

**Table 11**  
**Student Aid Commission**  
**State Operations**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

<i>Program</i>	<i>Actual</i> <i>1986-87</i>	<i>Est.</i> <i>1987-88</i>	<i>Prop.</i> <i>1988-89</i>	<i>Change from</i> <i>1987-88</i>	
				<i>Amount</i>	<i>Percent</i>
Cal Grant A (Scholarship) .....	\$2,534	\$2,892	\$3,080	\$188	6.5%
Cal Grant B (Opportunity) .....	1,762	1,973	2,103	130	6.6
Cal Grant C (Occupational) .....	359	417	450	33	7.9
Graduate Fellowship .....	308	351	382	31	8.8
Law Enforcement Personnel Dependents .....	1	3	4	1	33.3
Specialized Programs <sup>a</sup> .....	785	1,070	1,075	5	0.5
California Educational Loan Programs ....	21,504	22,119	16,206	-5,913	-26.7
Cal-SOAP .....	2	9	10	1	11.1
Administrative and Support Services .....	(3,553)	(4,746)	(6,075)	(1,329)	(28.0)
Totals .....	\$27,255	\$28,834	\$23,310	-\$5,524	-19.2%
Funding Sources					
General Fund .....	\$5,751	\$6,715	\$7,104	\$389	5.8%
Guaranteed Loan Reserve Fund .....	21,504	22,119	16,206	-5,913	-26.7

<sup>a</sup> Includes administrative costs for the following programs: Bilingual Teacher Development Grant, Paul Douglas Teacher Scholarship, Assumption Program of Loans for Education (APLE), and Work Study.

The budget proposes total support of \$23 million for the commission in 1988-89, a 19 percent *decrease* (\$5.5 million) from the current-year level. This decrease is due primarily to a \$9.6 million reduction in contracted processing services for the Loan Program. The General Fund would provide \$7.1 million or 30 percent of the total, and the Loan Fund would provide \$16.2 million, or 70 percent.

## OFFICE OF CRIMINAL JUSTICE PLANNING

Item 8100 from the General  
Fund and various funds

Budget p. GG 1

Requested 1988-89 .....	\$73,257,000
Estimated 1987-88 .....	73,427,000
Actual 1986-87 .....	59,865,000
Requested decrease (excluding amount for salary increases) \$170,000 (-0.2 percent)	
Total recommended reduction .....	None

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**  
**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8100-001-001—Support	General	\$4,528,000
8100-001-241—Support	Local Public Prosecutors and Public Defenders Training	68,000
8100-001-425—Support	Victim/Witness Assistance	1,630,000
8100-001-890—Support	Federal Trust	1,169,000
8100-101-001—Local assistance	General	23,233,000
8100-101-241—Local assistance	Local Public Prosecutors and Public Defenders Training	808,000
8100-101-425—Local assistance	Victim/Witness Assistance	12,320,000
8100-101-890—Local assistance	Federal Trust	27,757,000
Reimbursements		1,744,000
Total		\$73,257,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Campaign Against Marijuana Planting. Recommend adoption of Budget Bill language to require \$2.7 million of local assistance funds for marijuana eradication be allocated according to criteria that are based on county needs. 1122
2. Penalty Assessment Special Funds. Recommend enactment of legislation to require that all revenue collected from penalty assessments, except revenue collected from fish and game violations, be transferred to the General Fund rather than to certain special funds, where it would be available for appropriation for various state programs. 1125

**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). The office 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.

In the past, the OCJP has been divided into three program areas—(1) administration, (2) state and private agency awards, which allocated federal grants to state and private agencies, and (3) local project awards, which allocated state and federal grants to local governments. Beginning in 1987-88, however, the state and private agency awards program has been merged into another program so that all awards to public or private agencies are now reported under the local projects award program. In the current year, OCJP has 95 personnel-years.

**OVERVIEW OF THE BUDGET REQUEST**

The proposed expenditure program for the OCJP in 1988-89 is \$73.3 million, consisting of \$27.8 million from the General Fund, \$876,000 from the Local Public Prosecutors and Public Defenders Training Fund, \$140 million from the Victim/Witness Assistance Fund, \$28.9 million from the Federal Trust Fund, and \$1.7 million in reimbursements.

Table 1 summarizes OCJP expenditure levels for the prior, current and budget years. The table shows that total expenditures from all funds are

proposed to decrease by \$170,000, or less than 1 percent, below estimated expenditures in 1987-88. The proposed decrease in expenditures from the General Fund is \$788,000, or 2.8 percent.

**Table 1**  
**Office of Criminal Justice Planning**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

<i>Program</i>	<i>Actual 1986-87</i>	<i>Est. 1987-88</i>	<i>Prop. 1988-89</i>	<i>Change From 1987-88</i>
State and Private Agency Awards.....	1,437	—	—	—
Local Project Awards.....	58,428	73,427	73,257	-0.2%
Administration (distributed) .....	(\$2,284)	(\$2,525)	(\$2,739)	8.5
Totals, Expenditures.....	\$59,865	\$73,427	\$73,257	-0.2%
<b>Funding Sources</b>				
General Fund.....	\$30,374	\$28,549	\$27,761	-2.8%
Local Public Prosecutors and Public Defend- ers Training Fund.....	853	876	876	—
Victim/Witness Assistance Fund.....	13,216	13,943	13,950	0.1
Federal Trust Fund.....	14,584	28,746	28,926	0.6
Reimbursements .....	838	1,313	1,744	32.8
Personnel-years.....	75.1	95.0	99.4	4.6%

The proposed decrease in General Fund expenditures in 1988-89 results primarily from the phaseout of the Homeless Youth Pilot Project which was a two-year project to provide service to homeless youths in San Francisco and Los Angeles. This results in a reduction of \$920,000. In addition, there is a reduction of \$238,000 resulting from the termination of the Targeted Urban Crime Narcotics Task Force, which was a two-year pilot project in Alameda County.

These reductions are offset partially by an increase of \$225,000 from the General Fund to provide full-year funding for the four-year pilot Juvenile Sex Offender Treatment program that was established by Ch 637/85. (In the current year, the appropriation for the program represented only half-year funding, because uncommitted funds for 1986-87 were available to finance the balance of program expenditures.)

The budget also proposes an expansion of two current OCJP programs using reimbursements from the Department of Alcohol and Drug Programs (DADP). Specifically, the budget adds \$661,000 in the current year and an additional \$220,000 in the budget year for the Suppression of Drug Abuse in Schools program. In addition, the budget adds \$245,000 in the current year and an additional \$244,000 in the budget year for the Gang Violence Suppression program. These increased reimbursements are derived from the federal Drug Free Schools and Communities block grant administered by the DADP.

The office requests an increase of 4.5 positions. This includes 1.5 positions for workload in departmental administration and 3 positions for administration of local project awards. The three positions are proposed to be funded by a redirection of funds currently budgeted for consulting services.

Table 2 identifies, by funding source, the changes in expenditure levels proposed for 1988-89.

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**

Table 2

**Office of Criminal Justice Planning  
Proposed 1988-89 Budget Changes  
(dollars in thousands)**

	<i>Local</i>					
	<i>General</i>	<i>Prosecutors and Public Defenders</i>	<i>Victim/ Witness Assistance</i>	<i>Federal Trust Fund</i>	<i>Reimburse- ments</i>	<i>Total</i>
	<i>Fund</i>	<i>Training Fund</i>	<i>Fund</i>	<i>Fund</i>		
1987-88 Expenditures (revised)	\$28,549	\$876	\$13,943	\$28,746	\$1,313	\$73,427
<i>Workload Changes</i>						
Records management .....	17	—	—	13	—	30
Audit resolution .....	9	—	—	27	—	36
Youth emergency telephone.....	31	—	—	—	—	31
Data processing .....	—	—	—	36	—	36
Subtotals .....	(\$57)	(—)	(—)	(\$76)	(—)	(\$133)
<i>Cost Adjustments</i>						
Full-year cost—juvenile sex of- fender treatment .....	\$225	—	—	—	—	\$225
Cost increase .....	48	—	\$16	\$10	\$3	77
Full-year cost—employee compen- sation .....	57	—	21	11	—	89
Pro rata adjustment .....	—	—	-24	—	—	-24
Other .....	-17	—	-6	-7	-76	-106
Subtotals .....	(\$313)	(—)	(\$7)	(\$14)	(-\$73)	(\$261)
<i>Program Adjustments</i>						
Anti-drug symposium .....	—	—	—	\$90	\$40	\$130
Homeless youth pilot project .....	-\$920	—	—	—	—	-920
Narcotic task force .....	-238	—	—	—	—	-238
Suppression of drug abuse in schools	—	—	—	—	220	220
Gang violence suppression .....	—	—	—	—	244	244
Subtotals .....	(-\$1,158)	(—)	(—)	(\$90)	(\$504)	(-\$564)
1988-89 Expenditures (proposed) .....	\$27,761	\$876	\$13,950	\$28,926	\$1,744	\$73,257
Change from 1987-88:						
Amount .....	-\$788	—	\$7	\$180	\$431	-\$170
Percent .....	-2.8%	—	0.1%	0.6%	32.8%	-0.2%

**ANALYSIS AND RECOMMENDATIONS****Criteria Should be Developed for Awarding Marijuana Eradication Grants**

*We recommend that the Legislature amend the Budget Bill to require the Office of Criminal Justice Planning to allocate the \$2.7 million General Fund appropriation requested for the Campaign Against Marijuana Planting (CAMP) program according to criteria which take into account an assessment of the applicants' marijuana problem and the financial ability of the applicants to devote resources to marijuana eradication. We further recommend that OCJP be authorized to retain up to five percent of the appropriation for administrative costs.*

The budget proposes an appropriation of \$2,750,000 from the General Fund for the Campaign Against Marijuana Planting (CAMP) program. This is the same amount provided for this purpose in the 1986 and 1987 Budget Acts. The program was initially approved by the Legislature in Ch 1563/85, which appropriated funds in 1985-86 to provide financial

assistance to four counties for law enforcement, criminal justice, and other costs associated with marijuana production. The funds are to be allocated directly by the State Controller for local assistance to Humboldt, Mendocino, Trinity and Butte Counties, and their respective sheriff's departments, in specified amounts as shown in Table 3.

**Table 3**  
**Office of Criminal Justice Planning**  
**Campaign Against Marijuana Planting**  
**Proposed 1988-89 Allocation by County**  
**(dollars in thousands)**

County	Recipient		County Total
	Sheriff's Department	Other County Law Enforcement	
Humboldt .....	\$500	\$425	\$925
Mendocino .....	500	425	925
Trinity .....	250	150	400
Butte .....	250	250	500
Totals .....	\$1,500	\$1,250	\$2,750

***Basis for Proposed Allocations is Questionable.*** The budget proposes to distribute the funds to counties in the same amounts as provided in the original legislation which allocated funds for CAMP in 1985-86. The OCJP advises that it has no other criteria for distributing the \$2.7 million appropriation. A review of the data from selected counties on the number of marijuana plants destroyed and the number of arrests made during CAMP raids over the past four years, however, shows that there have been changes in the level of activity for some counties since that time. Table 4 shows the data for the four counties that receive state funds and for five other counties where there was significant activity in at least one of the last four years.

***Allocations Remain the Same Despite Changes in CAMP Activities.*** The data show that the two counties that receive the most state funds (Humboldt and Mendocino Counties) also have the largest amount of activity under the CAMP program. However, although there are substantial fluctuations in the data from year to year, Mendocino County shows increased activity in relation to Humboldt County. For instance, in 1984, Humboldt County destroyed more than five times the number of plants destroyed in Mendocino County, but in 1987 there were only one and a half times more plants destroyed in Humboldt County. In spite of this difference, the budget proposes to provide the same amounts to each county.

***Other Counties Also May Have More Need For the CAMP Funds.*** The OCJP's method of allocating CAMP funds based on the original 1985 statutory appropriation also fails to recognize that other counties may be able to justify their need for a portion of the CAMP funds. For instance, Table 4 shows that in Sonoma County, which does not receive state funds for this purpose, there were more plants destroyed in 1987 than in Butte County and more arrests over the four-year period than in either Butte or Trinity Counties.

**OFFICE OF CRIMINAL JUSTICE PLANNING—Continued**

**Table 4**  
**Campaign Against Marijuana Planting**  
**Number of Plants Destroyed and Arrests Made**  
**in Selected Counties <sup>a</sup>**  
**1984 through 1987**

<i>Counties</i>	<i>Number of Plants Destroyed</i>				<i>Number of Arrests</i>			
	<i>1984</i>	<i>1985</i>	<i>1986</i>	<i>1987</i>	<i>1984</i>	<i>1985</i>	<i>1986</i>	<i>1987</i>
<i>Butte</i> .....	15,676	6,244	5,831	4,604	10	—	6	8
<i>Fresno</i> .....	1,868	810	6,311	1,259	—	16	4	—
<i>Humboldt</i> .....	80,359	71,694	46,914	64,775	28	70	19	22
<i>Mendocino</i> .....	14,773	30,500	20,831	40,183	14	24	9	23
<i>Monterey</i> .....	2,954	1,368	4,149	1,700	18	5	2	—
<i>Shasta</i> .....	1,003	18,722	3,322	—	—	16	4	—
<i>Sonoma</i> .....	7,373	2,430	3,735	6,249	18	6	11	10
<i>Trinity</i> .....	5,584	11,931	6,272	17,444	3	12	7	7
<i>Tuolumne</i> .....	10,397	240	375	—	9	6	—	—

<sup>a</sup> The counties highlighted in italics have received state funding for CAMP since 1985-86. The other counties listed received no state funding specifically for that purpose during the time period reflected in the table.

***Funds Should be Distributed Based on Specific Criteria.*** Despite these changes in the level of activities, the budget proposes no change in the amounts to be allocated to the four counties. Furthermore, there is no assurance that the allocations reflect the marijuana problem that each county may have, or the ability of the county to fund this enforcement itself.

To provide for a distribution of the funds that better reflects an up-to-date assessment of county needs, we recommend that the Legislature amend the Budget Bill to require OCJP to allocate these funds according to criteria which take into account (1) an assessment of the applicants' marijuana problem, (2) the financial ability of the applicants to devote resources to marijuana eradication, and (3) the level of funding the county receives for this purpose from other sources.

The OCJP advises that it currently devotes no staff to marijuana eradication, and would need additional resources to develop criteria and administer distribution of the local assistance grants for program administration costs. Typically, OCJP retains approximately five percent of local assistance grants for program administration. Therefore, we recommend that that OCJP be authorized to use up to five percent (\$137,500) of the appropriation for administrative costs. Specifically we recommend that the Legislature adopt the following Budget Bill language in Item 8100-101-001:

4. \$2,750,000 of the amount appropriated in Schedule (n), is for local assistance and shall be distributed to counties by the Office of Criminal Justice Planning pursuant to guidelines and criteria developed by the office. The criteria for distribution shall, at a minimum, consider various measures of the magnitude of the marijuana cultivation problem in the counties, the ability of the counties to devote law enforcement resources to eradication of this marijuana problem, and any other funds the county may be receiving from other state or federal agencies for related law enforcement purposes.

The Office of Criminal Justice Planning may transfer to Item 8100-001-001 up to 5 percent of the appropriation for purposes of administering the Campaign Against Marijuana Planting program.

#### **Eliminate Statutory Allocation Formula for Penalty Assessments**

*We recommend that legislation be enacted to eliminate statutory percentage allocation requirements for penalty assessment revenues. Instead, we recommend that penalty assessment revenues be transferred to the General Fund for legislative allocation to programs on the basis of an annual review of program needs during the budget process.*

*However, because of the constitutional requirement that revenue collected from fish and game violations be used only for fish and game activities, we recommend that assessments derived from this source be transmitted directly to the Fish and Game Preservation Fund, for allocation during the budget process.*

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 fund serves as a depository for the penalty assessments collected by the courts. Monies in the fund are distributed monthly to various state special funds, in accordance with formulas specified in law.

***Distribution of Penalty Assessment Funds.*** Specifically, Penal Code Section 1464 requires that a penalty assessment equal to \$7 for every \$10 of fine, or fraction thereof, be levied on each fine, penalty or forfeiture imposed and collected by the courts. It provides that the first \$2 of every \$7 collected, plus 22.12 percent of all remaining revenue be transferred to the state Restitution Fund. The remaining balance is then distributed to six other funds, according to percentages specified in the law.

Four of these seven funds are used to finance training programs for law enforcement activities including training of peace officers, correctional officers, local public prosecutors and defenders, and fish and game officers. Two of the funds are used to finance programs that assist victims of crimes. Finally, the Driver Training Penalty Assessment Fund is used to support programs designed to improve driver safety.

Table 5 displays the seven funds, the agencies which administer the funds, the statutory allocation percentages, and the amounts included in the budget for the past, current, and budget years. As the table indicates, two of the funds are administered by the OCJP.

## OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

Table 5  
Assessment Fund  
Summary of Distribution to Other State Funds

Fund	Administering Agency	Statutory Allocation <sup>b</sup>	Revenues <sup>a</sup> (in thousands)		
			Act.	Est.	Prop.
Restitution.....	Board of Control	22.12%	\$26,583	\$39,251	\$56,070
Driver Training Penalty Assessment.....	Department of Education	29.73	35,433	38,487	40,036
Peace Officers' Training.....	Commission on Peace Officer Standards and Training	27.75	33,034	35,924	37,369
Corrections Training.....	Board of Corrections	9.12	10,874	11,806	12,281
Local Public Prosecutors and Public Defenders Training.....	Office of Criminal Justice Planning	0.90 <sup>c</sup>	850	850	850
Victim-Witness Assistance.....	Office of Criminal Justice Planning	10.00	11,918	12,946	13,466
Fish and Game Preservation.....	Department of Fish and Game	0.38	452	492	512
Total Distributed.....		100.00%	\$119,144	\$139,756	\$160,584

<sup>a</sup> Source: 1988-89 Governor's Budget.

<sup>b</sup> Under the current formula (Ch 1214/87), each of these percentages applies to the balance remaining in the Assessment Fund after \$2 of every \$7 of assessments deposited has been transferred to the Restitution Fund. Prior to the effective date of this legislation, Assessment Fund distributions were based on the same percentage allocations, but the percentages were applied to the Assessment Fund balance prior to any transfer to the Restitution Fund.

<sup>c</sup> The Local Public Prosecutors and Public Defenders Training Fund receives 0.90% of the funds distributed up to a maximum annual amount of \$850,000. Any balance in excess of \$850,000 is transferred to the Restitution Fund.

**Current Distribution System Results in Inefficiencies.** The practice of distributing penalty assessment revenues according to statutory percentages has created certain resource allocation problems or inefficiencies. For instance, in the past few years, the Corrections Training Fund received Assessment Fund allocations which exceeded annual program expenditures by a substantial portion. Between 1983-84 and 1985-86, on a cumulative basis, fund revenues exceeded program disbursement by approximately \$3.5 million, or 11 percent.

On the other hand, the Restitution Fund recently experienced significant program revenue shortfalls that resulted in the enactment of urgency legislation (Chapters 1214 and 1232, Statutes of 1987) to increase the basic penalty assessment by \$2 and allocate the proceeds directly to the Restitution Fund.

As these examples indicate, *distribution of penalty assessment resources based strictly on statutory percentages can result in resource allocations which do not accurately reflect program needs.* In turn, resource allocations which are not reflective of program need may restrict significantly the ability of a program to fulfill its legislative mandate. In addition, the present system of maintaining revenues in a special fund dedicated to a specific purpose limits the ability of the Legislature to oversee and set priorities for the expenditure of all state funds.

**Recommendation.** In order to ensure that resources generated by penalty assessments are allocated on a basis consistent with program need, we recommend that legislation be enacted to eliminate the current allocation requirements. Instead, we recommend that penalty assessment revenues be transferred to the General Fund for allocation by the Legislature to programs through the annual budget process. However, because of a constitutional requirement that revenue collected from fish and game violations be used only for fish and game activities, we recommend that revenue from this source be transmitted directly to the Fish and Game Preservation Fund, for allocation during the budget process.

In our judgment, revenue allocations from the General Fund that are based on annual reviews of program need would assist the Legislature in making efficient resource allocation decisions and ensure that fluctuations in penalty assessment revenues would not directly affect each program's expenditure level. In addition, it would provide further assurance that funding levels for individual programs reflect current legislative priorities by allowing the programs financed from penalty assessments to compete for funding with other state programs, such as education, health, and welfare.

We discuss this issue and recommendation in more detail in a separate report entitled *Penalty Assessments: A Review of Their Use As A Financing Mechanism* (Legislative Analyst's Office, Report Number 88-4, January 1988).

### COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

Item 8120 from the Peace  
Officers' Training Fund and  
the Peace Officers' Memorial  
Account, General Fund

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Requested 1988-89 .....	\$39,580,000
Estimated 1987-88 .....	39,673,000
Actual 1986-87 .....	33,161,000
Requested decrease (excluding amount for salary increases) \$93,000 (-0.2 percent)	
Total recommended reduction.....	None

#### 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8120-001-268—Support	Peace Officers' Training	\$7,017,000
8120-011-268—Contractual Services	Peace Officers' Training	1,956,000
8120-101-268—Local assistance	Peace Officers' Training	30,515,000
Reimbursements		67,000
Total, Budget Bill Appropriations		\$39,555,000
Continuing Appropriation—Support	Peace Officers' Memorial Account, General	25,000
Total		\$39,580,000

# **COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—** **Continued**

## **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. It does so by establishing minimum recruitment and training standards, and by providing management counseling. Through a local assistance program, the commission reimburses agencies for costs they incur when their employees participate in POST-approved training courses.

The commission has 85.7 personnel-years in the current year.

## **ANALYSIS AND RECOMMENDATIONS**

### *We recommend approval.*

The proposed expenditure program for the commission in 1988-89 is \$39.6 million, consisting of \$39.5 million from the Peace Officers' Training Fund, \$25,000 from the Peace Officers' Memorial Account in the General Fund, and \$67,000 from reimbursements. This is a decrease of \$93,000, or less than 1 percent, below estimated current-year expenditures.

Table 1 summarizes the commission's total expenditures and staffing levels, by program, for the past, current and budget years.

**Table 1**  
**Commission on Peace Officer Standards and Training**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Percent Change from</i>
	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1987-88</i>
<i>Program Expenditures</i>				
Standards.....	\$3,270	\$3,182	\$3,482	9.4%
Training.....	5,513	5,453	5,491	0.7
Peace Officer Training Reimbursement.....	24,297	30,578	30,582	—
Administration (Distributed).....	(2,821)	(2,417)	(2,455)	1.6
Peace Officers' Memorial.....	81	460	25	-94.6
Totals, Expenditures.....	\$33,161	\$39,673	\$39,580	-0.2%
<i>Funding Sources</i>				
Peace Officers' Training Fund.....	\$33,142	\$39,167	\$39,488	0.8%
Peace Officers' Memorial Account.....	81	460	25	-94.6
Reimbursements.....	19	46	67	45.7
<i>Personnel-years</i>				
Standards.....	24.7	23.1	24.9	7.8%
Training.....	24.3	26.0	25.9	-0.4
Administration.....	36.3	36.6	36.5	-0.3
Totals.....	85.3	85.7	87.3	1.9%

Table 2 details the budget changes proposed for 1988-89 by funding source. The budget includes funding for price increases and the full-year cost of the employee compensation program that became effective on January 1, 1988. In addition, the table shows the elimination of one-time expenditures in the current year, including \$435,000 from the Peace Officers' Memorial Account in the General Fund which is proposed for

construction of a memorial in the current year. The account derives its revenue from private contributions.

**Table 2**  
**Commission on Peace Officer Standards and Training**  
**Proposed 1988-89 Budget Changes**  
**(dollars in thousands)**

	<i>Peace Officers' Training Fund</i>	<i>Peace Officers' Memorial Account</i>	<i>Reimburse- ments</i>	<i>Total</i>
1987-88 Expenditures (Revised) .....	\$39,167	\$460	46	\$39,673
<i>Cost Adjustments</i>				
Employee compensation .....	70	—	—	70
Price increase .....	106	—	—	106
Pro rata adjustment .....	-14	—	—	-14
<i>One-time Costs</i>				
Basic course waiver processing .....	-34	—	—	-34
Missing persons (Ch 705/87) .....	-50	—	—	-50
Peace Officers' Memorial .....	—	-435	—	-435
<i>Program Changes</i>				
Civilian dispatcher (Ch 971/87) .....	113	—	—	113
Achievement tests (Ch 157/87) .....	130	—	—	130
Office of Traffic Safety .....	—	—	21	21
1988-89 Expenditures (Proposed) .....	\$39,488	\$25	\$67	\$39,580
Change from 1987-88:				
Amount .....	\$321	-\$435	\$21	-\$93
Percent .....	0.8%	-94.6%	45.7%	-0.2%

The budget contains two significant program changes:

- An increase of \$113,000, and 1.5 positions, to develop and administer statewide selection and training standards for civilian dispatchers as required by Ch 971/87.
- An increase of \$130,000, and 1.5 positions, to develop and administer a statewide achievement testing program for peace officers who receive training as required by Ch 157/87.

#### **Training Reimbursement Funds**

The budget proposes \$30.6 million from the Peace Officers' Training Fund to reimburse local governments for peace officer training costs, including per diem, travel, tuition, and participants' salaries. This is the same amount estimated to be expended for that purpose in the current year.

POST advises that the costs of salaries for local participants and other training costs are expected to increase between the current year and the budget year. Consequently, the percentage of local participants salaries which will be financed by the state will decline in the budget year. Specifically, in the current year, the commission estimates that it will reimburse about 50 percent of salaries. The amount proposed in the budget year would enable POST to reimburse about 45 percent of salaries.

The commission advises that the primary reason why it is not proposing an increase for this purpose is that there are insufficient revenues being deposited into the Peace Officers' Training Fund to cover an increase. However, the Budget Bill gives the Department of Finance the authority to augment this item, 30 days after notifying the Legislature, if additional

# **COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING— Continued**

revenue becomes available. The augmentations are limited to the amounts needed to reimburse local agencies for 100 percent of salaries.

## **STATE PUBLIC DEFENDER**

Item 8140 from the General  
Fund

Budget p. GG 13

Requested 1988-89 .....	\$7,208,000
Estimated 1987-88 .....	7,226,000
Actual 1986-87 .....	6,354,000
Requested decrease (excluding amount for salary increases) \$18,000 (–0.2 percent)	
Total recommended reduction .....	None

## **SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. *Automation and workload data.* Recommend that the State Public Defender report during budget hearings on efforts to implement automated systems in Los Angeles and San Francisco offices and to develop workload standards.

1131

## **GENERAL PROGRAM STATEMENT**

The Office of State Public Defender (SPD) was established 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 SPD also operates a brief bank (a library of appellate briefs involving various issues the office has raised in the past) and responds to requests for assistance from private counsel to the extent that resources are available.

The SPD, with offices in Los Angeles, Sacramento, and San Francisco, has 100.1 personnel-years in the current year.

## **OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures of \$7.2 million from the General Fund for support of the SPD in 1988-89. This is \$18,000, or less than 1 percent, less than estimated current-year expenditures.

The proposed decrease in total expenditures results primarily from a decrease in equipment expenditures (\$239,000), due to the one-time purchase of automation equipment in 1987-88. The reduction is offset partially by the addition of two new positions—an information system manager and personnel assistant (\$102,000), proposed increased usage of Lexis, an automated research service (\$60,000), and various employee compensation and price adjustments.

Table 1 shows the office's expenditures and staffing levels in the past, current, and budget years.

**Table 1**  
**State Public Defender**  
**Expenditures and Personnel-Years**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Actual</i> 1986-87	<i>Estimated</i> 1987-88	<i>Proposed</i> 1988-89	<i>Change</i> <i>From</i> 1987-88
Expenditures .....	\$6,354	\$7,226	\$7,208	-0.2%
Personnel-years .....	85.7	100.1	101.0	0.9%

## ANALYSIS AND RECOMMENDATIONS

### Automation and Workload Data Concerns Remain

*We recommend that the SPD report to the Legislature during budget hearings on its efforts to implement automated systems in its Los Angeles and San Francisco offices, and to develop workload information.*

The *Supplemental Report of the 1983 Budget Act* required the SPD to (1) adopt an internal case tracking system to provide information about the history of each case and the amount of time spent on it, and (2) prepare guidelines and standards for its casework. The *Supplemental Report of the 1985 Budget Act* broadened this requirement by requesting that the SPD and the Judicial Council jointly develop measures that would allow the Legislature to determine and compare the complexity of cases handled by court-appointed attorneys and the SPD, and incorporate these measures into their respective case-reporting forms and their automated systems for tracking these cases.

*Progress Made by the SPD Provides Better Understanding of Spending for Indigent Appeals.* The SPD has made progress in complying with the requirements of the 1983 and 1985 reports. In January 1988, the SPD submitted its most complete report to date on its activities and the case complexity of the criminal appeals that it handles. That report includes data on the complexity of 1,035 appointments received in 1985-86 and 1986-87, as well as profiles of closed cases by sentencing category. In addition, the report provides hourly rate calculations, summaries of time spent on case-specific and non-case-specific activities, and descriptions of improvements made to SPD operations.

*Completion of Remaining Projects Would Provide More Accurate Information.* Notwithstanding the progress which the SPD has made, two projects remain to be completed in order to fulfill the requirements of the *1983 Supplemental Report*. First, the SPD must complete the adoption of its case tracking system by implementing automated timekeeping and docketing systems in the Los Angeles and San Francisco offices, in which over 80 percent of the staff attorneys work. Although the automation equipment has been installed in the Los Angeles office, the SPD indicates that operational problems remain to be resolved. The SPD reports that it will begin installation of equipment in the San Francisco office once the Los Angeles system becomes fully operational.

The automation equipment would aid the SPD in handling and tracking its cases. In general, the automated systems would allow the SPD to more fully report information about its operations to the Legislature. Specifically, the automated timekeeping system would provide a more accurate measure of the actual number of hours that attorneys work.

**STATE PUBLIC DEFENDER—Continued**

Second, the SPD must complete the preparation of guidelines and standards for its casework. Specifically, the SPD still has not developed a workload standard for its attorneys. The SPD reports that it is now working with a consultant to develop an attorney workload standard, and that it expects to have this work completed by June 1988.

An established standard would help the SPD to develop its caseload goals more realistically. As Table 2 shows, the SPD has been unable to meet its caseload goals in recent years.

**Table 2**  
**State Public Defender**  
**Office Caseload**  
**1985-86 through 1988-89**

	1985-86	1986-87	1987-88	1988-89
Caseload Goal	608	675	674	500
Number Cases Accepted.....	534	470	378	—
Percent of Goal.....	87.8%	69.6%	56.1%	—

**Recommendation.** Although the SPD has made progress in compiling information about its caseload and reporting this data to the Legislature, completion of its automation project and development of a workload standard would help the Legislature better assess the SPD's operations. Accordingly, we recommend that the SPD report to the Legislature during budget hearings on its continued progress in implementing automated tracking systems in the Los Angeles and San Francisco offices and in developing workload guidelines.

**ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS**

Item 8160 from the General  
Fund

Budget p. GG 15

Requested 1988-89.....	\$10,000,000
Estimated 1987-88 .....	11,500,000
Actual 1986-87 .....	6,650,000
Requested decrease \$1,500,000 (—13.0 percent)	
Total recommended reduction.....	None

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis*  
*page*

1. County Claims Process. Recommend amendment to the Budget Bill to require that claims for reimbursement for costs of indigent defense be filed by counties within six months of the time in which the costs are incurred. 1134

**GENERAL PROGRAM STATEMENT**

Under Ch 1048/77, the state reimburses counties for the costs they incur in paying investigators, expert witnesses, and other individuals whom trial judges determine are necessary to prepare the defense of indigents in capital cases. The State Controller's Office administers the

program. The Budget Bill requires that payment of claims under this item shall be made pursuant to specified regulations which provide that:

- Attorney fees for defense costs are not reimbursable. Attorneys performing the services of investigators shall be paid at the investigator rate.
- Investigator fees shall not exceed the prevailing rate paid investigators performing similar services in capital cases.
- Expert witness and consultant fees shall be reimbursed if they are "reasonable." Reasonableness is determined by the rate paid other experts for similar services or the customary fees approved by the court for similar services.

## **ANALYSIS AND RECOMMENDATIONS**

### *We recommend approval.*

The budget proposes an appropriation of \$10 million from the General Fund for assistance to counties for the defense of indigents in 1988-89. This is \$1.5 million, or 13 percent, less than the level of expenditures estimated for the current year.

The State Controller advises that the budget-year proposal is lower than the level of expenditures estimated in the current year primarily because Los Angeles County began resubmitting claims for the defense of indigents during the current year. The county had last submitted a claim in 1983-84, and its current-year claims represent costs incurred from 1984-85 to 1987-88. The Controller expects Los Angeles County to submit its current claims in an ongoing fashion in the budget year.

### **Proposed Funding May Not Be Adequate**

The budget estimates that current-year expenditures will total \$11.5 million. That estimate includes \$7 million appropriated in the Budget Act and an additional \$4.5 million in deficiency funding which has been approved by the Department of Finance with notification provided to the Legislature.

The State Controller's Office, however, estimates that reimbursements for indigent defense costs will total \$15 million in 1987-88, exceeding the Budget Act appropriation by \$8 million. The office advises that it has notified the Department of Finance that a further deficiency augmentation of \$3.5 million will be needed. At the time this analysis was prepared, the Department of Finance had not yet made a determination regarding the need for the additional funding. The Controller's Office advises that claims from Los Angeles County for the years 1984-85 through 1987-88 account for \$5.4 million of the total expected deficiency. Claims from other counties account for \$2.6 million of the shortfall.

In recognition of the increase in claims from Los Angeles County and other counties, the Department of Finance proposes to appropriate \$10 million for this item in the budget year. The department suggests that this amount would provide funding sufficient to cover the actual program costs, and thus there would be no need for deficiency funding in the budget year.

Our analysis indicates, however, that the funding proposed in the budget may not be adequate. Based on monthly claim figures provided by the State Controller, it appears that additional funding may be necessary. However, given the uncertainties about the claims that all

**ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS—Continued**

counties may submit, we do not have an analytical basis to recommend a specific adjustment to the proposed amount at this time.

**County Claims Process Needs Revision**

*We recommend that the Legislature amend the Budget Bill to require that claims for reimbursement for indigent defense costs be filed by counties within six months after the end of the month in which the costs were incurred (Item 8160-111-001).*

Under existing law, funds for this item may be used to reimburse counties for indigent defense costs incurred in the current or *any prior year*. The Controller's Office advises that this process makes it difficult to predict the number and size of claims that will be submitted each year, and therefore, to estimate accurately the budget appropriation necessary for this item. As a result, the state must often provide additional funding for indigent defense costs through the deficiency process.

Table 1 shows the amounts appropriated, the amounts provided through the deficiency process, and the total funding for this item since 1981-82.

**Table 1**  
**Assistance to Counties for Defense of Indigents**  
**1981-82 through 1987-88**  
**(dollars in thousands)**

	<i>Budget Act Appropriation</i>	<i>Deficiency Allocation</i>	<i>Total Expenditures</i>
1981-82.....	\$1,000	\$12	\$1,012
1982-83.....	1,000	704	1,704
1983-84.....	1,000	2,800	3,800
1984-85.....	4,000	—	3,888
1985-86.....	5,000	—	4,987
1986-87.....	5,000	1,650	6,650
1987-88.....	7,000	8,000 <sup>a</sup>	15,000 <sup>a</sup>
Totals .....	\$24,000	\$13,166	\$37,041

<sup>a</sup> Based on estimates by the State Controller as of January 22, 1988.

As the table indicates, this item has received additional funding through the deficiency process in five of the last seven years. Deficiency funding (both actual and projected) represents 36 percent of the program's funding since 1981-82. Excluding the amounts for 1987-88, funding through the deficiency process accounts for 23 percent of total program funding.

In our judgment, placing a limitation on the time period within which counties may submit claims would assist the State Controller in estimating the funding necessary to reimburse counties for the costs of indigent defense. Such a time limit would reduce the likelihood that the Controller would need a General Fund deficiency allocation to pay counties that file large claims for prior-year costs. In addition, it would assist the Legislature to more accurately assess the amount of funds that are available for expenditure on other state programs.

We believe that a time limitation of six months should be imposed on counties for submitting claims for state assistance for the defense of indigents. This limitation is similar to the time limit currently placed on

local agencies which submit claims for reimbursement of certain court costs. Although the number of capital cases involving indigents may fluctuate, a six-month limitation should enable the Controller to better estimate the number of cases currently underway and the size of the claims which counties might submit for reimbursement. In addition, the limitation would aid the Controller in estimating the number of cases which may extend beyond one year, and therefore require continued state reimbursement.

Accordingly, in order to better estimate the annual funding necessary for this program, we recommend that the Legislature amend the Budget Bill to provide that any claims for reimbursement of the costs of indigent defense in capital cases shall be filed by counties within six months after the end of the month in which such costs are incurred. Specifically, we recommend that the Legislature amend Provision 1 of Item 8160-111-001 to read as follows:

1. Claims made pursuant to this item shall be filed by the local jurisdiction within six months after the end of the month in which costs are incurred.

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## PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS

Item 8180 from the General  
Fund

Budget p. GG 15

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Requested 1988-89.....	\$2,000,000
Estimated 1987-88 .....	2,000,000
Actual 1986-87 .....	2,000,000
Requested increase: None	
Total recommended reduction .....	None

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### GENERAL PROGRAM STATEMENT

The state reimburses counties for 80 percent to 100 percent of the costs attributable to homicide trials once trial costs reach a specified percentage of countywide property tax revenues. This percentage varies between counties, depending on county population. The program provides state assistance to ensure that counties are able to conduct trials and carry out the prosecution of homicide cases without seriously impairing their finances. The State Controller administers the program. In 1986-87, the last year for which the State Controller has data, the state paid claims submitted by 13 counties for 18 homicide trials totaling \$2 million.

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The budget proposes an appropriation of \$2 million from the General Fund to reimburse counties for the state's share of specified costs resulting from homicide trials. This is the same amount budgeted in the current year for this program. Table 1 displays state reimbursement for homicide trial expenses from 1979-80 through 1988-89.

**PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS—Continued**

**Table 1**  
**Payments to Counties for Costs of Homicide Trials**  
**1979-80 through 1988-89**  
**(dollars in thousands)**

	<i>Expense</i>
1979-80 .....	\$1,209
1980-81 .....	1,121
1981-82 .....	1,325
1982-83 .....	1,325
1983-84 .....	728
1984-85 .....	669
1985-86 .....	914
1986-87 .....	2,000
1987-88 (estimated) .....	2,000
1988-89 (proposed) .....	2,000

**Funding Requirements for Budget Year Uncertain.** The funding necessary for state reimbursement for homicide trial expenses in the budget year is uncertain, and could be higher or lower than the amount proposed in the budget.

Two factors suggest that the amount proposed in the budget may not be adequate. First, the State Controller advises that the dollar amount of individual county claims is increasing, because trial costs are rising on the local level. Second, the state's share of homicide trial costs generally has increased as a result of Ch 32/86, which revised provisions related to reimbursement of these costs.

The effect of these factors is demonstrated by current-year state expenditures. The State Controller reports that as of December 9, 1987, \$1.3 million had been either expended or approved for payment in the current year. If counties continue to incur costs for homicide trials at this rate throughout the remainder of the current year, this item would require more than \$2.9 million during 1987-88. This is \$900,000 more than the amount available in the current year.

On the other hand, another factor suggests that the \$2 million proposed in the budget may be greater than the funding needed in 1988-89. Effective January 1, 1989, the current statutory reimbursement formulas expire, and a previous reimbursement schedule is reestablished. That previous schedule generally requires counties to meet a property tax threshold that is twice as high as the current threshold in order to be eligible for state reimbursement. Although it is unclear how many counties would incur costs sufficient to qualify for reimbursement under the previous schedule, it is possible that the state funding necessary for this program would be reduced substantially.

Consequently, we have an insufficient basis for recommending any change in the budgeted amount at this time.

**Homicide Trial Reimbursement Study Recommends Changes to Current State Payment System**

Chapter 1469, Statutes of 1984, required the Office of Planning and Research (OPR) to conduct a study of how the current formulas for the reimbursement of the costs of homicide trials affect trial costs. That study was released in November 1987.

The OPR study concludes that the current reimbursement formulas do not accurately reflect county fiscal conditions, and consequently, result in

inequitable treatment of counties with comparable resources. In addition, the study finds that the existing reimbursement schedules do not promote cost containment.

***Burden on County Finances.*** According to OPR, the current reimbursement formulas place a burden on county finances that is not readily apparent. This additional burden results from use of countywide property tax revenue as the measure to determine county reimbursement. Under existing law, counties may receive state reimbursement for 80 to 100 percent of the costs of homicide trials once the trial costs reach a specified percentage of countywide property tax revenues. The specific percentage threshold which counties must meet before receiving state assistance depends on county population.

However, the OPR study examined property tax revenues in 31 counties, and determined that countywide property tax revenue is not an accurate measure of the revenues available to counties. Specifically, the study found that these counties receive an average of only 33 percent of countywide property tax revenue, primarily because of the way revenues are allocated to various jurisdictions within counties. The OPR recommends that the measure of county revenues be revised to include not only the *county share* of countywide property tax revenue, but also other county discretionary revenues, such as sales tax receipts and bed tax revenues. Because this measure of discretionary revenue is typically lower than the amount of countywide property tax revenues, this change would reduce the amount of homicide trial costs which counties must incur before receiving state assistance, and thereby increase state payment to counties.

***Incentives for Cost Containment.*** As the OPR study points out, the current reimbursement schedule is intended to promote cost containment by requiring counties to pay some percentage of countywide property tax revenues toward the cost of homicide trials before receiving state reimbursement. In practice, however, counties often have little control over the costs of murder trials. The report concludes that these costs are usually determined by the local legal environment and the experience of the attorneys in the case.

The study recommends several methods of containing the costs of homicide trials. One method is for the state to contract for defense services in each county. With this approach, the state would select particular law firms or public defenders to represent defendants. The OPR believes that this method would lower costs because contract attorneys would develop specialized knowledge, and they could avoid some of the time and expense a variety of attorneys would otherwise incur to learn about and participate in homicide trials.

The study also recommends that contract design be revised so as to lower costs. For example, OPR suggests greater use of the fixed price contract now used by Napa County. Under this type of contract, firms receive reimbursement of a set amount, regardless of the number of hours worked or the cost of any specialized services that might be used, such as investigators and expert witnesses.

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## ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS

Item 8190 from the General  
Fund

Budget p. GG 16

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Requested 1988-89.....	\$891,000
Estimated 1987-88.....	1,236,000
Actual 1986-87.....	12,735,000
Requested decrease \$345,000 (-28 percent)	
Total recommended reduction.....	None

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### 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 then conducting 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.

Funds are appropriated in this item to pay claims of up to \$70,000 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 \$35,000. The Department of Finance's approval must be obtained for the payment of any claim between \$35,000 and \$70,000. Claims above \$70,000 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.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

The budget proposes an appropriation of \$891,000 from the General Fund for payment of tort liability claims in 1988-89. This is the same amount *appropriated* by the 1987 Budget Act. Total *expenditures* in 1987-88, however, are expected to be \$1.2 million because Ch 1605/85, Ch 1149/86, and Ch 1475/86 each appropriated amounts from the General and Special Funds for payment under this item.

Table 1 summarizes statewide tort liability claims and related administrative costs in the past, current, and budget years. In addition to the \$891,000 appropriated for claims against General Fund state agencies in this item, \$27.6 million is budgeted for claims against Caltrans in 1988-89. Thus, the total amount proposed in the budget for claims against state agencies is \$28.4 million.

**Table 1**  
**Administration and Payment of Tort Liability Claims**  
**Summary of Statewide Activity**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Actual</i> 1986-87	<i>Est.</i> 1987-88	<i>Prop.</i> 1988-89	<i>Percent Change From 1987-88</i>
<i>Claims Payments</i>				
Department of Justice				
General Fund.....	\$9,124	\$996	\$891	-10.5%
Special funds.....	3,611	240	—	-100.0
Department of Transportation				
(Special funds) .....	11,070	23,056	27,556	19.5
Board of Control				
General Fund.....	—	1,140	—	-100.0
Special funds.....	—	185	—	-100.0
Subtotals, Claims Payments.....	(\$23,805)	(\$25,617)	(\$28,447)	(11.0%)
<i>Staff Services</i>				
Department of Justice				
General Fund.....	\$4,403	\$5,905	\$5,554	-5.9%
Special funds.....	2,996	3,058	3,085	0.9
Board of Control (General Fund) .....	—	127	127	—
Department of Transportation (Special Funds) .....	8,439	8,500	8,915	4.9
Subtotals, Staff Services .....	(\$15,838)	(\$17,590)	(\$17,681)	(0.5%)
<i>Insurance Premiums</i>				
General Fund.....	\$264	\$276	\$290	5.1%
Special funds.....	791	828	869	5.0
Subtotals, Insurance Premiums .....	(\$1,055)	(\$1,104)	(\$1,159)	(5.0%)
Totals, Expenditures .....	\$40,698	\$44,311	\$47,287	6.7%

Table 1 also includes the amounts paid for tort liability insurance premiums. Although the state follows a policy of self insurance, a number of small policies are purchased for various reasons such as to fulfill equipment lease or revenue bonding requirements. The budget estimates that the state will spend \$1.2 million on such policies in 1988-89. This amount is \$55,000, or 5 percent, more than the amount estimated for this purpose in 1987-88. Funds for these premiums are included in the support appropriations of the various state agencies that purchase the insurance.

**COMMISSION FOR ECONOMIC DEVELOPMENT**Item 8200 from the General  
Fund

Budget p. GG 16

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Requested 1988-89 .....	\$571,000
Estimated 1987-88 .....	560,000
Actual 1986-87 .....	606,000
Requested increase (excluding amount for salary increases) \$11,000 (+2.0 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The Commission for Economic Development (CED) was established in 1972 to provide guidance on statewide economic development by: (1) identifying and assessing regional and local economic development problems and making recommendations for solving them; (2) providing a forum for an ongoing dialogue on economic development issues between state government and the private sector; (3) identifying and reporting important secondary effects of regulations and economic development programs; and (4) undertaking special studies at the request of the Governor or the Legislature. The commission is composed of 17 members, including six members of the Legislature, and is chaired by the Lieutenant Governor.

The commission has nine personnel-years in 1987-88.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes total expenditures of \$571,000 (\$568,000 from the General Fund and \$3,000 from reimbursements) to support the commission during 1988-89. This is \$11,000, or 2 percent, more than estimated current year expenditures. The increase reflects a \$3,000 price increase and an additional \$8,000 for salaries and benefits.

Our analysis indicates that the proposed expenditures for the commission are reasonable.

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## CALIFORNIA BICENTENNIAL COMMISSION ON THE U.S. CONSTITUTION

Item 8255 from the General  
Fund

Budget p. GG 18

Requested 1988-89.....	\$115,000
Estimated 1987-88 .....	8,000
Actual 1986-87 .....	80,000
Requested increase (excluding amount for salary increases) \$107,000	
No recommendation .....	115,000

### 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8255-001-001—Support	General	\$50,000
Reimbursements—Private Donations	—	<u>65,000</u>
Total		\$115,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Commission Activities. We recommend that the commission report to the legislative fiscal committees during budget hearings on how it intends to carry out its statutory mission in the budget year. 1141

### GENERAL PROGRAM STATEMENT

The California Bicentennial Commission on the U.S. Constitution was created by Chapter 1501, Statutes of 1984, for the purpose of promoting observances of the bicentennial of the United States Constitution and the Bill of Rights in California. Under current law, the commission will sunset on July 1, 1992.

The commission has five members—three appointed by the Governor, one by the Speaker of the Assembly, and one by the Senate Rules Committee. The Superintendent of Public Instruction and the Chairpersons of the Senate and Assembly Education Committees serve as ex officio members.

The commission has no staff in the current year.

### ANALYSIS AND RECOMMENDATIONS

*Because of the Legislature's concerns about the activities of the commission, and legislative action to delete funding for support of the commission from the 1987 Budget Act, we have no basis for recommending approval of the proposed budget of \$115,000 (\$50,000 General Fund, \$65,000 reimbursements) for the commission in 1988-89. Instead, we recommend that the commission report to the legislative fiscal committees during budget hearings on its plans for carrying out its statutory mission in the budget year.*

The budget proposes an appropriation of \$115,000 (\$50,000 from the General Fund and \$65,000 in reimbursements from private donations) for support of the commission in 1988-89. This is \$107,000 more than the

**CALIFORNIA BICENTENNIAL COMMISSION ON THE U.S. CONSTITUTION—  
Continued**

estimated expenditures in the current year. Although the 1987 Budget Act did not provide any support for the commission, the funds (\$8,000) that will be spent in the current year are the balance of the 1986-87 appropriation.

*No Financial Support for the Commission in the Current Year.* During the 1987-88 budget hearings, the Legislature expressed concerns regarding the activities of the commission and questioned how those activities met the requirements of the law and the intent of the Legislature in establishing the commission. Chapter 1501, Statutes of 1984, established the commission to "develop, propose, coordinate, administer, sponsor, and fund educational projects, events, competitions, and multimedia instructional materials on current and historical topics closely related to the United States Constitution." As a result of the Legislature's concern about the activities of the commission, funds for its support were deleted from the 1987 Budget Act.

*Commission Activities.* The administration's proposal for support of the commission in 1988-89 includes a list of some of the activities the commission sponsored during 1986-87, as well as a list of some of the general goals of the commission in 1988-89.

Examples of the activities that the commission indicates it has sponsored include: a collage image of the Founding Fathers and the Constitution that appears on millions of telephone books; the shipment of a Mariposite rock to Philadelphia for inclusion in a "Fountain of Freedom Wall;" collection of signed facsimile copies of the U.S. Constitution that were to be placed on a float in the 1988 Tournament of Roses parade.

For the budget year, the proposal for support of the commission lists general goals of the commission such as: "catalyzing and facilitating the participation of local communities . . . to the greatest extent possible" and "disseminating information about the importance of our Constitution and Bill of Rights." In addition, it identifies several specific plans for 1988-89. These activities include granting official recognition as "Designated Bicentennial Communities" and "Designated Bicentennial Campuses" to qualified cities, counties, and universities and colleges. The commission, however, does not appear to have any plans for an educational commemoration of the 200th anniversary of the ratification of the Bill of Rights—the last "major" event left in the series of historical events relating to the bicentennial of the Constitution and the Bill of Rights.

Because of the Legislature's concerns about the activities of the Bicentennial Commission on the U.S. Constitution, and its actions to delete all funding for the commission from the 1987 Budget Act, we have no basis on which to recommend approval of the commission's budget for 1988-89. Instead, we recommend that the commission report to the legislative fiscal committees during budget hearings on how it intends to carry out its statutory mission in the budget year.

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**CALIFORNIA ARTS COUNCIL**

Item 8260 from the General  
Fund and various funds

Budget p. GG 19

Requested 1988-89 .....	\$15,682,000
Estimated 1987-88 .....	14,560,000
Actual 1986-87 .....	13,509,000
Requested increase (excluding amount for salary increases) \$1,122,000 (+7.7 percent)	
Total recommended reduction.....	None

**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8260-001-001-Support	General	\$2,831,000
8260-001-890-Support	Federal Trust	265,000
8260-101-001-Local assistance	General	11,000,000
8260-101-890-Local assistance	Federal Trust	631,000
8260-111-001-Local assistance	General	930,000
Total, Budget Bill Appropriations		\$15,657,000
Foundation Grant	Special Deposit	25,000
Total, All Funds		\$15,682,000

**GENERAL PROGRAM STATEMENT**

The California Arts Council's enabling legislation directs it to: (1) encourage artistic awareness and expression, (2) assist local groups in the development of arts programs, (3) promote the employment of artists in both the public and private sectors, (4) provide for the exhibition of artworks in public buildings, and (5) ensure the fullest expression of artistic potential. In carrying out this mandate, the Arts Council has focused its efforts on the development of grant programs to support artists and organizations in various disciplines.

The council has 52 personnel-years during 1987-88.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes total expenditures of \$15.7 million from the General Fund, Federal Trust Fund, and the Special Deposit Fund for the California Arts Council in 1988-89. This is \$1.1 million, or 7.7 percent, more than estimated total expenditures in 1987-88.

The proposed General Fund appropriations for 1988-89 total \$14.8 million. This represents an increase of \$1.1 million, or 8.2 percent, above estimated General Fund expenditures in the current year. In addition, the council is requesting a Special Deposit Fund augmentation of \$25,000. This amount is the first portion of a three-year grant of \$75,000 which was awarded by the Skaggs Foundation to the state to initiate a new traditional folk arts program which is discussed in more detail below.

The budget increase includes \$50,000 for additional temporary help and \$126,000 for costs of relocating the council headquarters to a larger facility. In addition, the council proposes increases and redirections to establish the California Challenge Program.

**CALIFORNIA ARTS COUNCIL—Continued**

Table 1 summarizes the council's expenditures by funding source for the past, current, and budget years.

**Table 1**  
**California Arts Council**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Change</i>
	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>from</i>
				<i>1987-88</i>
<i>Program Expenditures</i>				
Artists in residence .....	\$2,270	\$2,672	\$2,787	4.3%
Grant expenditures .....	(1,708)	(2,093)	(2,069)	-1.1
Administrative costs .....	(562)	(579)	(718)	24.0
Organizational grants .....	7,767	8,293	8,362	0.8
Grant expenditures .....	(6,723)	(7,254)	(7,139)	-1.6
Administrative costs .....	(1,044)	(1,039)	(1,223)	17.7
Performing arts touring/presenting .....	1,127	1,120	1,115	-0.4
Grant expenditures .....	(780)	(767)	(727)	-5.2
Administrative costs .....	(347)	(353)	(388)	9.9
Statewide projects .....	2,345	2,475	2,418	-2.3
Grant expenditures .....	(1,689)	(1,705)	(1,696)	-0.5
Administrative costs .....	(656)	(770)	(722)	-6.2
California challenge .....	—	—	1,000	<sup>a</sup>
Grant expenditures .....	—	—	(930)	<sup>a</sup>
Administrative costs .....	—	—	(70)	<sup>a</sup>
Central administration (distributed) .....	(1,513)	(1,427)	(1,454)	1.9
Totals, Expenditures .....	\$13,509	\$14,560	\$15,682	7.7%
Grant expenditures .....	(10,900)	(11,819)	(12,561)	6.3%
Administrative costs .....	(2,609)	(2,741)	(3,121)	13.9%
<i>Funding Sources</i>				
General Fund .....	\$12,511	\$13,637	\$14,761	8.2%
Federal Trust Fund .....	937	923	896	-2.9
Special Deposit Fund (Skaggs Foundation				
Grant) .....	—	—	25	<sup>a</sup>
Reimbursements .....	61	—	—	—

<sup>a</sup> Not a meaningful figure.

**California Challenge Program.** The budget proposes \$1 million from the General Fund to establish the California Challenge Program, which is designed to increase private sector support of the arts. This request includes \$930,000 in local assistance to match new and increased private funding for arts organizations, and \$70,000 for an associate arts grants administrator to direct the program.

There are two categories of nonprofit arts organizations which would be eligible for this program. First, organizations with budgets ranging from \$200,000 to \$1 million in 1986-87 could receive \$1 in state funds for every \$2 the organization raises from private sources. The awards in this category would range from \$15,000 to \$25,000. Second, organizations with budgets over \$1 million in 1986-87 could receive \$1 in state funds for every \$3 the organization raises from private sources. The awards would range from \$20,000 to \$75,000.

The council indicates that the program is designed for arts organizations with a demonstrated record of private fundraising and adequate personnel resources to participate in this program. Accordingly, the council limited the program to those organizations with budgets of \$200,000 or more. The council estimates that about 200 organizations would be eligible to apply.

**Traditional Folk Arts Program.** The council requests \$107,000 to establish the Traditional Folk Arts Program. Of this amount, \$25,000 is from a Special Deposit Fund (Skaggs Foundation grant) and \$82,000 is from a redirection of federal funds. This proposal includes \$74,000 for a folk arts specialist to administer the program, and \$33,000 for services to arts organizations, such as site visits, publications, conferences, and technical assistance. The council advises that the objective of this program is to sustain and encourage the state's diverse folk traditions by increasing public understanding of folk arts and by increasing opportunities for folk artists.

The council proposes three approaches to meet these objectives. First, grants would be awarded to individuals for an intensive learning experience through apprenticeships with master artists. Grants would also be awarded under a state-local partnership pilot program to increase folk arts participation at the local level. Second, services such as technical assistance, site visits, publications assistance, and conferences would be provided to organizations and artists. Finally, an ongoing survey would be conducted to identify and document traditional folk artists.

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### NATIVE AMERICAN HERITAGE COMMISSION

Item 8280 from the General  
Fund

Budget p. GG 28

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Requested 1988-89.....	\$307,000
Estimated 1987-88 .....	283,000
Actual 1986-87 .....	298,000
Requested increase (excluding amount for salary increases) \$24,000 (+8.5 percent)	
Total recommended reduction.....	None

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### GENERAL PROGRAM STATEMENT

The nine-member Native American Heritage Commission (NAHC) is responsible for identifying, cataloging and preserving places of special religious or social significance to Native Americans, in order to ensure the expression of Native American religion. In addition, the commission is

**NATIVE AMERICAN HERITAGE COMMISSION—Continued**

authorized to mediate disagreements between Native Americans and landowners, developers, or public agencies in order to mitigate any adverse impact to sacred sites.

The commission has five personnel-years in the current year. Support services are provided to the commission by the Department of General Services.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes total expenditures of \$307,000 for support of the commission in 1988-89. This is \$24,000, or 8.5 percent, above estimated expenditures in 1987-88.

The \$24,000 increase reflects (1) a \$6,000 increase to provide for salary and benefit increases and (2) an \$18,000 increase in various operating expenses and equipment categories.

Our analysis indicates that the proposed expenditures for the board appear to be warranted.

**AGRICULTURAL LABOR RELATIONS BOARD**

Item 8300 from the General  
Fund

Budget p. GG 29

Requested 1988-89 .....	\$7,098,000
Estimated 1987-88 .....	6,739,000
Actual 1986-87 .....	6,900,000
Requested increase (excluding amount for salary increases) \$359,000 (+5.3 percent)	
Total recommended reduction.....	None
Recommendation pending .....	150,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. *Makewhole Remedy Review.* Withhold recommendation on \$150,000 proposed for review of makewhole remedy cases until the number of cases to be reviewed is known. 1150

**GENERAL PROGRAM STATEMENT**

The Agricultural Labor Relations Board (ALRB) protects the rights of agricultural workers to join employee unions, bargain collectively with their employers, and engage in concerted activities through labor

organizations of their own choosing. To fulfill its mission, the ALRB conducts and certifies elections for representation. In addition, it investigates informal charges, litigates formal complaints, and issues decisions requiring the remedy of unfair labor practices.

In order to accomplish its work, the agency is split into two divisions: (1) the General Counsel, whose employees run elections, investigate charges of unfair labor practices and seek remedies for unfair practices either through negotiation of settlements or the prosecution of formal complaints; and (2) the board, which certifies elections and sits as an adjudicatory body for those charges of unfair practice prosecuted by the General Counsel.

Current-year staffing for the ALRB is 104 personnel-years.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$7,098,000 from the General Fund for support of the ALRB in 1988-89. This is an increase of \$359,000 or 5.3 percent, above estimated current-year expenditures. The increase is due primarily to workload demands associated with (1) a recent decision by the California Third District Court of Appeal relating to makewhole remedies (\$150,000) and (2) a growing backlog of cases in the Salinas regional office (\$125,000).

Table 1 shows personnel-years and expenditures for the board in the past, current and budget years, by program. The budget proposes an increase of 2.5 personnel-years for the agency in 1988-89 over the level authorized in 1987-88.

**Table 1**  
**Agricultural Labor Relations Board**  
**Program Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Change from 1987-88</i>
	<i>Actual 1986-87</i>	<i>Est. 1987-88</i>	<i>Prop. 1988-89</i>	<i>Actual 1986-87</i>	<i>Est. 1987-88</i>	<i>Prop. 1988-89</i>	
Board Administration .....	43.4	40.4	39.2	\$3,188	\$3,148	\$3,207	1.9%
General Counsel .....	58.1	52.4	56.1	3,712	3,591	3,891	8.4
Administrative Services (distributed) .....	12.0	11.2	11.2	(612)	(656)	(627)	-4.4
Reimbursements .....	—	—	—	-2	—	—	—
Totals .....	113.5	104.0	106.5	\$6,898	\$6,739	\$7,098	5.3%

Table 2 explains the changes in the board's expenditures between the current and budget years. The table shows that growth in workload accounts for almost 77 percent of the increase. The projected workload increases are due to (1) a backlog in the General Counsel's Salinas regional office that the budget proposes to reduce during 1988-89 and (2) a court decision requiring review of makewhole remedy cases.

**AGRICULTURAL LABOR RELATIONS BOARD—Continued**

**Table 2**  
**Agricultural Labor Relations Board**  
**Department Support**  
**Proposed 1988-89 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>
1987-88 Expenditures (Revised) .....	\$6,739
<i>Baseline Adjustments</i>	
Employee compensation.....	53
Operating expenses .....	31
Subtotal, Baseline Adjustments.....	(\$84)
<i>Workload Changes</i>	
Backlog in ULP charges (Salinas) .....	125
Contract for review of Board decisions ( <i>Dal Porto</i> ).....	150
Subtotal, Workload Changes.....	(275)
1988-89 Expenditures (Proposed) .....	\$7,098
Change from 1987-88	
Amount.....	\$359
Percent .....	5.3%

**ANALYSIS AND RECOMMENDATIONS****Status of ALRB Workload**

The ALRB has three general types of workload: (1) elections, (2) unfair labor practices (ULPs), and (3) compliance. Table 3 summarizes the resources proposed for each of these components in 1988-89. Below, we briefly summarize the current status of the ALRB's workload.

**Table 3**  
**Agricultural Labor Relations Board**  
**Personnel-Years and Cost By Activity**  
**1988-89**  
**(dollars in thousands)**

	<i>Elections</i>		<i>ULPS</i>		<i>Compliance</i>		<i>Total</i>	
	<i>Personnel-Years</i>	<i>Cost</i>	<i>Personnel-Years</i>	<i>Cost</i>	<i>Personnel-Years</i>	<i>Cost</i>	<i>Personnel-Years</i>	<i>Cost</i>
Board .....	8.9	\$641	30.4	\$2,181	5.4	\$385	44.7	\$3,207
General Counsel.....	4.1	258	37.1	2,266	20.6	1,367	61.8	3,891
Totals.....	13.0	\$899	67.5	\$4,447	26.0	\$1,752	106.5	\$7,098

**Elections.** Both the General Counsel and the board have responsibilities related to union representation elections. The General Counsel's regional office staff determine if an election petition meets the legal requirements necessary for an election to be held, and—if so—holds the election. In 1986-87, 31 election petitions were reviewed and 14 elections were held, the results of which were:

- 5 votes for no union representation,
- 3 votes for union representation,
- 5 elections undecided, and
- 1 election set aside.

In the first six months of 1987-88, 24 election petitions have been reviewed and 17 elections have been held.

The staff of the board is generally responsible for resolving election disputes and providing legal advice. The board's staff received formal objections to seven of the 14 elections conducted in 1986-87. Of these seven objections, four were dismissed upon administrative review by board staff, and three resulted in hearings before ALRB hearing officers.

**Unfair Labor Practices (ULPs).** Typically, a ULP case involves a charge made by an agricultural worker who alleges a personal loss of wages because farm management failed to bargain in good faith or took some form of punitive action, such as dismissal or demotion, due to his or her involvement in labor-related activities.

Table 4 provides summary information on ULP charge processing by the General Counsel. It indicates that the inventory of charges has dropped significantly in the last three years—from a high of 981 in 1984-85 to 256 at the start of the current year. The decrease is due primarily to a reduction in incoming ULP charges.

Table 4 also shows that the total number of charges disposed of dropped significantly in 1986-87 from prior year levels and is expected to be even lower in the current year. The reduction in disposition of charges is due to three factors. First, the agency's staff was reduced by 25 percent in 1986-87, with a commensurate impact on output. Second, the agency has had to divert some staff from processing the existing ULP inventory to compliance cases. Finally, the current workload consists of a greater proportion of "difficult" charges remaining after "easier" charges have been disposed—primarily through dismissals. These difficult charges cannot be disposed of through dismissal and, therefore, take more time to address.

**Table 4**  
**Agricultural Labor Relations Board**  
**Unfair Labor Practices Charges**  
**1988-89**  
**1979 through 1987-88**

	<i>Beginning Inventory</i>	<i>New Charges</i>	<i>Charges Disposed</i>				<i>Total Charges Disposed</i>
			<i>Withdrawn</i>	<i>Dismissed</i>	<i>Settled</i>	<i>To Complaint</i>	
1979-80 .....	289	1,302	279	260	16	438	193
1980-81 .....	598	938	160	411	6	426	1,003
1981-82 .....	533	930	195	492	12	366	1,065
1982-83 .....	398	1,218	164	393	33	192	782
1983-84 .....	834	882	87	410	76	162	735
1984-85 .....	981	732	58	680	59	136	933
1985-86 .....	780	452	70	720	60	86	936
1986-87 .....	296	264	22	206	30	46	304
1987-88 (est) .	256	300 <sup>a</sup>	58 <sup>a</sup>	120 <sup>a</sup>	32 <sup>a</sup>	66 <sup>a</sup>	276 <sup>a</sup>

<sup>a</sup> Estimates, based on six months of actual data.

**AGRICULTURAL LABOR RELATIONS BOARD—Continued**

**Compliance.** Compliance is the process of enforcing final orders of the board and the courts in unfair labor practice cases. Through compliance efforts, agricultural workers are reinstated to lost jobs and receive backpay to which they are entitled. In the 11 years of the ALRB's operations, 110 compliance cases have been completely closed. Another 43 cases are almost closed. Typically in these cases, most staff work and all litigation has been completed, but certain workers cannot be located or paid, final notices must be read, or some other problem exists. The ALRB staff is currently working on 52 active compliance cases to determine the amounts payable and to settle or litigate fiscal issues. The agency has identified 25 additional cases that it expects to become active compliance cases in the future.

**Resources Necessary for Makewhole Remedy Reviews in Question**

*We withhold recommendation on \$150,000 proposed for review of makewhole remedy award cases until the time for requesting review has expired.*

The budget proposes \$150,000 to contract for legal services to review 19 "makewhole" remedies prescribed in the past by the board. Makewhole remedies involve situations where workers are reimbursed for the higher wages they would have received had the employer not committed a violation of the Agricultural Labor Relations Act by failing to bargain in good faith. These reviews are necessary because a recent California Court of Appeals decision (*William Dal Porto and Sons v. Agricultural Labor Relations Board*) requires the ALRB to review cases involving makewhole remedy awards. The *Dal Porto* case requires the board to determine, prior to awarding a makewhole remedy, whether a collective bargaining agreement would have been signed in the absence of the employer's bad faith refusal to bargain. Prior to the court decision, the board awarded makewhole remedies without making this determination.

The board sent notices to employers affected by the *Dal Porto* decision informing them of their right to review. Of the 19 employers potentially affected by the case, seven have informed the board of their desire for review of their cases.

At the time this analysis was written the deadline for responding to the notice had just passed. Consequently, we have not had time to determine the extent to which this workload can be absorbed within existing agency resources. Therefore, we withhold recommendation on the requested increase in consulting funds until we can make such a determination.

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**PUBLIC EMPLOYMENT RELATIONS BOARD**Item 8320 from the General  
Fund

Budget p. CG 34

Requested 1988-89.....	\$6,148,000
Estimated 1987-88 .....	6,207,000
Actual 1986-87 .....	5,803,000
Requested decrease (excluding amount for salary increases) \$59,000 (-1.0 percent)	
Total recommended reduction.....	None

**GENERAL PROGRAM STATEMENT**

The Public Employment Relations Board guarantees to public education and state 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 state laws: (1) the Education Employment Relations Act (EERA), which affects public education employees (K through 14), (2) State Employer-Employee Relations Act (SEERA), which affects state civil service employees, and (3) the Higher Education Employer-Employee Relations Act (HEERA), which affects University of California and California State University employees.

The board has 95.3 personnel-years in 1987-88.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes an appropriation of \$6,148,000 from the General Fund for support of the Public Employment Relations Board (PERB) in 1988-89. This is a decrease of \$59,000, or 1 percent, below estimated current-year expenditures. 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**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change from 1987-88
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1986-87	1987-88	1988-89	1986-87	1987-88	1988-89	
Dispute Resolution .....	52.9	53.8	53.8	\$4,791	\$5,028	\$5,003	-0.5%
Representation Determination ...	11.2	12.6	12.6	1,012	1,179	1,145	-2.9
Administration (Distributed) .....	24.9	28.9	28.9	(1,140)	(1,287)	(1,296)	.7
Totals .....	89.0	95.3	95.3	\$5,803	\$6,207	\$6,148	-1.0%

Table 2 shows changes in the board's expenditures between 1987-88 and 1988-89. The table shows that reductions totaling \$201,000 were made to account for one-time, current-year expenses for a research project, the coding of collective bargaining agreements, and the development of an

**PUBLIC EMPLOYMENT RELATIONS BOARD—Continued**

automated legal research system. These reductions were partially offset by an increase of \$142,000 for personal services and price increases, and increased facilities operations costs.

**Table 2**  
**Public Employment Relations Board**  
**Proposed 1988-89 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>
1987-88 Expenditures (Revised) .....	\$6,207
<i>Baseline Adjustments</i>	
Salary and benefit increases .....	94
Allocation for price increases .....	30
Increased rent for Los Angeles Regional office .....	18
Subtotals, Baseline Adjustments .....	(142)
<i>Workload Changes</i>	
Reduction in one-time coding of collective bargaining agreements .....	-41
Reduction in one-time automated legal research project .....	-100
Reduction in one-time research .....	-60
Subtotals, Workload Changes .....	(201)
1988-89 Expenditures (Proposed) .....	\$6,148
Change from 1987-88:	
Amount .....	-59
Percent .....	-1.0%

***We recommend approval.***

The funding proposed for the PERB's ongoing programs should allow the board to carry out its statutory responsibilities in 1988-89.

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**DEPARTMENT OF INDUSTRIAL RELATIONS**

Item 8350 from the General  
Fund and various funds

Budget p. GG 37

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Requested 1988-89 .....	\$119,528,000
Estimated 1987-88 .....	117,241,000
Actual 1986-87 .....	130,675,000
Requested increase (excluding amount for salary increases) \$2,287,000 (+2 percent)	
Total recommended increase .....	134,000

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**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8350-001-001—Departmental Support	General	\$90,171,000
8350-001-023—Regulation of farm labor contractors	General, Farm Labor Contractors' Special Account	50,000
8350-001-216—Enforcement of laws relating to the licensing of contractors	Industrial Relations Construction Industry Enforcement	557,000
8350-001-396—Regulation of self-insurance plans for workers' compensation	Self-Insurance Plans	1,474,000
8350-001-452—Elevator inspections	General, Elevator Safety Inspection Account	2,574,000
8350-001-453—Pressure vessel inspections	General, Pressure Vessel Inspection Account	3,030,000
8350-001-571—Workers' compensation benefits for employees of uninsured employers	Uninsured Employers', Employees' Account	1,505,000
8350-001-572—Workers' compensation benefits for asbestos workers	Uninsured Employers', Asbestos Workers' Account	313,000
Less transfer from the General Fund		-13,400,000
8350-001-890—Departmental support	Federal Trust	4,493,000
8350-001-973—Worker health and safety (school asbestos projects)	Asbestos Abatement	100,000
8350-011-001—Workers' compensation benefits for employees of uninsured employers	General	13,400,000
Labor Code Section 96.6	Unpaid Wage	60,000
Reimbursements	—	1,801,000
Total		\$119,528,000

Analysis  
page

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

1. Cal-OSHA Consultation Service. Recommend that the department develop and present to the Legislature prior to budget hearings a workplan for the Cal-OSHA Consultation Services program. 1159
2. *Radiation Health Unit. Increase reimbursements by \$346,000. Increase Item 8350-001-001 (1).* Recommend rejection of administration's proposal to transfer the Radiation Health Unit to the Department of Health Services because the proposal is premature. 1160
3. *Occupational Safety and Health Appeals and Standards Boards. Reduce Item 8350-001-001 (d) by \$212,000.* Recommend a reduction of \$212,000 and four positions to reflect current workload. 1161
4. Division of Labor Standards Enforcement. Recommend that the department report to the Legislature prior to budget hearings on the status of, and cost and revenue detail for, the garment industry enforcement program. 1162

**GENERAL PROGRAM STATEMENT**

Existing law states that the purpose of the Department of Industrial Relations (DIR) 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." The DIR has three main programs:

- **Adjudication of Workers' Compensation Disputes.** This program, administered by the Division of Industrial Accidents (DIA) and the Workers' Compensation Appeals Board (WCAB), adjudicates dis-

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

puted claims for compensating workers who suffer industrial injury in the course of their employment, approves rehabilitation plans for disabled workers, and administers the Uninsured Employers' Fund (UEF).

- ***Prevention of Industrial Injuries and Deaths.*** The Division of Occupational Safety and Health (DOSH) enforces all laws and regulations concerning the safety of public workplaces, and inspects elevators, escalators, aerial trams, radiation equipment and pressure vessels.
- ***Enforcement of Laws Relating to Wages, Hours and Working Conditions.*** This program, administered by the Division of Labor Standards and Enforcement (DLSE), 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.

In addition, the DIR: (1) regulates self-insured workers' compensation plans, (2) provides workers' compensation payments to uninsured and special categories of employees, (3) offers conciliation services in labor disputes, and (4) promotes apprenticeship programs.

The DIR has 1,860.5 personnel-years in 1987-88.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$119 million for support of the DIR in 1988-89. This is \$3 million, or 2 percent, above current-year expenditures. The General Fund portion of the request is \$103.6 million, which is an increase of \$1.3 million, or 1.3 percent, over estimated current-year expenditures.

Table 1 shows the department's expenditures, by program, for the prior, current and budget years.

**Current-Year Deficiency**

The department's current-year expenditures include proposed allocations of \$6.6 million from the General Fund reserve for contingencies and emergencies for costs associated with (1) the transition of the private sector Cal-OSHA enforcement program and (2) the payment of claims under the Uninsured Employers' Fund (UEF).

***Cal-OSHA.*** The DIR incurred a \$2.5 million deficiency in the current year for costs associated with close-out of the private sector enforcement program. Specifically, the department (1) overestimated federal support for the program during the transition period and (2) could not complete personnel lay-offs within the transition period.

***Uninsured Employers' Fund.*** The UEF pays workers' compensation claims benefits to injured workers whose employers are illegally uninsured for workers' compensation liability. The UEF is funded from (1) an annual General Fund appropriation and (2) recoveries of benefit payments from illegally uninsured employers. Only a small percentage of the actual claims cost is ever recovered. In the last four years, the UEF has suffered a deficiency because of rising costs associated with workers' compensation. The current-year deficiency totals \$4.1 million.

**Table 1**  
**Department of Industrial Relations**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program	Actual 1986-87	Estimated 1987-88	Proposed 1988-89	Change From 1987-88	
				Amount	Percent
Regulation of workers' compensation self-insurance plans .....	\$1,483	\$1,694	\$1,734	\$40	2.4%
Conciliation of labor disputes .....	1,841	1,896	1,939	43	2.3
Adjudication of workers' compensation disputes .....	45,961	45,866	49,352	3,486	7.6
Prevention of industrial injuries and deaths .....	41,579	24,101	20,746	-3,355	-13.9
Enforcement of laws relating to wages, hours and working conditions ...	21,372	21,437	22,657	1,220	5.7
Apprenticeship and other on-the-job training .....	5,162	5,267	5,541	274	5.2
Labor force research and data dissemination .....	2,880	2,635	2,779	144	5.5
Payment of wages, claims and contingencies .....	10,397	14,345	14,780	435	3.0
Administrative support services (distributed) .....	(10,267)	(10,622)	(11,181)	(559)	(5.3)
Totals, Expenditures .....	\$130,675	\$117,241	\$119,528	\$2,287	2.0%
Funding Sources:					
General Fund .....	\$102,589	\$102,261	\$103,571	\$1,310	1.3%
Farm Labor Contractors' Account .....	42	50	50	—	—
Industrial Relations Construction					
Industry Enforcement Fund .....	563	628	557	-71	-11.3
Self-Insurance Plans Fund .....	1,278	1,445	1,474	29	2.0
Elevator Safety Inspection Account .....	2,188	2,521	2,574	53	2.1
Pressure Vessel Inspection Account .....	2,671	2,955	3,030	75	2.5
Asbestos Abatement Fund .....	100	100	100	—	—
Uninsured Employers' Fund, Employees' Account .....	1,874	1,044	1,505	461	44.2
Asbestos Workers' Account .....	268	310	313	3	1.0
Federal Trust Fund .....	17,269	3,842	4,493	651	16.9
Unpaid Wage Fund .....	—	60	60	—	—
Reimbursements .....	1,833	2,025	1,801	-224	-11.1

### Budget-Year Changes

Table 2 summarizes the components of the \$2.3 million increase in the department's budget request for 1988-89. As Table 2 shows, the request includes (1) a net decrease of \$422,000 in the department's baseline, (2) \$1.1 million in new staffing to deal with increased workload, and (3) new program proposals totaling \$1.6 million. Specifically, major increases include:

- An augmentation to the General Fund baseline support for the Uninsured Employers' Fund (\$4.1 million);
- Employee compensation and cost-of-living increases totalling \$1.5 million;
- Funds for office automation (\$1.8 million); and
- A one-time increase of \$1 million to reduce the level of salary savings that the DIR must meet in 1988-89.

Major decreases that partially offset the proposed budget increase include reductions to account for (1) one-time, current-year expendi-

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

tures for deficiencies (\$6.6 million), (2) the one-time costs in the current year associated with the transfer of Cal-OSHA to federal administration (\$1 million), and (3) the proposed transfer of the Radiation Health Unit from the Division of Occupational Safety and Health to the Department of Health Services (\$346,000).

**Table 2**  
**Department of Industrial Relations**  
**Proposed 1988-89 Budget Changes**  
**(dollars in thousands)**

1987-88 Expenditures (Budget Act) .....	\$122,645
Adjustments, 1987-88:	
Deficiencies	
Cal-OSHA transition .....	2,512
Uninsured Employers' Fund (UEF) .....	4,100
Subtotal, deficiency adjustments .....	(\$6,612)
Other Adjustments	
Reduction in estimated UEF revenue .....	-9,317
Cal-OSHA federal contract reduction .....	-2,530
Retirement contribution reduction .....	-189
Chapter 1571/84 .....	20
Subtotal, other adjustments .....	(-\$12,016)
1987-88 Expenditures (Revised) .....	\$117,241
Baseline Adjustments:	
Increase UEF General Fund support .....	4,083
Salary increase adjustment .....	1,547
Reduction in salary savings requirement .....	1,000
Increase for operating expense and equipment .....	551
One-time deficiency appropriations .....	-6,612
Cal-OSHA transition costs .....	-1,041
Miscellaneous baseline adjustments .....	50
Subtotal, baseline adjustments .....	(-\$422)
Workload Changes:	
Wage and hour violations .....	470
New regional offices for Division of Industrial Accidents (DIA) .....	134
Cal-OSHA standards and appeals board support .....	126
Legal defense for workers' compensation funds .....	107
Audits of internal operations .....	80
Public works apprenticeship violations .....	77
Prevailing wage surveys .....	51
Pressure vessel inspections—billings .....	26
Subtotal, workload changes .....	(\$1,071)
Program Changes:	
Phase-in of office automation in DIA .....	1,275
Implementing other automation projects .....	518
New training for DIA district offices .....	111
Increase in reimbursements .....	80
Transfer radiation health program to DHS .....	-346
Subtotal, program changes .....	(\$1,638)
1988-89 Expenditures (Proposed) .....	\$119,528
Change from 1987-88 Expenditures (Revised)	
Amount .....	\$2,287
Percent .....	2.0%

## ANALYSIS AND RECOMMENDATIONS

### Status of the Cal-OSHA Transfer

Under the federal Occupational Safety and Health Act of 1970, programs aimed at ensuring worker safety and health on the job must be provided in all states. The program may be operated either by the federal government or by the state with federal approval. The federal government provides financial assistance for state-run programs. California has operated its own program—referred to as Cal-OSHA—since 1973. In the past, the Cal-OSHA program consisted of (1) private and public sector enforcement of state standards and regulations, (2) specialized enforcement programs for specific occupational and public hazards, (3) consultation to assist employers in complying with occupational health and safety laws, (4) boards to establish standards and hear appeals of citations, and (5) various support functions.

Beginning in the current-year, the Governor abolished the private sector enforcement component of the Cal-OSHA program by transferring responsibility to the federal government and vetoing all positions and funds budgeted for the private sector program. Specifically, the Governor's action resulted in: (1) the transfer of responsibility of inspecting privately-owned and operated businesses to the federal government; (2) the maintenance of a state-operated public sector program focusing on the health and safety of state and local government workplaces; and (3) an expanded consultation and education services program available to public and private employers.

**Final Disposition of Cal-OSHA Still Undecided.** Several parties have challenged the transfer of the private sector field compliance program. In a case currently pending before the California Supreme Court, *Ixta v. Rinaldi*, an appeals court ruled that the director of the DIR is required by statute to operate a program for the safety and health of workers in private sector places of employment. The administration has appealed the lower court ruling and the Supreme Court has agreed to review the appeals court decision. At the time this analysis was written, however, no date had been set for oral arguments.

### The 1987-88 Cal-OSHA Program

The current Cal-OSHA program within DOSH consists of field enforcement for public sector workplaces, specialized regulation and inspection programs, staffing for standards development and appeals of citations, and an expanded consultation services and education program aimed at helping public and private employers comply with federal and state OSHA standards.

Table 3 compares the Cal-OSHA program approved by the Legislature in the 1987 Budget Bill with the program as reduced through veto action and implemented by the Governor during the current-year. As the table shows, the program approved by the Legislature targeted 60 percent of program resources to field enforcement. In transferring the private sector program to the federal government, the Governor reduced field enforcement by approximately 277 personnel-years, or 82 percent. The remaining field enforcement staffing is dedicated to public sector compliance inspections.

Table 3 also indicates that the administration has increased staffing for the Consultation Service by approximately 27 percent. The Consultation Service is now the single largest unit within the overall program.

## DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Table 3

**Department of Industrial Relations  
California Occupational Safety and Health Program  
Comparison of Legislature's and Governor's Programs  
(dollars in thousands)**

Program Area	Program Approved by Legislature		Program Approved by Governor		Difference	
	Personnel	Amount	Personnel	Amount	Personnel	Amount
DOSH.....						
Field Enforcement .....	364.1	\$21,800	87.4	\$3,934	-276.7	-\$17,866
Mineral Industries .....	19.7	1,260	3.7	236	-16	-1,024
Elevators .....	55.4	3,212	59.2	3,507	3.8	295
Radiation Health .....	7.5	449	7.5	449	—	—
Pressure Vessels .....	54.5	3,169	58.3	3,366	3.8	197
Temporary Help .....	3.6	53	3.6	53	—	—
Appeals Board .....	25.1	1,972	7.3	651	-17.8	-1,321
Standards Board .....	21.2	1,332	7.1	457	-14.1	-875
Consultation Serv .....	52.0	3,308	66.1	4,095	14.1	787
Program Office .....	4.7	267	5.6	239	0.9	-28
Subtotals .....	(607.8)	(\$36,822)	(305.8)	(\$16,987)	(-302.0)	-\$19,835
Division of Labor Standards Enforcement Anti-Discrimi- nation Unit .....	7.5	\$388	2.8	\$143	-4.7	-\$245
Division of Labor Statistics and Research Safety Database .....	11.3	471	6.6	306	-4.7	-165
Administration .....	27.2	1,280	10.3	481	-16.9	-799
Totals .....	653.8	\$38,961	325.5	\$17,917	-328.3	-\$21,044

\* Legislative Analyst estimate of total program costs based on salaries for Cal-OSHA positions. Estimates vary from budget detail.

**Federal Private Sector Enforcement**

According to federal regional administrators of the federal OSHA program, 207 inspectors and support personnel will be hired for the private sector enforcement program in California during 1987-88. Proposed expenditures total approximately \$15 million for federal fiscal year 1988. Since assuming responsibility, however, the federal program has hired only 50 percent of the proposed staff. According to federal program administrators, the delay of the federal program in reaching full staffing is based on three factors. First, the average federal wage for technical positions is significantly less than the average state wage for comparable positions. Second, the cost of housing in California reduces the incentive for health and safety inspectors to relocate from other regions of the country. Third, uncertainty concerning whether field enforcement will remain a federal program or be returned to state administration has made it difficult for the federal program to recruit personnel.

Even if the federal program is able to hire and retain the number of staff proposed for private sector enforcement in California, it is likely, that under federal administration, the field compliance program will differ significantly from the state's former field compliance program. This

is because federal OSHA emphasizes different aspects of regulatory enforcement. Some specific differences between the federal and state programs are listed below.

- **Responses to Complaints.** Federal law requires on-site inspections only in response to formal written complaints, while the state field enforcement program also responded to complaints taken over the telephone.
- **Hours Per Inspection.** Federal OSHA staff take much longer than Cal-OSHA staff to complete inspections in which there is a compliance problem. Consequently, federal inspectors do not complete as many inspections as California inspectors do.
- **Targeted Inspections.** Federal OSHA staff place major emphasis on making scheduled visits to worksites that they suspect may have safety or health problems; in contrast, California inspectors spent most of their time responding to complaints.
- **Maximum Penalties.** California's maximum penalties for serious violations (\$2,000) and for repeated serious or willful violations (\$20,000) are higher than the corresponding \$1,000 and \$10,000 federal maximums.
- **Yellow Tags.** Cal-OSHA staff issued orders called "yellow tags" to immediately prohibit the use of equipment or workplaces that pose imminent hazards. Federal OSHA staff must seek a court injunction in these instances.

(For greater detail on differences between the federal and state compliance programs, please see *Analysis of the 1987-88 Budget Bill*, pp. 1315-1317.)

#### **Expanded Consultation Service Program.**

*We recommend that the department develop and present to the Legislature prior to budget hearings, a workplan for the Cal-OSHA consultation program.*

In the past, the Consultation Service has been supported by a grant from the federal government that paid for 90 percent of private sector program costs. The General Fund supported the remaining 10 percent of private sector costs, and 100 percent of public sector consultation costs. Program expenditures in 1986-87 totaled \$3.5 million (\$2.8 million in federal funds and \$657,000 in General Fund) supporting 49 personnel-years. Of this staff, the General Fund provided 100 percent funding for approximately five personnel-years dedicated to public sector consultation.

In the current year, the department has expanded the program by "over-matching" the federal grant. The General Fund overmatch of \$1.7 million supports 27 additional personnel-years for consultation to both public and private sector employers. The administration expanded the program to address an increase in private sector consultation requests that it assumed would result from the transfer of the private sector field compliance program to federal administration.

Our review of the current-year budget for the consultation program has identified two major problems with the administration's enhanced program. First, actual data for the first half of the current year suggests that the increase in workload which the administration assumed would occur with the transfer has not materialized. While the department

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

estimates that, in the current year, it will give 3,000 on-site consultations, provide off-site and telephone assistance 38,000 times, and conduct 600 workshops; during the first six months of 1987-88, it actually conducted 521 on-site consultations, 10,881 off-site consultations, and 35 seminars.

Second, federal OSHA has not yet approved reimbursement for the 27 personnel-years—or 36 percent of total program staffing—that have been added in the current year for the enhanced program. At the time this analysis was written, these positions were not assigned to consultation duties and thus the federal government was not funding them. In addition, federal program administrators are concerned that the state may be inappropriately administering a private sector consultation program that conflicts with federal regulations and requirements because of the level of state involvement. Given that federal OSHA has not yet agreed to support all the state's consultation positions, the department is incurring costs in this program at a rate that may result in a deficiency in the current year.

Our review indicates that the administration's proposal for an enhanced consultation program is unfocused, may be unnecessary and may jeopardize federal funding. Before the Legislature can determine, however, what is an appropriate funding level for the program, it needs more information. Consequently, we recommend that the department provide to the fiscal committees prior to budget hearings a workplan for the consultation program identifying: (1) activities to be accomplished by federally authorized positions, (2) activities to be undertaken by positions supported wholly by the General Fund, and (3) new performance and workload measures for the enhanced program activities.

**Cal-OSHA Budget-Year Overview**

The budget proposes expenditures totaling \$20.1 million for support of Cal-OSHA program activities in the budget year. This is a reduction of \$3.1 million, or 14 percent, from estimated current-year expenditures. The reduction primarily reflects the department's anticipation that all transition costs associated with the transfer of private sector enforcement to federal administration will be incurred in the current year. The budget proposes to maintain the program at its base current-year staffing level with one exception. Specifically, the budget proposes to transfer the Radiation Health Unit—one of Cal-OSHA's specialized enforcement programs—to the Department of Health Services. In addition, the budget proposes to permanently authorize positions administratively established in the current year for support of the Occupational Safety and Health Appeals and Standards Boards. We discuss these changes in greater detail below.

**Transfer of Radiation Health Unit Is Premature**

*We recommend an increase of \$346,000 in reimbursements from the Department of Health Services (DHS) to support activities of the Radiation Health Unit related to license compliance inspections because the budget proposal to transfer this activity to the DHS is premature. (Augment reimbursements by \$346,000 and increase Item 8350-001-001 (d) by eight positions.)*

Under current law, the Department of Health Services (DHS) is responsible for administering the state's program to regulate sources of

ionizing radiation. To carry out its responsibilities, it issues radiation licenses and conducts compliance inspections. State law requires the DHS to contract with the DOSH to: (1) complete technical review of license applications and (2) perform inspections to ensure compliance with the terms of the radiation license. Under the current interagency agreement, the Radiation Health Unit (RHU) within the DOSH has eight personnel-years supported by \$346,000 in fee-generated reimbursements from the DHS. The interagency agreement has been cost-effective in the past because radiation control inspections often were "piggybacked" onto other enforcement inspections by Cal-OSHA personnel. Thus, some duplication of effort was avoided. In fact, based on information provided by the DHS, we estimate that the cost savings attributable to the interagency agreement has been approximately \$79,000 and 1.4 positions each year.

The budget proposes to transfer the RHU to the DHS because, with the transfer of the Cal-OSHA private sector inspection program to the federal government, the DOSH no longer has inspectors dedicated to private sector enforcement activity. Consequently, cost-savings from avoiding duplication of effort have been substantially reduced.

Our analysis indicates two problems with the proposal to transfer the RHU to the DHS. First, current law (Health and Safety Code Section 25810) requires the DHS to contract with the DIR for consultation and inspection work related to radiation control. Until such time as the Legislature amends and repeals *Section 25810*, we believe the law should be enforced. Second, the Cal-OSHA program's fate has yet to be determined. If the courts ultimately order reestablishment of the program, cost-savings from retaining the RHU within DIR would occur.

We believe, therefore, that transfer of these activities at this time is premature and recommend that the Legislature reject the Governor's proposal and retain the RHU within DOSH.

#### **Occupational Safety and Health Appeals and Standards Boards**

*We recommend a reduction of \$212,000 and four positions for support of the Appeals and Standards Board to more accurately reflect anticipated workload. (Reduce Item 8350-001-001(d) by \$212,000.)*

The Occupational Safety and Health Standards Board (OSHSB) adopts workplace health and safety standards and makes determinations regarding employer requests for variances from these standards. The Occupational Safety and Health Appeals Board (OSHAB) hears employer appeals of citations and penalties issued by DOSH field compliance inspectors.

Prior to the Governor's proposal to transfer Cal-OSHA to the federal government, the OSHSB included seven part-time board members, an executive officer and approximately 17 staff. The Appeals Board included three board members, an executive officer and approximately 21 staff. The transfer retained the board members and executive officers, but eliminated all staffing for the boards. Five positions have been established administratively in the current year to support the OSHSB. The department has administratively established 3.5 positions in the current year to support the OSHAB.

The budget requests \$500,000 to continue support for the positions established in 1987-88 at the boards. These positions are proposed because, although the state no longer enforces occupational health and

**DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**

safety standards in the *private* sector, procedures for hearing appeals and establishing standards must remain in effect for the *public* sector compliance program. In addition, outstanding private sector appeal cases must be disposed of by the OSHAB.

Our review of the proposed staffing for the board indicates that the budget proposal fails to fully account for the decrease in workload resulting from the transfer of Cal-OSHA. For example, 34 proposals for new or revised standards and 89 variance applications were submitted to the OSHSB in 1986-87—the year prior to the transfer of Cal-OSHA. In the current year, the budget estimates that the board will receive 12 proposals for standards and 67 variance applications. We estimate, however, based on six months of actual data, that the Standards Board will receive only four requests for standards and only 38 variance applications during the current year.

In addition, the budget proposal gives no justification for revising workload standards. In the past, the OSHAB had approximately 21 personnel-years available to dispose of over 2,000 appeals annually—an appeals-to-staffing ratio of approximately 100:1. The budget proposes to dispose of only 40 appeals in the budget year with 3.5 staff. This indicates a workload ratio of only 11:1. The department's proposal fails to identify any offsetting benefits to accrue to the program from the reduction in workload standards.

Based on our review, we estimate that ongoing workload of the Appeals and Standards Boards can be accomplished with 4.5 positions—2.5 for the OSHSB and 2.0 for the OSHAB—at a cost of \$288,000. Consequently, we recommend that the budget be reduced by \$212,000 and four positions to more accurately reflect the workload of the boards.

**Other Issues****Governor's Budget Violates Statutory Requirement**

*We recommend that the Department of Industrial Relations report to the Legislature prior to budget hearing on (1) the status of the special fund for garment industry employees and (2) cost and revenue detail for the garment industry regulation and enforcement program.*

The Division of Labor Standards Enforcement (DLSE) charges an annual fee to register garment manufacturers. By law, 25 percent of the fee is deposited in a special account to pay wages and benefits that are owed garment industry employees. The remaining 75 percent of the fee covers DLSE costs of regulating the garment industry.

Chapter 633, Statutes of 1980, requires the Governor's Budget to include detailed statements of (1) the cost of regulating garment manufacturers and (2) revenues accruing to the state from the regulatory program. The Governor's Budget has failed to provide the required statutory detail in every year since enactment of the statute. In addition, the DIR has been unable to provide us with any information on the status of the separate account. As a result, the Legislature is not able to conduct any budget review on the garment industry enforcement program. We therefore recommend that the DIR provide to the Legislature, prior to budget hearings, performance measures and fiscal detail for the special account and the regulatory program.

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**DEPARTMENT OF PERSONNEL ADMINISTRATION**

Item 8380 from the General  
Fund, the Child Care Fund,  
and the Deferred  
Compensation Fund

Budget p. GG 60

Requested 1988-89 .....	\$11,063,000
Estimated 1987-88 .....	10,499,000
Actual 1986-87 .....	9,940,000
Requested increase (excluding amount for salary increases) \$564,000 (+5.4 percent)	
Total recommended reduction .....	None

**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8380-001-001—Support	General	\$7,436,000
8380-001-915—For support of the deferred com- pensation plan	Deferred Compensation Plan	835,000
8380-001-974—For support of the Child Care program	Child Care	350,000
Reimbursements	—	2,442,000
Total		\$11,063,000

**GENERAL PROGRAM STATEMENT**

The Department of Personnel Administration (DPA) was established in 1981 to manage the *nonmerit* aspects of the state's personnel system. The State Personnel Board continues to be responsible for administering the *merit* aspects of the state civil service system.

The State Employer-Employee Relations Act (SEERA) provides for collective bargaining for most state civil service employees. Under SEERA, the DPA, in cooperation with other state 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 memoranda of understanding (MOUs). The DPA is also responsible for providing for the compensation, terms, and conditions of employment of managers and other state employees who are not represented in the collective bargaining process.

The DPA has 172.6 personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes total expenditures of \$11,063,000 from the General Fund, the Deferred Compensation Plan Fund, the Child Care Fund, and reimbursements for support of the department in 1988-89. This is \$564,000, or 5.4 percent, more than estimated expenditures for the current year.

Department expenditures in 1988-89 exclusive of reimbursements are proposed at \$8.6 million, which is \$327,000, or 3.9 percent, more than estimated current-year expenditures. The General Fund portion of this

**DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued**

request is \$7.4 million, which is \$195,000, or 2.7 percent, more than the estimated 1987-88 level. About one-third of the department's General Fund costs are recovered from special funds through "pro rata" assessments.

Table 1 presents expenditures and personnel-years for each of the DPA's five programs, for the past, current, and budget years. The baseline adjustments and workload changes proposed for the budget year are displayed in Table 2.

**Table 1**  
**Department of Personnel Administration**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From
	Actual	Est.	Prop.	Actual	Est	Prop.	
	1986-87	1987-88	1988-89	1986-87	1987-88	1988-89	
Labor Relations.....	17.3	18.1	18.1	\$1,340	\$1,604	\$1,633	1.8%
Legal.....	12.2	9.5	9.5	1,035	950	968	1.9
Administration (distributed).....	40.7	45.1	45.1	(2,638)	(3,218)	(3,280)	1.9
Personnel Services.....	90.1	99.9	99.7	7,476	7,695	8,112	5.4
Child Care.....	—	—	—	89	250	350	40.0
Totals.....	160.3	172.6	172.4	\$9,940	\$10,499	\$11,063	5.4%
<i>Funding Sources</i>							
General Fund.....				\$6,763	\$7,241	\$7,436	2.7%
Reimbursements.....				2,374	2,205	2,442	10.7
Deferred Compensation Plan Fund.....				714	803	835	4.0
Child Care Fund.....				89	250	350	40.0

**Table 2**  
**Department of Personnel Administration**  
**Proposed 1988-89 Budget Changes**  
**(dollars in thousands)**

	General Fund	Deferred Compensation Plan Fund	Child Care Fund	Reim- bursements	Total
1987-88 Expenditures (Revised) .....	\$7,241	\$803	\$250	\$2,205	\$10,499
<i>Baseline Adjustments</i>					
Price increase .....	32	12	—	20	64
Adjustments in pro rata assessment .....	—	14	—	—	14
Employee compensation.....	113	6	—	15	134
Increased rent (State Training Center).....	—	—	—	35	35
Subtotals, Baseline Adjustments.....	(\$145)	(\$32)	—	(\$70)	(\$247)
<i>Workload Changes</i>					
Benefits administration .....	—	—	—	\$96	\$96
Consultant services (State Training Center) .....	—	—	—	71	71
Orientation training video.....	\$50	—	—	—	50
Child Care Program: increase in grants and loans .....	—	—	\$100	—	100
Subtotals, Workload Changes.....	(\$50)	—	(\$100)	(\$167)	(\$317)
1988-89 Expenditures (Proposed).....	\$7,436	\$835	\$350	\$2,442	\$11,063
Change From 1987-88:					
Amount.....	\$195	\$32	\$100	\$237	\$564
Percent.....	2.7%	4.0%	40.0%	10.7%	5.4%

As Table 2 indicates, the largest workload increases are in the Benefits Administration Program (\$96,000) and the Child Care Program (\$100,000).

## WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

Item 8450 from the General  
Fund

Budget p. GG 70

Requested 1988-89 .....	\$5,800,000
Estimated 1987-88 .....	5,720,000
Actual 1986-87 .....	5,679,000
Requested increase \$80,000 (+1.4 percent)	
Total recommended reduction .....	80,000

### 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8450-001-001—Support	General	\$3,800,000
8450-001-016—Death-Without-Dependents Support	General, Subsequent Injuries Moneys Account	2,000,000
Total		\$5,800,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. *Pre-Litigation Expenses. Reduce Item 8450-001-001 (c) by \$80,000.* Recommend reduction to reflect current expenditure trends for pre-litigation expenses. 1166

### 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 from an annual General Fund appropriation and from workers' compensation payments made to the state by employers and insurance companies on behalf of workers who die leaving no surviving heirs. These payments—referred to as death-without-dependents revenues—are collected by the Department of Industrial Relations (DIR) and placed in the Subsequent Injuries Moneys Account of the General Fund.

**WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES—****Continued****OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total appropriations of \$5.8 million to fund workers' compensation benefits paid under the subsequent injury program during 1988-89. This amount consists of (1) \$3.8 million from the General Fund and (2) \$2 million in death-without-dependents payments. The proposed General Fund appropriation is \$80,000, or 1.4 percent greater than estimated current-year expenditures. This increase is proposed for support of contract services to investigate contested claims.

Of the \$5.8 million requested in support of the program in 1988-89, \$4,626,000 is proposed to pay actual claims costs. The remaining funds are proposed to pay (1) a 5 percent service fee to the State Compensation Insurance Fund for adjusting claims (\$236,000), (2) the expenses of the DIR in acquiring claims investigative services on contract (\$250,000), and (3) the support costs of the DIR in monitoring and providing legal defense of the fund (\$688,000).

**ANALYSIS AND RECOMMENDATIONS****Proposed Funding Level Does Not Reflect Expenditure Trends**

*We recommend a reduction of \$80,000 requested from the General Fund for pre-litigation expenses because this amount is overbudgeted on the basis of previous years' expenditure data. (Reduce Item 8450-001-001 (c) by \$80,000.)*

As noted above, the budget proposes to appropriate \$250,000 from the General Fund to support investigative services related to litigation of disputed claims.

Table 1 shows the DIR's expenditures for these services from 1982-83 through 1988-89. As the table shows, the amount proposed for 1988-89 is substantially greater than the amount spent on these services in prior years. In fact, the department's proposed budget for 1988-89 is \$90,000, or 36 percent, more than the largest amount spent by the department for pre-litigation expenses in any of the previous six years, and approximately \$120,000 more than the average annual expenditure during the period.

**Table 1**  
**Subsequent Injury Fund**  
**Pre-Litigation Expenses Expenditures**  
**1982-83 through 1986-87**

	<i>Expenditures</i>
1982-83 .....	\$103,426
1983-84 .....	160,416
1984-85 .....	124,132
1985-86 .....	150,000
1986-87 .....	158,517
1987-88 (estimate) <sup>a</sup> .....	88,000
1988-89 (proposed) .....	250,000

<sup>a</sup> Estimate based on six months actual expenditure data.

Although expenditures have substantially fluctuated from year to year, our analysis indicates that \$170,000—or \$80,000 less than the Governor's Budget proposes—should be adequate to (1) fund pre-litigation costs that can be anticipated based on historical expenditures and (2) provide a

cushion to absorb unanticipated costs and potential program growth. Therefore, we recommend reducing General Fund support for the Subsequent Injury Fund by \$80,000 to reflect a more reasonable estimate of pre-litigation expenses to be incurred by the program in 1988-89.

### **WORKERS' COMPENSATION BENEFITS FOR DISASTER SERVICE WORKERS**

Item 8460 from the General  
Fund

Budget p. CG 71

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Requested 1988-89 .....	\$663,000
Estimated 1987-88 .....	663,000
Actual 1986-87 .....	819,000
Requested increase: None	
Total recommended reduction .....	None

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#### **GENERAL PROGRAM STATEMENT**

This item provides funds for the payment of workers' compensation benefits to volunteer personnel (or their dependents) who are injured or killed while providing community disaster relief services. The program is administered by the State Compensation Insurance Fund (SCIF), which receives a 12.5 percent service fee based on the total award of each claim.

#### **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes \$663,000 to support the Disaster Service Workers' benefit program in 1988-89. Of this amount, approximately \$580,000 is proposed as benefits and the remaining \$83,000 is proposed for payment to the SCIF under the service fee agreement. The budget-year request is identical to estimated current-year expenditures.

Our review indicates that the proposed expenditures appear to be warranted.

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### **BOARD OF CHIROPRACTIC EXAMINERS**

Item 8500 from the State Board  
of Chiropractic Examiners  
Fund

Budget p. CG 72

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Requested 1988-89 .....	\$930,000
Estimated 1987-88 .....	843,000
Actual 1986-87 .....	765,000
Requested increase (excluding amount for salary increases) \$87,000 (+10.3 percent)	
Total recommended reduction .....	None

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**BOARD OF CHIROPRACTIC EXAMINERS—Continued**  
**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8500-001-152—Support	State Board of Chiropractic Examiners	\$927,000
Reimbursements	—	3,000
Total		\$930,000

**GENERAL PROGRAM STATEMENT**

The seven-member Board of Chiropractic Examiners is responsible for licensing and regulating chiropractors practicing in California. The board has 5.6 personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS**
*We recommend approval.*

The budget proposes total expenditures of \$930,000 to support the board's activities in 1988-89. This is \$87,000, or 10.3 percent, above estimated expenditures in 1987-88. The proposed expenditures include \$3,000 from reimbursements.

The increase reflects (1) a \$34,000 increase for personal services, (2) a \$68,000 increase for central administrative services, and (3) a \$15,000 net decrease in various operating expenses and equipment.

Our analysis indicates that the proposed expenditures for the board appear to be warranted.

**BOARD OF OSTEOPATHIC EXAMINERS**

Item 8510 from the Board of  
Osteopathic Examiners  
Contingent Fund

Budget p. GG 74

Requested 1988-89 .....	\$490,000
Estimated 1987-88 .....	397,000
Actual 1986-87 .....	346,000
Requested increase (excluding amount for salary increases) \$93,000 (+23.4 percent)	
Total recommended reduction.....	None

**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8510-001-264—Support	Board of Osteopathic Examiners Contingent	\$488,000
Reimbursements	—	2,000
Total		\$490,000

**GENERAL PROGRAM STATEMENT**

The seven-member Board of Osteopathic Examiners is responsible for licensing and regulating osteopaths in California. The board has 3.1 personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes total expenditures of \$490,000 to support the board's activities in 1988-89. This is an increase of \$93,000, or 23 percent, above estimated current-year expenditures. The proposed expenditures include \$2,000 from reimbursements. The \$93,000 increase reflects (1) a \$3,000 increase to cover salary increases, (2) an \$87,000 increase in central administrative services costs, and (3) a \$3,000 net increase in various operating expenses. The increase in central administrative services costs are primarily due to the Department of Finance's estimate of increased costs due to the Office of Administrative Law (\$41,000), a Department of Finance audit (\$10,000), and the Legislature's distributed cost (\$19,000).

Our analysis indicates that the proposed expenditures for the board appear to be warranted.

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**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

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Requested 1988-89 .....	\$445,000
Estimated 1987-88 .....	448,000
Actual 1986-87 .....	285,000
Requested decrease (excluding amount for salary increases) \$3,000 (-0.7 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun certifies about 56 pilots to provide services to vessels traveling those bays. The seven-member board licenses and regulates pilots and acts on complaints. It is supported by the Board of Pilot Commissioners' Special Fund from revenues derived under assessments on pilotage fees. The board has one personnel-year in the current year.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes total expenditures of \$445,000 for support of the board in 1988-89. This is \$3,000 (0.7 percent) below estimated expenditures in 1987-88. The budget reflects a \$3,000 increase in staff costs and a reduction of \$6,000 in operating expenses.

Our analysis indicates that the amount requested to carry out the board's existing responsibilities is reasonable.

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**CALIFORNIA AUCTIONEER COMMISSION**Item 8540 from the Auctioneer  
Commission Fund

Budget p. GG 76

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Requested 1988-89 .....	\$246,000
Estimated 1987-88 .....	194,000
Actual 1986-87 .....	170,000
Requested increase (excluding amount for salary increases) \$52,000 (+26.8 percent)	
Total recommended reduction .....	None

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**GENERAL PROGRAM STATEMENT**

The seven-member Auctioneer Commission is a public corporation responsible for licensing and regulating auctioneers and auction companies. The commission has two personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes expenditures of \$246,000 from the Auctioneer Commission Fund for support of the commission in 1988-89. This is an increase of \$52,000, or 27 percent, over estimated current-year expenditures. This increase consists of (1) a \$2,000 increase in staff salaries, (2) a \$47,000 increase to audit and investigate auctioneers, and (3) a \$3,000 net increase in various operating expenses.

Our analysis indicates that the proposed expenditures for the board appear to be warranted.

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**CALIFORNIA HORSE RACING BOARD**Item 8550 from the Fair and  
Exposition Fund and various  
funds

Budget p. GG 78

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Requested 1988-89 .....	\$10,011,000
Estimated 1987-88 .....	6,924,000
Actual 1986-87 .....	5,527,000
Requested increase (excluding amount for salary increases) \$3,087,000 (+44.6 percent)	
Total recommended reduction .....	1,236,000

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**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8550-001-191—Support	Fair and Exposition	\$7,901,000
8550-001-942—Support	Special Deposit, Racetrack Security Account	310,000
8550-011-942—Transfer to General Fund	Special Deposit, Racetrack Security Account	(1,490,000)
Statutory Appropriation—Allocations to Horsemen's Organizations	Special Deposit, Horsemen's Organization Welfare Special Account	1,800,000
Total		\$10,011,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. *State Stewards Program. Reduce Item 8550-001-191 by \$725,000.* Recommend reduction to eliminate overbudgeting for the cost of stewards assigned to satellite facilities. 1172
2. *Laboratory Services. Reduce Item 8550-001-191 by \$77,000.* Recommend reduction to eliminate overbudgeting for laboratory services. 1173
3. *Veterinary Services. Reduce Item 8550-001-191 by \$434,000.* Recommend reduction to eliminate overbudgeting for veterinary services. 1173

**GENERAL PROGRAM STATEMENT**

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

The board is composed of seven members appointed by the Governor and has 53 personnel-years in the current year.

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes total appropriations of \$10 million from the Fair and Exposition Fund and other state funds to support the California Horse Racing Board. This is an increase of \$3.1 million, or 45 percent, above estimated current year expenditures. Table 1 shows the board's expenditures and personnel-years for the past, current and budget years.

The dramatic increase in proposed expenditures for the board primarily reflects the enactment of recent legislation. Chapter 1273, Statutes of 1987 (SB 14), authorizes the expansion of satellite wagering to central and southern California. Satellite wagering refers to wagering that takes place in a simulcast wagering facility, where patrons may wager on horse races being conducted at a distant host location, and then observe these races on video equipment. In addition, this legislation requires the CHRB to assume responsibility for payment of stewards' salaries and fringe benefits, veterinary services provided at the tracks, and laboratory testing services. These costs were formerly financed by the racing associations.

**CALIFORNIA HORSE RACING BOARD—Continued**

**Table 1**  
**California Horse Racing Board**  
**Summary of Program Expenditures**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program Elements	Personnel-Years			Expenditures			Percent Change From 1987-88
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1986-87	1987-88	1988-89	1986-87	1987-88	1988-89	
Licensing .....	12.7	14	14	\$829	\$999	\$1,012	1.3%
Enforcement .....	16.1	24	24	886	1,155	3,182	175.5
Administration .....	10.7	15	15	666	861	987	14.6
State Stewards Program .....	—	—	—	1,392	2,209	3,030	37.2
Horsemen's Organization Welfare Special Account, Special De- posit Fund .....	—	—	—	1,754	1,700	1,800	5.9
Totals, Program Costs .....	39.5	53.0	53.0	5,527	6,924	10,011	44.6%
Funding Sources							
Fair and Exposition Fund .....				\$2,071	\$2,705	\$7,901	192.1%
Horsemen's Organization Welfare Special Account, Special Deposit Fund .....				1,754	1,700	1,800	5.9
Racetrack Security Account, Special Deposit Fund .....				310	310	310	—
Reimbursements .....				1,392	2,209	—	-100.0

**State Stewards Program—Costs Overestimated**

*We recommend a reduction of \$725,000 to eliminate overbudgeting for the cost of stewards assigned to satellite wagering facilities. (Reduce Item 8550-001-191 by \$725,000.)*

State stewards are required to be present at both "live" racing meetings and at the satellite wagering facilities. The proposed level of expenditures in 1988-89 for both categories is determined by the number of racing events, the contractual rate for stewards services, and the number of stewards that are required to be present. The budget requests \$3 million for stewards services in the budget year.

Our analysis indicates that the amount requested for stewards' contractual services overstates the actual need. Stewards assigned to satellite wagering facilities (known as intertrack stewards) may work single or double shifts, and the amount they are paid varies accordingly. A steward is paid \$180 for a single shift, or \$250 for a double shift. Based on our review of the board's records for 1986-87 and 1987-88, it appears that over 90 percent of the intertrack stewards worked double shifts during this period. However, the board's request is based on the assumption that none of the intertrack stewards will work double shifts.

We see no basis for the budget's assumption that 100 percent of the intertrack stewards will work only single shifts, when they overwhelmingly worked double shifts in the past. On the basis that the intertrack stewards will continue to work double shifts at least 90 percent of the time, we estimate that the amount needed for the State Stewards Program will be only \$2.3 million. Accordingly, we recommend a reduction of \$725,000 to correct for overbudgeting.

**Duplicate Testing Costs Not State's Responsibility**

*We recommend a reduction of \$77,000 to eliminate funding provided for duplicate laboratory testing services, because current law provides that these costs are to be paid for by the horses' owners. (Reduce Item 8550-001-191 by \$77,000.)*

Chapter 1273 provides that the board must pay for the costs of laboratory testing related to horse racing. The budget proposes \$1 million for laboratory services, including \$77,000 for duplicate laboratory tests.

Our review of Ch 1273/87, however, did not identify any provisions requiring the board to pay the costs for duplicate laboratory tests. Prior law (Ch 1176/86) provides that duplicate laboratory tests may be requested by the trainer or owner of a horse at his/her discretion, and that these testing costs are to be paid for by the requesting party. Chapter 1273 does not alter these provisions. Thus, the costs for duplicate laboratory services should not be included in the board's budget. Accordingly, we recommend a reduction of \$77,000 to eliminate this funding.

**Veterinary Services—Costs Overbudgeted**

*We recommend a reduction of \$434,000 to eliminate overbudgeting for veterinary services. (Reduce Item 8550-001-191 by \$434,000.)*

Chapter 1273 also requires the board to assume responsibility for the cost of official veterinarians. Existing law requires that an official veterinarian be present at each racing meeting. The budget requests \$1 million to pay the cost of official veterinarians.

Our analysis indicates that the budget request is based on the assumption that *two* official veterinarians generally will be present at each racing meeting. However, nothing in Chapter 1273 requires that a second official veterinarian be provided at each meeting, and the board has not advanced any justification for increasing the level of veterinary services to be provided. Accordingly, we recommend a reduction of \$434,000 to correct for overbudgeting of veterinary services.

**CALIFORNIA EXPOSITION AND STATE FAIR**

Item 8560 from the California  
Exposition and State Fair  
Enterprise Fund and other  
funds

Budget p. GG 83

Requested 1988-89 .....	\$14,624,000
Estimated 1987-88 .....	11,205,000
Actual 1986-87 .....	10,611,000
Requested increase (excluding amount for salary increases) \$3,419,000 (+30.5 percent)	
Total recommended reduction .....	None

**CALIFORNIA EXPOSITION AND STATE FAIR—Continued**  
**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8560-001-510—Support	California Exposition and State Fair Enterprise	\$13,759,000
8560-011-466—Transfer to Cal Expo Enterprise Fund	State Fair Police Special Account	(6,000)
Business and Professions Code Sec. 19622(a)—Annual Subsidy	Fair and Exposition	265,000
Reimbursements		600,000
Total		\$14,624,000

**GENERAL PROGRAM STATEMENT**

The California Exposition and State Fair (Cal Expo) manages the annual state fair each summer in Sacramento, and provides a site for various events staged during the remainder of the year. Cal Expo is governed by an 11-member board of directors who are appointed for four-year terms. Chapter 8, Statutes of 1986, specifies that the Governor appoints nine of the directors, and that the Speaker of the Assembly and the Senate Committee on Rules each appoints one director.

In the current year, Cal Expo has 153 personnel-years.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

The budget proposes total expenditures of \$14.6 million for support of Cal Expo in 1988-89. This represents an increase of \$3.4 million, or 31 percent, over estimated current-year expenditures. The increase primarily reflects workload adjustments from increased event attendance, an increase for deferred maintenance and special repair projects, and the addition of a special attraction for the state fair.

Of the total proposed expenditures, \$13.8 million, or 95 percent, is requested from operating revenues generated by Cal Expo. Under the provisions of Ch 8/86, all revenues received by Cal Expo are deposited in the California Exposition and State Fair Enterprise Fund, and are available to Cal Expo upon appropriation by the Legislature.

The budget proposes to finance the balance of \$871,000 in requested expenditures from the following sources:

- \$600,000 in reimbursements, primarily from services to exhibitors.
- \$265,000 from the Fair and Exposition Fund; Section 19622(a) of the Business and Professions Code continuously appropriates this annual amount to Cal Expo.
- \$6,000 from the State Fair Police Account, which receives its revenue from fines issued by the State Fair Police on the Cal Expo Grounds.

Table 1 summarizes expenditures and sources of funds for Cal Expo from 1986-87 through 1988-89.

**Table 1**  
**California Exposition and State Fair**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Percent Change From</i>
	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1987-88</i>
Operating expenditures.....	\$10,611	\$11,205	\$14,624	30.5%
Staff (personnel-years).....	157.2	153.2	165.2	7.8
Funding Sources				
Cal Expo Enterprise Fund.....	\$8,846	\$10,434	\$13,753	31.8%
Fair and Exposition Fund.....	265	265	265	—
Satellite Wagering Account.....	992	—	—	—
State Fair Police Account.....	6	6	6	—
Reimbursements.....	502	500	600	20.0

**Fiscal Situation Continues to Improve.** Chapter 1148, Statutes of 1980, specified that Cal Expo "shall work toward a goal of fiscal independence from the state General Fund support." Through 1985-86, however, Cal Expo required annual General Fund subsidies (including \$1.8 million in 1985-86). In contrast, the budget indicates that Cal Expo did not require any General Fund subsidy in 1986-87 and will not require any in either the current or budget year.

As we discussed in last year's *Analysis*, Cal Expo's improved fiscal situation is due largely to the introduction of satellite wagering. Cal Expo estimates that satellite wagering at its own track will generate approximately \$916,000 in 1987-88 and \$1.2 million in 1988-89 in direct revenue to the Cal Expo Enterprise Fund.

As indicated above, Cal Expo proposes total expenditures of \$13.8 million from operating revenues in 1988-89. This amount consists of (1) \$11.5 million in projected revenue for 1988-89, and (2) \$2.3 million obtained by reducing reserves in the Cal Expo Enterprise Fund from \$4.3 million to \$2 million.

Our review indicates that Cal Expo's revenue projections are reasonable, and that its expenditure plan appears to be consistent with the goals and purposes established by the Legislature for Cal Expo. Furthermore, the proposed reserve of \$2 million in the Cal Expo Enterprise Fund should be adequate to cover any deficit in the event that revenue in 1988-89 is less than anticipated.

## DEPARTMENT OF FOOD AND AGRICULTURE

Item 8570 from the General  
Fund and various funds

Budget p. GG 85

Requested 1988-89.....	\$169,299,000
Estimated 1987-88 .....	170,091,000
Actual 1986-87 .....	163,011,000
Requested decrease (excluding amount for salary increases) \$792,000 (—0.5 percent)	
Total recommended reduction .....	1,205,000

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**  
**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8570-001-001—Support	General	\$74,659,000
8750-001-111—Support	Agricultural	10,317,000
8570-001-191—Support	Fair and Exposition	1,172,000
8570-001-601—Support	Agriculture Building	1,232,000
8570-001-890—Support	Federal Trust	1,668,000
8570-011-112—Support	Agricultural Pest Control Research Account, Agricultural	363,000
8570-011-191—Transfer to General Fund for benefits of retired local fair employees	Fair and Exposition	(626,000)
8570-012-192—Support	Satellite Wagering Account, Fair and Exposition	112,000
Sections 221 <sup>a</sup> and 226 <sup>a</sup> —Support	Agricultural	38,778,000
Section 625 <sup>a</sup> —Loan interest expense	Agriculture Building	155,000
Section 58582 <sup>a</sup> —Export promotion	Agricultural Export Promotion Account, Agricultural	102,000
Loan repayments from local agencies per Sec. 505 <sup>a</sup>	Agricultural Pest Control Research Account, Agricultural	—33,000
Reimbursements <sup>b</sup>	—	2,801,000
Subtotal, support		(\$131,326,000)
8570-101-001—Subventions for pest control and pesticide regulation	General	\$10,942,000
8570-101-111—County Assistance	Agricultural	34,000
8570-111-001—Salaries of county agricultural commissioners	General	383,000
Section 12844 <sup>a</sup> —Pesticide regulation	Agricultural	4,633,000
Section 12539 <sup>c</sup> —County sealers	Agricultural	45,000
Section 224 <sup>a</sup> Transfer from Motor Vehicle Fuel Account—General agricultural assistance	Agricultural	4,709,000
Subtotal, county assistance		(\$20,746,000)
8570-101-191—Unemployment benefits, and health and safety improvements for local fairs	Fair and Exposition	\$4,690,000
8570-101-192—Satellite wagering facilities and health and safety repairs for local fairs	Satellite Wagering Account, Fair and Exposition	2,952,000
Sections 19622-19627.3 <sup>c</sup> —Local fairs assistance	Fair and Exposition	9,585,000
Subtotal, local fairs assistance		(\$17,227,000)
Total Request		\$169,299,000

<sup>a</sup> Food and Agricultural Code.<sup>b</sup> Includes reimbursements from continuous appropriations programs.<sup>c</sup> Business and Professions Code.
**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**
*Analysis  
page*

1. **Veterinary Laboratory Fees Too Low. Reduce Item 8570-001-001 by \$580,000 and increase reimbursements by the same amount.** Recommend a reduction of \$580,000 from the General Fund and an equivalent increase in scheduled reimbursements from fees in order to meet the Legislature's goal that fees should provide 10 percent of the total operating costs of the veterinary laboratory system in 1988-89. 1180
2. **New Vehicles and Equipment Not Needed. Reduce Item 8570-001-001 by \$625,000.** Recommend reduction because 1180

the department can use vehicles and equipment recently purchased for the apple maggot program, which will be terminated. Also recommend that department report prior to budget hearings on the estimated amount of General Fund revenue from the sale of excess apple maggot vehicles and equipment.

### **GENERAL PROGRAM STATEMENT**

The Department of Food and Agriculture (DFA) 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 fiber, and assures true weights and measures in commerce.

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

- Identifying and controlling agricultural pests,
- Regulating pesticide use and protecting the health and safety of farmworkers,
- Forecasting harvests,
- Supervising and funding local fairs,
- Enforcing quality, quantity, and safety standards for agricultural commodities and petroleum products,
- Administering marketing orders, and
- Enforcing weights and measures laws.

The department supervises the county agricultural commissioners and county sealers of weights and measures. Many programs are operated jointly with these officials. The department has 2,057 personnel-years in the current year.

### **OVERVIEW OF THE BUDGET REQUEST**

The budget requests a total of \$169 million from all funding sources (excluding marketing order expenditures) for support and local assistance in 1988-89. This is a decrease of \$792,000, or 0.5 percent, from estimated current-year expenditures. Proposed appropriations from the General Fund amount to \$86 million. This is an increase of \$2 million, or 2.6 percent, above estimated current-year expenditures from the General Fund. Table 1 summarizes staffing and funding for the department by program, for the past, current, and budget years. The table shows that the department proposes to reduce its staff by 48.7 personnel-years in 1988-89. This reduction is the result of terminating the apple maggot eradication program.

### **Support Costs**

Support costs will remain essentially constant at \$131 million in 1988-89. The department's support request includes \$6.5 million of increases. Of that amount, \$2.6 million is for baseline adjustments and \$3.9 million is for program increases, primarily to contract for additional veterinary laboratory staff at UC Davis. These increases are entirely offset by (1) deleting one-time 1987-88 expenses totaling \$4.6 million, including \$2.5 million for one-time equipment cost at the veterinary laboratories, and (2) terminating the apple maggot eradication program for a savings of \$2.2 million.

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

**Table 1**  
**Department of Food and Agriculture**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

<i>Program</i>	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Change</i>
	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>From</i>
							<i>1987-88</i>
Pesticide regulation .....	293.6	324.4	325.3	\$29,734	\$34,313	\$34,394	0.2%
Agricultural plant pest and disease prevention .....	589.9	575.4	522.9	40,819	43,077	40,453	-6.1
Animal pest and disease prevention/inspection .....	285.3	221.7	221.7	17,660	22,042	23,126	4.9
Food and agricultural standards/inspection services .....	203.3	222.7	222.7	11,067	12,971	12,731	-1.9
Measurement standards .....	85.1	76.4	76.4	5,356	5,540	5,645	1.9
Financial and administrative assistance to local fairs .....	24.1	20.5	20.5	25,143	18,978	18,613	-1.9
Executive, management and administrative services .....	166.7	172.4	172.4	9,451	9,508	9,699	2.0
Amount distributed to other programs .....	—	—	—	-9,399	-8,724	-8,844	1.4
General agricultural activities ....	7.2	9.7	11.7	11,525	12,350	13,676	10.7
Totals .....	2,167.6	2,057.0	2,008.3	\$163,011	\$170,091	\$169,299	-0.5%
<b>Funding Sources</b>							
<i>General Fund</i>							
Agriculture Fund .....				\$78,186	\$83,845	\$85,984	2.6%
Fair and Exposition Fund <sup>a</sup> .....				55,016	57,746	58,516	1.3
Satellite Wagering Account .....				18,673	15,797	15,447	2.2
Agriculture Building Fund .....				4,268	3,081	3,064	-0.6
Agricultural Pest Control Research Account <sup>a</sup> .....				6	112	330	194.6
California Agricultural Export Promotion Account .....				177	100	102	2.0
Environmental Licence Plate Fund .....				90	300	—	-100.0
Special Account for Capital Outlay .....				—	500	—	-100.0
Acala Cotton Fund .....				383	—	—	—
Federal Trust Fund .....				3,774	4,313	1,668	-61.3
Reimbursements .....				1,450	2,940	2,801	4.7

<sup>a</sup> Expenditures shown are net of annual loan repayments in order to reconcile with the figures in the Governor's Budget.

**Assistance to County Agricultural Commissioners**

The department proposes to spend \$20.7 million from all funding sources for assistance to county agricultural commissioners in 1988-89. This is a decrease of \$871,000, or 4.0 percent from the current year. This reduction is the result of deleting one-time funding in the current year for research on alternatives to burning rice straw.

**Assistance to Local Fairs**

The budget proposes to spend \$17.2 million for assistance to local fairs in 1988-89. This amount is \$374,000, or 2.1 percent, less than estimated current-year expenditures. The amount of funds available for fairs in 1988-89, however, will be considerably more than the expenditures shown

in the budget. The fund condition statements for the Fair and Exposition (F&E) Fund and the Satellite Wagering Account (page GG 116 of the budget document) indicate that these funds will have a combined reserve of \$12.3 million at the end of 1988-89. Provision 6 of Item 8570-101-191 provides for the additional appropriation of any F&E Fund revenues in excess of the amount specifically appropriated in that item. Consequently, the department could increase fair funding by up to \$5.4 million, the amount of the F&E Fund reserve, in 1988-89. The Budget Bill does not authorize expenditure of the \$6.9 million reserve shown for the Satellite Wagering Account in 1988-89.

### Proposed Budget Changes

Table 2 summarizes proposed budget changes for 1988-89, by funding source.

**Table 2**  
**Department of Food and Agriculture**  
**Proposed 1988-89 Budget Changes**  
**By Program and Funding Source**  
(dollars in thousands)

	<i>General Fund</i>	<i>Other</i>	<i>Totals</i>
1987-88 Expenditures (Revised) .....	\$83,845	\$86,246	\$170,091
<i>Baseline Adjustments:</i>			
Full-year cost of employee compensation increases and other administrative adjustments .....	\$1,638	\$936	\$2,574
Delete one-time costs .....	-2,459	-325	-2,784
Other adjustments .....	-620	-1,104	-1,724
Subtotals, baseline adjustments .....	(-\$1,441)	(-\$493)	(-\$1,934)
<i>Significant Program Changes</i>			
Additional UC staff for veterinary laboratories ....	\$2,865	—	\$2,865
Increased monitoring for groundwater contamination .....	269	—	269
Research on nonchemical, post-harvest treatment .....	—	\$250	250
Expand hydrilla eradication .....	246	—	246
Terminate apple maggot eradication .....	—	-2,239	-2,239
Expand export promotion .....	200	—	200
Terminate USDA meat inspection contract .....	—	-449	-449
Subtotals, program changes .....	(\$3,580)	(-\$2,438)	(\$1,142)
1988-89 Expenditures (Proposed) .....	\$85,984	\$83,315	\$169,299
Change from 1987-88			
Amount .....	\$2,139	-\$2,931	-\$792
Percent .....	2.6%	-3.4%	-0.5%

### ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following significant program changes shown in Table 2, which are not discussed elsewhere in this analysis:

- \$250,000 from the Agricultural Pest Control Research Account, General Fund for research on nonchemical alternatives to fumigants used for post-harvest treatment of agricultural commodities. Projects will be funded jointly with the agricultural industry.
- \$2.2 million reduction to reflect termination of the apple maggot eradication program. Current-year funding was provided from federal funds paid to reimburse the state for a portion of past medfly eradication costs. The department's scientific advisory panel has

**DEPARTMENT OF FOOD AND AGRICULTURE—Continued**

determined that the department's eradication program is not effective.

- \$246,000 from the General Fund to expand hydrilla eradication activities in Shasta County.
- \$200,000 from the General Fund for additional staff and operating expenses to promote and coordinate wider industry participation in the department's existing \$5.3 million agricultural export promotion program, pursuant to Ch 1480/87.
- \$269,000 from the General Fund for equipment and staff to conduct additional monitoring to determine appropriate pesticide use restrictions to prevent groundwater pollution. This funding will augment the department's existing \$1 million program to prevent pesticides from contaminating groundwater.

**Veterinary Laboratory Fees Should be Increased**

*We recommend a reduction of \$580,000 from the General Fund and an equivalent increase in scheduled reimbursements from fees in order to meet the Legislature's goal that fees should provide 10 percent of the total operating costs of the veterinary laboratory system in 1988-89. (Reduce Item 8570-001-001 by \$580,000 and increase reimbursements by the same amount.)*

The budget requests a total of \$9.8 million for support of the department's veterinary diagnostic laboratory system in 1988-89. This amount is \$2.9 million, or 43 percent, more than estimated current-year expenditures for ongoing program expenses. This additional expense results from adding 54 personnel-years of staff to complete the restructuring and expansion of the department's new central reference laboratory in Davis and its branch laboratories in Turlock, Tulare, Fresno, and San Bernardino. The department contracts with the University of California at Davis to operate and manage the entire laboratory system. The veterinary laboratory system provides a variety of diagnostic services for the livestock and poultry industries as well as for state and federal animal health regulatory programs.

Last year the Legislature adopted language in the *Supplemental Report of the 1987 Budget Act* directing the department to submit, prior to legislative hearings on its 1988-89 budget, a proposal to obtain 10 percent of the total operating costs of the veterinary laboratory system from fees in 1988-89. Based on the budget request, the necessary fee revenue would equal \$980,000. The budget, however, includes only \$400,000 from fees in 1988-89. This is the same amount as estimated for the current year and constitutes only 4.1 percent of the funding for the laboratory system. Consequently, the department's budget request should include \$580,000 of additional reimbursements from fees, which could be used to reduce General Fund costs in 1988-89. Accordingly, we recommend a reduction of \$580,000 from the General Fund and an equivalent increase in scheduled reimbursements.

**New Vehicles and Equipment Not Needed**

*We recommend a reduction of \$625,000 from the General Fund to delete funds to purchase new vehicles and equipment, because the department instead can use vehicles and equipment recently purchased for the apple maggot program, which is being terminated. We further*

*recommend that the department report prior to budget hearings on the estimated amount of General Fund revenue from the sale of excess apple maggot vehicles and equipment (Reduce Item 8570-001-001 by \$625,000).*

The budget requests \$943,000 from the General Fund to purchase new vehicles and equipment, including 38 trucks, 25 automobiles, 25 mobile radios, and 18 personal computers. Our analysis indicates that most of this request is unnecessary because the budget does not take into account the availability of vehicles and equipment purchased in 1985-86 and 1987-88 for the apple maggot program, which is being terminated. The department has 82 trucks, 3 automobiles, 70 mobile radios, and 6 personal computers and other equipment purchased for the apple maggot eradication program.

Because of the availability of vehicles and equipment from the apple maggot program, the budget request can be reduced by \$625,000. This amount is the cost of the requested new vehicles and equipment that the department already has in its inventory for the apple maggot program. Furthermore, the Department of General Services (DGS) can sell the remainder of the apple maggot equipment and deposit the proceeds in the General Fund.

Accordingly, we recommend (1) a reduction of \$625,000 from the General Fund to delete unnecessary equipment, and (2) that the department report prior to budget hearings on the estimated revenue from the sale of excess apple maggot program vehicles and equipment.

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## DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY

Item 8570-301 from the General  
Fund, Special Account for  
Capital Outlay

Budget p. GG 118

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Requested 1988-89.....	\$196,000
Recommended approval .....	196,000

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### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Sacramento—Vet Lab Conversion. Recommend reversion of unspent planning funds in Item 8570-301-036(1), Budget Act of 1987, because working drawings are complete and project is proceeding to bid. 1182

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The budget proposes \$196,000 for the Department of Food and Agriculture's capital outlay program in 1988-89. This amount includes two minor capital outlay projects (\$200,000 or less per project) to provide a new water line (\$56,000) and crash cushions (\$140,000) at the Hornbrook (Siskiyou County) Agricultural Inspection Station. These projects are warranted, and the associated costs are reasonable.

# DEPARTMENT OF FOOD AND AGRICULTURE—CAPITAL OUTLAY— Continued

## Sacramento Vet Lab Conversion

*We recommend reversion of \$35,000 in Item 8570-301-036(1), Budget Act of 1987, to recover unspent and unneeded planning funds for this project.*

In the 1987 Budget Act, the Legislature approved \$903,000 for preliminary plans (\$46,000), working drawings (\$52,000), and construction (\$804,000) to convert the department's Veterinary Laboratory at Meadowview into a chemistry laboratory. Working drawings for this project are complete. The department is requesting the State Public Works Board to approve a construction augmentation of \$139,000, which is necessary primarily to cover unforeseen asbestos abatement work. Pending approval by the board, this project will proceed to bid in late February 1988.

In submitting the working drawings for approval, the department notes that this appropriation has \$35,000 of unspent planning funds remaining. We recommend reversion of these funds, because project planning is complete and the unspent balance should be made available for other purposes. Consequently, we recommend addition of the following budget language:

Item 8570-495—Reversion. Department of Food and Agriculture. Notwithstanding any other provision of law, \$35,000 of the appropriation provided in the following citation, including any unspent planning funds in the Architecture Revolving Fund, shall revert to the unappropriated surplus of the fund from which the appropriation was made: Item 8570-301-036(1), Budget Act of 1987, 90.46.010—Sacramento—Vet Lab Conversion—Preliminary plans, working drawings and construction.

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## FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT

Items 8620-8640 from the  
General Fund

Budget p. GG 119

Requested 1988-89.....	\$5,905,000
Estimated 1987-88 .....	5,597,000
Actual 1986-87 .....	5,330,000
Requested increase (excluding amount for salary increases) \$308,000 (+5.5 percent)	
Total recommended reduction.....	None

**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8620-001-001—Support	General	\$800,000
8640-001-001—	General	2,056,000
Secretary of State.....		\$650,000
Franchise Tax Board.....		1,088,000
Attorney General.....		318,000
Statutory Appropriation—Support	General	3,049,000
Total		\$5,905,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS***Analysis  
page*

1. Budget Bill Appropriation Understated. We recommend that the Department of Finance report at budget hearings on the appropriate levels of Budget Bill and statutory appropriations for the Fair Political Practices Commission. 1184

**GENERAL PROGRAM STATEMENT**

The Political Reform Act (PRA) 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. General Fund support for one of these agencies, the Fair Political Practices Commission, is provided directly by a continuous appropriation made in the PRA and through Item 8620-001-001. Funds for the other three agencies are provided by the Legislature through Item 8640-001-001. (The Secretary of State receives an additional amount for administration of the act in its own support appropriation, which is not discussed here.)

The Secretary of State, Franchise Tax Board and Fair Political Practices Commission have 95.1 personnel-years in the current year to carry out the provisions of the PRA.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total appropriations of \$5,905,000 from the General Fund to carry out the provisions of the PRA in 1988-89. This is \$308,000, or 5.5 percent, more than the total amount that will be spent for these purposes in the current year. Table 1 identifies the agencies that will spend funds appropriated in support of the act, the function each performs, and the estimated General Fund support provided to each during the prior, current and budget years.

**ANALYSIS AND RECOMMENDATIONS****FAIR POLITICAL PRACTICES COMMISSION**

**Overview.** The Fair Political Practices Commission is responsible for the administration and implementation of the PRA. The commission consists of five members, two of which, including the chairman, are appointed by the Governor. The Attorney General, the Secretary of State and the State Controller each appoint one member. The commission has 57.8 personnel-years in the current year.

# **FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT—Continued**

**Table 1**  
**Political Reform Act of 1974**  
**General Fund Support <sup>a</sup>**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Function	Expenditures			Percent Change From 1987-88
	Actual 1986-87	Est. 1987-88	Prop. 1988-89	
Budget Bill Appropriations				
Secretary of State..... Filing of documents	\$624	\$624	\$650	4.2%
Franchise Tax Board..... Auditing statements	1,041	1,063	1,088	2.4
Attorney General..... Criminal enforcement	310	314	318	1.3
Fair Political Practices Commission.. Local enforcement /support	819	773	800	3.5
Subtotals.....	(\$2,794)	(\$2,774)	(\$2,856)	(3.0%)
Statutory Appropriation—Fair Political Practices Commission..... Administration of Act	\$2,536	\$2,823	\$3,049	8.0%
Totals, Political Reform Act .....	\$5,330	\$5,597	\$5,905	5.5%

<sup>a</sup> As identified in the Governor's Budget.

For the budget year, the commission proposes to spend \$3,849,000. This is \$193,000, or 5.3 percent, above estimated current year expenditures. The proposed increase in expenditures reflects the *net* effect of a \$117,000 net reduction in the commission's baseline budget in 1988-89 and an additional \$310,000 to fund four program changes in 1988-89. These program changes include a \$32,000 rent increase; \$40,000 to contract for simplification of reporting forms; \$185,000 to handle increased investigative and public records workload; and \$53,000 for a new Conflict of Interest Unit.

## **Budget Bill Appropriation Understated**

*We recommend that the Department of Finance report at budget hearings on the appropriate levels of Budget Bill and statutory appropriations for the commission.*

The PRA specifies that the commission receive a General Fund allocation of \$1 million each year adjusted for cost-of-living changes since 1974-75. In recent years, the commission also has received an additional appropriation in the Budget Bill for local enforcement and support. For 1988-89, the commission requests a Budget Bill appropriation of \$800,000. This request is based on the assumption that it will receive a \$3,049,000 statutory appropriation in 1988-89. This assumption is not correct.

In allocating the commission's total request between the Budget Bill and statutory appropriations, the Department of Finance mistakenly included program changes under the statutory allocation. As stated above, however, the statute provides only for cost-of-living adjustments. Our calculations indicate that the statutory appropriation should be

\$2,501,000 in 1988-89. Because the budget request is based on the receipt of a \$3 million statutory appropriation, the commission will be underfunded in 1988-89 unless an adjustment is made to its budget request.

Accordingly, we recommend that the Department of Finance report at budget hearings on the appropriate levels of Budget Bill and statutory appropriations for the commission.

### SECRETARY OF STATE

#### *We recommend approval.*

Responsibilities assigned to the Secretary of State by the PRA 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 \$658,000 by the Secretary of State from this item for work arising under the act during 1988-89. This amount includes a General Fund appropriation of \$650,000 and reimbursements of \$8,000. This is \$15,000, or 2.3 percent, above estimated total current year expenditures.

### FRANCHISE TAX BOARD

#### *We recommend approval.*

The 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 proposing statewide ballot measures, and (4) specified elected officials. The board indicates that it will conduct 323 PRA audits in the budget year.

The budget proposes \$1,088,000 for FTB to administer its portion of the PRA in 1988-89, which is an increase of \$25,000 over estimated current year expenditures.

### ATTORNEY GENERAL

#### *We recommend approval.*

The PRA 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. Budget year expenditures to provide required services are estimated at \$318,000, which is an increase of \$4,000 over estimated current year expenditures.

## PUBLIC UTILITIES COMMISSION

Item 8660 from various funds

Budget p. GG 121

Requested 1988-89.....	\$71,868,000
Estimated 1987-88 .....	71,253,000
Actual 1986-87 .....	68,412,000
Requested increase (excluding amount for salary increases) \$615,000 (+8.6 percent)	
Total recommended reduction.....	671,000

**PUBLIC UTILITIES COMMISSION—Continued**  
**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8660-001-042—Railroad grade crossing safety	State Highway Account, State Transportation	\$1,592,000
8660-001-046—Rail passenger service and enforcement of federal railroad track and freight car equipment standards	Transportation Planning and Development Account, State Transportation	2,274,000
8660-001-412—Freight Transportation regulation	Transportation Rate	18,188,000
8660-001-461—Passenger Transportation regulation	Public Utilities Commission Transportation Reimbursement Account	4,031,000
8660-001-462—Utility regulation	Public Utilities Commission Utilities Reimbursement Account	39,370,000
8660-001-890—Various purposes	Federal Trust	260,000
Ch 221/84, interest repayment on loan	Transportation Reimbursement Account and Utilities Reimbursement Account	1,262,000
Ch 323/83, interest repayment on loan	Utilities Reimbursement Account	2,367,000
Reimbursements		<u>2,524,000</u>
Total		<u>\$71,868,000</u>

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. *Regulation of Trucking. Reduce Item 8660-001-412 by \$202,000.* Recommend reduction of \$202,000 for contracts to (1) monitor rate regulated sectors and (2) develop a Zip-code distance table because these requests are not justified. 1190
2. *Transportation Management Information System. Reduce Item 8660-001-042 by \$46,000, Item 8660-001-046 by \$61,000, Item 8660-001-412 by \$213,000 and Item 8660-001-461 by \$49,000.* Recommend reduction of \$369,000 proposed for equipment and software development because these funds are not needed at this time. 1191
3. *Electromagnetic Field Hazards. Reduce Item 8660-001-462 by \$100,000.* Recommend reduction of contract funds for scientific advise because the proposal lacks detail. 1192

**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 gas, electric, telephone, trucking, bus, and railroad corporations.

The commission's primary objective is to ensure 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 various regulatory decisions.

The PUC is governed by five commissioners who are appointed by the Governor. The commission must approve all changes in the operating methods and rate schedules proposed by regulated utilities and transportation companies. It investigates complaints registered against utilities, and also may initiate investigations of utility companies on its own

volition. In all such cases, information is gathered by the staff, hearings are held, and decisions are rendered by a vote of the commissioners. Commission decisions may be appealed only to the California Supreme Court, whose review power generally is limited to questions of law.

The commission has 997.1 personnel-years in the current year.

### OVERVIEW OF THE BUDGET REQUEST

Proposed expenditures in 1988-89 from all funding sources, including federal funds and reimbursements, total \$71.9 million, which is \$615,000, or 8.6 percent, above estimated current-year expenditures. Table 1 summarizes the PUC's budget for the prior, current, and budget years. The table shows expenditures for elements within each of the commission's three major programs: regulation of utilities, regulation of transportation, and administration.

**Table 1**  
**Public Utilities Commission**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program	Actual 1986-87	Estimated 1987-88	Proposed 1988-89	Change from 1987-88	
				Amount	Percent
Regulation of Utilities:					
Certification .....	\$2,519	\$1,523	\$1,644	\$121	7.9%
Rates .....	37,013	40,017	39,008	-1,009	-2.5
Safety .....	1,262	1,275	1,477	202	15.8
Service and facilities .....	2,294	2,686	2,936	250	9.3
Subtotals, Utilities .....	(\$43,088)	(\$45,501)	(\$45,065)	(\$436)	(-1.0%)
Regulation of Transportation:					
Licensing .....	\$8,534	\$9,323	\$9,696	\$373	4.0%
Rates .....	11,699	11,753	12,175	422	3.6
Safety .....	4,039	3,716	3,889	173	4.7
Service and facilities .....	1,052	960	1,043	83	8.6
Subtotals, Transportation .....	(\$25,324)	(\$25,752)	(\$26,803)	(\$1,051)	(4.1%)
Administration (Distributed):					
Utilities .....	\$12,797	\$13,784	\$14,145	\$361	2.6%
Transportation .....	7,944	7,992	8,272	280	3.5
Subtotals, Administration .....	(\$20,741)	(\$21,776)	(\$22,417)	(\$641)	(2.9%)
Totals .....	\$68,412	\$71,253	\$71,868	\$615	9%
Funding Sources					
Public Utilities Commission,					
Transportation Reimbursement Ac-					
count .....	\$3,651	\$4,095	\$4,623	\$528	12.9%
Public Utilities Commission, Utilities					
Reimbursement Account .....	38,075	38,518	42,407	3,889	10.1
Transportation Rate Fund .....	17,970	17,838	18,188	350	2.0
Transportation Planning &					
Development Account, State					
Transportation Fund .....	2,182	2,170	2,274	104	4.8
State Highway Account, State					
Transportation Fund .....	1,415	1,523	1,592	69	4.5
Universal Telephone Service Fund .....	70	—	—	—	<sup>a</sup>
Federal Funds .....	239	260	260	—	—
Reimbursements .....	4,810	6,849	2,524	(4,325)	-63.1
Personnel-years .....	977.7	997.1	999.3	2	.2%

<sup>a</sup> Not a meaningful figure.

**PUBLIC UTILITIES COMMISSION—Continued****Proposed Budget-Year Changes**

Table 2 shows the changes in the PUC's proposed budget for 1988-89. The largest proposed *baseline adjustments* are reductions reflecting the following one-time current-year costs: (1) \$4.4 million for nuclear reasonableness review consultant contracts and (2) \$1.2 million for development of the Transportation Management Information System (TMIS).

The largest proposed *workload* and *program changes* are increases of (1) \$3.6 million for interest owed on loans made when the PUC converted to regulatory fee funding, (2) \$369,000 for hardware and additional software development for TMIS, and (3) \$430,000 for four positions and consultant contracts to evaluate utility hazardous waste management programs.

**Table 2**  
**Public Utilities Commission**  
**Proposed 1988-89 Budget Changes**  
**(dollars in thousands)**

	Utilities Reim- burse- ment Account	Transpor- tation Rate Fund	PUC Transpor- tation Reim- burse- ment Account	Other Funds	Reim- burse- ments	Total
1987-88 Expenditures (Revised) ....	\$38,518	\$17,838	\$4,095	\$3,953	\$6,849	\$71,253
<b>Baseline Adjustments:</b>						
Central administrative services....	-\$36	\$159	\$43	-\$4	—	\$162
Employee compensation adjust- ments.....	519	241	54	51	—	865
Price increase.....	191	85	18	19	\$51	364
Office automation efficiencies.....	-238	-80	-30	—	—	-348
Parking garage.....	49	23	4	—	—	76
Various legislation.....	-160	-90	-100	—	—	-350
Nuclear reasonableness reviews...	—	—	—	—	-4,376	-4,376
Transportation management infor- mation system.....	—	-899	-292	—	—	-1,191
Audit software.....	-168	—	—	—	—	-168
Telecommunications utility audit ..	-500	—	—	—	—	-500
Subtotals, Baseline Adjustments.	(-\$343)	(-\$561)	(-\$303)	(\$66)	(-\$4,325)	(-\$5,466)
<b>Workload Changes:</b>						
Hazardous waste management....	\$430	—	—	—	—	\$430
Electromagnetic hazards.....	100	—	—	—	—	100
Federal representation.....	85	—	—	—	—	85
Telecommunications plant utiliza- tion.....	250	—	—	—	—	250
Utility pension accounting.....	50	—	—	—	—	50
Highway Carrier Self-Insurance Study.....	—	\$82	\$13	—	—	95
Highway carrier audits.....	—	230	—	—	—	230
General commodities monitoring ..	—	102	—	—	—	102
Deregulated Commodities Moni- toring.....	—	124	—	—	—	124
Zip Code Distance Table.....	—	100	—	—	—	100
Subtotals, Workload Adjust- ments.....	(\$915)	(\$638)	(\$13)	—	—	(\$1,566)

*Program Changes:*

Transportation Management Information System .....	—	\$213	\$49	\$107	—	\$369
Building alterations .....	\$120	60	10	—	—	190
Loan interest repayment .....	3,037	—	592	—	—	3,629
Recent Legislation:						
Universal Telephone Service (Ch 163/87) .....	160	—	—	—	—	160
Charter Party Carrier Licensing (Ch 660/87) .....	—	—	167	—	—	167
Subtotals, Program Changes .....	(\$3,317)	(\$273)	(\$818)	(\$107)	—	(\$4,515)
1988-89 Expenditures (Proposed) .....	\$42,407	\$18,188	\$4,623	\$4,126	\$2,524	\$71,868
Changes from 1987-88:						
Amount .....	\$3,889	\$350	\$528	\$173	-\$4,325	\$615
Percent .....	10.1%	2.0%	12.9%	4.4%	-63.1%	.9%

**ANALYSIS AND RECOMMENDATIONS****Regulation of Transportation**

The Public Utilities Commission regulates the rates, services, and safety of intrastate, privately owned, for-hire highway carriers (for-hire truckers) and passenger carriers (primarily buses). The regulated highway carriers pay fees into the Transportation Rate Fund (TRF) to support that portion of the commission's workload which involves trucking-related regulation. The passenger carrier workload is supported from the Public Utilities Commission Transportation Reimbursement Account (PUCTRA). The budget proposes expenditures of \$22.2 million (excluding \$592,000 from the PUCTRA for interest payments on a loan) from these funds and 280.6 personnel-years for support of the transportation regulation program in 1988-89.

**Trucking Industry Should Be Deregulated**

In *The 1987-88 Budget: Perspectives and Issues* (please see p. 221), we analyzed the commission's motor carrier regulatory program. The impetus for our review was a commission decision (April 1986) to increase the level of rate regulation for general freight truckers (known as the reregulation decision). Prior to this decision, the commission had been pursuing a generally deregulatory path since 1980. For example, fruit and vegetable carriers and vacuum/tank trucks have been deregulated.

The general freight reregulation decision was intended to address concerns regarding profitability, safety and service. Our review of the information available on the impact of trucking deregulation indicates that (1) the industry does not fit the criteria for an industry in need of regulation, (2) states that have deregulated their trucking industry have not experienced the problems alleged to occur under deregulation, and (3) the link between economic regulation and safety is weak. We conclude from this information that economic regulation of the trucking industry is both unnecessary and inefficient.

Recently, the commission announced its intent to hold *en banc* (informational) hearings, in part, to review its 1986 reregulation decision. These hearings are the commission's response to publication of its safety study (described below), pending legislation, and critiques of the current regulatory program. The hearings, scheduled to take place in March 1988, will examine all aspects of the trucking industry.

The commission also has assigned the equivalent of about 10 personnel to prepare two major reports. These reports are (1) an evaluation of

**PUBLIC UTILITIES COMMISSION—Continued**

conditions—pricing, contractual arrangements, safety, and service—in the subhauler (truckers who contract to other trucking companies to provide services) industry segment, and (2) a general review of the entire trucking industry including pricing, service, competition, and safety.

One of the main reasons for continued regulation of trucking has been both the Legislature's and the PUC's concern about truck safety in an unregulated environment. In response to this concern, the Legislature enacted Ch 1292/86, which directed the PUC and the CHP to conduct a study on the safety of heavy trucks. That study was completed in November 1987. The following are among the study's principle conclusions: (1) economic regulation is, at best, only weakly related to truck safety, and (2) enforcement, improved driver quality and improved highway conditions "... appear to have far more potential... [than regulation]... for improving highway safety." The study also found no "... consistent pattern between degree of rate regulation and truck-at-fault fatal accident experience...."

In *The 1987-88 Budget: Perspectives and Issues* (please see page 229) we recommended the enactment of legislation terminating the PUC's economic regulation of the trucking industry. We further recommended that the Legislature address concerns regarding truck safety through increased *direct* enforcement of driver and equipment safety standards. We continue to make these recommendations.

**Budget-Year Requests for Truck Regulation Program**

*We recommend reductions of \$202,000 from the TRF for proposed consultant contracts because these expenditures are not justified. (Reduce Item 8660-001-412 by \$202,000.)*

The budget requests a total of \$651,000 and four positions primarily to support the commission's regulation of trucks. Based on our evaluation of these budget requests, we recommend approval of (1) \$230,000 and four positions to perform trucking company financial audits, (2) \$95,000 for a contract to study self-insurance and (3) \$124,000 for contracts to study deregulated sectors. Our analysis indicates that two requests, totaling \$202,000, are not justified. Our evaluation of the two requests follows.

**Monitoring rate regulated sectors.** The budget requests \$102,000 for a consultant contract to evaluate the effects of the commission's general freight reregulation program. This study will investigate the following carrier-related issues: (1) service to small communities, (2) safety performance, (3) industry stability, and (4) hauler and subhauler profitability.

As noted above, the commission currently has two reports underway that will provide additional evidence about the reregulation decision. These reports will examine (1) competitive conditions in the subhauler industry segment and relations between subhaulers and contracting carriers; and (2) general competitive and safety conditions in the trucking industry (this report is being prepared for the March 1988 *en banc* hearing on this subject). Therefore, our analysis indicates that funds for an additional study are not needed because they would appear to duplicate existing efforts.

**Zip-code distance table.** The budget requests \$100,000 for a consultant contract to (1) update the current distance table to reflect new road

construction and (2) provide a new, simplified distance table based on Zip-codes. Distance tables are used by trucking companies as a basis for quoting rates. The new table will be based on distances between five digit Zip-code areas within California.

We find no justification for updating the existing table if the commission proposes to replace it with a new table. Most of the requested funds are proposed as "seed money" for a contractor to use in developing the new Zip-code table. According to the PUC, the contractor would then recoup development costs by selling the table to trucking companies at a profit. We find no justification for a *grant* of state funds to a private contractor to develop a product the contractor will sell at a profit. If there is a demand for this table, and if—as indicated—it can be sold at a profit, private enterprise, rather than the state, should pay for its development.

Each of these budget requests lack justification on its own merits. Accordingly, we recommend a reduction of \$202,000 from the TRF.

#### **Transportation Management Information System (TMIS)**

*We recommend a reduction of \$369,000 from various funds for purchase of equipment and development of the TMIS railroad module because it would be premature to appropriate funds for these activities until the commission's computer capacity problem is resolved. (Reduce Item 8660-001-042 by \$46,000; Item 8660-001-046 by \$61,000; Item 8660-001-412 by \$213,000; and Item 8660-001-461 by \$49,000.)*

The 1986 Budget Act appropriated \$300,000 for a study to examine the feasibility of automating the licensing and other functions of the Transportation Division. This study led to a project commonly known as the Transportation Management Information System (TMIS). The Legislature appropriated an additional \$1.2 million in 1987-88 for the design and implementation of the truck and bus portion of TMIS. For 1988-89, the budget proposes (1) \$88,000 for development of the railroad portion of TMIS and (2) \$281,000 for terminals, printers, other equipment and maintenance needed for operation of TMIS.

In December 1987 the commission contracted for a study of computer capacity needs, both for continued development of the truck and bus portion of TMIS and for operation of the completed system. That study found that the commission's mainframe would need significant upgrades, both in its processing capacity and in its mass storage capacity by March of 1988 *just to continue development of the truck and bus portion of TMIS*. Operation of the system will require further upgrades by the fall of 1988.

These upgrades are expensive—the current estimate for the first phase is about \$800,000. The Office of Information Technology recently directed the commission to complete a special project report detailing proposed interim solutions and to complete a feasibility study report proposing long-term solutions to this problem. Moreover, at the time of our analysis, the commission's budget request did not contain funds for either interim or long-term solutions. In the absence of either an interim or permanent solution to the computer capacity problem, the commission cannot productively use either the railroad module development funds or the equipment and maintenance funds requested.

Accordingly, we recommend a reduction of \$369,000 from various funds for consultant contracts and equipment.

**PUBLIC UTILITIES COMMISSION—Continued****Regulation of Utilities****Electromagnetic Hazards Consultant Contract**

*We recommend a reduction of \$100,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) for consultant contracts because the proposal lacks detail and is premature. (Reduce Item 8660-001-462 by \$100,000.)*

The budget proposes \$100,000 to hire consultants to report on the effects of electromagnetic fields (EMF) on the public health. Recent published reports suggest that EMF may have subtle but measurable effects on cell biology, human behavior and childhood susceptibility to certain cancers. The commission is proposing (1) \$25,000 for a panel of eight experts who would identify up to 24 other experts, and (2) \$75,000 for testimony by the second group of experts on various aspects of scientific research regarding the effects of EMF.

While the EMF issue may warrant study, the commission's proposal is not sufficiently detailed to evaluate its feasibility. Moreover, available evidence suggests a need for considerably more research on the effects of EMF before scientifically valid steps can be taken to address the issue. Our discussions with the commission and review of published studies reveal that it will be at least several years before any research-based exposure standards can be expected. Therefore, we recommend a reduction of \$100,000 from the PUCURA for consultant contracts for this purpose because it is unlikely that the information available from the consultants would provide a basis for regulatory action by the commission.

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**BOARD OF CONTROL**

Item 8700 from the General  
Fund and various other  
special funds

Budget p. GG 133

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Requested 1988-89.....	\$75,264,000
Estimated 1987-88 .....	69,654,000
Actual 1986-87 .....	44,866,000
Requested increase (excluding amount for salary increases) \$5,610,000 (+8.1 percent)	
Total recommended reduction.....	None

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**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8700-001-001—Support	General	\$817,000
8700-001-214—Support	Restitution	10,631,000
8700-001-890—Support	Federal Trust	6,353,000
8700-011-178—Transfer from Driver Training Penalty Assessment Fund	Restitution	(4,499,000)
Reimbursements		121,000
Total, Budget Bill Appropriations		\$17,922,000
Continuing Appropriation—Claims	Restitution	57,340,000
Continuing Appropriation—Claims	Missing Children Reward	2,000
Total		\$75,264,000

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Analysis  
page**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

1. Fund Transfer. Recommend Budget Bill language to transfer up to \$4.5 million of any unspent balances in the Restitution Fund not needed for the Citizen Indemnification program, to the General Fund. 1196

**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) Citizen Indemnification, (3) Civil Claims Against the State, (4) Hazardous Substance Claims and (5) Statewide Pro Rata Interagency Agreement.

The board has 181.8 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures totaling \$75.3 million for the Board of Control in 1988-89. This is an increase of \$5.6 million, or 8.1 percent, over estimated current-year expenditures. The change between the current and budget years, however, reflects a significant one-time expenditure of \$3.5 million to pay Mediterranean Fruit Fly claims in the current year. If the budget is adjusted to eliminate the effect of this one-time expenditure, the 1988-89 budget would increase by \$9.1 million, or 13 percent over estimated current-year expenditures. Table 1 shows the board's proposed funding and expenditures, by program, for the past, current, and budget years.

**Table 1**  
**Board of Control**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Change</i> <i>From</i>
	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1987-88</i>
<i>Program Expenditures</i>				
Citizen indemnification.....	\$43,978	\$65,199	\$74,326	14.0%
Hazardous substance claims .....	15	20	21	5.0
Civil claims against the state .....	833	4,390	871	-80.2
Statewide pro rata agreement.....	40	45	46	2.2
Administration (distributed) .....	(271)	(283)	(290)	2.5
Totals, Expenditures.....	\$44,866	\$69,654	\$75,264	8.1%
<i>Funding Sources</i>				
General Fund .....	\$678	\$804	\$817	1.6%
Restitution Fund .....	38,793	58,845	67,971	15.5
Mediterranean Fruit Fly Claims Fund .....	1	3,533	—	-100.0
Missing Children Reward Fund .....	—	1	2	100.0
Federal Trust Fund .....	5,185	6,353	6,353	—
Reimbursements.....	209	118	121	2.5
Personnel-years.....	120.6	181.8	161.4	-11.2%

**BOARD OF CONTROL—Continued**

The budget proposes a General Fund appropriation of \$817,000 in 1988-89. This is \$13,000, or 1.6 percent, above estimated current-year expenditures. This increase reflects the General Fund share of a price increase, the full-year cost of the employee compensation program that became effective January 1, 1988, and some minor cost adjustments. There are no program or workload changes requested from the General Fund.

Changes to the Restitution Fund include a reduction of \$1.1 million resulting from the termination of 28 limited-term positions that were added in the current-year to process the backlog of victims of crime claims. In addition, there is a reduction of \$584,000 to eliminate one-time current-year expenditures.

Program changes from the Restitution Fund include an increase of \$10 million for the payment of an increased number of victim claims, and \$484,000 for 6.7 positions to administer and process the increased number and claims.

These changes are shown in Table 2, which identifies, by funding sources, the changes in expenditure levels proposed for 1988-89.

**Table 2**  
**Board of Control**  
**Proposed 1988-89 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	<i>Total</i>
1987-88 Expenditures (Revised) .....	\$804	\$62,379	\$6,353	\$118	\$69,654
<i>Workload Changes</i>					
Victim claims processing .....	—	484	—	—	484
Missing children reward payments .....	—	1	—	—	1
Victim claims payments .....	—	10,023	—	—	10,023
Subtotals, Workload Adjustments .....	(—)	(\$10,508)	(—)	(—)	(\$10,508)
<i>Other Adjustments</i>					
Employee compensation .....	\$11	\$79	—	\$2	\$92
Price increase .....	8	138	—	2	148
Limited-term positions .....	—	-1,084	—	—	-1,084
One-time costs .....	-3	-584	—	-1	-588
Medfly claims technical adjustment .....	—	-3,533	—	—	-3,533
Miscellaneous .....	-3	70	—	—	67
Subtotals, Other Adjustments .....	(\$13)	(-\$4,914)	(—)	(\$3)	(-\$4,898)
1988-89 Expenditures (Proposed) .....	\$817	\$67,973	\$6,353	\$121	\$75,264
Change from 1987-88:					
Amount .....	\$13	\$5,594	—	\$3	\$5,610
Percentage .....	1.6%	9.0%	—	2.5%	8.1%

**ANALYSIS AND RECOMMENDATIONS****Citizen Indemnification Program**

The Citizen Indemnification program compensates those citizens who are injured and suffer financial hardship as a result of crimes of violence, or who sustain damage or injury while performing acts which benefit the public. The program is financed primarily by appropriations from the Restitution Fund, which receives a portion of the revenues collected from penalty assessments levied on criminal and traffic fines. In addition,

federal funds from the Victims of Crime Act are available to pay claims.

Chapter 1092, Statutes of 1983, continuously appropriates funds from the Restitution Fund to the Board of Control for the payment of claims, but provides that the administrative costs of the program appropriated from the Restitution Fund are subject to review in the annual budget process.

The budget proposes \$63.7 million for the payment of claims in 1988-89 consisting of \$57.3 from the Restitution Fund and \$6.4 million from federal funds. For administration of the program, the budget proposes \$10.6 million from the Restitution Fund.

### **Claims Backlog Returns**

For many years, the program experienced a large backlog of victim claims that had been accepted, but not processed, by the board. Because of the backlog problem, the Legislature included language in each Budget Act since 1981, requiring the board to report to the Joint Legislative Budget Committee at the end of any quarter in which the backlog increased. In 1985-86, the Legislature approved an augmentation to provide additional positions and funds to allow the board to contract with victim/witness assistance centers to assist in verifying new claims. As a result, in that year the board was able to eliminate the backlog and reduce the time it needed to process a new claim to 90 days.

In 1986-87 the board experienced a 55 percent increase in new claims compared with the number of new claims received in the previous year. The board advises that this increase resulted primarily from increased public awareness of the program, and an expansion of the number of eligible victims resulting from the enactment of new legislation. The board was unable to process these claims (totaling 8,498) in a timely manner. As a result it reported increasing backlogs totalling 2,401 claims on March 30, 1987; 6,212 claims on June 30, 1987; and 8,074 claims on September 30, 1987.

The board advises that it intends to reduce this backlog through the use of the 28 limited-term positions that were added to the 1987-88 budget for this purpose. In addition, the board believes that several other changes including a recent reorganization that created a new unit to verify requested augmentations to previously awarded claims, and improved automation capabilities, will also assist in reducing the backlog. The budget anticipates that this backlog will be reduced to 3,032 claims by June 30, 1988.

Based on current workload production standards, the board estimates that it will have sufficient budgeted resources to process the new claims and eliminate the remainder of the backlog in the budget year. Our review of the workload standards used in the budget indicates that the proposed personnel level has been based on actual production by the staff over the past 12 months and therefore reflects the most recent workload history. We believe this is reasonable and we recommend approval.

The budget for 1988-89 anticipates a 10 percent growth in new claims. Although this is a lower growth factor than the 20 percent factor used in the board's projections since 1984-85, our review of the past 12 months of data indicates that the number of new claims received each month appears to have stabilized. In fact, the actual number of claims received has declined slightly each month over the last twelve months. For this reason, we believe the proposed 10 percent growth factor in new claims

**BOARD OF CONTROL—Continued**

is reasonable. We will continue to monitor the monthly claim data and will be prepared to advise the Legislature of any changes, as appropriate, during budget hearings.

**Transfer from Driver Training Penalty Assessment Fund**

*We recommend that the Legislature adopt Budget Bill language to transfer up to \$4,499,000 of any unspent balances in the Restitution Fund to the General Fund on June 30, 1989.*

The budget proposes a transfer of \$4.5 million from the Driver Training Penalty Assessment Fund to the Restitution Fund on July 1, 1988 (Item 8700-011-178). The budget states that this is a one-time transfer to provide sufficient resources to allow the Restitution Fund to meet the projected cost of victims' claims in the budget year. The budget estimates that expenditures from the Restitution Fund will be \$68.6 million in 1988-89, while revenues available without this transfer would be only \$64.1 million.

*Transfer Has Same Effect as General Fund Subsidy.* Like the Restitution Fund, the Driver Training Penalty Assessment Fund also derives its revenue from a portion of the monies collected from penalty assessments levied on criminal and traffic fines. However, unlike the Restitution Fund, the Driver Training Penalty Assessment Fund receives substantially *more* revenue than is appropriated annually for the programs that it supports. As a result, each year through Control Section 24.10, the Budget Act provides for the transfer of any unused funds in the Driver Training Penalty Assessment Fund to the General Fund. Therefore, if the \$4.5 million is not transferred to the Restitution Fund, it would be transferred to the General Fund surplus instead, and be available for expenditure on any program, subject to appropriation by the Legislature.

*Revenue to Restitution Fund Uncertain.* Our analysis indicates that revenue to the Restitution Fund in 1988-89 could vary significantly from the estimates shown in the budget. Last year, the Restitution Fund was projected to experience a significant program revenue shortfall. In response, the Legislature enacted urgency legislation (Ch 1214/87 and Ch 1232/87) to increase penalty assessments by \$2 and allocate the proceeds directly to the Restitution Fund. This measure was expected to increase annual revenue to the Restitution Fund by more than \$25 million, although a precise estimate is not possible because there is no reliable historical data that can be used to predict the rate at which the increased assessment will be collected. Because prior penalty assessment increases were compounded with increases in fines, it is impossible to identify the increased revenues that were generated solely by the assessment increase.

In addition, there is no current revenue experience upon which to base a reliable estimate. The measures increasing the penalty assessment by \$2 did not take effect until September 27, 1987 and the counties have been slow in reporting the receipts of these funds.

*Additional Revenue Should be Returned to General Fund.* The budget proposes to make the transfer from the Driver Training Penalty Assessment Fund to the Restitution Fund on July 1, 1988. Subsequently, if actual revenue to the Restitution Fund exceeds the estimates by more than \$4.5 million, money from the transfer would remain in the Restitution Fund surplus. To ensure that any of the transferred funds which are

*not needed for the Citizen Indemnification program* are made available to the Legislature for allocation to other high priority programs, we recommend that up to \$4.5 million of any reserve balances in the Restitution Fund on June 30, 1989 be transferred to the General Fund. Adoption of the following language in Item 8700-011-178 is consistent with this recommendation:

1. Notwithstanding any other provision of law, out of any unencumbered balance in the Restitution Fund on June 30, 1989, the Controller shall transfer up to \$4,499,000 to the General Fund.

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## COMMISSION ON STATE FINANCE

Item 8730 from the General

Fund

Budget p. GG 130

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Requested 1988-89.....	\$817,000
Estimated 1987-88 .....	800,000
Actual 1986-87 .....	729,000
Requested increase (excluding amount for salary increases) \$17,000 (+2.1 percent)	
Total recommended reduction .....	None

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### GENERAL PROGRAM STATEMENT

Chapter 1162, Statutes of 1979, established the Commission on State Finance. The primary responsibility of the commission is to provide quarterly forecasts of state revenues, current year expenditures, and an estimate of the General Fund surplus or deficit.

The commission is also required to produce annual long-range forecasts of General Fund revenues and expenditures for each of the four years immediately following the budget year, as well as for the ninth year beyond the budget year. Finally, Ch 1027/85 requires the commission to report semiannually to the Legislature and the Governor regarding the impact of federal expenditures on the state's economy.

The commission consists of the following seven members or their designees: (1) the President pro Tempore of the Senate; (2) the Speaker of the Assembly; (3) the Senate Minority Leader; (4) the Assembly Minority Leader; (5) the Director of Finance; (6) the State Controller; and (7) the State Treasurer.

The commission has eight personnel-years during the current year.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

The budget proposes an appropriation of \$817,000 from the General Fund for support of the Commission on State Finance in 1988-89. This is an increase of \$17,000, or 2.1 percent, over estimated current year expenditures. The increase consists of \$8,000 for salary and benefits and a price adjustment of \$9,000.

Our analysis indicates that the proposed expenditures for the commission are reasonable.

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

Item 8780 from the General  
Fund

Budget p. GG 139

Requested 1988-89.....	\$513,000
Estimated 1987-88.....	503,000
Actual 1986-87.....	474,000
Requested increase (excluding amount for salary increases) \$10,000 (+2.0 percent)	
Total recommended reduction.....	None

## **1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8780-001-001-Support	General	\$511,000
Reimbursements	—	2,000
Total		\$513,000

## **GENERAL PROGRAM STATEMENT**

The Commission on California State Government Organization and Economy conducts program reviews, holds hearings and sponsors legislation to promote efficiency in state government. The commission consists of 13 members—nine public members appointed by the Governor and Legislature, two members of the Senate, and two members of the Assembly. Commission members are reimbursed for expenses, but receive no salary.

The commission has seven personnel-years in the current year.

## **OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures of \$513,000 (\$511,000 from the General Fund and \$2,000 from reimbursements) for support of the commission in 1988-89. This is \$10,000, or 2.0 percent, more than estimated current year expenditures. This amount includes an increase of \$6,000 for personal services costs, and \$4,000 for operating expenses.

## **ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

Our analysis indicates that the proposed expenditures for the commission appear to be reasonable.

**MEMBERSHIP IN INTERSTATE ORGANIZATIONS**Item 8800 from the General  
Fund

Budget p. GG 140

Requested 1988-89 .....	\$564,000
Estimated 1987-88 .....	533,000
Actual 1986-87 .....	514,000
Requested increase \$31,000 (+5.8 percent)	
Total recommended reduction.....	None

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes an appropriation of \$564,000 from the General Fund to support five interstate organizations in 1988-89. They are the Council of State Governments, the National Conference of State Legislatures, the Western States Legislative Forestry Task Force, the Governmental Accounting Standards Board, and the State and Local Legal Center. The requested amount is an increase of \$31,000, or 5.8 percent, above estimated current-year expenditures.

Table 1 displays the amount of funding the state provided for these organizations in the past, current, and budget years.

**Table 1**  
**Membership in Interstate Organizations**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

	<i>Actual</i> 1986-87	<i>Est.</i> 1987-88	<i>Prop.</i> 1988-89	<i>Percent</i> <i>Change</i> <i>from</i> <i>1987-88</i>
<i>Memberships</i>				
Council of State Governments.....	\$207	\$215	\$226	5.1%
National Conference of State Legislatures .....	222	224	241	7.6
Western States Legislative Forestry Task Force.....	22	22	22	—
Governmental Accounting Standards Board....	63	64	67	4.7
State and Local Legal Center .....	—	8	8	—
Totals .....	\$514	\$533	\$564	5.8%

**Council of State Governments (CSG).** The CSG was founded in 1933 to strengthen the role of the states in the federal system and to promote cooperation among the states. The annual operating budget of the council is projected to be approximately \$5 million for 1988-89. Assessments imposed on member states pay for about \$3 million, or 60 percent, of the council's operations. Other sources of support for the council include publication sales, the corporate associates program, and interest revenues.

Each state's annual assessment consists of a base amount—\$34,100—plus an additional amount based upon the state's population—\$7.50 per 1,000 residents. The CSG indicates that it has increased the base rate from \$31,400 to \$34,100 in 1988-89, in order to reduce the burden on large population states such as California. The CSG estimates that about 55

**MEMBERSHIP IN INTERSTATE ORGANIZATIONS—Continued**

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 to western states.

**National Conference of State Legislatures (NCSL).** The NCSL was created in 1975 to (1) improve the quality and effectiveness of state legislatures, (2) foster interstate communication and cooperation, and (3) assure state legislatures a strong voice in the federal system. The conference's annual budget for 1988-89 is projected to be about \$9.2 million, of which \$3.9 million will be derived from assessments on member states and \$5.3 million will come from other sources.

The NCSL determines each state's 1988-89 assessment by adding a flat rate of \$2,216 per state plus \$0.456 per 1,000 residents to the assessment paid in 1987-88.

**Western States Legislative Forestry Task Force.** The Western States Legislative Forestry Task Force was established in 1974 to provide a forum for discussion of issues pertaining to the management of forestry resources. The task force consists of four legislators from each of six western states.

**Governmental Accounting Standards Board (GASB).** The GASB was created in 1984 for the purpose of establishing appropriate standards for governmental accounting. The board assumed functions which had been handled previously by the National Council on Governmental Accounting. The GASB promotes standardization of governmental accounting practices by developing model standards, issuing informational publications, and keeping states abreast of changes in the accounting field. The Department of Finance, State Controller, Auditor General, and State Treasurer have participated in the GASB for the past three years.

**State and Local Legal Center.** The State and Local Legal Center was established in 1983 to improve the quality of representation of state and local governments before the United States Supreme Court, by means of direct assistance, filing of amicus curiae briefs, general education and information dissemination. The center is jointly sponsored by the NCSL, the CSG, and the National Governor's Association.

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**COMMISSION ON THE STATUS OF WOMEN**

Item 8820 from the General  
Fund and the Displaced  
Homemaker Emergency Loan  
Fund

Budget p. GG 141

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Requested 1988-89 .....	\$722,000
Estimated 1987-88 .....	691,000
Actual 1986-87 .....	671,000
Requested increase (excluding amount for salary increases) \$31,000 (+4.5 percent)	
Total recommended decrease .....	None

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**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8820-001-001—Support	General	\$613,000
Government Code Section 8257.3	Displaced Homemaker Emergency Loan	109,000
Total		\$722,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. Displaced Homemaker Emergency Loan Pilot Project. Recommend that the commission report during budget hearings on why the pilot project should be continued and on ways it could be modified to better serve its target population. 1201

**GENERAL PROGRAM STATEMENT**

The Commission on the Status of Women (CSW) 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.

The commission also administers the Displaced Homemaker Emergency Loan Pilot Project, a \$1 million loan guarantee program established by Ch 1596/84.

The commission has 11 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes spending \$722,000 from the General Fund and the Displaced Homemaker Emergency Loan Fund for the support of the commission in 1988-89. This is an increase of \$31,000, or 4.5 percent, from estimated current-year expenditures. The proposed increase reflects increased personal services costs (\$19,000), and new baseline allotments for per diem (\$11,000) and Cal-Stars implementation (\$1,000). The budget also proposes to add one Public Information Officer position that would be funded from existing resources within the commission's budget.

**ANALYSIS AND RECOMMENDATIONS****Low Demand For Pilot Project Loans**

*We recommend that the commission report during budget hearings on why the Displaced Homemaker Emergency Loan Pilot Project should be continued and on ways it could be modified to better serve its target population.*

**Background.** The Displaced Homemaker Emergency Loan Pilot Project, established by Ch 1596/84 and modified by Ch 1385/85, guarantees loans of up to \$2,500 for displaced homemakers (primarily women) needing transitional financial assistance. A displaced homemaker is defined as a person whose spouse has died or a person who has been abandoned by, separated from, or divorced from a spouse. The pilot project operates in Marin, San Francisco, and Alameda Counties, providing loans through a major California bank to homemakers who have been displaced within six months of their application for assistance.

Chapter 1385 appropriated \$1 million to the Displaced Homemaker Emergency Loan Fund (DHELF) to guarantee the loans. In addition, Ch

**COMMISSION ON THE STATUS OF WOMEN—Continued**

1385/85 allows interest earned on the DHELF to reduce the interest rate on each loan by up to 2 percent. The pilot project, which sunsets January 1, 1992, must be evaluated in a report submitted to the Legislature no later than July 1, 1990.

**Loan Activity To Date.** Table 1 presents data on the number of loan applications received and approved since September 1986, the date the commission received its first application.

**Table 1**  
**Commission on the Status of Women**  
**Displaced Homemaker Emergency Loan Pilot Project**  
**1986-87 and 1987-88**

	1986-87	1987-88 <sup>a</sup>	Total
Loan Applications:			
Approved.....	23	35	58
Pending.....	5	56	61
Denied, due to:.....	13	98	111
Insufficient income.....	(4)	(28)	(32)
Poor credit.....	(1)	(17)	(18)
Both.....	(8)	(53)	(61)
Total Received.....	41	189	230
Total Dollar Amount of Loans.....	\$51,500	\$83,500	\$135,000

<sup>a</sup> Actuals as of December 31, 1987.

As the table indicates, as of December 31, 1987, the commission had received 230 loan applications. Of that total, the lender denied 111 applications (48 percent) on the basis that the applicant did not have sufficient income to repay the loan and/or the applicant's credit was too poor to secure the loan. Of the remaining 119 applications, the commission approved 58 applications for loans totaling \$135,000 (for an average loan amount of \$2,328), and 61 applications were pending review by the lender.

**Problems With The Pilot Project.** Our analysis of the pilot project to date indicates three main problems. First, there appears to be very little demand for these loans. To encourage more displaced homemakers to apply for loans, the commission carried out an extensive outreach and media campaign from July 1987 through October 1987. Although there was an increase in the number of applications received in the current year, there has not been a significant increase in loan approvals. Consequently, after 16 months of operation, the commission has guaranteed loans for an amount that is less than one-seventh of the total funds available (\$1 million).

Second, our analysis indicates that a traditional, self-amortizing loan program may not meet the needs of displaced homemakers. This is because they may have either temporary or long-term income or credit problems that automatically render them ineligible for loans. Displaced homemakers may need a different type of assistance than is offered in the pilot project. For example, they might benefit more from a deferred-payment loan where payments would begin after the displaced homemaker's financial situation was presumed to be stabilized, or upon completion of job training or other education.

Third, the cost of administering the pilot project is excessively high in view of what the pilot project has actually accomplished. Specifically, the

commission has incurred, through December 1987, a total of \$334,000 in administrative costs, which is twice the amount of loans outstanding. The ongoing costs of administering the program (about \$160,000) would appear to be high relative to the benefits derived from the pilot project.

**Recommendations.** The commission must report to the Legislature on the results of the pilot project on or before July 1, 1990. Our review of existing data on the pilot project indicates, however, that it has not been successful to date. Accordingly, we recommend that the commission report during budget hearings on why this pilot project should be continued and on ways the pilot project could be modified to better address the needs of its target population.

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## CALIFORNIA LAW REVISION COMMISSION

Item 8830 from the General  
Fund

Budget p. GG 144

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Requested 1988-89 .....	\$576,000
Estimated 1987-88 .....	537,000
Actual 1986-87 .....	529,000
Requested increase (excluding amount for salary increases) \$39,000 (+7.3 percent)	
Total recommended reduction .....	None

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### GENERAL PROGRAM STATEMENT

The California Law Revision Commission consists of 10 members—one from each house of the Legislature, seven appointed by the Governor, and the Legislative Counsel.

Under the commission's direction, a staff of eight employees studies areas of statutory and decisional law which the Legislature, by concurrent resolution, requests the commission to review for the purpose of recommending substantive and procedural reforms. The commission supplements this staff by contracting with legal scholars and other experts in the areas of law which the commission is required to study.

In 1987, the commission concentrated its efforts on revising the Probate Code. In 1988, the commission plans to continue this project and begin examining commercial lease law.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

The budget proposes an appropriation of \$576,000 from the General Fund for support of the commission in 1988-89. This is \$39,000, or 7.3 percent, above estimated current-year expenditures. Most of the increase results from the purchase of a new copier (\$22,000). We have reviewed the commission's budget and the proposed expenditures appear reasonable.

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**COMMISSION ON UNIFORM STATE LAWS**Item 8840 from the General  
Fund

Budget p. GG 145

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Requested 1988-89.....	\$100,000
Estimated 1987-88 .....	98,000
Actual 1986-87 .....	97,000
Requested increase \$2,000 (+2 percent)	
Total recommended reduction.....	None

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**GENERAL PROGRAM STATEMENT**

The Commission on Uniform State Laws sponsors the adoption by California of uniform codes or statutes developed by the National Conference of Commissioners wherever compatibility with the laws of other jurisdictions is considered desirable. Currently, the commission consists of eight members—four appointed by the Governor, two members of the Legislature (one selected by each house), the Legislative Counsel, and a California life member of the National Conference of Commissioners on Uniform State Laws. Under the provisions of Ch 429/86, California life members of the national conference or persons who meet certain other criteria are members of the commission. Currently, one person qualifies under the provisions of the measure.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes an appropriation of \$100,000 from the General Fund for support of the commission in 1988-89. This is \$2,000, or 2 percent, greater than estimated current-year expenditures.

Nearly one-half of the commission's budget is used to pay the state's annual membership fee to the national conference. California's fee will be \$49,000 in the budget year. The balance of the commission's budget covers travel and per diem expenses in connection with commission meetings, as well as general administrative costs.

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**DEPARTMENT OF FINANCE**Item 8860 from the General  
Fund

Budget p. GG 146

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Requested 1988-89 .....	\$26,498,000
Estimated 1987-88 .....	25,432,000
Actual 1986-87 .....	24,075,000
Requested increase (excluding amount for salary increases) \$1,066,000 (+4.2 percent)	
Total recommended reduction .....	None

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**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8860-001-001	General	\$26,104,000
Reimbursements	—	394,000
Total		\$26,498,000

**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 programs, (3) evaluating state programs for efficiency and effectiveness and (4) providing economic, financial and demographic information.

The department also provides state agencies with consultation and coordination services for management, organizational planning and development and application of staff and cost controls.

In addition, the department oversees the operations of the California Fiscal Information System (CFIS), an automated statewide accounting and reporting system that includes detailed financial accounting and performance data. Maintenance of the California State Accounting and Reporting System (CALSTARS) is the department's primary CFIS-related activity.

Finally, through its Office of Information Technology, the department is responsible for statewide coordination and control of electronic data processing.

In 1987-88, the department has 367.9 personnel-years.

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

The budget proposes expenditures of \$26.5 million to support DOF in 1988-89. This amount is \$1.1 million more than estimated current-year expenditures. General Fund expenditures in 1988-89 are proposed at \$26.1 million, a \$1.3 million increase from the current year.

Table 1 summarizes the department's budget, by program, for the past, current and budget years. Table 2 summarizes the changes in the department's budget between 1987-88 and 1988-89.

**Table 1**  
**Department of Finance**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program	Expenditures			Change from 1987-88	
	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Amount	Percent
Annual Financial Plan.....	\$10,380	\$10,982	\$11,282	\$300	2.7%
Program and Information System Assess- ments.....	5,810	6,288	6,503	215	3.4
Supportive Data.....	7,830	8,105	8,643	538	6.6
Administration (distributed).....	(3,305)	(3,624)	(4,003)	(379)	(10.5)
Administration (undistributed).....	55	57	70	13	22.8
Totals.....	\$24,075	\$25,432	\$26,498	\$1,066	4.2%
Funding Source					
General Fund.....	\$23,537	\$24,834	\$26,104	\$1,270	5.1%
Reimbursements.....	538	598	394	-204	-34.1
Personnel-Years.....	369.8	367.9	375.2	7.3	2.0

**DEPARTMENT OF FINANCE—Continued**

The budget increase results from price and workload increases. The largest single increase (\$371,000) is for the installation of personal computers in the department.

We have reviewed the request and it appears reasonable.

**Table 2**  
**Department of Finance**  
**Proposed 1988-89 Budget Changes**  
**(dollars in thousands)**

	<i>General Fund</i>	<i>Reim- bursements</i>	<i>Totals</i>
1987-88 Expenditures (Revised)	\$24,834	\$598	\$25,432
<i>Baseline Adjustments</i>			
Employee compensation.....	346	—	346
Price increase.....	153	—	153
Facilities operations.....	76	—	76
Reduced reimbursements.....	—	-204	-204
Subtotals, Baseline adjustments.....	(575)	(-204)	(371)
<i>Workload Changes</i>			
Education Systems Unit.....	\$42	—	\$42
Health and Welfare Unit.....	42	—	42
CALSTARS systems implementation support.....	93	—	93
CALSTARS systems support.....	47	—	47
CALSTARS EDP program support.....	130	—	130
CALSTARS EDP production control.....	58	—	58
Departmentwide—PC workstations.....	371	—	371
Release of in-house mainframe computer.....	-136	—	-136
Salary savings adjustment.....	48	—	48
Subtotals, Workload Changes.....	(\$695)	\$—	(\$695)
1988-89 Expenditures (Proposed).....	\$26,104	\$394	\$26,498
Change from 1987-88			
Amount.....	\$1,270	-\$204	\$1,066
Percent.....	5.1%	-34.1%	4.2%

**COMMISSION ON STATE MANDATES**

Item 8885 from the General  
Fund

Budget p. CG 153

Requested 1988-89.....	\$139,052,000
Estimated 1987-88.....	133,851,000
Actual 1986-87.....	128,217,000
Requested increase (excluding amount for salary increases) \$5,201,000 (+3.9 percent)	
Total recommended increase.....	1,545,000

**1988-89 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
8885-001-001—Support	General	\$562,000
8885-101-001—Local assistance	General	107,272,000
8885-101-035—Local assistance	Surface Mining and Reclamation Account	200,000
8885-101-214—Local assistance	Restitution	340,000
Proposed legislation—local assistance	General	30,370,000
Proposed legislation—local assistance	Restitution	308,000
Total		<u>\$139,052,000</u>

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. Mandate Determination Process. Recommend the enactment of legislation to establish deadlines for local governments' submittal of parameters and guidelines and statewide cost estimates to the commission. 1208
2. State Mandate Apportionment System. Recommend that the commission identify, at the time of budget hearings, which additional mandates should be funded through the State Mandate Apportionment system in 1988-89. 1209
3. *Trial Court Mandates. Augment Item 8885-101-001 by \$309,000.* Recommend that funding be restored to reimburse four counties for trial court mandates. 1210
4. *Reinstated Mandates. Augment Item 8885-101-001 by \$1,236,000.* Recommend that funding be restored for two mandates repealed by the 1987 Trailer Bill and reenacted by subsequent legislation. 1210

**GENERAL PROGRAM STATEMENT**

The Commission on State Mandates was created by Ch 1459/84 (SB 2337) to replace the State Board of Control as the agency responsible for making determinations as to whether local agency claims for reimbursement of state-mandated local costs should be paid by the state. The commission has five members, including the Controller, the Treasurer, the Director of Finance, the Director of the Governor's Office of Planning and Research, and a public member appointed by the Governor, subject to Senate confirmation. The commission has six personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget requests appropriations totaling \$139 million from the General Fund (\$138 million), the Restitution Fund (\$648,000) and the Surface Mining and Reclamation Account (\$200,000) for support of the commission and for payment of state-mandated costs incurred by local agencies in 1988-89. This is an increase of \$5.2 million, or 3.9 percent, above estimated current year expenditures.

**State Operations.** The budget proposes an appropriation of \$562,000 from the General Fund for support of the Commission on State Mandates in 1988-89. This is a decrease of \$88,000, or 14 percent, below estimated current year expenditures and is attributable to one-time legal expenses incurred in the current year.

**Local Assistance.** The budget proposes appropriations totaling \$138.5 million from the General Fund, the Restitution Fund, and the Surface

**COMMISSION ON STATE MANDATES—Continued**

Mining and Reclamation Account for the various state-mandated local programs in 1988-89. Of the total, \$137.6 million is requested from the General Fund. This is an increase of \$6.1 million, or 4.6 percent, above the level of *estimated* current year General Fund expenditures for payment of mandated costs. This increase is primarily due to the effect of three changes. First, the budget proposes to eliminate funding of \$12.1 million for the reimbursement of local governments' costs for monitoring and upgrading underground storage tanks. The budget justifies this funding reduction on the basis of a recent court decision, *County of Los Angeles v. State of California* (1987), which held that the state must provide reimbursements only for programs which are unique to local governments. Second, the budget proposes to appropriate only a token amount of \$1,000 for five existing programs in the trial court area, pursuant to Ch 1607/85 (Trial Court Funding Act), for a reduction of \$10.1 million. Finally, the budget reflects \$30.7 million for costs which the administration anticipates will be funded in the next local government claims bill.

**ANALYSIS AND RECOMMENDATIONS****Commission on State Mandates — State Operations**

*We recommend the enactment of legislation to establish deadlines for local governments to submit parameters and guidelines and statewide cost estimates to the commission.*

Under the commission's existing procedure for resolving mandated local program claims, each claim must be heard before the commission three times. First, the claim is heard to determine whether or not a reimbursable mandate exists. Second, if a determination is made that a mandate *does* exist, the commission must adopt "parameters and guidelines," which delineate the types of costs which are eligible for reimbursement. Finally, the commission must adopt a statewide cost estimate of the amount required to reimburse local agencies and school districts for costs mandated by the state. In the 1987-88 *Analysis*, we recommended that the commission report to the Legislature on options to reduce the time period required by the mandate determination process. Our concern stemmed from the fact that a period of time ranging from several months to more than three years in some cases elapsed between the filing of a claim and the commission's final action on it.

In its report to the Legislature submitted in September 1987, the commission presented several options for reducing the amount of time required by the process. One of the major problems identified by the commission in the report is that local agencies often do not submit documentation to the commission in a timely manner. In particular, the agency which submits a successful claim in some instances waits for a period of a year or more before submitting the parameters and guidelines to the commission. In addition, agencies often fail to respond to the commission's statewide cost surveys, which must be completed prior to the adoption of the statewide cost estimate.

The commission offered several recommendations to shorten the mandate determination process. Our analysis indicates that two of these recommendations merit legislative action. First, the commission recommended that local agencies be required to submit their proposed parameters and guidelines within 60 days of a successful test claim finding. Second, the commission recommended that local agencies be

required to respond within 60 days of receiving a statewide cost estimate. Any agency which failed to respond within these time frames would then forfeit its initial year's reimbursement for that state-mandated local program.

The 60-day deadlines would provide an incentive to local agencies to submit documentation to the commission in a timely manner. The timely submission of the parameters and guidelines and statewide cost estimates would allow the commission to schedule the necessary hearings in a shorter period of time, which would shorten the mandate determination process. Accordingly, we recommend that legislation be enacted to establish these deadlines and sanctions.

#### **Local Assistance — State-Mandated Local Programs.**

##### **State Mandate Apportionment System.**

*We recommend that the commission identify at the time of budget hearings those additional mandates which should be funded through the State Mandate Apportionment system in 1988-89.*

Chapter 1534, Statutes of 1985, established the State Mandate Apportionment (SMA) system for the purpose of funding state-mandated local programs on a block grant basis, as opposed to an actual cost reimbursement basis. The block grants are computed on the basis of a three-year average of "actual cost" payments, adjusted each year for inflation and program changes. The SMA system was developed to relieve both local agencies from the paperwork involved in substantiating claims and the State Controller from the work involved in verifying actual cost claims.

Government Code Section 17615 requires the commission, at the request of the Department of Finance, the State Controller, or any local agency or school district receiving reimbursement for a mandated program, to review state-mandated programs to determine whether the programs should be included in the SMA system. The criterion for selecting mandates is that they exhibit a history of stable costs. Beginning in 1986-87, 14 out of the 62 state-mandated local programs were funded through the SMA system (three of these mandates were subsequently repealed). The Legislature intended for the SMA system to be expanded in future years in order to reduce the workload of local agencies and the State Controller.

Since the time of the original review, the commission has not reviewed any additional mandates for inclusion in the SMA system. Our preliminary review indicates that the five programs listed in Table 1 exhibit stable funding histories, which may make them good candidates for inclusion in the SMA system.

**Table 1**  
**Potential State Mandates for Inclusion**  
**in the State Mandate Apportionment (SMA) System**

<i>Authorizing Legislation</i>	<i>Program</i>	<i>Average Funding Last Three Years (dollars in thousands)</i>
Ch 894/77	Proficiency in Basic Skills .....	\$3,731
Ch 1176/77	Immunization Records .....	1,314
Ch 282/79	School Crossing Guards .....	3
Ch 1281/80	Involuntary Lien Notices .....	1,050
Ch 1347/80	Scoliosis Screening .....	586

**COMMISSION ON STATE MANDATES—Continued**

Expansion of the SMA system in 1988-89 would produce the benefits to the state and local governments which are discussed above. Accordingly, we recommend that the commission identify at the time of budget hearings additional mandates to be funded through the SMA system in 1988-89.

**Trial Court Mandates**

*We recommend that Item 8885-101-001 be augmented by \$309,000 to provide trial court mandate reimbursement for four counties.*

The Trial Court Funding Program, as authorized by Ch 1607/85 and Ch 1211/87, requires participating counties to forgo reimbursement for existing state-mandated local programs related to the trial courts. This provision effectively ensures that the costs of the mandated activities are not funded twice by the state — once in the block grants provided to option counties and again through the mandate reimbursements. The budget identifies five “trial court mandates” and proposes to fund each of these mandates with a \$1,000 “placeholder” appropriation. The placeholder appropriation keeps the item in the budget so that a deficiency appropriation can be requested if funding is necessitated by a county’s decision not to participate in the program.

Our analysis indicates that the funding request for the trial court mandates is likely to result in a deficiency. In preparing the Governor’s Budget, the Department of Finance assumed that four of the 58 counties will not participate in the Trial Court Funding program. The department has funded three other items in the Budget Bill which are affected by the Trial Court Funding Program on the assumption that these four counties will not participate. Funding in this item, however, is not consistent with that assumption. This item does not contain sufficient funds to reimburse the four counties for their trial court mandates.

Because current law requires that the reimbursements be made to nonparticipating counties, we recommend that Item 8885-101-001 be augmented by \$309,000. The appropriation schedule for each program should be adjusted to reflect the following total amounts: (1) the Marriage Mediator program (\$235,000); (2) the Judicial Arbitration program (\$75,000); and (3) the Compensation for Justice Court Judges program (\$2,000). No augmentation is necessary for the other two trial court mandates because the four counties in question did not receive reimbursements for these mandates in 1987-88.

**Reinstated Mandates**

*We recommend that Item 8885-101-001 be augmented by \$1,236,000 to provide funding for two state-mandated local programs which were repealed by the 1987 Trailer Bill and reenacted by subsequent legislation.*

The 1987 Trailer Bill, Ch 134/87 (AB 439), repealed or made optional eight state-mandated local programs. Three of these programs were reinstated as mandates by subsequent legislation: (1) Ch 238/87 (AB 846) and Ch 1211/87 (SB 709) reinstated the Judicial Arbitration program; (2) Ch 1499/87 reinstated the Juvenile Felony Arrests program; and (3) Ch 1155/87 (AB 2142) reinstated the Victims’ Statements program.

The proposed budget includes funding for only the Judicial Arbitration program. According to the Department of Finance, the failure to include

funding for the other two mandates was an oversight.

Because current law requires that reimbursement be provided for these programs, we recommend that Item 8885-101-001 be augmented by \$1,236,000 and that the appropriation schedule be amended to include the Victims' Statements program (\$600,000), and the Juvenile Felony Arrests program (\$636,000).

## OFFICE OF ADMINISTRATIVE LAW

Item 8910 from the General

Fund	Budget p. GG 160
Requested 1988-89 .....	\$2,903,000
Estimated 1987-88 .....	2,662,000
Actual 1986-87 .....	2,797,000
Requested increase (excluding amount for salary increases) \$241,000 (+9.1 percent)	
Total recommended reduction.....	None

### 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8910-001-001—Support	General	\$2,873,000
Reimbursements		30,000
Total		\$2,903,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Training for state agencies. Recommend that OAL report during budget hearings on its progress in providing training to state agencies that need assistance in writing regulations.

### GENERAL PROGRAM STATEMENT

The Office of Administrative Law (OAL), established by Ch 567/79, provides executive branch review of all proposed regulations promulgated by state agencies in order to reduce the number and improve the quality of such regulations.

The OAL carries out its statutory mandate through four basic functions:

- (1) **Review of New Regulations.** The office reviews all regulations, including emergency regulations, proposed by state agencies to ensure that the regulations comply with standards of necessity, authority, clarity, consistency, reference, and nonduplication.
- (2) **Review of Informal Regulations ("AB 1013" Program).** The office examines informal regulations, (including administrative guidelines, rules, orders, bulletins, or standards), used by state agencies, as required by Ch 61/82. This review is intended to identify those informal regulations which, because of their *de facto* regulatory effect, must be formally adopted under the Administrative Procedures Act in order to be enforceable.
- (3) **Publication of the California Regulatory Notice Register.** The office is responsible for the publication and distribution of the

**OFFICE OF ADMINISTRATIVE LAW—Continued**

California Regulatory Notice Register (CRNR), formerly the California Administrative Notice Register, which provides (a) notification to the public that a state agency intends to promulgate regulations and (b) information on scheduled public hearings.

- (4) *Maintenance of the California Code of Regulations (CCR)*. The office is responsible for the publication, maintenance, and distribution of the CCR, formerly the California Administrative Code, which is a compilation of all existing state regulations.

The office has 48 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes expenditures of \$2,903,000 from the General Fund for the support of the Office of Administrative Law (OAL) in 1988-89. This is \$241,000, or 9.1 percent, above estimated current-year expenditures. Table 1 summarizes OAL's expenditures by program for the three-year period ending June 30, 1989.

**Table 1**  
**Office of Administrative Law**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

Program	Personnel-Years			Expenditures			Percent Change From
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1986-87	1987-88	1988-89	1986-87	1987-88	1988-89	
Regulatory Oversight:							
Regulations review.....	15.5	17.3	17.3	\$1,715	\$1,685	\$1,808	7.3%
Regulatory determinations—AB							
1013.....	2.2	1.9	1.9	256	187	197	5.4
Subtotals, Regulatory Oversight	(17.7)	(19.2)	(19.2)	(\$1,971)	(\$1,872)	(\$2,005)	(7.1%)
Legal information services.....	8.0	9.6	9.6	826	790	898	13.7
Administration (distributed).....	17.2	19.2	19.2	(895)	(864)	(923)	6.8
Totals.....	42.9	48.0	48.0	\$2,797	\$2,662	\$2,903	9.1%

**Table 2**  
**Office of Administrative Law**  
**Proposed 1988-89 Budget Changes**  
**(dollars in thousands)**

1987-88 Expenditures (Revised) .....	\$2,662
<i>Baseline Adjustments</i>	
Employee compensation adjustments .....	49
Price increase .....	11
Merit salary adjustments .....	60
Photocopier (one-time appropriation) .....	20
Legal research service .....	30
Subtotal, Baseline Adjustments .....	(\$170)
<i>Workload Changes</i>	
Automation Projects:	
California Code of Regulations .....	23
California Regulatory Notice Registry .....	48
Subtotal, Workload Changes .....	(\$71)
1988-89 Expenditures (Proposed) .....	\$2,903
Change from 1987-88:	
Amount .....	\$241
Percent .....	9.1%

### Proposed Budget Changes

Table 2 summarizes the major changes in OAL's proposed budget for 1988-89. The most significant adjustment to estimated current-year expenditures is a \$109,000 increase in personal services costs, including \$60,000 for merit salary increases. In addition, the budget proposes a total of \$132,000 for (1) improvements to the CCR (\$23,000), (2) online access to legal research services (\$30,000), (3) printing and distributing copies of the Notice Register to agencies that are exempt from fees (\$48,000), and (4) additional operating expense items (\$31,000).

### ANALYSIS AND RECOMMENDATIONS

#### Workload Standards

The *Supplemental Report of the 1987 Budget Act* requires our office to report on the budget workload information submitted by OAL. Specifically, OAL was to provide workload information on its regulatory oversight program. Through this program, OAL reviews proposed regulations and informal regulations promulgated by state agencies.

Tables 3 and 4 summarize data on the activities of the regulatory staff from May 1, when it began tracking staff time, through November 30, 1987. The regulatory oversight program has 19.2 personnel-years in the current year (an equivalent of 20 positions), including a deputy director, 16 attorneys and 3 legal assistants.

**Table 3**  
**Office of Administrative Law**  
**Regulatory Oversight Program**  
**Staff Hours Allocated to Various Activities**  
**(May 1, 1987 through November 30, 1987)**

	<i>Hours Spent</i>	<i>Percent of Total</i>
Proposed Regulations:		
Regulation review.....	10,055	51%
Agency/Public consultants.....	1,497	8
Administrative .....	1,302	7
Special projects.....	784	4
Notice review .....	754	4
Agency/Public training .....	597	3
Litigation.....	321	2
Legal research - general.....	201	1
Priority review.....	265	1
Appeals.....	181	1
Subtotals, proposed regulations.....	(15,957)	(81%) <sup>a</sup>
Regulatory determinations (AB 1013 program).....	3,756	19%
Totals, regulatory oversight.....	19,713	100%

<sup>a</sup> Does not add due to rounding.

As shown in Table 3, the regulatory oversight program staff spent 51 percent of their time reviewing proposed regulations and 19 percent of their time reviewing informal regulations. In doing so, they reviewed 378 proposed regulatory files and made determinations on 10 informal regulatory files. The remaining 30 percent of the staff's time was spent on special projects, administrative tasks, or other activities associated with the regulatory review process.

**OFFICE OF ADMINISTRATIVE LAW—Continued****Table 4**

**Office of Administrative Law  
Regulatory Oversight Program  
Staff Time Spent on Reviewing Proposed and Informal Regulations  
(May 1, 1987 through November 30, 1987)**

	<i>Number of Files</i>	<i>Percent of Total Files</i>	<i>Hours Spent</i>	<i>Hours Per File</i>	<i>Personnel -Year Equivalent</i>
<b>Regulations Review</b>					
Proposed regulations:					
Resubmitted .....	81	21%	2,365	29	2.3
Federally mandated .....	13	3	464	36	0.4
Emergency .....	60	15	769	13	0.7
All other <sup>a</sup> .....	224	58	6,457	29	6.2
Subtotals .....	(378)	(93%)	(10,055)	(27)	(9.7)
Informal regulations .....	10	3%	3,756	376	3.6
Totals .....	388	100%	13,811	36	13.3

<sup>a</sup> These include regulations that are not counted in the above categories.

**Proposed Training Needs Fast-Track Implementation**

*We recommend that OAL report during budget hearings on its progress in devising and scheduling specialized training sessions for agencies that have a high rate of disapproved files and that need more focused assistance in writing regulations.*

According to the workload information provided by OAL, staff spend considerable time (29 hours on average per file) reviewing proposed regulations that were previously disapproved by OAL and subsequently resubmitted with changes by the agencies. Proposed regulations are disapproved when they fail to meet one or more of the legal standards of necessity, authority, clarity, consistency, reference, and nonduplication. Proposals that must be resubmitted create two kinds of costs. First, OAL staff review these files two or more times. According to OAL, the staff time expended in reviewing resubmitted regulations is equivalent to 2.3 personnel-years, representing salary costs in the range of \$130,000.

Second, the process of disapproving and resubmitting regulations delays for several months their approval and implementation. These delays cause significant problems for state agencies in their administration of programs. In total, resubmitted regulations comprised 21 percent of the total files reviewed by OAL in the May-November 1987 period.

In recognition of this problem, OAL proposes to offer generalized training to agencies on the drafting of regulatory proposals. According to OAL, 32 of the 79 agencies (41 percent) that proposed regulations during the May-November 1987 period, had submitted their proposals at least once before. Moreover, six agencies submitted five or more regulatory files that had been submitted previously. According to OAL, lack of clarity is the most common reason for rejecting drafts of agency regulations. The OAL states the training program and training materials are scheduled for implementation in September 1988.

The OAL further advises that some agencies may require additional training that addresses specific problems they experience in writing regulations. The OAL has not prepared a schedule or training materials

for such training, however. In view of the amount of time required by OAL to review resubmitted regulations, we believe that this training should be given a high priority. Consequently, we recommend that the OAL report during budget hearings on its progress in devising and scheduling specialized training sessions for agencies that need more focused assistance in writing regulations.

## DEPARTMENT OF ECONOMIC OPPORTUNITY

Item 8915 from the General  
Fund and the Federal Trust  
Fund

Budget p. GG 164

Requested 1988-89 .....	\$131,239,000
Estimated 1987-88 .....	143,786,000
Actual 1986-87 .....	127,680,000
Requested decrease (excluding amount for salary adjustments) \$12,547,000 (-8.7 percent)	
Total recommended increase .....	2,000,000

### 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8915-001-001—Support	General	\$85,000
8915-001-890—Support	Federal	7,753,000
8915-101-853—Local assistance	Petroleum Violation Escrow Account	10,000,000
8915-101-890—Local assistance	Federal	103,401,000
Chapter 1342, Statutes of 1986—Appropriation	—	10,000,000
Total		\$131,239,000

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### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

1. Administrative Costs. Recommend that the department provide the fiscal committees with its plan for reducing administrative expenditures to stay within the limits provided in state and federal law. 1217
2. *Homeless Assistance. Increase Item 8915-101-890 by \$2 million.* Recommend augmentation of \$2 million to reflect availability of federal funds for homeless assistance. Further recommend submittal of a plan prior to budget hearings, to spend these funds. 1218

### GENERAL PROGRAM STATEMENT

The Department of Economic Opportunity (DEO) administers both the Low-Income Home Energy Assistance (LIHEA) block grant program, and the Community Services Block Grant (CSBG). In addition, DEO plans, coordinates, and evaluates programs that provide services to the poor and advises the Governor on the needs of the poor.

The LIHEA block grant provides cash grants and weatherization services which assist low-income persons in meeting their energy needs.

**DEPARTMENT OF ECONOMIC OPPORTUNITY—Continued**

The CSBG provides funds to community action agencies for programs intended to assist low-income households.

The department has 150.6 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures of \$131.2 million from all funds for programs administered by the department in 1988-89, as shown in Table 1. This is a net decrease of \$12.5 million, or 8.7 percent, below estimated current-year expenditures. Most of this reduction is due to the following factors:

- A reduction of \$14.9 million in the amount of Petroleum Violation Escrow Account (PVEA) funds available to be carried over from prior years.
- A \$10 million appropriation from new PVEA funds proposed for 1988-89.
- A decrease of \$4.3 million in CSBG funds because the department has included CSBG funds for services to the homeless in the 1987-88 budget, but not in the 1988-89 Budget Bill. This reduction will be partially offset by CSBG funds for services to the homeless that will be available in 1988-89.
- A decrease of \$3.7 million because the Department of Energy (DOE) grant funds carried over into the current year will not be available in 1988-89.

**Table 1**  
**Department of Economic Opportunity**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

<i>Program</i>	<i>Actual 1986-87</i>	<i>Est. 1987-88</i>	<i>Prop. 1988-89</i>	<i>Percent Change From 1987-88</i>
Energy programs:.....	\$96,604	\$108,317	\$100,095	-7.6%
Administration.....	(5,883)	(6,058)	(6,200)	(2.3)
Program.....	(90,721)	(102,259)	(93,895)	(-8.2)
DEO advisory commission:.....	80	84	85	1.2
Administration.....	(80)	(84)	(85)	1.2
Community services:.....	30,996	35,385	31,059	-12.2
Administration.....	(1,418)	(1,566)	(1,553)	(-0.8)
Program.....	(29,578)	(33,819)	(29,506)	(-12.8)
Totals.....	\$127,680	\$143,786	\$131,239	-8.7%
Funding Sources				
<i>General Fund</i> .....	\$80	\$84	\$85	1.2%
<i>LIHEA</i> <sup>a</sup> .....	84,013	75,455	75,763	0.4
<i>DOE</i> .....	1,952	8,001	4,332	-45.9
<i>CSBG</i> .....	30,996	35,385	31,059	-12.2
<i>PVEA</i> .....	10,639	24,861	20,000	-19.6

<sup>a</sup> These amounts do not include LIHEA funds that are transferred to the Department of Social Services (Item 5180-151-890).

Table 2 shows the number of personnel-years by program for the department from 1986-87 through 1988-89. The department has proposed

an increase of 2.4 personnel-years in 1988-89 because it anticipates filling positions that have been held open in the current year.

**Table 2**  
**Department of Economic Opportunity**  
**Personnel-Year Summary**  
**1986-87 through 1988-89**

<i>Program</i>	<i>Actual 1986-87</i>	<i>Est. 1987-88</i>	<i>Prop. 1988-89</i>
Energy programs.....	71.4	74.9	76.3
Community services .....	15.5	17.5	17.5
DEO advisory commission.....	0.8	0.7	0.7
Executive and administration.....	53.6	57.5	58.5
Totals.....	141.3	150.6	153.0

## **ANALYSIS AND RECOMMENDATIONS**

### **Reduce Administrative Costs to Comply With Federal Law**

*We recommend that prior to budget hearings, the department provide the fiscal committees and the Joint Legislative Budget Committee (JLBC) with its plan for reducing administrative expenditures to stay within the limits provided in federal law.*

When DEO prepared its 1988-89 budget, it did not have a reliable estimate of the amount of federal funds that would be available for either 1987-88 or 1988-89. This is because Congress did not enact the federal appropriations for federal fiscal year (FFY) 1988 until late December 1987. The actual federal appropriations for DEO's programs were significantly lower than the amounts anticipated in the budget. Specifically, the budget anticipates that the DEO will receive \$111.2 million in federal LIHEA, CSBG, and DOE funds for 1988-89. Based on the actual federal appropriation for FFY 1988, we estimate that the department will have \$14.8 million, or 13 percent, less from these three sources than proposed in the budget.

Under federal law, the amount of funds available to the department to support administrative costs at both the state and local level is based primarily on a fixed percentage of the annual federal grant funds received by the state. If the block grant awards increase, then the amount of funds available for administration increase; if the awards decrease, then available administrative funds decrease.

As a result of the federal funding shortfall that we anticipate for 1988-89, the amount of funds that federal law allows the department to use for state and local administrative costs is \$300,000, or 2.9 percent, less than the amount proposed in the budget. The DEO cannot use the anticipated federal allocation of CSBG funds for services to the homeless to offset this shortfall because federal law prohibits the use of the funds for administration. Consequently, in order to remain within the federal cap for administrative costs, the department will have to reduce administrative costs at either the state or local level by 2.9 percent. Therefore, we recommend that prior to budget hearings, the department provide the fiscal committees and the JLBC with its plan for reducing administrative expenditures to stay within the limits provided in federal law.

### **COMMUNITY SERVICES BLOCK GRANT**

The Community Services Block Grant (CSBG) provides a range of services to low-income people through local Community Action Agencies

**DEPARTMENT OF ECONOMIC OPPORTUNITY—Continued**

(CAAs). In 1987, the Legislature enacted SB 161 (Ch 1436/87), which authorizes DEO to administer the CSBG program until such time as federal funding for the program becomes unavailable. The legislation also established a minimum level of funding for CAAs at \$160,000 annually, which is the current guideline used by the department.

The budget proposes the expenditure of \$31.1 million in CSBG funds by DEO during 1988-89. This is a decrease of 12 percent from DEO's current-year expenditure level. The decrease is primarily due to DEO, including CSBG funds in its 1987-88 budget that Congress appropriated for services to homeless persons, but not including a subsequent federal appropriation for the same purpose in its 1988-89 budget.

**CSBG Funds for the Homeless Available in 1988-89**

*We recommend that local assistance funds for the CSBG program be increased by \$2 million to reflect the availability of federal funds for CSBG services to the homeless. In addition, we recommend that prior to budget hearings, the Department of Finance submit a plan for spending CSBG funds for services to the homeless in 1988-89, in conjunction with the expenditure of other federal funds available for the same purpose. (Increase Item 8915-101-890 by \$2 million.)*

The Stewart B. McKinney Homeless Assistance Act of 1987 will provide about \$56 million to California in 1987-88 and 1988-89, including approximately \$12 million that will be available to the state for allocation by the Legislature in 1988-89. The \$12 million includes approximately \$2 million in CSBG funds.

The Governor's Budget does not propose to spend the \$2 million in CSBG funds made available under the McKinney Act. These funds may be used for "expansion of comprehensive services to homeless individuals...". In contrast to some of the other funds provided under the McKinney Act, the CSBG funds may be used for a wide variety of programs and may be targeted at many different subgroups among the homeless. Although the act does not restrict the use of other funds to particular programs, it does require the use of the funds for specific groups, such as the mentally ill or specific programs, such as job training. Because the CSBG funds can serve as a link between programs, it is particularly important that the Legislature establish its priorities for use of the CSBG funds in conjunction with the use of other funds for the homeless.

Therefore, although we do recommend that the Legislature augment DEO's budget to reflect the additional federal funds, we do not recommend Budget Bill language here specifying how the funds should be used by DEO. This is to provide the Legislature with the opportunity to establish its priorities for using the CSBG funds in conjunction with funds that the Act provides to several other programs and the other funding that the 1988-89 budget proposes for programs that serve the homeless. In our discussion of state programs for the homeless in part three of *The 1988-89 Budget: Perspectives and Issues*, we recommend that the Department of Finance provide the fiscal committees with a plan for the use of the funds. In reviewing the administration's plan, the Legislature can consider its options for using the CSBG funds in light of legislative priorities for assisting the homeless.

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## DEPARTMENT OF ECONOMIC OPPORTUNITY— REAPPROPRIATION

Item 8915-490 from the General  
Fund and the Federal Trust  
Fund

Budget p. CG 166

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

This item reappropriates Low-Income Home Energy Assistance block grant, Department of Energy, and Community Services Block Grant (CSBG) local assistance funds. The item allows the Department of Economic Opportunity (DEO) to carry forward into 1988-89 all local assistance funds for energy programs and CSBG programs which are unexpended in the current year. Without this language, DEO would be required to notify the Legislature of its intent to carry over these funds through the process established by Section 28 of the Budget Bill. The Budget Bill language requires DEO to report to the Legislature by September 1, 1988 on the actual amount of local assistance funds carried over into 1988-89.

In general, the department will use these funds for the same programs in 1988-89 as it supports with these funds in the current year. We recommend approval of the reappropriation.

## MILITARY DEPARTMENT

Item 8940 from the General  
Fund and various special  
funds

Budget p. CG 169

Requested 1988-89.....	\$340,076,000
Estimated 1987-88 .....	327,408,000
Actual 1986-87 .....	312,319,000
Requested increase (excluding amount for salary increases) \$12,668,000 (+3.9 percent)	
Total recommended reduction.....	None

### 1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8940-001-001—Support	General	\$20,834,000
8940-001-485—Support	Armory Discretionary Improve- ment	120,000
8940-001-604—Support	Armory	144,000
8940-001-890—Support	Federal Trust	24,254,000
Other federal funds		293,000,000
Reimbursements		1,724,000
Total		\$340,076,000

# **MILITARY DEPARTMENT—Continued**

## **GENERAL PROGRAM STATEMENT**

The functions of the Military Department are to: (1) protect the lives and property of the people of California 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 (22,009 authorized officers and enlisted personnel), the Air National Guard (6,003 authorized personnel) and the Office of the Adjutant General. The department has 626 state personnel-years and 3,750 federal personnel-years in 1987-88.

## **OVERVIEW OF THE BUDGET REQUEST**

The budget proposes the expenditure of \$340 million from all funding sources for support of the Military Department in 1988-89. This is an increase of \$12.7 million, or 3.9 percent, above estimated current-year expenditures. The amount includes \$20.8 million from the General Fund. This is an increase of about \$700,000 or 3.5 percent over estimated current-year expenditures from the General Fund.

The budget includes \$317 million in federal funds for expenditure in 1988-89. Of this amount, only \$24 million is appropriated through the Budget Bill. The remainder (\$293 million) is administered directly by the federal government.

**Table 1**  
**Military Department**  
**Budget Summary**  
**1986-87 through 1988-89**  
**(dollars in thousands)**

<i>Program</i>	<i>Actual</i> <i>1986-87</i>	<i>Est.</i> <i>1987-88</i>	<i>Prop.</i> <i>1988-89</i>	<i>Percent</i> <i>Change</i> <i>from</i> <i>1987-88</i>
Army National Guard.....	\$209,716	\$220,145	\$229,210	4.1%
Air National Guard.....	95,761	100,454	103,916	3.4
Adjutant General				
undistributed.....	2,200	2,300	2,400	4.3
(distributed).....	(4,877)	(5,020)	(5,172)	3.0
Support to civil authority.....	314	159	172	8.2
Military retirement.....	1,904	1,975	1,974	-0.1
California Cadet Corps.....	472	493	523	6.1
State Military Reserve.....	275	278	283	1.8
Farm and Home Loan.....	25	29	31	6.9
IMPACT.....	1,652	1,575	1,567	-0.5
Totals, Expenditures.....	\$312,319	\$327,408	\$340,076	3.9%
Funding Sources				
General Fund.....	\$19,746	\$20,138	\$20,834	3.5%
Federal Trust Fund.....	15,663	22,547	24,254	7.6
Other Federal Funds.....	275,182	282,750	293,000	3.6
Armory Discretionary Improvement Fund.....	43	110	120	9.1
Armory Fund.....	—	144	144	—
Reimbursements.....	1,685	1,719	1,724	0.3
General Fund share of total.....	6.3%	6.2%	6.1%	

Table 1 summarizes the department's proposed funding and expenditures, by program, for the past, current and budget years. The table shows that the General Fund share of total expenditures is 6.1 percent in 1988-89.

### ANALYSIS AND RECOMMENDATIONS

#### *We recommend approval.*

The budget includes funding for inflation adjustments for operating expenses and equipment and the full-year cost of the employee compensation program that became effective on January 1, 1988. In addition, the budget proposes a number of program changes totaling \$645,000 (\$331,000 from the General Fund and \$314,000 from federal funds) including the following:

- Four positions and \$294,000 (\$73,000 from the General Fund and \$221,000 from federal funds) to provide maintenance services to the new Channel Island Air National Guard base.
- Three positions and \$124,000 (\$31,000 from the General Fund and \$93,000 from federal funds) for maintenance services workload at March Air Force Base.
- A General Fund augmentation of \$123,000 for window-type air conditioners at 50 armory locations (\$100,000) and other operating expenses and equipment (\$23,000).

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### MILITARY DEPARTMENT—CAPITAL OUTLAY

Item 8940-301 from the Armory  
Fund and the Federal Trust  
Fund

Budget p. GG 179

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Requested 1988-89.....	\$350,000
Recommended reduction.....	350,000

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### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. *San Jose Armory. Reduce Item 8940-301-604(1) by \$217,000 and Item 8940-301-890(1) by \$133,000.* Recommend deletion of working drawings, because construction funds will not be available before 1993-94 and the suitability of the proposed site is uncertain. 1221

### ANALYSIS AND RECOMMENDATIONS

The budget requests \$350,000 for one major capital outlay project for the Military Department in 1988-89. This amount consists of \$217,000 from the Armory Fund, and \$133,000 from the Federal Trust Fund. The department also proposes to spend \$44.5 million in federal construction funds, which are not subject to state appropriation, for construction of eight projects throughout the state.

#### **San Jose Armory**

*We recommend a reduction of \$350,000 in Items 8940-301-604(1) (\$217,000) and 8940-301-890(1) (\$133,000) to delete working drawings*

**MILITARY DEPARTMENT—CAPITAL OUTLAY—Continued**

*for a new armory in San Jose, because construction funds will not be available before 1993-94, and the suitability of the recently acquired site is uncertain.*

The department requests a total of \$350,000 (\$217,000 in state funds and \$133,000 in federal funds) for working drawings for a proposed new San Jose Armory. The proposed armory would replace the armory on Hedding Street in San Jose. The Legislature appropriated \$69,000 in the 1985 Budget Act to acquire a site for the new armory. The department has spent \$51,000 and acquired six acres near the intersection of Highway 101 and Metcalf Road, approximately halfway between San Jose and Morgan Hill.

**Delays Lead to Loss of Federal Construction Funds.** In the 1986 Budget Act, the Legislature appropriated \$531,000 for preliminary plans (\$181,000) and working drawings (\$350,000). The department started preliminary plans in 1986-87 but, because of unforeseen site evaluation problems, failed to encumber funds for working drawings before the appropriation expired. The department did not request funds for working drawings in 1987-88. On September 30, 1987, the Federal National Guard Bureau withdrew construction funds allocated to the project for 1989-90, because working drawings were not 65 percent complete. The department does not know when federal construction funds will again be available for this project, but estimates 1993-94, at the earliest. On this basis, it would be premature to fund working drawings in 1988-89—at least five years prior to construction.

**No Buyer for Existing Armory.** Further, because the department has no buyer for its existing San Jose Armory, it is not clear when the state's share of the construction costs will be available for a new armory. The department has been negotiating with the County of Santa Clara for sale of the present armory. The county's most recent offer, which the department rejected, stipulated that the department accept financial responsibility for any necessary environmental clean-up of the site. The department is no longer negotiating with the county, and has no other prospective buyer.

Lack of a buyer for the existing San Jose Armory is a serious obstacle to construction of the new armory, because the state share of funding for new armories is to be financed by proceeds from the sale of existing armories. The Armory Fund, into which the department deposits proceeds from the sale of armories, and from which the Legislature may appropriate funds for planning and construction, is now approximately \$1.8 million in debt to the General Fund.

The 1987 Budget Act, and language under this item in the Budget Bill, stipulate that no expenditures for capital outlay may be made from the Armory Fund until all outstanding loans to the fund have been repaid. The department anticipates the sale of its Arcadia Armory for \$1.4 million in the current year, and the sale of its San Francisco Armory for \$1.5 million in the budget year, for total income to the Armory Fund of \$2.9 million. This amount would be sufficient to pay current debts to the General Fund. The remaining \$1.1 million, however, would not be sufficient to finance the state's share of construction of a new San Jose Armory (approximately \$2 million, as estimated by the department).

Consequently, sale of the existing San Jose Armory, or some other armory (in addition to San Francisco and Arcadia) is essential to

construction financing for the new San Jose Armory. The department's latest cash flow analysis of the Armory Fund, which projects income and expenditures through 1990-91, does not include the sale of another armory.

Thus, funding of working drawings for 1988-89 would be premature, because it is not clear when construction funds will be available.

**Adequacy of Proposed Site.** Finally, the department indicates that it will have to acquire two more acres adjacent to the six-acre site of the proposed new armory, in order to accommodate parking for military vehicles. The department is negotiating the purchase of more land, using the unexpended balance (\$18,000) of acquisition funds appropriated in the 1985 Budget Act. Department staff is not certain when or if the additional land will be purchased. Thus, it is not clear that working drawings could be developed in the budget year because the new site is not adequate for the proposed armory.

Under the circumstances, we recommend deletion of the \$350,000 requested for working drawings of a new San Jose Armory. A request for working drawings would merit legislative consideration closer to the time when federal construction funds will be available, after the department has negotiated the sale of the existing San Jose Armory, and after the department has reported to the Legislature concerning the adequacy of the proposed site.

#### Supplemental Report Language

For purpose of project definition and control, we recommend that the fiscal subcommittees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item.

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### SENIOR CITIZENS' PROPERTY TAX ASSISTANCE

Item 9100-101 (a) from the  
General Fund

Budget p. CG 181

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Requested 1988-89.....	\$4,800,000
Estimated 1987-88 .....	4,836,000
Actual 1986-87 .....	5,314,000
Requested decrease \$36,000 (-0.7 percent)	
Total recommended reduction.....	500,000

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#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. **Funding Level. Reduce Item 9100-101-001 (a) by \$500,000.** 1224  
Recommend reduction of \$500,000 to correct for over-budgeting.

#### GENERAL PROGRAM STATEMENT

The Senior Citizens' Property Tax Assistance (SCPTA) program provides partial reimbursement for property taxes paid by homeowners with less than \$12,000 of household income who are (1) 62 years old and