b Amounts in parentheses are distributed among other items.

^c Reimburses local governments for in-depth probation reports on violent crime offenders. Funding for this mandate for 1983-84 is provided in the budget for State-Mandated Local Programs, Item 9680.

In the budget year, the board requests that four limited-term positions in the Local Mandated Costs program and six limited-term positions in the Victims of Crime program be converted to permanent positions to address ongoing workload.

Excess Staff in Hazardous Substance Claims Unit

We recommend deletion of two positions from the Hazardous Substance Claims Unit because the unit's workload is less than anticipated, for a \$56,000 reduction in reimbursements.

Chapter 756, Statutes of 1981, established a Hazardous Substance Claims program in the Board of Control to compensate individuals injured by exposure to releases of hazardous substances. Generally, individuals may seek reimbursement for up to three years of specified medical expenses and lost income if they establish that the losses were caused by releases of hazardous substances and meet other specified conditions. The measure created a new Hazardous Substance Account, and authorized the appropriation of up to \$2 million annually from the account to pay such claims. It also authorized the expenditure of an additional amount to finance the board's administrative costs.

The 1982 Budget Act provided \$95,000 from the Hazardous Substance Account to the board to establish three positions to administer the program. The board indicated that the duties of these positions would include (a) developing administrative regulations, (b) increasing public awareness of the claims program, and (c) processing and reviewing an unknown volume of claims, as well as paying any claims approved by the board. The Budget Act also appropriated \$300,000 for payment of such claims. The budget proposes the same funding levels for the program in 1983-84.

There has been very little activity under the program, to date. On the one hand, the board advises that there have been *no* claims submitted which seek compensation pursuant to Hazardous Substance Claims program. On the other hand, the staff indicates that it does not intend to establish administrative regulations until it gains experience in interpreting the legislation by reviewing actual claims. The staff advises that regulations are not needed immediately because the legislation which established the program is sufficiently specific to enable individuals to submit complete claims for compensation without additional clarification.

Because of the lack of program activity, the board did not fill any of its three authorized positions in the first half of the current year. Effective January 1, 1983, one position was filled to (a) develop claim forms and brochures, (b) prepare a press release and initiate a public awareness campaign, and (c) act as a liaison between the board's program and the Department of Health Services staff involved in hazardous waste management activities. The board does not anticipate a need to fill the other two positions unless it receives a substantial number of claims in excess of the amount that can be handled by the one position.

We recommend deletion of the two vacant positions because the proposed staffing level is not justified based on program activity to date. Furthermore, it is unknown how many claims, if any, will be submitted in 1983-84. This staff reduction would result in a savings of \$56,000 in reimbursements from the Hazardous Substances Account. In our analysis of the Department of Health Services Toxic Substances program, we recommend a corresponding reduction in Item 4260.

The Department of Finance advises that if the Board of Control is unable to process the volume of claims that are submitted in the budget year with one position, the board could request additional staff to be financed from the Hazardous Substance Account, pursuant to the process established by Section 28 of the Budget Act. The department indicates that funds to support additional staff for the board potentially could be redirected from unexpended emergency response equipment or remedial clean-up activity allotments, which are financed from the Hazardous Substance Account.

Mediterranean Fruit Fly Claims Processing

We recommend the board report to the fiscal committees, prior to budget hearings, on its policies regarding the payment of Medfly claims, the workload resulting from these policies, and its ability to address this workload with existing resources.

As a result of the state's recent efforts to combat a major infestation of the Mediterranean Fruit Fly, the Board of Control has received over 20,000 claims for damages which the claimants believe arise from the state's eradication program.

In our review of the Medfly claims workload, we found that the board

BOARD OF CONTROL—Continued

has processed only a portion of these claims. Approximately 14,000 of the claims have been categorized into groups, based on a preliminary assessment of the state's potential liability for each claim. The staff has completed the initial processing of only 11,000 claims.

The Board of Control has not yet paid any claims arising from the state's aerial spraying efforts, which represent the vast majority of the Medfly claims. The board initially adopted a policy which would result in the payment of some of these claims. Recently, however, the Santa Clara County Superior Court ruled that the state is not liable for damages arising from the eradication efforts. Staff indicates that the board is reconsidering its initial policy in light of the court decision.

The board's decisions regarding claims payment will affect the type of activities that staff must perform in order to complete the processing of each claim. Regardless of the board's decision, however, staff advise that they will be unable to complete the required processing and notification with respect to all of the claims in the current year.

We question the board's ability to complete the processing of Medfly claims. Authorization for the seven limited-term positions budgeted to work on Medfly claims in the current year will expire on June 30, 1983, and the board has not requested any staff for this purpose in the budget year. Further, the budget indicates that the \$150,000 the board received for Medfly claims processing costs in Ch 332/82 will be expended by the end of the current year.

Because of uncertainties regarding the ability of the Board of Control to complete the processing of Medfly claims, we recommend that the board report to the legislative fiscal committees, prior to budget hearings, on its policies regarding the payment of Medfly claims, the workload that should result from these policies, and the ability of the board to address this workload with existing resources.

Mediterranean Fruit Fly Claims Payment

We recommend the adoption of Budget Bill language exempting the Mediterranean Fruit Fly Claims Fund from a law which would terminate, on July 1, 1983, the provision that continuously appropriates money in the fund to the Board of Control.

Chapter 332, Statutes of 1982, established a system for paying claims, judgments, or other liabilities resulting from the Mediterranean Fruit Fly infestation. It created the Mediterranean Fruit Fly Claims Fund to be the exclusive source of funding for such payments, and transferred to it \$4 million from the General Fund. The statute provides that the money in the fund is continuously appropriated to the Board of Control to pay claims, settlements, and judgments according to established guidelines.

Government Code Section 13340 generally requires that after July 1, 1983, no moneys in any fund which is continuously appropriated may be expended without specific statutory authorization. The 1983 Budget Bill contains provisions which would exempt many funds from this requirement, thereby allowing the funds to be continuously appropriated beyond that date. The Budget Bill does not propose to exempt the Mediterranean Fruit Fly Claims Fund from the provisions of the Government Code Section.

Our analysis indicates that the Mediterranean Fruit Fly Claims Fund should be exempt from the July 1, 1983, sunset date on continuous appro-

priations for two reasons. First, Board of Control staff advise that if the board decides to approve and pay some Medfly claims, the staff probably will be unable to complete the processing necessary for payment by the end of the current year. The continuous appropriation would provide the flexibility needed to ensure that payment is made soon after processing is completed.

Second, the Attorney General's office recommends that the system established in Ch 332/82 for Medfly claims payment be continued because it is designed to protect the ability of the state to limit governmental expenditures for this purpose. Further, the continuous appropriation provides the state maximum flexibility in paying Medfly claims.

Accordingly, we recommend the adoption of Budget Bill language exempting the Mediterranean Fruit Fly Claims Fund from the provision of the Government Code which would terminate on July 1, 1983 the continuous appropriation of money in the fund to the State Board of Control. This exemption could be included in Section 30.07, which exempts various other funds from the sunset provisions of Government Code 13340.

Plan to Improve Processing Time Needed

We recommend that prior to budget hearings, the Board of Control (a) explain to the fiscal committees why it has not submitted the annual report on the Victims of Crime Program required by the Supplemental Report to the 1979 Budget Act, and (b) report to the committees on its plan to reduce victims' claims processing time in the budget year.

In recent years, the Victims of Crime Program has had a large backlog of victims' claims that had been accepted but not processed by the board. Because of this problem, the Legislature, in the Supplemental Report to the 1979 Budget Act, directed the board to submit annual reports, by December 1 of each year, on its progress in reducing the backlog. Recent Budget Acts also have required the board to report to the Joint Legislative Budget Committee at the end of any quarter in which the backlog increased. Although the board has not yet submitted its annual report on the backlog problem for 1982, staff advise that preliminary data show that the backlog has been substantially reduced, and that the number of claims in process has reached a manageable level in the current year.

Table 2
Historical Workload Data^a
Victims of Crimes Claims

	1978-79	1979-80	1980-81 ^b	1981-82 ^c	Percent Change From 1980-81
New claims	7,028	7,444	8,700	7,595	-12.7%
Denied	2,844	3,254	3,682	3,990	8.4
Allowed	1,914	3,158	4,307	6,599	53.1
Percent of processed claims allowed	40%	49%	54%	62%	14.8
Amount awarded....	\$4,252,648	\$6,418,857	\$9,082,685	\$14,467,371	59.3
Average award	\$2,222	\$2,033	\$2,108	\$2,192	3.9

^a The number of claims allowed and denied do not equal new claims because of processing backlogs.

^b Of the claims processed in 1980-81, 1,363 claims totaling \$2,620,860, were actually paid in 1981-82.

^c Of the claims processed in 1981-82, 1,051 claims totaling \$1,917,791 were actually paid in 1982-83.

BOARD OF CONTROL—Continued

A review of historical workload data in Table 2 reveals that in 1981–82 the board approved or denied a total of 10,589 claims, which is 2,994 claims, or 39 percent, more than the number of new claims received by the board in that year. This would indicate that in 1981–82 the board processed many claims that were received in previous years and therefore reduced the size of the claims backlog.

One factor that has assisted the board in maintaining a manageable number of claims in process is that the number of new claims received appears to have declined, and is substantially below projected levels. Table 2 indicates that there was a 12.7 percent reduction in the number of new claims received between 1980–81 to 1981–82. Further, the board recently has revised downwards its projections of new claims to be received in the current and budget years from the 9,101 and 9,928 estimates shown in the 1983–84 budget, to 7,595 and 8,000, respectively.

A review of the budget indicates that the program's staffing levels have not been revised to reflect the lower projected volume of claims. Board staff indicate that they did not propose a staff reduction in the budget year for several reasons. First, they suggest that the number of claims processed in 1981–82 was unusually high due to a large amount of overtime worked by program staff and the fact that the program had a fully-trained and experienced work force that entire year.

Second, they indicate that staff efforts will now be directed to reducing processing time. The board estimates that it takes from 8 to 11 months from the time a new claim is received by the board until the claimant receives payment. The board is considering several options to reduce this turnaround time, including a pilot program to expedite the process of issuing checks, and a quarterly statistical analysis of a sample of claims which may help identify factors which affect processing time.

In order to provide information which the Legislature may use to evaluate budgeted staffing levels and program performance, we recommend that prior to budget hearings, the Board of Control (a) explain to the fiscal committees why it has not submitted its annual report on the Victims of Crime program, as required by the *Supplemental Report to the 1979 Budget Act*, and (b) report to the committees on its plan to reduce victims' claims processing time in the budget year.

Legislatively Mandated Publications

Pursuant to Ch 1632/82, which requires the review of certain state agency publications mandated by the Legislature, the board advises that it submits annual reports on the activities of its Victims of Crime and Local Mandated Costs programs. The board recommends that both reports be continued.

We concur with the board's recommendation because the reports provide the Legislature with information that can be used to evaluate the performance of these programs.

BOARD OF CONTROL—REVERSION

Item 8700-495 to the General
Fund

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

Chapter 1204, Statutes of 1979, appropriated \$1 million from the General Fund to the State Controller for allocation to local agencies for extraordinary law enforcement costs incurred in 1978-79. The measure established a procedure for the submission of local claims to the Board of Control, and set forth criteria to be followed in providing reimbursement. In addition, the measure appropriated \$46,000 to the State Controller and \$25,000 to the Board of Control for their administrative costs.

The Department of Finance advises that all of the eligible claims submitted pursuant to Ch 1204 have been paid. This item would revert the unencumbered balance, \$24,000, to the General Fund.

COMMISSION ON STATE FINANCE

Item 8730 from the General
Fund

Budget p. GG 128

Requested 1983-84	\$660,000
Estimated 1982-83.....	497,000
Actual 1981-82	431,000
Requested increase (excluding amount for salary increases) \$163,000 (+32.8 percent)	
Total recommended reduction	\$137,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Estimates of Housing-Related Revenues. Reduce Item 8730-001-001 by \$137,000.* Recommend deletion of \$137,000 because proposed level of expenditure for this purpose has not been adequately justified. 1910

GENERAL PROGRAM STATEMENT

Chapter 1162, Statutes of 1979 (SB 165), established the Commission on State Finance. The two primary responsibilities of the commission are:

1. To provide, at least four times a year, forecasts of state revenues, current year expenditures, and the surplus; and
2. To determine on June 10 of each year the amount of any reductions in local assistance payments required under the provision of Ch 282/79 (the AB 8 "deflator" provision).

In addition to these responsibilities, the commission also publishes a monthly cash-flow report and special studies.

The commission consists of the following seven members or their designees: (1) President pro Tempore of the Senate; (2) Speaker of the Assembly; (3) Senate Minority Leader; (4) Assembly Minority Leader; (5) Director of Finance; (6) State Controller; and (7) State Treasurer.

COMMISSION ON STATE FINANCE —Continued

Chapter 1258, Statutes of 1982 (AB 1447), extended authorization for the commission to July 1, 1994. The commission has a staff of seven persons during the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$660,000 from the General Fund for support of the Commission on State Finance in 1983-84. This represents an increase of \$163,000, or 33 percent, over estimated expenditures for the current year. This increase will grow by the amount of any salary or staff benefit increases approved for the budget year.

The change in the commission's budget reflects: (1) the cost of a study which the commission is required to prepare on the effects of the Homeownership Interest Reduction Assistance program on General Fund revenues (\$137,000); and (2) a standard increase of 5 percent intended to offset the effects of inflation on the commission's 1982-83 budget for operating expenses and equipment (\$26,000).

Commission Required to Include Housing-Related Revenues in Forecast

Chapter 1450, Statutes of 1982 (SB 1862), requires the commission to include in its forecasts of General Fund revenues for the period 1982-83 to 1984-85, estimates of the revenues which can be attributed to increased construction activity resulting from the Homeownership Interest Reduction Assistance program. This program, established by the same legislation, reimburses builders who advance "buy down" payments to lenders that provide reduced-interest mortgages to eligible homebuyers. Under the program, the Legislature will appropriate funds each year in the Budget Act to reimburse housing developers who advanced "buy down" funds to the participating lenders. The act anticipates that the revenues generated by the new construction activity will be sufficient to cover the required appropriations.

Specifically, the act provides for the California Housing Finance Agency to reimburse developers using funds appropriated from the General Fund to the Housing Assistance Trust Fund. The amount of the transfer will be based on the commission's estimates of the increase in revenues resulting from new construction activity stimulated by the program.

The commission's budget for 1983-84 includes \$137,000 to develop the capability to prepare the estimates required by Ch 1450/82. Of this total, \$100,000 will be used to hire a consultant to develop a model which will estimate the impact of the program on various economic variables. These variables, in turn, will be used to derive revenue estimates. The commission anticipates that the model will be developed in time to provide preliminary estimates of these revenues in its September 1983 forecast. The balance of the proposed funding will be used to support two staff positions established on a limited-term basis through June 1986.

Expenditures Lack Adequate Justification

We recommend that \$137,000 requested to prepare the estimates required by Ch 1450/82 be deleted because the additional funding has not been adequately justified.

At the time this *Analysis* was prepared, we had not received any information that related the proposed amount to the commission's responsibility under Ch 1450/82. Our review of the budget proposed, however, has

raised questions as to whether the level of expenditures to develop the model is appropriate and whether two staff positions will be needed to maintain the model.

Cost of Developing the Model is Excessive. Our analysis indicates that:

- ***There is no analytical basis for the commission's request for \$100,000 to develop the model needed for estimating housing-related revenues.*** We note that preliminary estimates of the revenues that will be generated under this program were developed for the Legislature by the Assembly Office of Research—without the aid of outside consultants, and at no additional costs to the state.
- ***It is unlikely that additional expenditures will produce estimates that are significantly more reliable and defensible than those already available.*** Given the methodological problems inherent in this kind of project, we anticipate that the estimate of revenues will depend more on the assumptions built into the model than on the model's methodological sophistication.
- ***Estimates to be generated by the model will serve no important policy purpose.*** The only purpose of the estimate that will be generated by the model is to provide the figure that will be included in the annual budget requests. The model will not determine the amount of state funds needed to reimburse developers. This is because claims will be filed against the amount appropriated, and the level of claims filed will actually determine the amount of reimbursements that developers are entitled to under the law.

In sum, the Legislature is being asked to appropriate \$100,000 that probably will not produce reliable estimates of the additional revenues, and would not affect the decision-making process even if it did.

Existing staff should be sufficient to carry out the Commission's duties under Ch. 1450/82. Because the commission cannot document the specification and scope of the model, we are unable to evaluate the need for additional staff to maintain it. Even so, the commission's present staff should be able to maintain and operate whatever revenue-estimating procedure ultimately is adopted, given that this task is very similar to the tasks involved in preparing the regular revenue estimates.

For these reasons, we recommend deletion of the \$137,000 augmentation from the commission's budget.

COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

Item 8780 from the General

Fund

Budget p. GG 131

Requested 1983-84	\$307,000
Estimated 1982-83	294,000
Actual 1981-82	219,000
Requested increase (excluding amount for salary increases) \$13,000 (+4.4 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Commission on California State Government Organization and Economy conducts studies to promote economy and efficiency in state government. Commission members are reimbursed for necessary expenses, but receive no salary. Of the 13 commissioners, nine are public members appointed by the Governor and Legislature, two are members of the Senate, and two are members of the Assembly. The commission's permanent staff consists of an executive director, an assistant, a program analyst, and one secretary. Funds equivalent to one personnel-year are available for temporary help.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$307,000 from the General Fund for support of the commission in 1983-84. This is \$13,000, or 4.4 percent, more than estimated expenditures during the current year. This amount will increase by the amount of any salary or staff benefit increase approved for the budget year. The \$13,000 increase is due primarily to merit salary adjustments, inflationary factors, and restoration of travel funds to a level consistent with the expenditure trend of past years.

In 1981-82, the Legislature augmented the commission's budget by \$125,000 for additional consultant services. These funds were not expended. Current-year expenditures include \$87,000 added by the Legislature for the same purpose. The commission's 1983-84 proposed budget provides funding for consultant services at a level consistent with the current-year legislative augmentation.

The commission is unable to report on its past-year accomplishments at this time. Its staff currently is preparing a report, which is expected to be completed by budget hearings, on the status of recommendations which have resulted from past commission studies. Commission staff reports, however, that state General Fund revenue could be increased by \$31.0 million annually if the Legislature implements major recommendations in the commission's report entitled *Horse Racing in California: Revenue and Regulations*.

MEMBERSHIP FOR COUNCIL OF STATE GOVERNMENTS

Item 8800 from the General
Fund

Budget p. GG 132

Requested 1983-84	\$128,000
Estimated 1982-83.....	128,000
Actual 1981-82	79,000
Requested increase: None	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$128,000 from the General Fund to support the Council of State Governments (CSG) in 1983-84. This is the same amount appropriated for 1982-83.

The CSG, founded in 1933, is a national association established to strengthen the role of the states in the federal system and to promote cooperation among the states. Approximately \$2.5 million, or 60 percent, of its annual operating budget (\$4.2 million) is supported by assessments imposed on each member state. Other major sources of support for the council are grants and contracts, and the sale of CSG publications.

Each state's annual assessment consists of (1) a flat amount—\$23,000—plus (2) an additional amount based upon the state's population—currently \$6.80 per 1,000 residents. Thus, the more populous states are assessed higher amounts for support of the council. Fifty percent of California's payment is returned to the council's western office in San Francisco to cover the cost of legislative and executive branch services provided to western states.

In recent years, the CSG has assessed California for a larger share of its operating costs than the state has been willing to pay. For example:

- California's 1981-82 assessment was \$160,300, of which the state paid \$79,000, or 49 percent.
- California's 1982-83 assessment was \$178,300, of which it paid \$128,000, or 72 percent.

California's assessment for 1983-84 again will be \$178,300. The Governor's Budget proposes that the state pay the same amount as it is paying in 1982-83—\$128,000—or 72 percent of the CSG assessment.

We have no analytical basis for determining what percentage of the council's operating budget should be paid by California.

Benefits of State Participation

The *Supplemental Report of the 1982 Budget Act* directed our office to report to the Legislature on the benefits to the state of participating in the CSG. Our review indicates that the CSG offers three primary benefits to member states:

1. Information services.
2. Publication services.
3. Regional conferences.

Information Services. The council, through its States Information Center located in Lexington Kentucky, provides information on a wide range of subject areas in response to specific questions raised by state officials

MEMBERSHIP FOR COUNCIL OF STATE GOVERNMENTS—Continued

and their staffs. The CSG indicates that the center responded to more than 4,000 such requests in 1981. Of these, 169 came from officials of the State of California and their staffs, or somewhat more than the number received in 1979 (153) and 1980 (98). During the first nine months of 1982, requests from California sources numbered 122. (These figures do not include requests from state officials and their staffs directed to the CSG's western office.)

Publication Services. The council publishes a number of different documents including:

- four periodicals:
 1. *State Government*, a quarterly journal of state affairs.
 2. *State Government News*, a monthly account of state developments.
 3. *State Government Research Checklist*, a bimonthly publication which lists survey and research reports prepared by state personnel.
 4. *Conference Calendar*, a monthly publication of scheduled meetings involving the Council of State Governments and associated organizations.
- Studies and reports in various subject areas, such as information technology, government purchasing, and occupational licensing.
- Several reference volumes concerning state governments.

The periodicals and most of the studies and reports are provided, upon request, to state officials at no cost. (They are also available to the public on a fee basis.) The reference materials can be purchased by state officials at a reduced cost, and certain state officials receive complimentary copies. For example, copies of the *Book of the States* (a comprehensive reference guide to state governments) are sold to the public for \$35 and to state officials for \$24.50. Complimentary copies of the book are sent to certain California officials, including the Governor and all members of the Legislature.

Regional Conferences. The CSG western office is located in San Francisco and serves 14 western states, including Hawaii and Alaska. The substantive work of the office is determined mainly by participants in three regional conferences:

1. The Western Governor's Conference (WGC), which convenes at least twice a year. The CSG staff prepares analyses of selected issues, as directed by the WGC.
2. The Western Legislative Conference, which has nine committees in various subject areas, such as transportation and water policy. Each of these committees had one or more members of the California Legislature serving on it during 1982. The CSG western office provides staff support to this conference.
3. The Western Attorneys General Conference, which has several ongoing study committees concerning subjects such as recent legal developments affecting state correctional institutions. This conference also receives staff support from the CSG.

The CSG western office also works with the individual member states on regional policy studies and projects designated by the regional conferences.

Extent to Which States Support the Council

In 1981-82 each of the 50 states paid at least a portion of the amount it was assessed by the Council. These payments added up to \$2,371,714, or 94 percent of the \$2,519,300 assessed to the states. Forty-five of the 50 states paid the full amount of the assessment; five paid only part of the assessment. Of the 14 states served by the CSG western office, only California, Oregon, and Idaho paid less than the amount they were assessed. (Oregon was assessed \$38,000 and paid \$34,200, or 90 percent. Idaho was assessed \$28,600 and paid \$11,500, or 40 percent.)

COMMISSION ON THE STATUS OF WOMEN

Item 8820 from the General
Fund

Budget p. CG 133

Requested 1983-84	\$437,000
Estimated 1982-83	403,000
Actual 1981-82	415,000
Requested increase (excluding amount for salary increases) \$34,000 (+8.4 percent)	
Total recommended reduction	\$9,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Overbudgeting Personal Services. Reduce Item 8820-001-001 by \$9,000.* Recommend deletion of funds for overbudgeting of salaries and wages and staff benefits. 1917
2. Newsletter. Recommend adoption of supplemental report language directing commission to report on feasibility of making the Newsletter self-financing. 1917

GENERAL PROGRAM STATEMENT

The Commission on the Status of Women is a 17-member body that: (1) examines all bills introduced in the Legislature which affect women's rights or interests, (2) maintains an information center on the current needs of women, (3) consults with organizations working to assist women, and (4) studies women's educational and employment opportunities, civil and political rights, and factors shaping the roles assumed by women in society. Chapter 1118, Statutes of 1982 (SB 1499), has clarified the commission's authority to take positions on legislation, to propose legislation, and to express views on issues affecting women.

The commission has 10 authorized staff positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$437,000 from the General Fund for support of the commission in 1983-84. This is an increase of \$34,000, or 8.4 percent, over estimated current-year expenditures. This increase will grow by the amount of any salary or staff benefit increase that may be approved for the budget year.

No outside grant support is anticipated by the commission in the current year.

Table 1 presents a summary of the commission's expenditures and per-

COMMISSION ON THE STATUS OF WOMEN—Continued

sonnel-years for the past, current, and budget years. The table shows no increase in authorized positions, but a net increase of 8.4 percent over estimated current-year expenditures.

Table 1
Commission on the Status of Women
Budget Summary by Program
(in thousands)

Programs	Actual 1981-82	Estimated 1982-83 ^a	Proposed 1983-84	Change	
				Amount	Percent
1. Research and Information Services	\$151	\$155	\$163	\$8	5.2%
2. Legislative Liaison	147	140	146	6	4.3
3. Administration	118	108	128	20	18.5
Total Expenditures	\$416	\$403	\$437	\$34	8.4%
Less Reimbursements	-1	—	—	—	—
Total State Costs (Excluding Reimburse- ments)	\$415	\$403	\$437	\$34	8.4%
Personnel-years	8.9	10	10	—	—

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

The cost changes proposed for the budget year are displayed in Table 2. The budgeted increase in expenditures is primarily attributable to (1) merit salary and general price increases and (2) the restoration of the employer's required contribution to the Public Employees Retirement System that was reduced on a one-time basis in the current year, and (3) a \$15,000 increase to reduce the amount of salary savings required in 1983-84. The reduction in salary savings reflects the commission's assumption that the vacancy rates of budgeted positions will be lower.

Table 2
Commission on the Status of Women
Proposed 1983-84 Budget Changes
(in thousands)

	Changes	General Fund
1982-83 Current Year, Revised ^a		\$403
1. Workload Changes		
None.		
2. Program Changes		
None.		
3. Cost Changes		
a. Merit salary adjustment	\$4	
b. Restore one-time reduction in contribution to PERS	10	
c. Price increase	5	
d. Reduced salary savings	15	
Total Proposed Changes		34
1983-84 Proposed Budget		\$437

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

Overbudgeting Personal Services.

We recommend a deletion of \$9,000 for overbudgeted salaries and wages and staff benefits.

The commission has 10 authorized staff positions in the current year. In last year's *Analysis*, we reported that the commission had reduced its total staff by one authorized staff services analyst for a savings of \$22,000. The commission took this staffing reduction in order to comply with the 5 percent reduction mandated by the Governor.

The Legislature restored a position in the 1982 Budget Act and funded it at \$14,796. The budget proposes, however, to fund this position at \$22,000, or \$7,204, more than the amount authorized by the Legislature. Staff benefits for the position are also calculated on the basis of the higher salary, which means that the commission's total personal services are over-budgeted by \$9,000. We recommend deletion of this amount.

Newsletter Subscription and Advertising

We recommend the adoption of supplemental report language directing the commission to report to the fiscal committees and the Chairman of the Joint Legislative Budget Committee by October 1, 1983, on the feasibility of selling advertising space and/or charging a subscription fee for the newsletter as a means of recouping the full or partial printing and postage costs incurred in distributing the newsletter.

Pursuant to a legislative request, the commission purged the mailing list of the California Women newsletter in May 1982. As a result, the mailing list was reduced from 18,000 to 15,867—a reduction of 12 percent. Nevertheless, the commission finds that its mailing list continues to grow. It estimates that the mailing list will reach 16,500 in the current year and grow to 17,000 in the budget year.

The commission proposes to produce six issues of the newsletter in the current and budget year. Assuming the distribution of 17,500 copies, the total printing and mailing cost per newsletter is \$5,400.

In view of the ongoing interest in this publication, it would appear that the commission should be able to cover part or all costs to the General Fund for printing and distributing the newsletter by instituting a subscription fee or selling advertising space. We note that other state publications are already made available through the State's Documents Section at a subscription or per-issue price. Should the commission be able to make the newsletter self-supporting, it would result in a savings of \$32,000 in 1983-84.

Accordingly, we recommend the adoption of the following supplemental report language. The Commission on the Status of Women shall report to the fiscal committees and the Joint Legislative Budget Committee by October 1, 1983, on the feasibility of a self-supporting newsletter.

DEPARTMENT OF FINANCE

Item 8860 from the General
Fund

Budget p. GC 135

Requested 1983-84	\$20,897,000
Estimated 1982-83.....	21,992,000
Actual 1981-82	22,437,000
Requested decrease (excluding amount for salary increases) \$1,095,000 (-5 percent)	
Total recommended reduction	\$526,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Consulting and Professional Services. Reduce Item 8860-001-001 by \$50,000.* Recommend reduction to eliminate contingency budgeting for contractual expenses. 1920
2. *Rent. Reduce Item 8860-001-001 by \$115,000.* Recommend reduction to delete overbudgeted rental expenses. 1921
3. *Legislatively-Mandated Publications.* Recommend adoption of supplemental report language requiring the continuation and expansion of the Tax Expenditure Report in the Governor's Budget. 1922
4. *CFIS Performance Measures.* Recommend adoption of supplemental report language requiring the department to (1) evaluate the usefulness of the existing system and (2) report its findings to Legislature by December 15, 1983. 1924
5. *Data Processing Equipment. Reduce Item 8860-001-001 by \$361,000.* Recommend reduction to eliminate contingency budgeting for distributed processing unit in San Francisco because need for funds in the budget year has not been demonstrated. 1925
6. *Statewide Office of Information Technology.* Recommend that department report to the Legislature regarding the elimination of previous Budget Act control section relating to limitations on the acquisition of data processing equipment by state agencies. We withhold recommendation on the department's proposal to delete EDP policy guidance previously contained in Control Section 4.00 from the Budget Bill, pending review of the department's report. 1926

GENERAL PROGRAM STATEMENT

The Department of Finance (DOF) is responsible for (1) advising the Governor on the fiscal condition of the state, (2) assisting in the preparation and enactment of the Governor's Budget and legislative program, (3) evaluating state programs for efficiency and effectiveness and (4) providing economic, financial and demographic information.

The department currently has 367.2 authorized positions.

ANALYSIS AND RECOMMENDATIONS

The budget proposes an appropriation of \$20,897,000 from the General Fund to support the Department of Finance (DOF) and the continued development of the California Fiscal Information System (CFIS) during

1983-84. This is \$1,095,000, or 5 percent, *less* than the department's estimated General Fund expenditures (including CFIS support costs) for the current year. The department's budget will increase, however, by the amount of any salary or staff benefits increase approved in 1983-84.

The department also anticipates receiving \$274,000 in reimbursements during the budget year, resulting in total proposed expenditures of \$21,171,000.

Table 1 presents a summary of the budget, by program and funding source, for the three-year period ending June 30, 1984.

As shown in Table 1, the decrease in the department's budget from the estimated current-year level is due to a reduction in one of the department's four programs: the Supportive Data program. This program is principally composed of CFIS and CFIS-related development and maintenance expenditures. Over 76 percent of the proposed expenditures in this program are CFIS-related. Since most of the larger CFIS expenditures in this program are one-time costs, annual expenditures should be declining as system implementation nears completion.

Table 1
Department of Finance
Budget Summary
(dollars in thousands)

<i>Programs</i>	<i>Actual 1981-82</i>	<i>Estimated 1982-83^a</i>	<i>Proposed 1983-84</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Annual Financial Plan	\$5,788	\$6,132	\$6,423	\$291	4.7%
Program and Information System Assessments	4,305	4,027	4,254	227	5.6
Supportive Data	12,865	12,228	10,494	-1,734	-14.2
Administration	(2,465)	(2,430)	(2,622)	(192)	(7.9)
Totals	\$22,958	\$22,387	\$21,171	-\$1,216	5.4%
<i>Funding Source</i>					
General Fund	22,437	21,992	20,897	-1,095	5.0
Reimbursements	521	395	274	-121	30.6
Personnel-years	361.5	367.2	368.5	1.3	—

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

Excluding CFIS-related program activity, the department's proposed budget for 1983-84 is approximately \$690,000, or 5.3 percent, *greater* than estimated current-year expenditures. Table 2 shows the trends in the DOF's budget, exclusive of CFIS development and maintenance expenditures, for the three-year period ending June 30, 1984.

Budget Changes

For 1983-84, the budget proposes a net decrease of \$1,095,000 in General Fund support. This decrease is due mainly to the transfer of \$2,365,000 in CALSTARS-related costs from the DOF budget to the budgets for the individual agencies using the system in 1983-84. Other significant changes include (1) the restoration of funds for a previously vacant and unfunded deputy director position (\$64,000), (2) estimated mid-year savings in funds allocated for the development of a data processing node center in San Francisco (\$135,000), and (3) restoration of funding for the employer's contribution to the PERS, following a one-time reduction during the current year (\$463,000). The department also anticipates a reduction

DEPARTMENT OF FINANCE—Continued

Table 2
Department of Finance (Excluding CFIS)
Budget Summary
(dollars in thousands)

	<i>Actual</i> 1981-82	<i>Estimated</i> 1982-83 ^a	<i>Proposed</i> 1983-84	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Personal Services</i>					
Personnel	\$8,659	\$8,986	\$9,209	\$223	2.5%
Staff Benefits	2,388	2,015	2,411	396	19.7
Salary Savings	—	-506	-511	5	1.0
Total Personal Services	\$11,047	\$10,495	\$11,109	\$614	5.8%
<i>Operating Expenses</i>					
General Expense	186	360	336	-24	-6.6
Printing	136	136	128	-8	-5.9
Communications	150	183	192	9	4.9
Postage	50	47	46	-1	-2.1
Travel (in-state)	314	335	353	18	5.3
Travel (out-of-state)	14	30	32	2	6.6
Training	32	43	46	3	7.0
Facilities Operations	501	522	547	25	4.8
Contracts (interdepartmental)	293	186	197	11	5.9
Contracts (external)	29	35	50	15	42.9
Consolidated Data Center	311	416	507	91	21.9
Data Processing	427	246	145	-101	-41.1
Equipment	8	40	76	36	90.0
Other	-571	1	1	—	—
Total Operating Expenses	\$2,763	\$2,580	\$2,656	\$76	2.9%
Total Support	\$16,573	\$13,075	\$13,765	\$690	5.3%

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

of \$121,000 in reimbursements in the budget year. This reduction is principally due to (1) an anticipated decrease in the number of reimbursable audits performed by the Program Evaluation and Financial Performance and Accountability units (-\$74,000) and (2) reductions in the number of requests for information from the Census Data Center (-\$33,000).

Table 3 summarizes the changes proposed in the DOF budget for 1983-84.

Contingency Budgeting for Contracts

We recommend a reduction of \$50,000 requested for consulting and professional services because the specific nature and need for these contracting expenses has not been determined by the department.

The department proposes expenditures totaling approximately \$1.7 million in 1983-84 for various contractual services. Of this amount, the department is requesting \$50,000 for "miscellaneous" contractual expenses. This amount constitutes approximately 3 percent of the department's total proposed expenditures for contracts in the budget year.

Table 3
Department of Finance
Proposed Budget Changes
(in thousands)

	<i>General Fund</i>	<i>Reimburse- ments</i>	<i>Totals</i>
<i>1982-83 Current Year Revised.....</i>	<i>\$21,992</i>	<i>\$395</i>	<i>\$22,387</i>
1. Workload Changes			
a. Adjustments for full-year Teale costs for 1983-84 CALSTARS departments.....	282		282
b. Adjustments in Census Data Center activity	-26	-33	-59
c. EDP costs shifted to 1981-82 and 1983-84 CALSTARS departments	-2,365		-2,365
d. Reduction in anticipated reimbursable audits for FPA and PEU		-74	-74
2. Price Changes			
a. Employee compensation.....	95		95
b. Operating expenses price increase	257		257
3. Special Adjustments			
a. Adjustment to restore funds for vacant deputy director position	64		64
b. San Francisco EDP node estimated mid-year savings	135		135
c. Restoration of specially adjusted retirement rate (1/83 to 6/83)	463		463
d. Elimination of one-time reimbursements for SOIT seminar ..		-17	-17
e. Miscellaneous reimbursement adjustments		3	3
<i>1983-84 Proposed Program.....</i>	<i>\$20,897</i>	<i>\$274</i>	<i>\$21,171</i>

According to DOF staff, the \$50,000 is reserved for "contingencies." The department has not identified as yet a specific need for these funds.

In the absence of specific justification for these funds, we cannot recommend that the Legislature appropriate them. Accordingly, we recommend that \$50,000 be deleted from Item 8860-001-001. Should an unforeseen contingency arise during the budget year that creates a need for additional contract funds, the Department could obtain them from the Reserve for Contingencies or Emergencies that was created (and which the department administers) for this purpose.

Overbudgeting for Rent

We recommend a reduction of \$115,000 in Item 8860-001-001 to eliminate overbudgeting for rent.

The budget proposes \$663,000 for office space rent and related expenses. This amount is \$31,000, or 5 percent, more than estimated current-year expenditures for these items. Currently, the department occupies three separate offices in Sacramento and one in Washington, D.C.

Table 4 presents both the DOF and our estimates of rent-related expenditures for the budget year. Our estimates are based on information provided by the Space Management Division (SMD) of the Department of General Services. The SMD is responsible for leasing office and warehouse space on behalf of all state agencies. The SMD staff maintains a monthly report covering leasing costs for all occupied office and warehouse space. We used the most recent report to determine the actual rental cost of the department's current facilities.

DEPARTMENT OF FINANCE—Continued

Table 4
Department of Finance
Facilities Operations Budget
(in thousands)

	<i>DOF Estimate</i>	<i>LAO Estimate</i>	<i>Difference</i>
Rent (state owned buildings)	\$605	\$496	\$109
Rent (Washington, D.C.)	31	25	6
State Police Security	20	20	—
Facilities Planning	7	7	—
Totals	\$663	\$548	\$115

As presented in Table 4, our analysis indicates that the department's expenditures for rent are overestimated by approximately \$115,000. Accordingly, we recommend a reduction of \$115,000 in Item 8860-001-001, to eliminate the overbudgeting.

Report on Legislatively-Mandated Publications

We recommend the continuation of the "Tax Expenditure Report" in the Governor's Budget because it provides the Legislature with important information that is not available elsewhere. We further recommend the adoption of supplemental report language requiring the department to expand its presentation in subsequent Governor's Budgets.

Chapter 1632, Statutes of 1982 (AB 2960) requires each agency to submit a list of publications it will produce in 1983-84 which are legislatively mandated and which require in excess of 100 employee hours to prepare. The Department of Finance prepares 3 reports which meet these criteria: The Economic Report of the Governor, a Tax Expenditure Report, and a Contingency Plan for Emergency Public Works.

Table 5 summarizes the department's response to Chapter 1632. It includes both the department's and our recommendations regarding each of the three publications. As Table 5 indicates, we believe that, contrary to the department's recommendation, the Tax Expenditure Report should be continued. (A more detailed analysis of this issue appears in *The 1983-84 Budget: Prospectives and Issues*, Part III "Revenue Issues.")

Table 5
Department of Finance
Report on Legislatively-Mandated Publications
(per Chapter 1632/82)

<i>Title and Description</i>	<i>Authority</i>	<i>DOF Recom- mendation</i>	<i>LAO Recom- mendation</i>
Economic Report of the Governor	Section 15901 and 15901.5 of the Govern- ment Code	Continue	Continue
Tax Expenditure Report (published biennially in the Governor's Budget)	Ch 575/77 (uncodified)	Discontinue	Continue ^a
Contingency Plan for Emergency Public Works	Section 15901.6 of the Government Code	Discontinue	Discontinue

^a Discussion of this recommendation is included in *The 1983-84 Budget: Prospectives and Issues*, Part III "Revenue Issues."

Based on our analysis, we recommend that the Legislature adopt the following supplemental report language requiring the department to con-

tinue and expand the Tax Expenditure Report in future Governor's Budgets:

"The Department of Finance shall, in its annual report to the Legislature on tax expenditures, provide the following: (1) a comprehensive list of tax expenditures, (2) additional detail on individual categories of tax expenditures, (3) historical information on the enactment and repeal of tax expenditures, and (4) any proposals to repeal or modify existing tax expenditure programs that the department determines are warranted."

CALIFORNIA FISCAL INFORMATION SYSTEM (CFIS)

In response to the need for modernizing and improving the state's budgeting, accounting and reporting systems, the Department of Finance contracted with a consulting firm in October 1977 to assist it in reexamining the state's fiscal management requirements and identifying alternative systems which would be more responsive to the needs of executives and legislators.

The consultant's final report, issued in May 1978, identified specific activities to be accomplished over a seven-year period, at an estimated total cost of \$21 million to \$27 million (1978 dollars). Based on (1) the findings and proposals in the consultant's final report, and (2) policy established in Ch 1284/78, the Legislature provided first-year funding for the California Fiscal Information System (CFIS) in the 1978 Budget Act.

The primary objectives of CFIS include (a) developing a centralized fiscal and program data base designed to facilitate forecasting, modeling, and revenue monitoring, and (b) improving expenditure and program performance data.

As we have reported in the *Analysis* for past years, there is no objective basis upon which to evaluate the precise costs and benefits of the specific activities proposed under CFIS, or analyze the long-range cost estimates.

CFIS Timetable

The original CFIS timetable, as prescribed by Chapter 1284, called for eight designated departments to start submitting fiscal data to the CFIS data base by July 1, 1981, and for all other departments to submit data to CFIS by July 1, 1983. In order to accomplish this, a task force, that was formed to administer CFIS, adopted a plan to bring the first eight departments into CFIS in 1980-81, to add 22 other departments and institutions in 1981-82, 75 more in 1982-83, and the final 62 in 1983-84.

While the implementation schedule has been extended, most of the project's planning and system development deadlines have been met. For example, the CFIS task force has developed specifications for the major new systems, implemented bill and budget tracking systems, acquired the core information system software, selected a consultant for the standard accounting system (CALSTARS), and developed a CFIS Users Manual to assist in data retrieval. In addition, staff in the Department of Finance have been developing the performance measures required for each state agency by Chapter 1284.

On July 1, 1981, 27 departments and institutions began using CALSTARS for accounting purposes. The fiscal data reported by these agencies was organized into a standard accounting format and entered into the CFIS data base for future retrieval. An additional 21 departments and institutions became operational on CALSTARS on July 1, 1982, and 16 additional agencies are scheduled to become operation July 1, 1983. During the

DEPARTMENT OF FINANCE—Continued

budget year, the department plans to prepare 10 more agencies to begin CALSTARS operations on July 1, 1984.

The CFIS data base was established at the Teale Data Center in 1980–81. The initial eight departments currently are entering fiscal and performance data into the system, and an additional 48 departments are entering fiscal data. Departments which begin CALSTARS operations in the budget year will also be reporting fiscal data to the CFIS data base.

Implementation Trend versus Project Cost

As noted earlier in this discussion, the *seven-year* cost of CFIS, including CALSTARS, originally was estimated at \$21 million to \$27 million (1978 dollars). Current cost projections, as reflected in the budget for 1983–84, indicate that CFIS costs will total \$40.8 million through 1983–84 (\$28 million in 1978 dollars). Consequently, the project cost in constant dollars will have exceeded the high point of the original *seven-year* estimate within a *six-year* period. Estimated costs for the seventh year are \$6 million.

In recent years, the Department of Finance has extended the period during which additional agencies are expected to become operational on CALSTARS. For example, whereas 23 departments had been scheduled to begin operation under CALSTARS on July 1, 1982, 21 departments actually did so. Twenty-five to 30 departments were scheduled to begin CALSTARS operations on July 1, 1983. That number has now been revised downward, to 16.

Are Performance Measures Worth \$1 Million?

We recommend that the Legislature adopt supplemental report language requiring the department to (1) survey state agencies, including the Legislature, on the usefulness of the performance measure component of the California Fiscal Information System, and (2) report to the fiscal committees and the Joint Legislative Budget Committee by December 15, 1983 on the results of the survey and any recommendations made by the department regarding performance measure reporting requirements.

Section 13336 of the Government Code requires the Department of Finance to "... develop departmental performance or workload measures for each state agency." Further, in requiring the department to establish CFIS, Section 13336 provides that fiscal data needed to prepare and monitor the budget be available on an "online inquiry" basis. In response to these requirements, the department has established a performance measure component of the CFIS data base, and has been in the process of adding performance measure data from state agencies as the data become available. To meet this online requirement, the data base is accessible through computer terminals located in state agencies and various legislative offices.

Several hundred thousand dollars have been expended to date on the effort to develop performance measures and incorporate these measures in the CFIS data base. The direct expenditure for this purpose in 1983–84, according to Department of Finance staff, will be approximately \$500,000. This does not include the cost of performance measures for the University of California or the California State University, because both are exempt from reporting these measures at this time. Consequently, the total cost of supporting the performance measure component of CFIS, including these institutions, would easily surpass \$1 million.

Currently, there are about 6,000 performance measures maintained in CFIS for 51 state agencies. Together, these agencies account for 82% of state operations in 1981-82, excluding the two university systems. The 6,000 measures which are included represent 17,000 discrete pieces of information, or data elements. When CSU is added, the number may increase to about 23,000 to 40,000 data elements, according to Department of Finance staff.

It is not known to what extent the *existing* performance measure data base is being used, because no method has been developed to measure its use. Further, it is not known to what extent the data base is actually meeting the needs of the executive branch and the Legislature. It is our impression, however, based on our own use and discussions with others who have accessed the performance measure data base, that the usefulness and the value of the performance measures contained in the CFIS data base is questionable. Further, staff of one major department are fearful that decisions might be made on the basis of performance measures for their department. They consider the measures for their department to be misleading. In other departments, it has been suggested that performance measures were developed on a "forced fit" basis. These measures were developed not to provide useful information to the departments themselves but rather to satisfy the requirements of CFIS and the CFIS staff charged with implementing this component of the system.

It would seem appropriate, given the cost associated with the CFIS performance measure data base, and the questions that have arisen as to the usefulness of these measures, for the Department of Finance to examine the cost-effectiveness of this component of CFIS. This could be accomplished through a survey sent to known users of the data base. Information developed through a properly-constructed survey would be useful to both the department and the Legislature in evaluating the effectiveness of the data base, and also in identifying improvements that would make the data base more useful. We believe that the department, possibly with the assistance of the California Information Technology Advisory Board (which advises the director on statewide information technology) could accomplish the survey within existing resources.

To obtain this information, we recommend that the Legislature adopt the following supplemental report language:

"The department shall survey state agencies, including the Legislature, as to the usefulness of the performance measure component of CFIS, and report its findings and recommendations to the Joint Legislative Budget Committee by December 15, 1983."

No Need for Node

We recommend that \$361,000 budgeted for computing equipment be deleted on the basis that it is a contingency amount.

When CALSTARS was designed, the Department of Finance decided to perform the preliminary processing of workload generated by departments on the department's own computer located in Sacramento, and to transmit the pre-processed workload over communications lines to the main CALSTARS computer situated at the Stephen P. Teale Data Center. This approach, which utilizes a concept known as distributed data processing, was selected, based on the assumption that in some instances it is more cost-effective to distribute the processing workload. At the time, DOF anticipated that *additional* computers eventually would be located in Los Angeles and San Francisco, to act as distributed processing "nodes" for

DEPARTMENT OF FINANCE—Continued

CALSTARS workload generated by state agencies in those areas. These nodes would also act as intermediate processors which would be linked to the main system at the Teale Data Center.

The Sacramento node was established in 1980–81, and the Governor's Budget for 1982–83 proposed \$361,000 to establish a San Francisco node in the *current* year. At the time the budget was considered by the Legislature, however, the department was unable to demonstrate that an additional node was in fact required, or would be the most cost-effective alternative available for transmitting San Francisco-area workload to Sacramento. As a result, the Legislature appropriated the \$361,000 requested for additional equipment, but made expenditure of the funds conditional on the department meeting certain conditions specified in Budget Act. These conditions require that the need for the additional equipment be documented before the funds are spent.

The department since has determined that a San Francisco node is not required in the current year. The budget, however, proposes that the \$361,000 be appropriated for this purpose in 1983–84. Meanwhile, the department has requested its CALSTARS consultants to examine alternative methods of accomplishing the computer processing of CALSTARS workload.

Although the consultant's study was not available at the time this *Analysis* was prepared, it would appear that based on discussions with Department of Finance staff and staff of the Teale Data Center, there is no need for a San Francisco node in the budget year. Consequently, we conclude that the \$361,000 represents contingency budgeting, and approval of the funds thus would tie up General Fund money that may not be needed by the department, but may be needed by other departments. For this reason, we recommend that the department's budget be reduced by \$361,000.

STATEWIDE ELECTRONIC DATA PROCESSING**(State Office of Information Technology)**

The Department of Finance is responsible for statewide coordination and control of electronic data processing (EDP) for all state agencies except the University of California, the State Compensation Insurance Fund, the community college districts, the Judiciary, and the Legislature. Its responsibilities are prescribed in the Government Code and Section 4.00 of the Budget Act of 1982.

The department's responsibilities are carried out through the State Office of Information Technology (SOIT) in the Department of Finance. The office is directed by an appointee of the Governor, and is authorized 14.5 positions in the current year. The proposed budget for SOIT in 1983–84 totals \$935,000, an increase of 3.9 percent from estimated current-year expenditures.

Section 4.00 of the Budget Act Dropped

We recommend that the Legislature direct the Department of Finance to explain how the State Administrative Manual will be modified to reflect legislative intent currently expressed in Section 4.00 of the 1982 Budget Act. We withhold recommendation on the department's proposal to eliminate Section 4.00, pending receipt of this explanation.

Section 4.00 was first added to the Budget Act in 1969 for the purpose of controlling and coordinating the use of electronic data processing

(EDP) technology. Since that time, a number of revisions have been made to adapt the section to changing conditions and requirements.

Current Language

In its existing form (Budget Act of 1982) the section requires that certain criteria which are defined in the State Administrative Manual (SAM) be met before appropriations made by the Budget Act can be expended for EDP services, equipment, facilities, personnel or supplies. The University of California, the State Compensation Insurance Fund, the community college districts, the Legislature, and the Judiciary are exempted from the requirements of Section 4.00.

Language added in 1982 requires that the Director of Finance, with the assistance of the California Information Technology Board, develop and publish in SAM policy statements in specified key EDP areas.

Section Has Been Replaced

The 1983 Budget Bill, as introduced, does not include an EDP policy section. Instead, EDP policy, which traditionally has been included in Section 4.00, has been replaced with language unrelated to EDP matters. As a result, key State Administrative Manual requirements, which are based in part on Section 4.00, will have to be modified to reflect the elimination of the specific legislative direction now provided by this section.

Given the Legislature's action to include EDP policy guidance in Section 4.00 we think the department needs to advise the Legislature how EDP policy direction will be provided to executive branch agencies in the future.

Specifically, we recommend that Finance be directed to prepare modifications to SAM, and to allow the Legislature an opportunity to review these modifications prior to the time when the Legislature must take final action on the Budget Bill. Pending review of the proposed modifications to the SAM, we withhold recommendations on the department's proposal to eliminate EDP policy language from the Budget Act.

Major EDP Reports Required

In approving the 1982 Budget Act, language which had been added to Section 4.00 was inadvertently omitted. This language would have required our office and the California Information Technology Advisory Board (CITAB), which advises the Director of Finance on statewide EDP matters, to each prepare separate reports on significant problems inhibiting the state's effective uses of information technology. The language specified areas which the reports were to address, and encouraged examination of any appropriate additional areas. Both our office and the Department of Finance, in a July 8, 1982 letter to the Joint Legislative Budget Committee, acknowledged the inadvertent omission of this requirement from Section 4.00, and indicated our intent to comply with the reporting requirement.

CITAB Report Filed

In December 1982, CITAB released its report on statewide EDP. The report, "Information Technology in California State Government," makes numerous recommendations intended to improve the ability of state agencies to use information technology in a cost-effective manner. A key recommendation of the report calls for the elimination of SOIT and the

DEPARTMENT OF FINANCE—Continued

creation of a new information technology policy and planning function in the Governor's Office.

Our report on statewide EDP will be issued in February or March 1983. We believe that our report and the CITAB report, together will provide the Legislature with a useful basis for determining the proper direction for the state's uses of information technology in the 1980s.

OFFICE OF ADMINISTRATIVE LAW

Item 8910 from the General
Fund

Budget p. GG 144

Requested 1983-84	\$1,888,000
Estimated 1982-83.....	1,809,000
Actual 1981-82	1,677,000
Requested increase (excluding amount for salary increases) \$79,000 (+4.4 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The Office of Administrative Law (OAL) is an independent state agency established by Chapter 567, Statutes of 1979 (AB 1111). The office is administered by a director who is appointed by the Governor and confirmed by the Senate. The purpose of the OAL is to provide executive branch review of all proposed and existing regulations promulgated by state agencies in order to reduce the number and improve the quality of such regulations.

The OAL is required to review each regulation submitted by a state agency to determine whether it is (1) *necessary*, (2) promulgated by the agency *authorized* by law to issue regulations in that area, (3) *clearly written*, (4) *consistent* with existing law, and (5) *referenced* to a specific statute or court decision. The office is also responsible for editing and publishing the California Administrative Code, and developing a general index to it. In addition, the OAL is required to develop procedures and timetables for the review of all existing regulations by the promulgating state agencies.

Chapter 61, Statutes of 1982, which took effect January 1, 1983, prohibits agencies from enforcing an "informal regulation" issued as a guideline, criteria, order, bulletin, or standard of general application when it is actually a regulation as defined in the Government Code. Instead, agencies are required to formally adopt regulations in accordance with the requirements of the Administrative Procedure Act (APA). Chapter 61 also provides a mechanism to ensure that regulations disapproved by OAL are not reinstated as informal rules. OAL's responsibilities under Chapter 61 are:

- (1) to determine when such "informal regulations" should have been adopted pursuant to the APA;
- (2) to make such determinations known to the agency, the Governor, the Legislature, the public, and the courts, and to publish the determinations in the California Administrative Notice Register.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$1,888,000 from the General Fund for support of the Office of Administrative Law in 1983-84. This is \$79,000, or 4.4 percent, more than estimated current-year expenditures. This amount will increase further by the amount of any salary or staff benefit increase approved for the budget year.

This is the first time that the budget has proposed a General Fund appropriation for the OAL. In prior years, the administrative costs of the OAL were paid through reimbursements from state agencies using OAL review services. Chapter 865, Statutes of 1981 (AB 1014), however, repealed the authority of the OAL to collect reimbursements from the various state agencies to cover the costs of its services. This statute also included the OAL in the state's pro rata charge system so that the various state special funds reimburse the General Fund for a share of the OAL's costs.

Table 1 presents a summary of OAL's expenditures and personnel-years for the past, current and budget years. As the table shows, the budget proposes an increase of 0.5 personnel-years for 1983-84. The increase is due to a salary savings adjustment and the proposed reclassification of positions.

Table 1
Office of Administrative Law
Budget Summary
(in thousands)

	<i>Actual</i> <i>1981-82</i>	<i>Estimated^a</i> <i>1982-83</i>	<i>Proposed</i> <i>1983-84</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Personal services	\$1,393	\$1,537	\$1,624	\$87	5.7%
Operating expense and equipment.....	284	272	264	-8	-2.9
Total expenses.....	\$1,677	\$1,809	\$1,888	\$79	4.4%
Personnel-years.....	42.5	44	44.5	0.5	1.1%

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

Proposed Budget Changes

The proposed changes for the budget year are displayed in Table 2. The table shows a redirection of \$25,000 from operating expenses to personal services to fund position reclassifications in the budget year. Merit salary adjustments, employee compensation adjustments, and price increases account for an increase of \$31,000.

The other major change has to do with the OAL's funding base. As table 2 shows, this change shifts the source of funding for OAL from reimbursements to the General Fund.

OFFICE OF ADMINISTRATIVE LAW—Continued

Table 2
Office of Administrative Law
Proposed Budget Changes
(in thousands)

	<i>General Fund</i>	<i>Reimbursements</i>
1982-83 Revised Budget ^a		\$1,809
1. Workload changes		
None		
2. Program Changes		
None		
3. Cost Changes		
a. Personal services		
• Redirection of operating expenses for position reclassifications	\$25	
• Merit salary adjustment	25	
• Restore one-time retirement savings	6	
• Salary savings adjustment	31	
b. Operating expense and equipment		
• Price increase	17	
• Redirection to personal services	-25	
4. Other Changes		
a. Change from reimbursable funding to direct General Fund Support	1,809	-1,809
Total Proposed Changes	\$1,888	-1,809
1983-84 Proposed Budget	\$1,888	—

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

Reclassification of Nine Positions

The budget proposes funds to make certain administrative adjustments in OAL's personnel classification. Specifically, the OAL proposes to upgrade eight positions and downgrade one position for 1983-84. This adjustment accounts for a \$28,000 (\$3,000 in salary savings) increase in personal services. Our analysis indicates that the reclassifications are justified.

Augmentation for Regulation Review Services

Chapter 567 requires that state agencies review all of their current regulations. The statute requires that all titles of the Administrative Code be reviewed by specific dates, ranging from June 30, 1981 to June 30, 1986.

The Budget Act of 1981 appropriated \$3.5 million (\$2.3 million from the General Fund) for allocation by the Department of Finance to various state agencies unable to absorb the cost of these reviews. Executive Order B72-80 subsequently reduced the time allowed for the completion of these reviews by accelerating the deadline from June 30, 1986 to December 31, 1982.

The budget indicates that all agencies have completed their review of existing regulations using funds allocated in 1981-82.

MILITARY DEPARTMENT

Item 8940 from the General

Fund and AWOL Abatement

Fund

Budget p. CG 146

Requested 1983-84	\$16,248,000
Estimated 1982-83	14,504,000
Actual 1981-82	16,409,000
Requested increase (excluding amount for salary increases) \$1,744,000 (+ 12 percent)	
Total recommended reduction	\$283,000

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8940-001-001—Department, support		General	\$16,216,000
8940-001-130—Department, support		AWOL Abatement	2,000
8940-001-890—Department, support		Federal Trust	(12,222,000)
8940-011-001—Armory improvement		General	30,000
Total			\$16,248,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *Operating Expenses. Reduce Item 8940-001-001 by \$283,000.* Recommend deletion to correct for overbudgeting. 1932

GENERAL PROGRAM STATEMENT

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

The Military Department consists of three major units: the Army National Guard (21,239 authorized officers and enlisted personnel), the Air National Guard (5,400 authorized personnel), and the Office of the Commanding General. Staffing funded through the budget totals 622.8 personnel-years in 1982-83.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$16,248,000 from the General Fund (\$16,246,000) and the AWOL Abatement Fund (\$2,000) for support of the Military Department in 1983-84. This is an increase of \$1,744,000, or 12 percent, over estimated current-year expenditures. This amount will increase further by the amount of any salary or staff benefit increase approved for the budget year for the department's civil service (nonuniformed) employees.

The total proposed budget for the Military Department, including state and federal funds, is \$224.6 million, an increase of 5 percent over current-year expenditures (see Table 1). Of the \$207.4 million in federal funds, \$12.2 million is appropriated by the Budget Bill. The remainder is adminis-

MILITARY DEPARTMENT—Continued

tered directly by the federal government. The proposed 1983-84 General Fund appropriation accounts for 7.2 percent of the department's total proposed expenditures.

Table 1
Military Department
Budget Summary
(dollars in thousands)

Program	Actual 1981-82	Estimated 1982-83 ^a	Proposed 1983-84	Change from 1982-83	
				Amount	Percent
Army National Guard.....	\$107,159	\$141,735	\$145,341	\$3,606	2.5%
Air National Guard.....	58,789	68,157	75,193	7,036	10.3
Commanding General undistributed.....	3,353	778	801	23	3.0
(distributed).....	—	(3,502)	(3,958)	(456)	13.0
Support to Civil Authority	3,450	1,494	1,580	86	5.8
Military Retirement	1,252	1,588	1,697	109	6.9
Cadet Corps	362	—	—	—	—
Farm and Home Loan program	—	(2,500)	(2,500)	—	—
Totals.....	\$174,365	\$213,752	\$224,612	\$10,860	5.1%
<i>Funding</i>					
General Fund	\$16,409	\$14,504	\$16,246	\$1,742	12.0%
Federal funds	156,745	197,438	207,414	9,976	5.1
AWOL Abatement Fund.....	—	—	2	2	—
Reimbursements	1,211	1,810	950	-860	-47.5
Totals.....	\$174,365	\$213,752	\$224,612	\$10,860	5.1%
General Fund share of total	9.4%	6.8%	7.2%	—	—

^a Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

The requested increase in General Fund expenditures primarily results from the cost of routine merit salary adjustments and adjustments needed to maintain the purchasing power of the department's operating expenses and equipment budget. In addition, the department requests \$50,000 for the state's share (25 percent) of the costs associated with five maintenance positions for March Air Force Base, where the department recently began operations. Most of the costs of these positions will be reimbursed by the federal government. Also, the department proposes a one-time increase of \$149,000 to repair the floor and foundation of its armory in Bakersfield. Our analysis indicates that the new positions and the repair project are justified, and we recommend that they be approved.

Overbudgeted Operating Costs

We recommend deletion of overbudgeted operating expenses, for a General Fund savings of \$283,000 (Item 8940-001-001).

The department's budget requests \$5.3 million from the General Fund for operating expenses in 1983-84. Our analysis of the proposed expenditures indicates two instances in which funds have been overbudgeted. The overbudgeted items are summarized in Table 2, and discussed below.

Table 2
Military Department
Overbudgeted Operating Expenses
General Fund
1983-84

<i>Expense Item</i>	<i>Actual 1981-82</i>	<i>Proposed 1983-84</i>	<i>Percent Increase</i>	<i>Analyst's Recommendation</i>	<i>Difference</i>
Communications.....	\$613,000	\$820,000	34%	\$780,000	\$40,000
Utilities	1,370,000	2,070,000	51%	1,827,000	243,000
Totals	\$1,983,000	\$2,890,000	—	\$2,607,000	\$283,000

Communications. The department requests \$820,000 for communications expenses in 1983-84. This is an increase of 34 percent over actual past-year expenses. Our analysis indicates that based on (1) the added costs of an improved emergency telephone system installed during the current year and (2) Department of Finance standards for price increases, the Military Department should have budgeted \$780,000 for 1983-84 communication expenses. Accordingly, we recommend deletion of \$40,000 in overbudgeted funds.

Utilities. The budget proposes \$2,070,000 for the department's utility expenses for 1983-84, an increase of 51 percent over 1981-82 actual expenses. The Department of Finance, however, estimates that utility prices will increase by an average of about 33 percent during this period. As a result, budget-year expenses should total \$1,827,000. Therefore, utility expenses are overbudgeted by \$243,000, and we recommend that this amount be deleted.

MILITARY DEPARTMENT—CAPITAL OUTLAY

Item 8940-301 from the General
Fund, Special Account for
Capital Outlay and the Fed-
eral Trust Fund

Budget p. GG 153

Requested 1983-84	\$11,413,000
Recommended approval	11,286,000
Recommended reduction	127,000
Recommended augmentation	64,000
Net recommended approval	11,350,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. *New Armory—Fresno. Reduce Item 8940-301-036(b) by \$127,000.* Recommend reduction to eliminate architectural and engineering fees related to construction phase of project. Further recommend that Budget Bill be amended to indicate that funds are provided for working drawing phase. 1934

Further recommend that the \$127,000 in recommended reductions be transferred from the Special Account for Capital Outlay to the General Fund, to increase the Legisla-

MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued

ture's flexibility in meeting high-priority needs statewide.

2. **Minor Projects.** *Increase Item 8940-301-890 by \$64,000.* 1935

Recommend augmentation to federal fund item to reflect department's anticipated expenditure for one minor project.

ANALYSIS AND RECOMMENDATIONS

The budget proposes appropriations of \$532,000 from the General Fund, Special Account for Capital Outlay and \$10,881,000 from the Federal Trust Fund for capital outlay projects for the Military Department. The department's request is summarized in Table 1. The federal fund item is informational only; no legislative action on this item is required.

Table 1
Military Department
1983-84 Capital Outlay Program
(in thousands)

<i>Project</i>	<i>Special Account For Capital Outlay^a</i>	<i>Federal Trust Fund^a</i>	<i>Total</i>
Architectural and engineering services for federally financed construction	\$138 pw	—	\$138
Fresno armory	201 pw	—	201
Minor projects	193 pwc	—	193
Other federal construction funds	—	\$10,881c	10,881
Totals	\$532	\$10,881	\$11,413

^a Phase symbol indicates: p=preliminary plans; w=working drawings; c=construction.

Architectural and Engineering Services

We recommend approval of Item 8940-301-036(a), architectural and engineering services for federally-financed construction.

The budget includes \$138,000 for architectural and engineering services for construction projects financed from federal funds. These funds will be used to (1) develop plans and working drawings for, and to supervise the construction of, eight projects, and (2) conduct advanced planning and studies for other improvements to Military Department facilities. The funds proposed for the budget year will be used for projects to correct health and safety hazards at army national guard facilities. These projects involve total construction costs of \$1.6 million. The federal government only partially finances architectural and engineering costs related to army national guard projects, and the requested appropriation would be used to finance the remainder of these costs.

New Armory—Fresno

We recommend that Item 8940-301-036(b) be reduced by \$127,000, to eliminate construction-related funds which will not be needed in the budget year. We further recommend that the Budget Bill be amended to indicate that the funds are provided for working drawings.

We further recommend that the \$127,000 in recommended reductions be

transferred from the Special Account for Capital Outlay to the General Fund, so as to increase the Legislature's flexibility in meeting high priority needs statewide.

Item 8940-301-036(b) includes \$201,000 for planning and working drawings for a new 300-person armory in Fresno. The proposed two-story structure will provide 26,900 gross square feet to house battalion headquarters, assembly hall, locker rooms, classrooms, offices, latrines, and food preparation/service area.

The 1981 Budget Act appropriated funds for preliminary plans and working drawings for this project. Preliminary plans were completed in the 1981-82, but working drawings funds were frozen by an executive order which deferred capital outlay projects funded from certain sources. The department had requested that working drawing funds be restored in 1982-83. The Legislature, however, deferred this work at the request of the Department of Finance.

The proposed facility is needed to replace a substandard armory and to alleviate overcrowding at another armory in Fresno.

Funding Request Overstated. The amount requested in the budget includes \$74,000 to prepare working drawings and \$127,000 to provide architectural and engineering services for the construction phase of the work. The department, however, does not plan to proceed with the construction of this facility in the budget year. Consequently, the \$127,000 requested for architectural and engineering services related to the construction phase of the work is not needed in 1983-84. We recommend that these funds be deleted. Moreover, the Budget Bill should be amended to delete the words "planning and" from the item.

Transfer to General Fund. Approval of this recommendation would leave an unappropriated balance of tidelands oil revenue in the Special Account for Capital Outlay where it would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of this recommendation be transferred to the General Fund.

Funding of Construction. The federal government generally provides 100 percent of the federally-approved construction cost for military department projects. Because the state also benefits from the use of armory facilities, the federal government only provides 75 percent of the federally-approved construction cost for armories. Consequently, a future appropriation of approximately \$450,000 in state funds will be needed to complete this project. In the *Analysis of the 1981 Budget Bill*, we had indicated that the federal government would provide 100 percent of the construction cost for this project. Based on information which is now available to our office, this estimate was not accurate.

Minor Projects

We recommend that Item 8940-301-890 be increased by \$64,000 to reflect anticipated expenditure of federal funds on one minor project.

The budget proposes \$193,000 under Item 8940-301-036(c) for five minor capital outlay projects at military department facilities. The proposed funds would be used to upgrade kitchen and latrine facilities at armories in Pomona, Long Beach, and Yuba City, to construct a new storage building at the Benicia armory, and to provide soil stabilization at the army

MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued

aviation support facility in Stockton. We concur with the need for these improvements, and recommend that the proposed funds be approved.

Federal Contribution Not Shown. One of the minor capital outlay projects, the new storage building at the Benicia armory, qualifies for partial federal support as new armory construction. Information provided by the department indicates that the federal government will provide \$64,000 toward the total cost of \$96,000 for this project. These funds however, are not displayed under the federal fund item in the budget. So that the budget accurately reflects the department's anticipated expenditure of federal funds in 1983-84, we recommend that Item 8940-301-890 be amended to include the \$64,000 in minor capital outlay funds.

Projects by Descriptive Category

In *The Budget for 1983-84: Perspectives and Issues*, we identify a number of problems that the Legislature will confront in attempting to provide for high-priority state needs within available revenues. To aid the legislature in establishing and funding its priorities, we have divided those capital outlay projects which are analysis indicates warrant funding into the following seven descriptive categories:

1. Reduce the state's legal liability—includes projects to correct life threatening/security code deficiencies and to meet contractual obligations.
2. Maintain the current level of service—includes projects which if not undertaken will lead to reductions in revenue and/or services.
3. Improve state programs by eliminating program deficiencies.
4. Increase the level of service provided by state programs.
5. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of less than five years.
6. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of greater than five years.
7. Other projects—includes noncritical but desirable projects which fit none of the other categories, such as projects to improve buildings to meet current code requirements (other than those addressing life-threatening conditions), utility/site development improvements and general improvement of physical facilities.

Individual projects have been assigned to categories based on the intent and scope of each project. These assignments do not reflect the priority that individual projects should be given by the Legislature.

The Fresno armory working drawing funds (\$74,000) fall under category 3. The architectural and engineering services (\$138,000) and the minor capital outlay projects (\$193,000) fall under category 7.