

GENERAL GOVERNMENT

OFFICE OF CRIMINAL JUSTICE PLANNING

Item 8100 from the General

Fund and various funds

Budget p. GG 1

Requested 1990-91	\$129,534,000
Estimated 1989-90	96,904,000
Actual 1988-89	70,616,000
Requested increase (excluding amount for salary increases) \$32,630,000 (+34 percent)	
Total recommended reduction.....	12,750,000
Total recommendation pending.....	22,799,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8100-001-001—Support	General	\$5,110,000
8100-001-241—Support	Local Public Prosecutors and Public Defenders Training	77,000
8100-001-425—Support	Victim/Witness Assistance	2,139,000
8100-001-890—Support	Federal Trust	2,496,000
8100-101-001—Local assistance	General	25,590,000
8100-101-196—Local assistance	Asset Forfeiture Distribution	1,000,000
8100-101-241—Local assistance	Local Public Prosecutors and Public Defenders Training	908,000
8100-101-425—Local assistance	Victim/Witness Assistance	13,070,000
8100-101-890—Local assistance	Federal Trust	46,965,000
8100-121-001—Local assistance	General	26,700,000
Reimbursements		5,479,000
Total		\$129,534,000

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

1. Federal Anti-Drug Abuse Funds. Withhold recommendation on \$21.7 million in spending authority, pending review of OCJP's allocation plan and methodology. 1069
2. *Marijuana Eradication Program. Reduce Item 8100-001-001 by \$66,000 and Item 8100-101-001 by \$2,684,000.* Recommend reduction because (1) program can be funded from federal funds, and (2) there is no reason that program should be targeted as higher priority than other drug control and enforcement programs. 1070
3. *Comprehensive Alcohol and Drug Prevention Education (CADPE) program. Reduce Item 8100-121-001 by \$10 million.* Recommend reduction because proposed expansion of program is premature. 1072
4. Gang Drug Trafficking/Violence Information System. Withhold recommendation on \$1 million for implementation of information system, pending receipt of a feasibility study and implementation plan. 1073

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued
GENERAL PROGRAM STATEMENT

The Office of Criminal Justice Planning (OCJP) was created by Ch 1047/73 (AB 1306, Crown) 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.

The OCJP currently is divided into two programs—Administration and Local Project Awards. In the current year, OCJP has 118.4 personnel-years.

MAJOR ISSUES

- ☒ OCJP requests a \$21.7 million increase in spending authority in federal funds for the Anti-Drug Abuse program. The Legislature should review the office's plan for allocating these funds to local government.
- ☒ Marijuana eradication should be funded from federal funds, not the General Fund.
- ☒ Expansion of the Comprehensive Alcohol and Drug Prevention Education (CADPE) program is premature.

OVERVIEW OF THE BUDGET REQUEST

The proposed expenditure program for the OCJP in 1990-91 is \$130 million, consisting of \$57.4 million from the General Fund, \$1 million from the Asset Forfeiture Distribution Fund, \$985,000 from the Local Public Prosecutors and Public Defenders Training Fund, \$15.2 million from the Victim/Witness Assistance Fund, \$49.5 million from the Federal Trust Fund, and \$5.5 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 increase by \$32.6 million, or 34 percent, above estimated expenditures in 1989-90. The proposed increase in expenditures from the General Fund is \$10.2 million, or 22 percent.

The proposed increase in OCJP expenditures results primarily from the following: (1) an increase of \$10 million from the General Fund (Proposition 98) for the expansion of the Comprehensive Alcohol and Drug Prevention Education (CADPE) program, (2) an increase in federal funds of \$21.7 million for the Anti-Drug Abuse Program, (3) a

General Fund increase of \$487,000 to fully restore the marijuana eradication program, and (4) \$1 million in federal funds for the implementation of the Gang-Drug Information System. We discuss each of these proposals below.

For the budget year, the office requests an increase of 8 positions. This includes 2.5 administrative positions for workload increases in the budget, audits, and business services branches. An additional 5.5 positions are requested for the administration of six programs. Of these positions, 1.5 are proposed to be funded by a redirection of funds from consulting services.

Table 2 identifies, by funding source, the changes in expenditure levels proposed for 1990-91.

Table 1
Office of Criminal Justice Planning
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

<i>Program</i>	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	<i>Percent Change From 1989-90</i>
Local Project Awards.....	\$70,616	\$96,904	\$129,534	33.7%
Administration (Distributed).....	(2,657)	(3,025)	(3,208)	6.0
Totals, Expenditures.....	\$70,616	\$96,904	\$129,534	33.7%
Funding Sources				
General Fund.....	\$31,154	\$47,207	\$57,400	21.6%
Asset Forfeiture Distribution Fund.....	—	1,000	1,000	—
Local Public Prosecutors and Public				
Defenders Training Fund.....	849	982	985	0.3
Victim/Witness Assistance Fund.....	13,646	14,645	15,209	3.9
Federal Trust Fund.....	22,910	27,591	49,461	79.3
Reimbursements.....	2,057	5,479	5,479	—
Personnel-years.....	96.4	118.4 ^a	124.5	5.2%

^a The Governor's Budget contains a technical error, indicating 116.6 personnel-years.

Table 2 identifies, by funding source, the changes in expenditure levels proposed for 1990-91.

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

Table 2

Office of Criminal Justice Planning
Proposed 1990-91 Budget Changes
(dollars in thousands)

	General Fund	Local Prosecutors and Public Defenders Training Fund	Victim/ Witness Assistance Fund	Federal Trust Fund	Asset Forfeiture Distribution Fund	Reimburse- ments	Total
1989-90 Expenditures (revised)	\$47,207	\$982	\$14,645	\$27,591	1,000	\$5,479	\$96,904
<i>Workload Changes</i>							
Audits division	—	1	14	26	—	—	41
Budget branch	—	1	7	18	—	—	26
Business services branch ..	—	—	—	53	—	—	53
Program management	66	1	212	27	—	—	306
Subtotals	(\$66)	(\$3)	(\$233)	(\$124)	(—)	(—)	(\$426)
<i>Cost Adjustments</i>							
One-time reductions	—\$2	—\$100	—\$3	—\$7	—	—	—\$112
Employee compensation	92	1	32	22	—	—	147
Price increases	—	1	37	25	—	—	63
Pro rata adjustment	—	—2	—35	—	—	—	—37
SWCAP adjustment	—	—	—	13	—	—	—13
Subtotals	(\$90)	(—\$100)	(\$31)	(—\$27)	(—)	(—)	(\$48)
<i>Program Adjustments</i>							
Marijuana eradication program	\$2,684	—	—	—	—	—	\$2,684
Current-year marijuana eradication deficiency ..	—2,197	—	—	—	—	—	—2,197
Comprehensive alcohol and drug prevention education	10,000	—	—	—	—	—	10,000
Gang Drug Information System	—	—	—	\$1,058	—	—	\$1,058
Anti-drug abuse grants ..	—	—	—	21,741	—	—	21,741
End of 4-year pilot on juvenile prostitution ...	—450	—	—	—	—	—	—450
Final reduction of Justice Assistance Act authority	—	—	—	—1,080	—	—	—1,080
Legal training augmen- tation	—	\$100	—	—	—	—	100
Victim-witness and sex- ual assault programs ...	—	—	\$300	—	—	—	300
Subtotals	(\$10,037)	(\$100)	(\$300)	(\$21,719)	(—)	(—)	(\$32,156)
1990-91 Expenditures (pro- posed)	\$57,400	\$985	\$15,209	\$49,461	\$1,000	\$5,479	\$129,534
Change from 1989-90:							
Amount	\$10,193	\$3	\$564	\$21,870	—	—	\$32,630
Percent	21.6%	0.3%	3.9%	79.3%	— ^a	— ^a	33.7%

^a Not a meaningful figure.

ANALYSIS AND RECOMMENDATIONS**Budget Proposes to Double Federal Expenditure Authority for Anti-Drug Program**

We withhold recommendation on \$21.7 million in federal funds expenditure authority proposed for increased anti-drug activities in 1990-91, pending review of OCJP's allocation plan and methodology.

The budget proposes expenditure authority for OCJP of \$37.5 million in federal funds for local assistance in the Anti-Drug Abuse program. This amount is an increase of \$21.7 million, or 138 percent, above the spending authority provided in the current year.

Background. The federal Anti-Drug Abuse Act of 1986 established the Drug Control and System Improvement Formula Grant program to provide funds to states for the apprehension, prosecution, adjudication, treatment, and detention of individuals who have violated provisions of law related to controlled substances.

As part of the President's National Drug Strategy, the Congress increased various anti-drug programs in federal fiscal year (FFY) 1990. California's grant under the Drug Control and System Improvement Formula Grant Program was \$39.7 million—an increase of 268 percent. (We discuss the additional federal funding for anti-drug programs in *The 1990-91 Budget: Perspectives and Issues*.)

Of the grant amount, OCJP proposes to spend \$9.3 million for local assistance in the current year and \$28.4 million in 1990-91. (The remaining \$2 million would be used for administration.) In addition, the office is requesting expenditure authority in the budget year for an additional \$9.1 million it anticipates receiving in FFY 1991. These two awards over two federal fiscal years amount to the total local assistance spending authority of \$37.5 million.

OCJP's Allocation Plan. Federal law requires the state to allocate about 35 percent of the federal grant funds to state agencies and the remaining 65 percent to local agencies. The OCJP proposes to allocate the 35 percent share to support specific programs in the Departments of Alcoholic Beverage Control, Corrections, Justice, and the Youth Authority.

The OCJP proposes to accept applications from local governments and allocate the 65 percent share to local agencies on a formula basis. The applications are due to OCJP in April 1990. Until OCJP receives the applications, however, the specific needs and priorities of the local governments, and the impact of these funds on existing local programs is unknown.

Legislature Should Determine Priorities for Use of Additional Funds. The federal grant application specifies that approval of a state's spending plan by the Legislature or its designated body is required before federal funding can be provided to the state. The OCJP advises that the CCCJ, on behalf of the Legislature, approved the plan submitted to the federal government for receipt of federal anti-drug funds. At the time this analysis was prepared, however, the OCJP had not submitted

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

information showing that the CCCJ had legal authority to act on behalf of the Legislature.

Traditionally, the Legislature has been interested in the allocation of funds for anti-drug programs. Given this interest and the large increase in funding provided to the state, we believe that the Legislature should ensure that the OCJP's plan and allocation methodology for distributing funds to local governments are in line with legislative priorities.

For these reasons, we withhold recommendation on the proposed increase in spending authority, pending review of (1) the grant applications from local governments, (2) OCJP's allocation methodology, and (3) its specific allocation plan.

In addition, in *The 1990-91 Budget: Perspectives and Issues*, we recommend that the Department of Finance, in conjunction with the OCJP and various other state agencies, submit a report to the Legislature on the administration's plan for expenditure of all of the additional federal funds California will receive for anti-drug programs.

Federal Funding Recommended for Marijuana Eradication

We recommend a reduction of \$2.7 million from the General Fund for the marijuana eradication program because (1) the program meets existing criteria for federal Anti-Drug Abuse funds and could be included with other proposals for funding from this source and (2) we see no analytical reason why marijuana eradication should be targeted above other state priorities for drug enforcement. (Reduce Item 8100-001-001 by \$66,000 and Item 8100-101-001 by \$2,684,000.)

Budget Request. The budget requests a total of \$2.7 million from the General Fund for the marijuana eradication program. The amount is \$487,000 greater than estimated current-year expenditures for this program.

Background. The marijuana eradication program was initially approved by the Legislature in Ch 1563/85 (SB 1139, Keene) to provide financial assistance to four counties (Butte, Humboldt, Mendocino, and Trinity) for law enforcement, criminal justice, and other costs associated with marijuana production. The Budget Acts of 1986, 1987, and 1988 appropriated the same amount of funding to OCJP for allocation to the same four counties.

Current-Year Funding. In the 1989 Budget Act, the Legislature moved the funding for the marijuana eradication program from OCJP to the Department of Justice because OCJP had not complied with the Legislature's directive in *The Supplemental Report of the 1988 Budget Act*. The language directed OCJP to establish criteria for allocation of the funds on a competitive basis that would take a number of factors into account regarding the applicants' marijuana problem. The Governor vetoed the funds from the 1989 Budget Act. The administration subsequently restored funding in OCJP's budget in the current year by "borrowing" federal funds from the Anti-Drug Abuse program through a budget revision. The OCJP and Department of Finance advise that they will seek

a General Fund appropriation in the omnibus deficiency bill or in separate legislation later in the current year to repay the federal funds.

Funds to Be Allocated to Counties on Competitive Basis in Budget Year. The OCJP advises that, after nearly two years, it has complied with the Legislature's directive and developed competitive criteria for distribution of the funds to the counties with the greatest need of assistance in marijuana eradication. The proposed criteria provides that counties are eligible for funding if they can demonstrate a significant marijuana cultivation problem and lack sufficient state and federal resources to meet this problem. The selection process would be parallel to that of the Anti-Drug Abuse program. To implement the selection process, OCJP proposes \$66,000 from the General Fund for one personnel-year in 1990-91.

Federal Funds Available to Support Program. As we indicated earlier, the budget requests \$37.5 million in federal funds for the Anti-Drug Abuse program in 1990-91, an increase of 138 percent. These funds are provided from the federal Drug Control and System Improvement Formula Grant for assistance to states and local governments for enhanced enforcement, prosecution, probation, custodial treatment, and pretrial services of drug offenders in the current and budget years.

Our review indicates that, if marijuana eradication is a priority of the Legislature, assistance should be provided from these additional federal funds, rather than the General Fund.

Analysis. Our review shows that the marijuana eradication program has not been evaluated since its inception. Therefore, the Legislature has no evidence of (1) the extent of marijuana cultivation in the state, (2) the level of need for local assistance to address marijuana eradication, (3) the effectiveness of this program in decreasing marijuana cultivation, and (4) the priority the state should place on marijuana in relation to other local drug control issues. Thus, we see no analytical reason to target funds to marijuana eradication above all other anti-drug priorities. For this reason, we believe that marijuana eradication should be included among all other proposals for local assistance from the additional federal funds.

In addition, we note that the Anti-Drug Abuse program has an established and accepted process of (1) requiring local agencies to compile data to support the need for assistance in drug enforcement, prevention, treatment, and education, (2) ranking these proposals within the state's priorities for these drug-related activities, and (3) requiring documentation on the results of this assistance. Including marijuana eradication among all the other drug-related proposals would not only provide the Legislature with information it has requested for two years, but also ensure that the funds are targeting the greatest need.

Furthermore, given the level of additional federal funding available for the Anti-Drug Abuse program in the budget year, we see no analytical rationale for appropriating scarce General Fund resources to the marijuana eradication program. Even if the entire \$2.7 million amount for the marijuana eradication program is funded under the Anti-Drug Abuse program, there would still be \$19 million in additional federal funds

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

available for other anti-drug programs—a 120 percent increase over the current-year amount.

For these reasons, we recommend that the request be deleted, for a General Fund savings of \$2.7 million, and that marijuana eradication proposals be evaluated along with all other proposals for the additional Anti-Drug Abuse program funds.

If the Legislature decides that marijuana eradication is a priority among drug control programs and deserves a special emphasis, we recommend that \$2.7 million of the additional federal dollars be specifically targeted to this program. This could be accomplished through Budget Bill language.

Expansion of CADPE Program is Premature

We recommend a reduction of \$10 million proposed from the General Fund (Proposition 98) for expansion of the Comprehensive Alcohol and Drug Prevention Education (CADPE) program, because the proposal is premature. (Reduce Item 8100-121-001 by \$10 million.)

The budget requests an augmentation of \$10 million from the General Fund (a portion of the monies available for education programs pursuant to Proposition 98) to expand of the Comprehensive Alcohol and Drug Prevention Education (CADPE) program to the seventh and eighth grade levels. This is an increase of 50 percent over the current year amount.

Background. Chapter 83, Statutes of 1989 (AB 198, O'Connell), established the CADPE program in 1989 as a supplement to the OCJP's Suppression of Drug Abuse in Schools Program. CADPE is designed to bring together school districts, law enforcement agencies, and other organizations to provide comprehensive alcohol and drug prevention education as well as early intervention and suppression services to public school grades four through six. The legislation requires that the program have a standardized, age-appropriate curriculum.

Chapter 83 appropriated \$16.7 million to implement and support the program in 1989-90. An additional \$3.3 million in federal funds from Drug Free Schools and Communities (DFSC) Act funding was provided as reimbursements from the Department of Alcohol and Drug Programs (DADP). Thus, total funding for the CADPE program is \$20 million in the current year.

The planning phase of the program was completed in January 1990. The OCJP could not advise us on when the implementation of the program would begin, but anticipates that it would be later in 1989-90.

Program Expansion is Premature. We are concerned about this request because we believe that the program's accomplishments should be evaluated before it is expanded by such a significant amount.

Effectiveness of Prevention Programs is Questionable. In addition, our review of recent studies of the effectiveness of different types of prevention programs indicates that there is little evidence to suggest that these programs are successful. The only type of prevention programs

which have been thoroughly evaluated are curriculum-based programs that involve a curriculum presented to an entire group or class. These evaluations have shown that the programs have little effect on drug or alcohol use. This situation suggests even stronger that the OCJP should thoroughly evaluate the CADPE program to determine whether it is successful for particular children and particular age groups before requesting an expansion. (We discuss the effectiveness of various prevention programs in detail in *The 1990-91 Budget: Perspectives and Issues.*)

Other Augmentations Proposed for School Drug Abuse Prevention Programs. We also question the need for a major General Fund augmentation in this program given that additional federal funds will be available for school drug abuse prevention in the budget year. The State Department of Education (SDE) indicates that funds provided through the federal Drug Free Schools and Communities (DFSC) Program will increase from \$21 million to at least \$35 million in 1990-91. (We discuss this increase in detail in our analysis of SDE—please see Item 6110).

The DADP advises that it will receive \$1.5 million in additional DFSC monies and that an unspecified state agency will receive an additional \$2.7 million in DFSC for a new program which requires the Governor to fund programs in local education agencies (we discuss these augmentations in our analysis of DADP—please see Item 4200).

Analyst's Recommendation. In summary, we believe the request to expand the CADPE program is premature because it is still in the planning stages, and thus has not been evaluated. Research indicates that there is little evidence that curricula-based drug prevention programs are successful. Finally, federal funding for drug and alcohol prevention programs in public schools will be substantially increased in the budget year in the absence of this proposal.

For these reasons, we recommend a reduction of \$10 million proposed from the General Fund for the expansion of the CADPE program.

Additional Information Needed on Information System

We withhold recommendation on \$1 million to implement a statewide Gang Drug Trafficking/Violence Information System, pending receipt of the feasibility study and plan for implementation.

The OCJP requests \$1 million from federal funds to implement and monitor a statewide Gang Drug Trafficking/Violence Information System. The system would consist of a computerized gang identification and tracking database that would provide information to local law enforcement officers on statewide criminal movement and activity of gangs trafficking drugs.

The requested amount includes \$952,000 that would be provided as reimbursements to the Department of Justice (DOJ) to develop and implement the system. The remaining \$106,000 is proposed for two positions in OCJP to coordinate and monitor the development and operation of the system.

No Feasibility Study. The OCJP contracted with a private firm to conduct a feasibility study to identify alternative solutions, estimated

OFFICE OF CRIMINAL JUSTICE PLANNING—Continued

costs and timelines for implementing the system. The office submitted the study to the Office of Information Technology (OIT) for review in early February 1990. At the time this analysis was completed, the OIT had just begun its review.

Funds Not Included in Department of Justice's Budget. Although it appears that the DOJ will have the primary role of implementing the system, the DOJ has not submitted a proposal to the Legislature, nor does its budget request for 1990-91 include a reimbursement from the OCJP to develop and implement the system. However, the DOJ indicates that it will request that the Department of Finance submit a budget amendment letter to address these matters.

Analysis. The Legislature is being asked to approve this request without having had the opportunity to review the feasibility study, the comments from the state's information technology experts (OIT), or the DOJ's proposal for development and implementation of the information system. Accordingly, we withhold recommendation on the request, pending receipt of the feasibility study from OCJP and OIT, and a specific proposal for the implementation of the system from the DOJ.

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING

Item 8120 from the Peace
Officers' Training Fund

Budget p. GG 8

Requested 1990-91	\$44,709,000
Estimated 1989-90	41,592,000
Actual 1988-89	39,277,000
Requested increase (excluding amount for salary increases) \$3,117,000 (+7.5 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8120-001-268—Support	Peace Officers' Training	\$7,714,000
8120-011-268—Support	Peace Officers' Training	1,995,000
8120-101-268—Local assistance	Peace Officers' Training	<u>35,000,000</u>
Total		<u>\$44,709,000</u>

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 90.5 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes expenditures totaling \$44.7 million in 1990-91, an increase of \$3.1 million, or 7.5 percent, above estimated current-year expenditures. The bulk of this increase, \$3 million, is attributable to the commission's local assistance program. All proposed expenditures are from the Peace Officers Training Fund.

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

The budget contains two major program changes:

- An increase of \$71,000 and one position to produce and distribute training videotapes to local law enforcement agencies.
- An increase of \$69,000 and one position to establish an Instructor Development Program designed to improve the quality and effectiveness of instruction in the POST training programs.

Our analysis indicates that the budget request for POST is reasonable and consistent with its statutory mandates.

Table 1
Commission on Peace Officer Standards and Training
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i> <i>1988-89</i>	<i>Est.</i> <i>1989-90</i>	<i>Prop.</i> <i>1990-91</i>	<i>Percent</i> <i>Change</i> <i>From</i> <i>1989-90</i>
Program				
Standards.....	\$3,248	\$3,591	\$3,672	2.3%
Training.....	5,393	5,912	5,967	0.9
Peace officer training reimbursement.....	30,573	32,068	35,070	9.4
Administration (distributed).....	(2,413)	(2,532)	(2,589)	2.3
Peace officers' memorial.....	63	21	—	-100.0
Totals, Expenditures.....	\$39,277	\$41,592	\$44,709	7.5%
Funding Sources				
<i>Peace Officers' Training Fund</i>	\$39,187	\$41,516	\$44,709	7.7%
<i>Peace Officers' Memorial Account</i>	63	21	—	-100.0
<i>Reimbursements</i>	27	55	—	-100.0
Personnel-Years				
Standards.....	24.9	26.6	27.5	3.4%
Training.....	25.3	27.9	29.1	4.3
Administration.....	39.2	36.0	36.0	—
Total.....	89.4	90.5	92.6	2.3%

Training Reimbursement Funds

The budget proposes \$35 million from the Peace Officers' Training Fund to reimburse local governments for peace officer training costs,

COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING—Continued

including per diem, travel, tuition, and participants' salaries. This is \$3 million, or approximately 9 percent, more than estimated current-year expenditures.

In the current year, the commission estimates that it will reimburse about 30 percent of salaries for participants in basic training, and about 40 percent of salaries for participants in other types of training. The amount proposed in the budget year would enable POST to reimburse about 30 percent of salaries for all types of training, notwithstanding a projected reserve in the Peace Officers' Training Fund of \$5.4 million in the budget year.

STATE PUBLIC DEFENDER

Item 8140 from the General
Fund

Budget p. GG 13

Requested 1990-91	\$11,113,000
Estimated 1989-90	9,775,000
Actual 1988-89	6,444,000
Requested increase (excluding amount for salary increases) \$1,338,000 (+13.7 percent)	
Total recommended reduction	None
Total recommendation pending	1,187,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8140-001-001—Support	General	\$11,109,000
Reimbursements		4,000
Total		\$11,113,000

*Analysis
page*

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

1. **Workload Increases.** Withhold recommendation on \$1.2 million requested for workload increases, pending receipt of information on (a) reimbursements from the federal government for cases handled in federal court, and (b) the impact of recent workload and productivity changes. 1077

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 131 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$11.1 million from the General Fund and \$4,000 in reimbursements for support of the SPD in 1990-91. This is \$1.3 million, or 14 percent, more than estimated current-year expenditures.

The proposed increase in total expenditures results almost entirely from a proposed increase of \$1.2 million for 10 attorneys and 5 support staff positions to handle an increasing number of capital cases.

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

Table 1
State Public Defender
Expenditures and Personnel-Years
1989-90 through 1990-91
(dollars in thousands)

	<i>Actual</i> 1988-89	<i>Estimated</i> 1989-90	<i>Proposed</i> 1990-91	<i>Percent</i> <i>Change</i> <i>From</i> <i>1989-90</i>
Expenditures	\$6,444	\$9,775	\$11,113	13.7%
Personnel-years	83.4	131.2	145.5	10.9

ANALYSIS AND RECOMMENDATIONS

Legislature Needs Additional Information on Potential for Federal Reimbursements and Impact of Workload Standards

We withhold recommendation on \$1.2 million from the General Fund and 14.3 personnel-years for workload increases, pending receipt of information from the SPD and the Department of Finance on (1) the amount of reimbursements the state will receive from the federal government for the costs of cases handled in federal courts, and (2) the impact of new workload and productivity standards.

The budget proposes an increase of \$1.2 million and 14.3 personnel-years for the SPD to represent persons in 10 additional capital cases. At the time this analysis was completed, the SPD was defending persons in 42 capital cases.

Although we recognize the need for additional resources to handle the growing workload, we have two concerns with the proposal.

State Will Be Eligible for Federal Reimbursement. Of the 42 capital cases currently handled by the SPD, four have been affirmed by the California Supreme Court and are being appealed in federal courts. The SPD advises that an additional six to eight cases will probably reach federal court during the current year. The SPD has no estimate of how many additional cases will be appealed in federal court in the budget

STATE PUBLIC DEFENDER—Continued

year, but expects that at least 10 to 12 cases will remain in federal court.

According to the SPD, the state is eligible for reimbursement from the federal government for the costs of defending persons in federal court. Although these reimbursements would reduce the amounts needed from the General Fund to support the SPD, the budget does not include any reimbursements from federal funds in 1990-91. The SPD advises that it will meet with the Department of Finance on this issue in February and that the two departments will be contacting the federal Administrative Office of the Courts to seek reimbursement.

Workload and Productivity Standards Could Have Impact on Need for More Staff. 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 SPD advises that the automated timekeeping and docketing systems are in place in all of its three offices and that operational problems have been corrected. In order to fulfill the other requirement of the 1983 supplemental report, the SPD contracted with the National Center for State Courts to examine the management of the office and develop attorney workload and productivity standards.

This report, completed in July 1989, made a number of recommendations for the caseload and workload standards system at the SPD, including:

- Establishment of a workload unit formula.
- Requirements that all attorneys keep contemporaneous time records for both case and noncase-related activities.
- Development of a formula for the total number of attorney hours devoted to case-specific activities per year.

The SPD advises that it recently began implementing the recommendations. Our analysis indicates that these changes could have an impact on the productivity of existing staff and the need for additional staff. The request, however, does not indicate the progress of these implementation efforts or the impact the recommendations will have on office workload and productivity.

Analyst's Recommendation. Given the uncertainties outlined above, we withhold recommendation on the request, pending reports from the SPD and the Department of Finance, prior to budget hearings, on (1) an estimate of the amount of reimbursement that will be received from the federal government in the budget year for cases handled in federal courts, and (2) the impact on workload and productivity of the recommendations contained in the workload and productivity standards report.

ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS

Item 8160 from the General
Fund

Budget p. GG 14

Requested 1990-91	\$13,000,000
Estimated 1989-90	19,000,000
Actual 1988-89	10,000,000
Requested decrease \$6,000,000 (-31.6 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

Under Ch 1048/77 (AB 938, Goggin), 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 counties submit claims for reimbursement to the state within six months after disbursement of funds for these purposes is authorized by the court or made by the county. In addition, 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 \$13 million from the General Fund for assistance to counties for the defense of indigents in 1990-91. This is \$6 million, or 32 percent, less than the level of expenditures estimated for the current year.

Current-year expenditures include a deficiency augmentation of \$6 million to pay outstanding claims from the prior year.

Funding Requirements Are Uncertain

Our review indicates that the amount necessary to reimburse counties under this program during 1990-91 is uncertain.

At the time this analysis was completed, the State Controller's Office had not finished compiling projections for expenditures for the current year. In addition, the effect of certain major claims under review is

ASSISTANCE TO COUNTIES FOR DEFENSE OF INDIGENTS—Continued

unknown. In 1987-88, Los Angeles County submitted claims for reimbursement of indigent defense costs that it had incurred in previous years. At the time this analysis was written, the Controller's Office indicated that \$4 million in claims from Los Angeles County remain under review. It is unlikely the Controller's Office will find that the county is eligible for reimbursement for the full amount of these claims. Nevertheless, the amount of funding necessary for this program in the budget year will be affected by any amount that the Controller determines is reimbursable.

The Department of Finance advises that it will review the rate of expenditure during the May revision and request an adjustment to the Budget Bill if necessary.

Although we believe that these uncertainties may affect the funding level needed to support the program in 1990-91, we do not have an analytical basis to recommend a specific adjustment to the proposed amount at this time.

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS

Item 8180 from the General
Fund

Budget p. GG 15

Requested 1990-91	\$3,875,000
Estimated 1989-90	6,233,000
Actual 1988-89	2,000,000
Requested decrease: \$2,358,000 (-37.8 percent)	
Total recommended reduction	None

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 1988-89, the last year for which the State Controller has data, the state paid \$2 million for claims submitted by nine counties.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$3.9 million from the General Fund to reimburse counties for the state's share of specified costs resulting from homicide trials. This is \$2.4 million, or 38 percent, less than estimated current-year expenditures for this purpose. The decrease

primarily reflects payment in the current year of \$2.3 million in current claims and claims carried forward from the prior year. Table 1 displays state reimbursement for homicide trial expenses from 1980-81 through 1990-91. Expenditures shown in Table 1 for the current year include a deficiency request of \$2.3 million.

Table 1
Reimbursements to Counties for Costs of Homicide Trials
1980-81 through 1990-91
(in thousands)

	<i>Expense</i>
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	2,000
1988-89	2,000
1989-90 (estimated)	6,233
1990-91 (proposed)	3,875

Funding Requirements are Uncertain

Our analysis indicates that the funding necessary for state reimbursement for homicide trial expenses in the budget year is uncertain. This uncertainty is the result of three factors.

First, program costs are increasing. Specifically, the State Controller's Office advises that the amount of individual county claims is increasing, because trial costs are rising on the local level. In addition, the state's share of homicide trial costs generally have increased as a result of Ch 32/86 (AB 1988, Norman Waters), which revised provisions of law related to reimbursement of these costs.

Second, Ch 987/88 (AB 3600, Farr), allows the Department of Finance to waive the current requirement that a county pay a specified share of trial costs before qualifying for reimbursement when the county's population is 150,000 or less. Since 1985-86, 15 of the 20 counties that have received state reimbursement under this program have 150,000 or fewer residents. This provision remains operative until January 1991. At the time this analysis was prepared, the department advised it would not grant waivers in the current year and, hence, had not developed standards to implement this waiver procedure. It is not clear, however, whether any waivers will be granted in the budget year. If waivers are granted, the funding needs of the program could increase.

These two factors could be offset by a change in the formula used to determine a county's eligibility for reimbursement. Chapter 987 provides that, effective January 1991, a county will have to spend more of its own funds on homicide trials before it can qualify for reimbursement under the program. This change could result in fewer counties qualifying for reimbursement or a reduction in the reimbursements to individual counties.

PAYMENTS TO COUNTIES FOR COSTS OF HOMICIDE TRIALS—Continued

The net effect of these three factors in the budget year is unknown. Consequently, our analysis indicates that the level of funding necessary to reimburse counties for the cost of homicide trials in 1990-91 is uncertain. However, given the uncertainties about the number and costs of homicide trials at the local level, we do not have an analytical basis to recommend a specific adjustment to the proposed amount at this time.

**ADMINISTRATION AND PAYMENT OF TORT LIABILITY
CLAIMS**

Item 8190 from the General
Fund

Budget p. GG 16

Requested 1990-91	\$1,000
Estimated 1989-90	635,000
Actual 1988-89	891,000
Requested decrease (excluding amount for salary increases) \$634,000 (-99.8 percent)	
Total recommended reduction	None

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis
page*

1. Budget Underfunded. Amount proposed for payment of routine tort liability claims in budget year is significantly below the amount which will likely be expended. 1084

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 (DOJ) 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 DOJ 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.

The 1989 Budget Act gives the Director of Finance authority to allocate up to \$1.2 million from the Special Fund for Economic Uncertainties (SFEU) to pay claims.

OVERVIEW OF BUDGET REQUEST

The budget proposes an appropriation of \$1,000 from the General Fund for payment of tort liability claims in 1990-91. This is the same amount *appropriated* in the 1989 Budget Act, but \$634,000 *less* than estimated current-year expenditures. The estimated current-year expenditures include a \$600,000 allocation by the Director of Finance to this item from the SFEU. The Budget Bill proposes to continue language that gives the Director authority to make allocations from the SFEU.

Table 1 summarizes statewide tort liability claims and related administrative costs in the past, current, and budget years. In addition to \$1,000 appropriated for claims against General Fund state agencies in this item, \$37.6 million is budgeted for claims against Caltrans in 1990-91. Thus, the total amount proposed in the budget for claims against state agencies is \$37.6 million.

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

Table 1
Administration and Payment of Tort Liability Claims
Summary of Statewide Activity
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i> 1988-89	<i>Est.</i> 1989-90	<i>Prop.</i> 1990-91	<i>Percent</i> <i>Change</i> <i>From</i> 1988-89
Claims Payments				
Department of Justice				
General Fund.....	\$891	\$628	\$1	-99.8%
Special funds.....	—	7	—	-100.0
Department of Transportation	39,380	37,132	37,556	1.1
Legislative Claims				
General Fund.....	10	3	—	-100.0
Subtotals, claims payments.....	(\$40,281)	(\$37,770)	(\$37,557)	(-0.6%)
Staff Services				
Department of Justice				
General Fund.....	\$4,325	\$7,254	\$6,846	-5.6%
Special funds.....	4,837	3,756	3,748	-0.2
Department of Transportation	10,314	10,830	10,830	—
Subtotals, staff services.....	(\$19,476)	(\$21,840)	(\$21,424)	(-1.9%)
Insurance Premiums				
General Fund.....	\$354	\$354	\$354	—
Special funds.....	747	760	777	2.2
Subtotals, insurance premiums.....	(\$1,101)	(\$1,114)	(\$1,131)	(-1.5%)
Totals, expenditures.....	\$60,858	\$60,724	\$60,112	-1.0%

ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS—Continued

equipment lease or revenue bonding requirements. The budget estimates that the state will spend \$1.1 million on such policies in 1990-91. This amount is \$17,000, or 1.5 percent, more than the amount estimated for this purpose in 1989-90. Funds for these premiums are included in the support appropriations of the various state agencies that purchase the insurance.

Budget Is Underfunded

We find that the amount proposed for payment of routine tort liability claims in the budget year is significantly below the amount that will likely be expended. This underfunding results in a distorted picture of the General Fund reserve and may make it more difficult for the state to settle cases outside of court.

The budget proposes an appropriation of \$1,000 from the General Fund for payment of routine tort liability claims (amounts under \$70,000) in 1990-91. (Claims in excess of this amount generally are funded from appropriations in separate legislation.) Budget Bill language provides that, in the event that expenditures exceed the amount appropriated, the Director of Finance may allocate sufficient amounts (up to \$1.2 million) from the SFEU to pay the claims. The DOF proposes to receive quarterly estimates from the DOJ on the amount that is needed to pay the claims, and advises it will make its allocation decisions after reviewing this information. This approach is consistent with the approach approved by the Legislature in the 1989 Budget Act.

Our analysis indicates that the proposed amount is significantly underfunded. The Governor's Budget indicates that current-year expenditures for the program will be \$635,000. Based on recent information provided by the DOJ, we estimate that the current-year expenditures may be higher, in the range of at least \$800,000. This is consistent with the amounts expended for the program for many years. The Legislature has no reason to expect that amount will be any lower in the budget year.

Although the Budget Bill does not provide adequate funding for this item, it permits the Director of Finance to allocate funds from the SFEU to pay these claims. We believe that this approach to budgeting provides the Legislature with an incorrect picture of the funds available in the General Fund reserve to pay unanticipated expenditures that the state will face in the budget year.

Finally, our review indicates that underfunding of liability claims may cause problems in handling of cases. The DOJ advises that, because payments can only occur quarterly, rather than on an ongoing basis as settlements occur, it is more difficult to settle cases outside of court. This could result in increased costs to the state, to the extent that additional cases go to trial.

COMMISSION FOR ECONOMIC DEVELOPMENTItem 8200 from the General
Fund

Budget p. GG 17

Requested 1990-91	\$613,000
Estimated 1989-90	602,000
Actual 1988-89	566,000
Requested increase (excluding amount for salary increases) \$11,000 (+1.8 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8200-001-001—Support	General	\$610,000
Reimbursements	—	3,000
Total		\$613,000

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 10 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes total expenditures of \$613,000 (\$610,000 from the General Fund and \$3,000 from reimbursements) to support the commission during 1990-91. This is \$11,000, or 1.8 percent, more than estimated current-year expenditures. This increase is primarily attributable to increases in salaries and benefits.

CALIFORNIA ARTS COUNCIL

Item 8260 from the General
Fund and various funds

Budget p. GG 18

Requested 1990-91	\$19,972,000
Estimated 1989-90	16,795,000
Actual 1988-89	15,451,000
Requested increase (excluding amount for salary increases) \$3,177,000 (+19 percent)	
Total recommended reduction	3,170,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8260-001-001-Support	General	\$3,053,000
8260-001-890-Support	Federal Trust	349,000
8260-101-001-Local assistance	General	14,000,000
8260-101-890-Local assistance	Federal Trust	615,000
8260-111-001-Local assistance	General	1,930,000
Subtotal, Budget Bill Appropriations		(\$19,947,000)
Foundation Grant	Special Deposit	25,000
Total, all funds		\$19,972,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

- | | |
|---|--------------------------|
| 1. <i>Augmentation for Grant Programs. Reduce Item 8260-001-001 by \$170,000 and Item 8260-101-001 by \$3 million. Recommend deletion because of (1) lack of analytical justification for request and (2) demands placed on General Fund to meet current service levels in other parts of the budget.</i> | Analysis
page
1088 |
| 2. <i>Improper Expenditure of Grant Funds. Recommend that the council report during budget hearings on its specific actions to ensure that grant funds are provided to arts organizations and not improperly expended for operating expenses of the council.</i> | 1089 |

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 54.6 personnel-years in the current year.

MAJOR ISSUES

- ☒ The 22 percent increase proposed for grants to artists and art organizations is not justified on an analytical basis.
- ☒ The Arts Council improperly spent funds for its own operating expense over a three-year period.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$20 million from the General Fund, Federal Trust Fund, and the Special Deposit Fund for the California Arts Council in 1990-91. This is an increase of \$3.2 million, or 19 percent, above estimated total expenditures in 1989-90.

The proposed General Fund appropriations for 1990-91 total \$19 million. This represents an increase of \$3.2 million, or 19 percent, above estimated General Fund expenditures in the current year. The amount consists of \$3 million for increases to all of the council's grant programs and \$200,000 in administrative support. We discuss these augmentations in greater detail below.

The council is also requesting a Special Deposit Fund appropriation of \$25,000, the third installment of a three-year grant of \$75,000 from Skaggs Foundation, for a traditional folk art program. Finally, the council is requesting \$1 million in federal funds for support of various programs.

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

Table 1
California Arts Council
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Percent Change From</i>
<i>Program Expenditure</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>1989-90</i>
Artists in Residence.....	\$2,756	\$3,202	\$3,691	15.3%
Grant expenditure.....	(1,977)	(2,426)	(2,865)	18.1
Administrative costs.....	(779)	(776)	(826)	6.4
Organizational Grants.....	8,345	8,907	10,256	15.1
Grant expenditure.....	(7,153)	(7,594)	(8,844)	16.5
Administrative costs.....	(1,192)	(1,313)	(1,412)	7.5
Performing arts touring/presenting.....	1,119	1,198	1,405	17.3
Grant expenditure.....	(752)	(785)	(965)	22.9
Administrative costs.....	(367)	(413)	(440)	6.5
Statewide projects.....	2,234	2,484	2,606	4.9
Grant expenditure.....	(1,646)	(1,871)	(1,941)	3.7
Administrative costs.....	(588)	(613)	(665)	8.5
California challenge.....	997	1,004	2,014	100.6
Grant expenditure.....	—	(930)	(1,930)	107.5

CALIFORNIA ARTS COUNCIL—Continued

Table 1—Continued
California Arts Council
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Percent Change From</i>
	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>1989-90</i>
<i>Program Expenditure</i>				
Administrative costs	(997)	(74)	(84)	-13.5
Central administration (distributed)	(1,315)	(1,529)	(1,548)	1.2
Totals, Expenditures	\$15,451	\$16,795	\$19,972	18.9%
Grant expenditures	(11,528)	(13,606)	(16,545)	21.6
Administrative costs	(3,923)	(3,189)	(3,427)	7.5
Net Totals	\$15,451	\$16,795	\$19,972	18.9%
<i>Funding Sources</i>				
General Fund	\$14,554	\$15,745	\$18,983	20.6%
Federal Trust Fund	852	1,025	964	-6.0
Special Deposit Fund (Skaggs Foundation Grant)	25	25	25	—
Reimbursements	20	—	—	—
Personnel-Years	53.5	54.6	54.6	—

ANALYSIS AND RECOMMENDATIONS**No Analytical Basis for Major Increase**

We recommend a General Fund reduction of \$3.2 million requested for augmentations for grant programs and administration because of (1) the lack of analytical justification for an increase of this magnitude, and (2) demands on the General Fund to meet current service levels in other parts of the 1990-91 budget. (Reduce Item 8260-001-001 by \$170,000 and Item 8260-101-001 by \$3 million.)

The budget proposes a General Fund augmentation of \$3.2 million to provide increases for all of the council's local assistance grant programs (\$3 million) and for related administrative support (\$170,000). This represents an increase of 22 percent for grant programs in the budget year. The specific augmentations, by grant program, are shown in Table 2.

Table 2
California Arts Council
Proposed General Fund Augmentations by Grant Program
1990-91
(in thousands)

<i>Grant Program</i>	<i>Proposed Amount</i>
Artists in Residence	\$300
Artists Fellowships	130
State/Local Partnership	50
California Challenge	1,000
Performing Arts Touring/Presenting	180
Art in Public Buildings	20
Traditional Folk Arts	70
Small and Mid-Size Organizations	1,000
Large Budget Organizations	100
Multi-Cultural Arts Development	150
Total	\$3,000

The summary of the council's justification for this increase consisted of the following statements: "In 1988-89, over 2,500 proposals requesting \$41 million were submitted (to the Arts Council): \$15 million from individual artists and \$26 million from organizations. One-thousand, one-hundred sixteen received funding. Most grantees received less than what was requested, while some received as little as 8 percent of their request . . . This increase (in demand) represents a near-doubling (90 percent) of proposals in five years while the number of grants has increased by 54 percent. Total dollar demand has gone from \$20 million to nearly \$41 million in that same period."

Our analysis indicates that there is no analytical basis to recommend that the General Fund support for grants and administration of these programs be increased by \$3.2 million when the administration has presented the Legislature with essentially no analytical justification. Instead, the proposed augmentation reflects an administration policy decision to meet a larger portion of "demand" for state funding from artists and art organizations. Since 1982-83, however, state funding for this purpose has almost doubled. The need for further expansion at this time is unclear.

In addition, we believe that a General Fund increase of this magnitude is not justified, given the demands placed upon the General Fund in other parts of the budget. The Governor's Budget proposes funding for all state programs that is about \$1.9 billion below the amount which would be required to maintain the current level of state services. The administration's proposals to close this funding gap and balancing the budget include deferring costs to 1991-92, lowering the amount in the General Fund reserve, reducing services to various programs, and shifting costs to counties.

Given that the administration has provided no analytical justification for the substantial increase requested for the Arts Council and that most of the Legislature's work on the 1990-91 budget will be focused on fitting the state's spending requirements to match its available resources, we recommend deletion of the requested amounts.

Council Improperly Spent Local Assistance Grant Funds

We recommend that the council report to the Legislature during budget hearings on its specific actions to ensure that all grant funds appropriated by the Legislature are used to support arts organizations and are not expended improperly for operating expenses of the council.

Recent reports by the Auditor General and Department of Finance indicate that *the council improperly spent grant funds to pay for its operating expenses over a three-year period.*

Background. Like many state agencies, the Arts Council receives funds from legislative appropriations in two categories—state operations and local assistance. State operations expenditures are used for personal services and operating expenses and equipment to support the council's programs. Local assistance funds are provided for grants to support arts organizations. Normally, funds appropriated for local assistance may not be used for state operations.

CALIFORNIA ARTS COUNCIL—Continued

Improper Use of Local Assistance Funds. Recent reports by the Auditor General and Department of Finance concluded that the council improperly spent \$213,781 that was appropriated for local assistance grants to pay operating expenses from 1986-87 through 1988-89.

Specifically, the Auditor General found that an arts organization paid operating expenses on behalf of the council and billed the council for reimbursement through a contract. The contract, however, was paid with funds appropriated for local assistance grants. The Auditor General noted that one organization paid the salaries of employees providing clerical support to the council and charged the expense to the local assistance contract. In another case, the Auditor General found that the council submitted an invoice for payment to the State Controller's Office (SCO) which the SCO refused to pay because the invoice was for an unauthorized expense. The council then submitted the invoice to an arts organization for payment and the organization charged the expense to the local assistance contract.

The Department of Finance's review identified nine contracts totalling \$213,781, extending from 1986-87 through 1988-89, in which the council improperly spent local assistance funds for operating expenses. The Department of Finance indicated that the department and SCO gave the council permission to use a portion of its local assistance budget for state operations during 1986-87, but there was no such approval for 1987-88 and 1988-89.

Implications of Council's Actions. Although the council advises that it will no longer use local assistance grant funds to pay operating expenses, we believe that the council's actions raise concerns for the Legislature. The local assistance funds that were improperly spent were appropriated by the Legislature for *grants for support of arts programs, not support of the council*. Thus, as a result of the council's actions, arts organizations did not receive \$214,000 for support of their programs. The improper use of the funds is of particular concern given that (1) the council's assertion that appropriations for grant programs have not kept pace with demand, and (2) the Governor's Budget requests the Legislature to provide a 22 percent augmentation for grant funds in the budget year.

Because of these concerns, we recommend that the council report to the Legislature during budget hearings on its specific actions to ensure that grant funds are provided to arts organizations and not improperly expended for operating expenses of the council.

Council Reports on Grants Process

The Supplemental Report of the 1989 Budget Act requested the Arts Council to evaluate and make recommendations regarding the council's grants process. The supplemental report requested the council to review a variety of specific areas, including, among others, duplication between the grant review process and evaluation processes, the benefits and drawbacks of funding small organizations versus large organizations, and opportunities for new grantees. The council submitted its report to the Legislature in December 1989.

Our review found that the council addressed all of the subjects requested by the Legislature. Among its conclusions, the council reported:

- The roles of council staff and volunteer peer review panelists are distinct and little duplication exists between the two groups.
- The council has been providing more multi-year funding, which has reduced duplication of effort for applicants, panelists, and staff.
- Small and large arts organizations alike have curtailed artistic efforts because of costs. The council concluded that there are significant benefits to the state from funding both types of organizations.
- The council has made a variety of efforts to widen opportunities for new grantees by adding new programs.
- The increasing number of applications and grants makes it difficult to reduce administrative staff of the council.

NATIVE AMERICAN HERITAGE COMMISSION

Item 8280 from the General
Fund

Budget p. GG 27

Requested 1990-91	\$323,000
Estimated 1989-90	355,000
Actual 1988-89	298,000
Requested decrease (excluding amount for salary increases) \$32,000 (—9.0 percent)	
Total recommended reduction	None

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 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 State Lands Commission.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes total expenditures of \$323,000 for support of the commission in 1990-91. This is \$32,000, or 9 percent, below estimated expenditures in 1989-90.

The \$32,000 decrease is the result of (1) a \$12,000 increase in salary and staff benefits, (2) a \$37,000 decrease in one-time consultant services

NATIVE AMERICAN HERITAGE COMMISSION—Continued

supported by grants and federal funds, and (3) a \$7,000 decrease in various operating and equipment expenses.

AGRICULTURAL LABOR RELATIONS BOARD

Item 8300 from the General

Fund

Budget p. GG 28

Requested 1990-91.....	\$6,806,000
Estimated 1989-90	6,686,000
Actual 1988-89	5,777,000
Requested increase (excluding amount for salary increases) \$120,000 (+1.8 percent)	
Total recommended reduction.....	None

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 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.

The ALRB has 98.2 personnel-years in the current-year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$6.8 million from the General Fund for support of the ALRB in 1990-91. This is a net increase of \$120,000 or 1.8 percent, above estimated current-year expenditures. The increase reflects the full-year costs of employee compensation increases granted in the current year, partially offset by increased salary savings in 1990-91.

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

Table 1
Agricultural Labor Relations Board
Program Summary
1988-89 through 1990-91
(dollars in thousands)

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change From 1989-90</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	
	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	
Board Administration	32.1	35.2	34.5	\$2,410	\$2,923	\$2,972	1.7%
General Counsel.....	49.1	53.4	52.3	3,367	3,763	3,834	1.9
Administrative Services (distributed)	10.0	9.6	9.3	(559)	(592)	(601)	1.5
Totals	91.2	98.2	96.1	\$5,777	\$6,686	\$6,806	1.8%

PUBLIC EMPLOYMENT RELATIONS BOARD

Item 8320 from the General
Fund

Budget p. GG 32

Requested 1990-91.....	\$6,720,000
Estimated 1989-90	6,319,000
Actual 1988-89	5,731,000
Requested increase (excluding amount for salary increases) \$401,000 (+6.3 percent)	
Total recommended reduction.....	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8320-001-001—Support	General	\$6,670,000
Reimbursements	—	50,000
Totals		\$6,720,000

GENERAL PROGRAM STATEMENT

The Public Employment Relations Board (PERB) 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 86.3 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes an appropriation of \$6.7 million from the General Fund for support of the PERB in 1990-91. This is an increase of \$401,000,

PUBLIC EMPLOYMENT RELATIONS BOARD—Continued

or 6.3 percent, over 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
1988-89 through 1990-91
(dollars in thousands)

Program	Personnel-Years			Expenditures			Change
	Actual	Est.	Prop.	Actual	Est.	Prop.	From
	1988-89	1989-90	1990-91	1988-89	1989-90	1990-91	1989-90
Dispute resolution.....	44.7	47.0	47.0	\$4,550	\$5,041	\$5,122	1.6%
Representation determination....	13.4	13.1	16.9	1,181	1,278	1,598	25.0
Administration (distributed).....	23.8	26.2	26.2	(1,153)	(1,319)	(1,335)	1.2
Totals.....	81.9	86.3	90.1	\$5,731	\$6,319	\$6,720	6.3%

Table 2 shows changes in the board's expenditures between 1989-90 and 1990-91. The table shows that the increase in the board's expenditures proposed for 1990-91 is due to (1) the addition of a Management Cooperation Training program (\$300,000), and (2) the full-year cost of salary increases granted in the current-year (\$101,000).

Table 2
Public Employment Relations Board
Proposed 1990-91 Budget Changes
(dollars in thousands)

	General Fund
1989-90 Expenditures (Revised)	\$6,319
<i>Baseline Adjustments</i>	
Employee compensation increases	\$101
<i>Program Change</i>	
Management cooperation training program	\$300
1990-91 Expenditures (Proposed)	\$6,720
Change from 1989-90:	
Amount.....	\$401
Percent	6.3%

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Our review indicates that the board's proposed expenditures are reasonable.

DEPARTMENT OF INDUSTRIAL RELATIONS

Item 8350 from the General
Fund and various funds

Budget p. GG 36

Requested 1990-91.....	\$184,784,000
Estimated 1989-90	166,996,000
Actual 1988-89	126,732,000
Requested increase (excluding amount for salary increases) \$17,788,000 (+11 percent)	
Total recommended reduction.....	4,337,000
Total recommended reversion to General Fund	1,200,000
Total recommendation pending.....	61,600,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8350-001-001—Departmental Support	General	60,954,000
8350-011-001—Workers' Compensation Benefits for employees of uninsured employers	General	19,800,000
8350-012-001—Workers' Compensation Adminis- tration Revolving Fund	General	59,611,000
8350-001-023—Regulation of farm labor contrac- tors	General, Farm Labor Contrac- tors' Special Account	50,000
8350-001-216—Enforcement of laws relating to the licensing of contractors	Industrial Relations Construc- tion Industry Enforcement	643,000
8350-001-223—Administration of workers' com- pensation disputes	Workers' Compensation Admin- istration Revolving	73,911,000
—Less Transfer from General Fund		—59,611,000
Ch 893/89—Loan repayment to General Fund		(\$2,500,000)
Ch 893/89—Interest on General Fund loan	Workers' Compensation Admin- istration Revolving	225,000
8350-001-396—Regulation of self-insurance plans for workers' compensation	Self-Insurance Plans	1,937,000
8350-001-452—Elevator inspections	General, Elevator Safety In- spection Account	3,468,000
8350-001-453—Pressure vessel inspections	General, Pressure Vessel In- spection Account	3,239,000
8350-001-481—Garment Manufacturers employ- ees	General, Garment Manufactur- ers Special Account	50,000
8350-001-571—Workers' compensation benefits for employees of uninsured employers	Uninsured Employers', Employ- ees' Account	22,935,000
—Less transfer from General Fund		—19,800,000
8350-001-890—Departmental support	Federal Trust	14,665,000
8350-001-973—Worker health and safety (school asbestos projects)	Asbestos Abatement	246,000
Labor Code Section 96.6	Unpaid Wage	60,000
Reimbursements	—	2,401,000
Total		\$184,784,000

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS**Analysis
page

- | | |
|---|------|
| 1. Workers' Compensation System Reform. Withhold recommendation on \$21.4 million (\$4.3 million from the General Fund) requested for continued implementation of workers' compensation system reform pending receipt of (1) a proposal for establishing administrative positions, (2) a timeline and proposal for recruiting, testing, hiring and training new staff, (3) a recalculation of the salary savings associated with the new positions, and (4) rules and regulations relating to employer assessments. | 1099 |
| 2. <i>Workers' Compensation Technical Issue (Reduce Item 8350-001-223 by \$1,537,000).</i> Recommend reduction to correct for double-budgeting. | 1102 |
| 3. Cal-OSHA Staffing. Withhold recommendation on \$40.2 million proposed for Cal-OSHA, pending receipt of (1) a plan and timeline for filling current vacancies in Cal-OSHA positions, (2) an estimate of current-year savings due to these vacancies, and (3) a revised estimate of budget-year expenditures. | 1103 |
| 4. <i>Cal-OSHA Technical Issue. (Reduce Item 8350-001-001 by \$2.8 million and augment Item 8350-001-890 by \$2.8 million.)</i> Recommend General Fund reduction to reflect available federal funds for Cal-OSHA. Further recommend reversion of \$1.2 million General Funds overbudgeted in the current year. | 1105 |

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 Workers' Compensation (DWC) and the Workers' Compensation Appeals Board (WCAB), adjudicates disputed 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.** This program administers the California Occupational Safety and Health Act (Cal-OSHA), enforces all laws and regulations concerning the safety of work places (including mines and tunnels), and inspects elevators, escalators, aerial 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 2,344.5 personnel-years in the current year.

MAJOR ISSUES

- ☒ Proposal to implement workers' compensation reform lacks specific details.
- ☒ Vacancies in authorized Cal-OSHA positions persists.
- ☒ Correction for underbudgeted federal funds will save General Fund \$1.2 million in current year and \$2.8 million in budget year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$184.8 million for support of the DIR in 1990-91. This is \$17.8 million, or 11 percent, above estimated current-year expenditures. The General Fund portion of the request is \$140.4 million, which is an increase of \$3.2 million, or 2.3 percent, above estimated current-year expenditures.

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

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Table 1
Department of Industrial Relations
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1989-90
	Actual 1988-89	Est. 1989-90	Prop. 1990-91	Actual 1988-89	Est. 1989-90	Prop. 1990-91	
Regulation of workers' compensation self-insurance plans.....	25.3	28.8	28.5	\$1,683	\$1,857	\$2,220	19.5%
Conciliation of labor disputes.....	25.0	27.0	27.0	1,941	2,047	2,083	1.8
Adjudication of workers' compensation disputes.....	750.2	853.3	1,026.8	50,311	59,837	75,808	26.7
Prevention of industrial injuries and deaths.....	310.1	623.2	609.4	23,551	47,660	48,022	0.8
Enforcement of laws relating to wages, hours and working conditions.....	419.4	429.1	426.2	24,295	24,046	24,842	3.3
Apprenticeship and other on-the-job training.....	90.7	96.3	95.1	5,206	5,817	5,998	3.1
Labor force research and data dissemination.....	48.3	61.9	61.0	2,829	3,072	3,151	2.6
Payment of wages, claims and contingencies.....	—	—	—	16,916	22,660	22,660	—
Administrative support services (distributed).....	202.5	224.9	222.3	(12,113)	(13,202)	(13,328)	(1.0)
Totals.....	1,871.5	2,344.5	2,496.3	\$126,732	\$166,996	\$184,784	10.7%
Funding Sources							
General Fund.....				\$110,074	\$137,174	\$140,365	2.3%
Farm Labor Contractors' Account.....				2	50	50	—
Industrial Relations Construction Industry Enforcement Fund.....				556	627	643	2.6
Self-Insurance Plans Fund.....				1,395	1,579	1,937	22.7
Elevator Safety Inspection Account.....				2,911	3,401	3,468	2.0
Pressure Vessel Inspection Account.....				2,378	3,178	3,239	1.9
Asbestos Abatement Fund.....				—	246	246	—
Uninsured Employers' Fund, Employees' Account.....				2,995	3,127	3,135	0.3
Asbestos Workers' Account.....				36	—	—	—
Federal Trust Fund.....				4,051	14,582	14,665	0.6
Unpaid Wage Fund.....				143	60	60	—
Garment Manufactures Special Account.....				—	50	50	—
Workers' Compensation Revolving Fund.....				—	—	14,525	—
Reimbursements.....				2,191	2,922	2,401	-17.8

Table 2 summarizes the components of the department's \$17.8 million increase in its budget request for 1990-91.

Table 2
Department of Industrial Relations
Proposed 1990-91 Budget Changes
(dollars in thousands)

	<i>All Funds</i>
1989-90 Expenditures (Revised)	\$166,996
<i>Baseline Adjustments</i>	
One-time appropriation provided in Ch 893/89	-\$2,500
Salary increase	2,076
One-time equipment purchases	-1,261
Staff benefits	580
Miscellaneous adjustments	34
Subtotal, baseline adjustments	(-\$1,071)
<i>Workload Changes</i>	
Self insurance plans audit	\$330
<i>Program Changes</i>	
Workers' compensation loan repayment (interest)	\$225
DLSE implementation of Ch 1224/89	283
Workers' compensation on-line case tracking	2,349
Radiation health transfer to DHS	-616
Implement workers' compensation reform	18,637
Subtotal, program changes	(\$18,529)
1990-91 Expenditures (Proposed)	\$184,784
Change from 1989-90 Expenditures (Revised)	
Amount	\$17,788
Percent	10.7%

ANALYSIS AND RECOMMENDATIONS

WORKERS' COMPENSATION ADMINISTRATION

Workers' Compensation System Reform—More Information Needed

We withhold recommendation on \$21.4 million (\$4.3 million from the General Fund) requested for continued implementation of workers' compensation system reform, pending receipt of (1) a proposal for establishing administrative positions, (2) a timeline and proposal for recruiting, testing, hiring and training new staff, (3) a recalculation of the salary savings associated with the new positions, and (4) rules and regulations relating to employer assessments.

Background. In September 1989, the Legislature enacted the Margolin-Bill Greene Workers' Compensation Reform Act. The Act consists of two measures: Chapter 892 (AB 276, Margolin) and Chapter 893 (SB 47, Lockyer) of the Statutes of 1989. These measures make significant changes to the workers' compensation system, including increasing the benefits payable to injured workers, enhancing the state's role in overseeing the delivery of benefits, and instituting employer assessments to provide additional funding for workers' compensation system administration.

To carry out these reforms, Chapter 892 mandates several significant changes to the administration of the workers' compensation system. Specifically, Chapter 892 requires the DIR to: (1) establish two new offices within the Division of Workers' Compensation with responsibilities for benefit determinations, information, auditing and enforcement,

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

(2) meet specified timelines pertaining to claims and hearings, (3) institute a claims arbitration system and (4) calculate and levy employer assessments. Chapter 893 appropriated \$2.5 million to the department as a loan from the General Fund for the purpose of hiring 125 positions to staff the new offices created by Chapter 892 and to reduce the backlog in the workers' compensation courts.

Proposal. The budget proposes a total of \$21.4 million (\$4.3 million from the General Fund and \$17.1 million from employer assessments) for continued implementation of Chapters 892 and 893. The \$21.4 million will (1) provide continued support for the 125 positions established by Chapter 893 as well as an additional 203 positions requested in the budget, (a total of 328 positions), (2) repay the General Fund with interest for the loan provided in Chapter 893, and (3) provide \$1.9 million for furniture and equipment, including the expansion of DIR's computer systems, to accommodate the increased staff. Table 3 displays by unit the 125 positions established by Chapter 893 and the 203 additional positions proposed in the budget.

Table 3
Division of Workers' Compensation
Staff Augmentations Provided in Ch 893/89
and Proposed in the Governor's Budget

	<i>Ch 893/89</i> <i>1989-90</i>	<i>Proposed</i> <i>1990-91</i>	<i>Total</i>
Division Administration:			
Deputy directors.....	—	2	2
Claims Adjudication:			
Workers' compensation judges.....	12	—	12
Hearing reporters.....	12	—	12
Legal typists.....	12	—	12
Office assistants.....	12	—	12
Audit and Enforcement:			
Auditors.....	40	9	49
Clerical support.....	—	12	12
Information and Assistance:			
Workers' compensation consultants.....	9	—	9
Claims:			
Workers' compensation consultant.....	—	22	22
Clerical support.....	—	10	10
Conference Referees:			
Conference referees.....	—	80	80
Clerical support.....	—	40	40
Disability Evaluation:			
Workers' compensation consultants.....	—	12	12
Clerical support.....	—	16	16
Industrial Medical Council:			
Administration.....	4	—	4
Legal staff.....	2	—	2
Workers' compensation consultants.....	7	—	7
Clerical support.....	15	—	15
Totals.....	125	203	328

Analysis. Given the limited period of time between enactment of the reform act and publication of the Governor's Budget, the department's implementation proposal represents a substantial effort. Many weaknesses in the proposal are apparent, however, and these weaknesses will hinder the Legislature's ability to provide oversight over workers' compensation reform. The most notable shortcoming in the department's proposal is the lack of justification for the number and type of positions requested. Most of the 203 positions are simply "best guesses", not supported by adequate workload data. Moreover, our review indicates that by the time of budget hearings the department probably *will not* have better estimates of the number of additional division staff needed, because: (1) the department historically has not maintained adequate workload data on its employees, (2) some of the positions are for recently mandated division activities, and (3) the new workload standards required by Chapter 892 will not be complete until January 1991.

Our review indicates, however, that there are *three* areas of weakness in the department's proposal for which the DIR could provide information to the Legislature by the time of budget hearings. This information would improve the Legislature's ability to review the department's efforts to implement workers' compensation reform. We outline the areas of weakness and the information needed below.

- **Administrative Positions.** The budget does not provide any administrative positions to carry out workers' compensation reform. Rather, the budget provides an unallocated sum of \$1.3 million for the department to expend for administrative support *as it determines*. The department indicates that it plans to use these funds to administratively establish an unknown number of personnel, accounting and business services positions during the budget year. Our review indicates that establishment of appropriate administrative positions is critical to the successful implementation of workers' compensation reform. Lacking these positions, hiring and training may be delayed and division staff may be unable to meet the timelines set forth in the act. The department informs us that it is currently reviewing the need for administrative staff and will be able to provide some information to the Legislature, by March, on the number and types of administrative positions needed.
- **Timeline of Hiring.** The budget assumes that virtually all of the 125 positions created by Chapter 893 and the 203 positions proposed in the budget bill will be hired by July 1, 1990 and January 1, 1991, respectively. Our review indicates that these assumptions may not be realistic because the department has not developed a comprehensive plan for recruiting, testing and hiring this large number of new staff. Based on our discussions with the department, we are concerned that hiring for the Division of Workers' Compensation may be delayed in a manner similar to hiring for Cal-OSHA. In order for the Legislature to be able to provide oversight on the implementation of the reform act, the department should develop a timeline and proposal for recruiting, testing, hiring and training the division's new staff. This

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

proposal should identify any obstacles the department envisions in meeting the schedule. Finally, in order to ensure that the appropriate level of funds are budgeted for these positions, the department should recalculate the salary savings estimate based upon the proposed hiring schedule.

- **Employer Assessments.** Chapter 892 requires the director to levy an assessment on employers to offset increased administrative costs associated with workers' compensation reform. The budget shows that these assessments will total over \$17 million in the budget year. Our review of the director's preliminary plan to levy employer assessments indicates that the plan appears reasonable and consistent with legislative intent. The director, however, has not yet completed his proposal or promulgated the required rules and regulations. Lacking these documents, the Legislature does not have important information with which to review the department's budget request.

Recommendation. Due to the above concerns, we withhold recommendation on the department's proposal for \$21.4 million and 203 positions, pending receipt of (1) a proposal for establishing administrative positions, (2) a timeline and proposal for recruiting, testing, hiring and training new division staff, (3) a recalculation of the salary savings amount associated with the proposed positions and (4) rules and regulations relating to employer assessments.

Technical Recommendation

We recommend a reduction of \$1,537,000 from the Workers' Compensation Administration Revolving Fund to correct for double budgeting. (Reduce Item 8350-001-223 by \$1,537,000.)

The DIR budget proposes \$1,537,000 for January 1991 salary increases for the 125 positions created by Chapter 893 and the 203 proposed positions. Funding for salary increases for all state employees is provided in the Budget Bill under Item 9800. Accordingly, we recommend that these funds be deleted to correct for this double-budgeting.

Potential Increased General Fund Cost For Workers' Compensation System.

Passage of Senate Constitutional Amendment 1 (SCA 1, Garamendi) would increase General Fund cost for administration of the Workers' Compensation system by about \$370,000 in 1990-91.

Senate Constitution Amendment 1 would modify the cost-of-living and population factors used to adjust state and local appropriations limits. We estimate that SCA 1 would result in a small *increase* in the 1990-91 cost-of-living adjustment factor for the state's appropriations limit. Chapter 892 stipulates that employer assessments may be levied only to provide funds *in excess* of a specified amount from the General Fund

(adjusted annually by the same factors used to adjust the state appropriations limit). As a result, passage of SCA 1 would reduce the amount of employer assessments in 1990-91. We estimate that the related *increase* in General Fund cost for the Workers' Compensation system would be approximately \$370,000 in 1990-91.

PREVENTION OF INDUSTRIAL INJURIES AND DEATHS

Significant Staff Vacancies in Cal-OSHA

We withhold recommendation on \$40.2 million proposed for the Cal-OSHA program, pending receipt of (1) a plan and timeline for filling current vacancies in Cal-OSHA positions, (2) an estimate of current-year savings due to these vacancies, and (3) a revised estimate of budget-year expenditures.

Background. The Cal-OSHA program, authorized by the federal Occupational Safety and Health Act of 1970, is designed to ensure worker safety and health on the job. California's program is supported with both state and federal funding. Proposition 97 of 1988 mandated that the state restore the private sector Cal-OSHA program which the Governor eliminated on July 1, 1987. The administration began restoring the program and its positions in January 1989. Table 4 shows the number of personnel years authorized for the Cal-OSHA program for the past, current, and budget years.

Table 4
Department of Industrial Relations
California Occupational Safety and Health Programs
Public and Private Sector Programs
1988-89 through 1990-91
(dollars in thousands)

Program Area	Personnel-Years			Difference From 1989-90
	1988-89	1989-90	1990-91	
Division of Occupational Safety and Health (DOSH)				
Field Enforcement ^a	85.3	364.6	361.3	-3.3
Mining and Tunneling	15.6	15.8	15.6	-0.2
Appeals Board	7.9	25.0	24.7	-0.3
Standards Board	8.1	15.8	15.6	-0.2
Consultation Services ^b	62.5	66.3	65.5	-0.8
Subtotals, DOSH	179.4	487.5	482.7	-4.8
Division of Labor Standards Enforcement Antidiscrimination Unit	2.3	7.0	6.9	-0.1
Division of Labor Statistics and Research				
Safety Data Base	—	4.7	4.6	-0.1
Administration	1.5	16.7	16.6	-0.1
Totals	183.2	515.9	510.8	-5.1
Funding Sources				
General Fund	\$11,079	\$25,903	\$26,492	\$589
Federal Funds	3,264	13,687	13,757	70
Total Funds	\$14,343	\$39,590	\$40,249	\$659

^a Includes Headquarters Operations.

^b Includes Mine Safety Training.

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

Position Vacancies. Since the voters mandated the reinstatement of Cal-OSHA, the department's primary obstacle to restoring the program has been the hiring or rehiring of program staff. At the time this analysis was written—over one year after the department began its effort to restore the program—*nearly one in four Cal-OSHA positions authorized by the Legislature remains unfilled.* The percentage of vacant positions by program varies from a high of 75 percent for the Division of Labor Standards Enforcement to a low of 11 percent for Field Enforcement. The largest number of vacancies is reflected in Headquarters Operations (45 positions) and Field Enforcement (31 positions). Table 5 shows the vacancies by program for 1989-90.

Table 5
Department of Industrial Relations
California Occupational Safety and Health Programs
Public and Private Sector Programs
1989-90

Program Area	Number of Positions ^a			Percent Vacant
	Authorized	Filled	Vacant	
Field Enforcement.....	290.0	258.5	31.5	11.0%
Headquarters Operations.....	109.5	64.0	45.5	42.0
Consultation Services ^b	69.0	60.0	9.0	12.0
Mining and Tunneling.....	17.0	10.0	7.0	41.0
Appeals Board.....	26.5	12.0	14.5	55.0
Standards Board.....	17.0	15.0	2.0	12.0
Subtotals.....	529.0	419.5	109.5	21.0%
Division of Labor Standards Enforcement Anti-discrimination Unit.....	8.0	2.0	6.0	75.0
Division of Labor Statistics & Research.....	5.0	2.0	3.0	60.0
Administration.....	18.0	5.0	13.0	72.0
Totals.....	560.0	428.5	131.5	23.0%

^a Details and totals do not compare to Table 4 because Table 4 reflects personnel years, not positions.

^b Includes mine safety training positions.

Based on our review we believe the vacancy rates presented in Table 5 pose significant programmatic and fiscal issues for the Legislature.

- **Program.** Without the full complement of authorized Cal-OSHA staff, the program cannot operate as the voters and the Legislature intended. For example, without full staffing in Headquarters Operations, it is likely that training activities will be delayed, air sampling equipment may not be calibrated as needed, and contracts with laboratories for testing air samples may be delayed. Although it is reasonable for any department to experience some delays in hiring and rehiring large numbers of staff, our review indicates that vacancies in Cal-OSHA merit particular attention by the Legislature because this department (1) cannot currently estimate when it will be able to fill all the positions and (2) cannot identify the specific impacts these vacancies have on the department's ability to enforce worker health and safety laws.

- **Fiscal.** Because of the high vacancy rates, a significant percentage of the current year appropriation for Cal-OSHA will not be expended. Such savings should be clearly identified by the department and accounted for in the budget so that the Legislature may direct these funds to other programs if it chooses. Instead, the budget simply assumes that the full appropriation for Cal-OSHA will be expended—despite the current 23 percent vacancy rate for the program. By our calculation, if the current rate continues, about \$9 million (65 percent General Fund) of the \$39.6 million budgeted for Cal-OSHA in the current year will be unexpended.

Budget-Year Implications. The budget propose \$40.2 million from the General Fund and federal funds for Cal-OSHA in 1990-91. To the extent that the department is unable to fill its Cal-OSHA positions in the current year, and thus, continues to carry positions vacant in 1990-91, the department will not need \$40.2 million for Cal-OSHA. Absent an estimated timeline and specific proposal for filling its current-year vacancies, we are unable to determine whether the proposed budget is appropriate.

Recommendation. Our analysis indicates that without specific information on the department's plans and timelines for hiring Cal-OSHA staff, the Legislature cannot determine whether the proposed budget is appropriate. Accordingly we withhold recommendation on the \$40.2 million proposed for Cal-OSHA pending receipt of (1) a plan and timeline for filling current-year vacancies, (2) an estimate of current-year savings due to these vacancies, and (3) a revised budget-year expenditure plan if necessary.

Technical Issue—Federal Funds

We recommend a General Fund reduction of \$2.8 million and a federal funds augmentation of \$2.8 million to reflect the availability of federal support for Cal-OSHA. (Reduce Item 8350-001-001 by \$2.8 million and augment Item 8350-001-890 by \$2.8 million.) Further recommend adoption of Budget Bill language reverting \$1.2 million from the General Fund to reflect availability of federal funds for Cal-OSHA in the current year.

Our review indicates that the budget underestimates the level of federal funds available for Cal-OSHA in the current year by \$1.2 million and in the budget year by \$2.8 million. As a result, General Fund support for this program is overbudgeted by an equivalent amount. The department indicates this was an inadvertent oversight. Accordingly, we recommend a General Fund reduction of \$2.8 million and a corresponding increase in federal funds proposed for Cal-OSHA in 1990-91.

In addition, we recommend the reversion of \$1.2 million to the General Fund appropriated in the 1989 Budget Act for Cal-OSHA. (Control Section 28 of the Budget Act authorizes the Department of Finance to expend the increased federal funds in the current year to make up for this recommended decrease from the General Fund.) The following

DEPARTMENT OF INDUSTRIAL RELATIONS—Continued

language would implement this latter recommendation:

8350-490—Reversion, Department of Industrial Relations.

On the effective date of this act, \$1.2 million of the funds appropriated in Item 8350-001-001 of the 1989 Budget Act for purposes of the Cal-OSHA program shall revert to the General Fund to reflect the availability of federal funds for this purpose.

DEPARTMENT OF PERSONNEL ADMINISTRATION

Item 8380 from the General
Fund and various funds

Budget p. GG 60

Requested 1990-91	\$12,981,000
Estimated 1989-90	12,318,000
Actual 1988-89	11,220,000
Requested increase (excluding amount for salary increases) \$663,000 (+5.4 percent)	
Total recommended reduction.....	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8380-001-001—Departmental Support	General	\$8,369,000
8380-001-821—Support	Flexelect Benefit	354,000
8380-001-915—For support of the deferred compensation plan	Deferred Compensation Plan	1,230,000
Government Code 19822.5—For support of the child care program	Child Care	239,000
Reimbursements	—	2,789,000
Total		\$12,981,000

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 176.9 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$12.9 million from the General Fund, the Deferred Compensation Plan Fund, the Child Care Fund, the Flexelect Benefit Fund, and reimbursements for support of the department in 1990-91. This is \$663,000, or 5.4 percent, above estimated expenditures for the current year. This increase includes \$238,000 for administrative costs to extend the flexelect program to represented employees, \$204,000 for full-year costs of salary increases granted in the current year, \$107,000 for additional training activities, and various other adjustments.

The budget proposes General Fund expenditures of \$8.4 million, which is \$219,000, or 2.7 percent, more than the estimated 1989-90 level. The General Fund increase is due primarily to the full-year costs of salary increases granted in the current year.

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
1988-89 through 1990-91
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1989-90
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1988-89	1989-90	1990-91	1988-89	1989-90	1990-91	
Labor Relations.....	16.0	17.6	17.5	\$1,379	\$1,609	\$1,655	2.9%
Legal.....	10.5	9.3	9.2	1,101	1,047	1,069	2.1
Administration (distributed).....	42.9	45.8	45.4	(3,022)	(3,080)	(3,175)	3.1
Personnel services.....	100.7	104.2	107.1	8,565	9,412	10,018	6.4
Child care	—	—	—	175	250	239	-4.4
Totals.....	170.1	176.9	179.2	\$11,220	\$12,318	\$12,981	6.3%
Funding Sources							
General Fund				\$6,808	\$8,150	\$8,369	2.7%
Reimbursements.....				2,997	2,673	2,789	4.3
Deferred Compensation Plan Fund.....				1,134	1,137	1,230	8.2
Child Care Fund.....				175	250	239	-4.4
Flexelect Benefit Fund.....				88	108	354	227.8
State Employee Dependent Care Assistance and Health Care Assistance Fund.....				18	—	—	—

DEPARTMENT OF PERSONNEL ADMINISTRATION—Continued

Table 2
Department of Personnel Administration
Proposed 1990-91 Budget Changes
(dollars in thousands)

	<i>General</i>	<i>Deferred</i>	<i>Child</i>	<i>Flexelect</i>	<i>Reim-</i>	
	<i>Fund</i>	<i>Compensation</i>	<i>Care</i>	<i>Benefit</i>	<i>burse-</i>	<i>Total</i>
	<i>Fund</i>	<i>Plan</i>	<i>Fund</i>	<i>Fund</i>	<i>ments</i>	
1989-90 Expenditures (Revised)	\$8,150	\$1,137	\$250	\$108	\$2,673	\$12,318
<i>Baseline Adjustments</i>						
Price increase	—	\$14	—	—	\$23	\$37
Adjustments in pro rata assessment ..	—	55	—	\$8	—	63
Employee compensation	\$204	14	—	—	35	253
Increased postage	—	10	—	—	10	20
Calstars funding	15	—	—	—	—	15
Subtotals, baseline adjustments	(\$219)	(\$93)	(—)	(\$8)	(\$68)	(\$388)
<i>Workload Changes</i>						
Benefits administration	—	—	—	\$238	—\$68	\$170
Training and development	—	—	—	—	107	107
Administration	—	—	—	—	9	9
Child care program (decrease in grants and loans)	—	—	—\$11	—	—	—11
Subtotals, workload changes	—	—	(—\$11)	(\$238)	(\$48)	(\$275)
1990-91 Expenditures (Proposed)	\$8,369	\$1,230	\$239	\$354	\$2,789	\$12,981
Change From 1989-90:						
Amount	\$219	\$93	—\$11	\$246	\$116	\$663
Percent	2.7%	8.2%	—4.4%	227.8%	4.4%	5.4%

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

Our review indicates that the department's proposed expenditures are reasonable.

WORKERS' COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES

Item 8450 from the General
Fund

Budget p. GG 67

Requested 1990-91	\$5,720,000
Estimated 1989-90	5,720,000
Actual 1988-89	5,370,000
Requested increase: None	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8450-001-001-Support	General	\$3,720,000
8450-001-016-Death-Without Dependents Support	General, Subsequent Injuries Moneys Account	2,000,000
Total		<u>\$5,720,000</u>

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.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes \$5,720,000 to fund workers' compensation benefits paid under the subsequent injury program during 1990-91. This amount consists of (1) \$3,720,000 from the General Fund (Item 8450-001-001) and (2) \$2 million in death-without-dependents payments (Item 8450-001-016). The budget-year request is identical to current-year estimated expenditures.

Of the \$5.7 million requested for 1990-91, \$4,626,000 is to pay actual claims costs. The remaining funds are to pay: (1) a 5 percent service fee to the State Compensation Insurance Fund for adjusting claims (\$236,000), (2) DIR expenses for claims investigative services (\$170,000) and (3) DIR costs to monitor and provide legal defense of the fund (\$688,000).

Our review indicates that the proposed expenditures are appropriate. We will review, however, updated expenditure estimates for the current year as they become available and advise the Legislature of any necessary changes.

WORKERS' COMPENSATION BENEFITS FOR DISASTER SERVICE WORKERS

Item 8460 from the General
Fund

Budget p. GG 68

Requested 1990-91	\$663,000
Estimated 1989-90	663,000
Actual 1988-89	512,000
Requested increase: None	
Total recommended reduction	None

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 1990-91. 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.

Based on the first six months of expenditure data, our review indicates that the proposed expenditures are reasonable. However, because Chapter 893, Statutes of 1989 (SB 47, Lockyer) increased certain workers' compensation benefit payments, it is possible that current-year expenditures may exceed the estimated amount. The SCIF indicates that they cannot estimate the effect of Chapter 893 on this budget item. Consequently, we will review, updated expenditure estimates for the current year as they become available and advise the Legislature of any necessary changes.

BOARD OF CHIROPRACTIC EXAMINERS

Item 8500 from the State Board
of Chiropractic Examiners
Fund

Budget p. GG 69

Requested 1990-91	\$1,135,000
Estimated 1989-90	1,286,000
Actual 1988-89	1,238,000
Requested decrease (excluding amount for salary increases) \$151,000 (-12 percent)	
Total recommended reduction	75,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8500-001-152—Support	State Board of Chiropractic Examiners	\$1,132,000
Reimbursements	—	3,000
Total		\$1,135,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis
page

1. *Unjustified Staffing. Reduce Item 8500-001-152 by \$75,000.* 1111
Recommend reduction because request for additional staff lacks justification and need has not been demonstrated.

GENERAL PROGRAM STATEMENT

The seven-member Board of Chiropractic Examiners is responsible for licensing and regulating chiropractors practicing in California. The board has 6.6 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$1.1 million to support the board's activities in 1990-91. This is \$151,000, or 12 percent, below estimated expenditures in 1989-90. The proposed expenditures include \$3,000 from reimbursements. The decrease reflects (1) an increase of \$83,000 in personal services, (2) an increase of \$189,000 in various operating expenses such as investigation, Attorney General and office space costs, (3) a decrease of \$332,000 for legal costs incurred in the litigation relating to the scope of chiropractic practice, and (4) a decrease of \$91,000 for central administrative pro rata.

ANALYSIS AND RECOMMENDATIONS**Staffing Request Lacks Justification**

We recommend a reduction of \$75,000 to the Board of Chiropractic Examiners Fund for 2.5 clerical positions because the need for additional staff has not been demonstrated. (Item 8500-001-152).

The board is requesting \$75,000 for 2.5 clerical positions. These positions consist of one secretary to the executive director and assistant

BOARD OF CHIROPRACTIC EXAMINERS—Continued

executive director and 1.5 office assistants to support various office activities such as answering the telephone, filing, and typing. Currently, the board has 3.5 staff positions and 0.6 temporary help positions for clerical support.

Our review indicates that based on the board's workload, the existing clerical staff of 3.5 personnel-years is adequate. Additionally, the board did not have to use its temporary help support in 1988-89 and does not anticipate using it in the current year. Thus, it does not appear that additional staff is needed. Accordingly, we recommend that the request for 2.5 clerical positions be rejected for a deletion of \$75,000.

BOARD OF OSTEOPATHIC EXAMINERS

Item 8510 from the Board of
Osteopathic Examiners
Contingent Fund

Budget p. GG 71

Requested 1990-91	\$401,000
Estimated 1989-90	455,000
Actual 1988-89	481,000
Requested decrease (excluding amount for salary increases) \$54,000 (—12 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8510-001-264—Support	Board of Osteopathic Examin- ers Contingent	\$399,000
Reimbursements	—	<u>2,000</u>
Total		\$401,000

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 \$401,000 to support the board's activities in 1990-91. This is a decrease of \$54,000, or 12 percent, below estimated current-year expenditures. The decrease is a result of (1) a \$4,000 increase to cover salary increases, (2) a \$5,000 decrease in various operating expenses, and (3) a \$53,000 decrease in central administrative services costs.

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 73

Requested 1990-91	\$691,000
Estimated 1989-90	591,000
Actual 1988-89	496,000
Requested increase (excluding amount for salary increases) \$100,000 (+17 percent)	
Total recommended reduction	None

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 trains, licenses and regulates pilots and acts on complaints. The board is supported by the Board of Pilot Commissioners' Special Fund which derives its revenues from assessments on pilotage fees. Additionally, a special surcharge on ship movements provides funds for pilot training. The board has one personnel-year in the current year.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes total expenditures of \$691,000 for support of the board in 1990-91. This is \$100,000 (17 percent) above estimated current-year expenditures. The budget reflects (1) an increase of \$120,000 for the pilot training program to increase the number of trainees enrolled from seven to 12, (2) an increase of \$8,000 for contracts to investigate shipping accidents, (3) an increase of \$11,000 for other minor cost adjustments, and (4) a decrease of \$39,000 for pro rata charges for central administrative services.

CALIFORNIA AUCTIONEER COMMISSION

Item 8540 from the Auctioneer
Commission Fund

Budget p. GG 74

Requested 1990-91	\$239,000
Estimated 1989-90	274,000
Actual 1988-89	204,000
Requested decrease (excluding amount for salary increases) \$35,000 (-13 percent)	
Total recommended reduction	None

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 \$239,000 from the Auctioneer Commission Fund for support of the commission in 1990-91. This is a decrease of \$35,000, or 13 percent, below estimated current-year expenditures. This decrease consists of (1) a \$4,000 increase in staff salaries, (2) a \$41,000 decrease in central administrative pro rata, and (3) a \$2,000 increase in various operating expenses.

CALIFORNIA HORSE RACING BOARD

Item 8550 from the Fair and
Exposition Fund and the
Racetrack Security Account

Budget p. GG 75

Requested 1990-91	\$7,978,000
Estimated 1989-90	7,475,000
Actual 1988-89	7,647,000
Requested increase (excluding amount for salary increases) \$503,000 (+6.7 percent)	
Total recommended reduction resulting in subsequent transfer to the General Fund	77,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8550-001-191—Support	Fair and Exposition	\$7,668,000
8550-001-942—Support	Special Deposit, Racetrack Security Account	310,000
8550-011-942—For transfer to General Fund	Special Deposit, Racetrack Security Account	(2,100,000)
Total		\$7,978,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

*Analysis
page*

1. *Technical Budget Issue. Reduce Item 8550-001-191 by \$77,000.* Recommend that budgeted expenses for investigators, stewards, and veterinarians be reduced to correct for technical budgeting errors. 1116
2. *Equine Medical Director.* Recommend that the board report at budget hearings on the progress of the Director's plans for: (1) an overall equine drug testing program in California; and (2) proposed testing procedures for future contracts. 1116
3. Recommend that the board report as to Director's findings on the new "complementary" drug testing program. 1117

GENERAL PROGRAM STATEMENT

The California Horse Racing Board (CHRB) regulates all horse racing meetings in the state where pari-mutuel 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 and veterinarians to officiate at all races, (3) enforcing the regulations under which racing is conducted, and (4) collecting the state's horse racing revenues.

Chapter 1273, Statutes of 1987 (SB 14, Maddy), requires the board 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 commissions.

The board is composed of seven members appointed by the Governor and has 60.9 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$8 million from the Fair and Exposition Fund and the Racetrack Security Account to support the California Horse Racing Board in 1990-91. This is an increase of \$503,000, or 6.7 percent, above estimated current-year expenditures. This increase reflects the effect of: (1) a \$224,000 increase for program changes, and (2) a \$279,000 increase for salaries, benefits and other baseline changes.

The budget proposes the following program changes: (1) \$250,000 and 3.9 personnel-years for additional investigative activities; (2) an increase of \$49,000 and 0.9 personnel-years for data processing management and support, offset by a reduction of \$106,000 for an interagency data

CALIFORNIA HORSE RACING BOARD—Continued

processing contract; (3) an increase of \$52,000 and 0.9 personnel-years for increased legislation and regulation workload, offset by a reduction of \$21,000 for temporary help; (4) an increase of \$29,000 for radio equipment for investigators; (5) an increase of \$25,000 in laboratory quality assurance expenditures to be funded from the existing budget for laboratory expenses; and (6) a decrease of \$29,000 for contractual services for Intertrack Stewards.

Table 1 displays the board's personnel-years and funding levels for the past, current and budget years.

Table 1
California Horse Racing Board
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	<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>Program Elements</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>From</i>
Licensing	8.5	12.0	12.0	\$1,277	\$1,179	\$1,200	1.8%
Enforcement	25.5	29.9	33.8	5,391	5,213	5,422	4.0
Administration.....	14.9	19.0	20.8	979	1,083	1,356	25.2
Totals, Program Costs.....	48.9	60.9	66.6	\$7,647	\$7,475	\$7,978	6.7%
<i>Funding Sources</i>							
General Fund				\$1,298	—	—	—
Fair and Exposition Fund				6,530	\$7,165	\$7,668	7.0%
Racetrack Security Account, Special Deposit Fund.....				310	310	310	—

ANALYSIS AND RECOMMENDATIONS**Overbudgeted Expenses for Investigators, Veterinarians, and Stewards**

We recommend that the budgeted amounts for investigators and contracts with veterinarians and stewards be reduced by \$77,000 to correct for technical budgeting errors. (Reduce Item 8550-001-191 by \$77,000.)

The budget requests \$143,000 for benefits and operating expenses associated with four additional investigator positions, and \$1,626,000 for contracts with veterinarians and stewards. Our analysis indicates that the actual amounts required for these expenses will be \$88,000 and \$1,604,000, respectively. Accordingly, we recommend a total reduction of \$77,000 to correct for these technical budgeting errors. Because of the CHRB's funding mechanism, any reduction in support funds provided to the board from the Fair and Exposition Fund will result in an increased transfer of horse racing revenues to the General Fund.

Drug Testing Plans Needed This Year

We recommend that the board report at budget hearings on the progress of the Equine Medical Director's plans for: (1) an overall equine drug testing program in California; and (2) proposed testing procedures for future contracts.

The budget requests \$175,000 to continue a contract with the University of California at Davis, School of Veterinary Medicine, to provide the services of an equine medical director for the CHRB. The contract was established in the current year to provide the CHRB with expert advice on drug testing. According to the University's proposal to the CHRB, one of the responsibilities of the Equine Medical Director in the current year is to "develop a plan that can be presented to the University, CHRB, and the Legislature for an appropriate proposal for an overall drug testing program in California. This proposal is to include a major emphasis on broad-based research as it relates to drug testing and the effects of drugs on equine performance." In addition, the proposal also requires the Director to develop a plan for "proposed drugs to be tested, types of tests to be performed, and chain of custody procedures, reporting procedures, etc., for future contracts."

At the time this analysis was prepared, these plans had not yet been completed. Given that the CHRB's contract with the state's official equine drug testing laboratory (Truesdail Laboratories) will expire at the end of the current year, the plans need to be completed in the current fiscal year to assist the CHRB in their evaluation of laboratory drug testing proposals. In order that the Legislature be kept up-to-date with the Equine Medical Director's efforts, we recommend that the board report at budget hearings on the progress of the Equine Medical Director's plans for: (1) an overall equine drug testing program in California, and (2) the proposed testing procedures for future contracts.

Findings of New Equine Drug Testing Program Not Yet Known

We recommend that the board report at the time of budget hearings on the findings of the new "complementary" drug testing program and how they compare with the existing drug testing program.

The budget proposes \$500,000 from the Fair and Exposition Fund to continue funding for a new "complementary" equine drug testing program established in the current year under a contract with Iowa State University. The intent of the program is to complement the existing drug testing program conducted by the state's official equine drug testing laboratory. Specifically, the program will test equine blood and urine samples for the presence of drugs using immunoassay testing methodologies.

At the time this analysis was prepared, the board's contract with Iowa State University had recently been approved for a total amount of \$320,000. At that time, the program was in the preliminary stages of implementation and the board indicated that it had no information on the findings of positive samples. Consequently, we were unable to determine whether the complementary testing program has resulted in findings that differ from those of the existing program. The test results of the new program during the second half of the current fiscal year will provide a better basis for a comparison of these findings. Accordingly, we recommend that the board report at the time of budget hearings on the

CALIFORNIA HORSE RACING BOARD—Continued

findings of the new complementary drug testing program and how they compare with the existing drug testing program.

CALIFORNIA EXPOSITION AND STATE FAIR

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

Budget p. GG 79

Requested 1990-91	\$17,224,000
Estimated 1989-90	16,380,000
Actual 1988-89	13,343,000
Requested increase (excluding amount for salary increases) \$844,000 (+5.2 percent).	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8560-001-510—Support	California Exposition and State Fair Enterprise	\$16,039,000
8560-011-466—Support	State Fair Police Special Ac- count	20,000
Business and Professions Code Sec. 19622(a)—Annual Subsidy	Fair and Exposition	265,000
Reimbursements	—	900,000
Total		\$17,224,000

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 (AB 2581, N. Waters), 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 234.5 personnel-years.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures of \$17.2 million for support of Cal Expo in 1990-91. This represents an increase of \$844,000, or 5.2 percent, over estimated current-year expenditures. The increase primarily reflects workload adjustments from increased event attendance, baseline adjustments to maintain Cal Expo's current level of activity, and partial payment for replacement of the livestock barns, a project begun in the current year.

Of the total proposed expenditures, \$16 million, or 93 percent, is requested from operating revenues generated by Cal Expo. Under the provisions of Chapter 8, 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 proposed expenditures consist of: (1) \$14.6 million in projected revenue for 1990-91; and (2) \$1.4 million obtained by reducing reserves in the Cal Expo Enterprise Fund from \$6.2 million to \$4.8 million.

The budget proposes to finance the balance of \$1.2 million in requested expenditures from the following sources:

- \$900,000 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 amount annually to Cal Expo.
- \$20,000 from the State Fair Police Special 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 1988-89 through 1990-91.

Table 1
California Exposition and State Fair
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	<i>Actual</i> <i>1988-89</i>	<i>Estimated</i> <i>1989-90</i>	<i>Proposed</i> <i>1990-91</i>	<i>Percent</i> <i>Change</i> <i>From</i> <i>1989-90</i>
Operating expenditures.....	\$13,343	\$16,380	\$17,224	5.2%
Funding Sources				
Cal Expo Enterprise Fund.....	\$12,437	\$15,195	\$16,039	5.6%
Fair and Exposition Fund.....	265	265	265	—
State Fair Police Account.....	6	20	20	—
Reimbursements.....	635	900	900	—
Staff (personnel-years).....	221.9	234.5	243.9	4.0

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

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 \$4.8 million in the Cal Expo Enterprise Fund should be adequate to cover any deficit in the event that revenue in 1990-91 is less than anticipated.

DEPARTMENT OF FOOD AND AGRICULTURE

Item 8570 from the General

Fund and various funds

Budget p. GG 82

Requested 1990-91	\$207,875,000
Estimated 1989-90	210,121,000
Actual 1988-89	170,408,000
Requested decrease (excluding amount for salary increases) \$2,246,000 (-1.1 percent)	
Total recommended reduction	\$3,556,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8570-001-001—Support	General	\$79,710,000
8570-001-036—Support	Special Account for Capital Outlay (SAFCO)	900,000
8570-001-111—Support	Agriculture	11,559,000
8570-001-140—Support	Environmental License Plate	156,000
8570-001-147—Export promotion	Unitary	1,000,000
8570-001-191—Support	Fair and Exposition	1,302,000
8570-001-224—Support	Food Safety Account, Agriculture	1,683,000
8570-001-516—Support	Harbors and Watercraft Revolving	300,000
8570-001-601—Support	Agriculture Building	1,284,000
8570-001-890—Support	Federal Trust	2,079,000
8570-011-112—Support	Agricultural Pest Control Research Account, Agriculture	403,000
8570-011-191—Transfer to General Fund for benefits of retired local fair employees	Fair and Exposition	(698,000)
8570-012-192—Support	Satellite Wagering Account, Fair and Exposition	298,000
Sections 221 and 226 ^a —Support	Agriculture	44,572,000
Section 625 ^a —Loan interest expense	Agriculture Building	155,000
Section 58582 ^a —Export promotion	Agricultural Export Promotion Account, Agriculture	15,000
Loan repayments from local agencies per Sec. 505 ^a	Agricultural Pest Control Research Account, Agriculture	-33,000
Reimbursements ^b	—	2,123,000
Subtotal, support		(\$147,506,000)
8570-101-001—Subventions for pest control and pesticide regulation	General	\$10,942,000
8570-101-111—County Assistance	Agriculture	34,000
8570-111-001—Salaries of county agricultural commissioners	General	383,000
Section 12844 ^a —Pesticide regulation	Agriculture	5,284,000
Section 12539 ^c —County sealers	Agriculture	45,000
Section 224 ^a Transfer from Motor Vehicle Fuel Account—General agricultural assistance	Agriculture	7,618,000
Subtotal, county assistance		(\$24,306,000)
8570-101-191—Unemployment benefits and health and safety improvements for local fairs	Fair and Exposition	\$4,690,000

Section 19596.5 (f) °—Satellite wagering facilities and health and safety repairs for local fairs	Satellite Wagering Account, Fair and Exposition	16,020,000
Section 19596.5 (h) and 19596.6 (e) °—Horse racing purses	Satellite Wagering Account, Fair and Exposition	2,510,000
Sections 19622-19627.3 °—Local fairs assistance	Fair and Exposition	12,843,000
Subtotal, local fairs assistance		(\$36,063,000)
Total		\$207,875,000

^a Food and Agricultural Code.

^b Includes reimbursements from continuous appropriations programs.

^c Business and Professions Code.

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

Analysis
page

1. **Pesticide Mill Tax Should Be Increased for General Fund Savings of up to \$25 Million.** Recommend enactment of legislation requiring mill taxes to be adjusted annually to cover the cost of the DFA's pesticide regulatory program. 1126
2. **Mill Tax Should Cover Food Safety Expansion Costs.** *Reduce Item 8570-001-001 by \$1.1 million and increase Item 8570-001-111 by an equivalent amount.* Recommend a reduction of \$1.1 million from the General Fund and an equivalent increase in the Agriculture Fund because (1) there is sufficient mill tax revenue to cover these costs and (2) this action would apportion costs for food safety activities according to previous Legislative action. 1129
3. **Export Program Augmentation Is Unnecessary.** *Reduce Item 8750-001-001 by \$1.3 million and delete Item 8570-001-147 in the amount of \$1.0 million.* Recommend funding for the Agricultural Export Program be reduced by \$2.3 million (\$1.3 million General Fund and \$1 million Unitary Fund) to eliminate awards to organizations for which state funding is unnecessary. Further recommend that the Legislature adopt Budget Bill language limiting certain grants. 1131
4. **Growers Should Fund Agroforestry Research.** *Delete Item 8570-001-140.* Recommend deletion of \$156,000 requested from the Environmental License Plate Fund (ELPF) for agroforestry research because (1) ELPF is not an appropriate funding source and (2) local irrigation districts can pay for the research. 1133

GENERAL PROGRAM STATEMENT

The Department of Food and Agriculture (DFA) promotes and protects the state's agricultural industry, develops California's agricultural policies, 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,

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

- 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 2,177 personnel-years in the current year.

MAJOR ISSUES

The budget proposes expenditures of \$40 million for support of the department's pesticide regulatory program in 1990-91, including \$25 million from the General Fund.

- By raising the mill tax on the sale of pesticides by 2-1/2 cents, the Legislature could eliminate General Fund support for the pesticide regulatory program.
- Even without an increase in the mill tax, General Fund support for the program should be reduced by \$1.1 million because there are sufficient reserves in the mill tax fund to support these costs.



Funding for the Agricultural Export Program should be reduced by \$2.3 million to eliminate market development grants to large organizations such as E. & J. Gallo Winery, Sunkist Growers, and Beatrice/Hunt Wesson. These companies have the resources to develop and support their own marketing programs.

OVERVIEW OF THE BUDGET REQUEST

The budget requests a total of \$208 million from all funding sources (excluding marketing order expenditures) for support and local assis-

tance in 1990-91. This is a decrease of \$2.2 million, or 1.1 percent, from estimated current-year expenditures. Proposed appropriations from the General Fund in 1990-91 amount to \$91 million. This is a net decrease of \$10.3 million, or 10.2 percent, compared with estimated current-year General Fund expenditures.

A direct comparison of proposed expenditures with those estimated for the current-year is misleading because current-year expenditures reflect a deficiency appropriation of \$12.8 million for Mediterranean Fruit Fly (Medfly) eradication activities throughout the state. The department expects to complete eradication of the current pest infestation prior to July of 1990 and does not anticipate any similar eradication costs in 1990-91.

If the \$12.8 million of Medfly eradication deficiency funding is excluded from the 1989-90 budget, the department's General Fund expenditures will *increase* in 1990-91 by \$2.4 million, or 2.8 percent, and total expenditures will *increase* by \$10.5 million, or 5.3 percent. The components of this net increase in total expenditures consist of:

- \$6.4 million for program augmentations to the department's base budget.
- \$5.3 million for baseline adjustments such as the full year cost of 1989-90 salary increases.
- Deletions of additional one-time expenditures in 1989-90 totaling \$1.2 million.

Table 1 summarizes staffing and funding for the department by program for the past, current, and budget years.

Table 1
Department of Food and Agriculture
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change From</i>
	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	
<i>Program:</i>							
Pesticide regulation	326.8	325.2	336.0	\$33,686	\$37,319	\$39,899	6.9%
Agricultural plant pest and disease prevention	572.9	743.9	540.6	41,692	56,517	44,471	-21.3
Animal pest and disease prevention/inspection	234.7	228.8	234.5	20,385	23,970	24,691	3.0
Agricultural marketing services ..	207.0	230.8	230.8	11,935	14,706	14,678	-0.2
Food and agricultural standards/inspection services	334.3	357.6	368.3	19,260	21,169	22,704	7.3
Measurement standards	83.7	79.7	79.7	5,871	6,946	7,026	1.2
Financial and administrative assistance to local fairs	22.9	23.2	26.2	25,675	36,773	38,194	3.9
Executive, management and administrative services	165.2	174.2	174.2	9,547	10,870	10,995	1.1

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Table 1—Continued
Department of Food and Agriculture
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

	<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>Program:</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>From</i>
							<i>1989-90</i>
Amount distributed to other programs.....	(163.1)	(171.9)	(171.9)	-8,803	-9,638	-9,930	3.0
General agricultural activities and emergency funding.....	14.6	13.6	9.8	11,160	11,489	15,147	31.8
Totals.....	1,962.1	2,177.0	2,000.1	\$170,408	\$210,121	\$207,875	-1.1%
Funding Sources							
General Fund.....				\$83,631	\$101,383	\$91,035	-10.2%
Agriculture Fund.....				57,063	65,539	69,112	5.5
Fair and Exposition Fund.....				15,897	20,391	18,835	-7.6
Satellite Wagering Account.....				9,677	16,175	18,828	16.4
Agriculture Building Fund.....				932	1,413	1,439	1.8
Agricultural Pest Control Research Account.....				193	344	370	7.6
California Agricultural Export Promotion Account.....				13	15	15	—
Environmental License Plate Fund.....				117	—	156	— ^a
Special Account For Capital Outlay.....				—	—	900	— ^a
Unitary Tax Fund.....				—	—	1,000	— ^a
Food Safety Account.....				—	865	1,683	94.6
Harbors and Watercraft Revolving Fund.....				—	—	300	— ^a
Federal Trust Fund.....				1,642	2,011	2,079	3.4
Reimbursements.....				1,243	1,985	2,123	7.0

^a Not a meaningful figure.

The expenditures proposed for the department budget fall into three categories:

Support Costs

The budget proposes to spend a total of \$147 million for DFA's support costs in 1990-91. This amount is \$7 million, or 5 percent, more than estimated current-year expenditures (excluding deficiency funding for Medfly eradication from current-year totals). This increase is the result of proposed program changes totaling \$6.5 million and net baseline adjustments resulting in an additional increase of \$543,000. Major program changes include (1) \$3.1 million to implement the provisions of Ch 1200/89 (AB 2161, Bronzan) which include establishing a comprehensive pesticide use reporting system and conducting additional monitoring of pesticide residues on produce, and (2) \$1 million to provide additional funds for grants to agricultural marketing organizations that participate in the Foreign Market Development Export Incentive Program.

Assistance to County Agricultural Commissioners

The department proposes to spend \$24.3 million from all funding sources for assistance to county agricultural commissioners in 1990-91. This amount is \$2.5 million, or 11.6 percent, more than estimated current-year expenditures. This increase is entirely due to an increase in funding available from the Motor Vehicle Fuel Account to the department. This funding is based on the amount of account revenues attributable to agricultural off-highway vehicle use and is appropriated to the DFA for allocation to counties as a partial reimbursement for county expenses incurred to carry out agricultural programs that are supervised by the department.

Assistance to Local Fairs

The department proposes to spend \$36.1 million for assistance to local fairs in 1990-91. This amount is \$1 million, or 2.9 percent, more than estimated current-year expenditures and reflects the net effect of (1) a \$3 million increase in revenues from satellite wagering facilities (this revenue is continuously appropriated to the department for (a) debt service incurred to establish satellite facilities, (b) satellite facility operating expenses, (c) health and safety repairs at fairs, and (d) support of fairs generally), and (2) a \$2 million decrease in revenues available for appropriation from horseracing revenue at live racing facilities. The department indicates that this decline in revenues is primarily due to increases in wagering at satellite facilities.

Table 2 summarizes proposed budget changes for 1990-91, by funding source.

Table 2
Department of Food and Agriculture
Proposed 1990-91 Budget Changes
By Program and Funding Source
(dollars in thousands)

	<i>General Fund</i>	<i>Other^a Funds</i>	<i>Totals</i>
1989-90 Expenditures (Budget Act)	\$87,033	\$100,491	\$187,524
<i>Adjustments, 1989-90:</i>			
Chaptered legislation ^b	102	1,033	1,135
Allocation for employee compensation	1,542	522	2,064
Deficiencies	12,796	106	12,902
Other Adjustments	<u>-90</u>	<u>6,586</u>	<u>6,496</u>
1989-90 expenditures (revised)	\$101,383	\$108,738	\$210,121
<i>Baseline adjustments, 1990-91:</i>			
Back out chaptered legislation ^b	-\$102	-\$1,033	-\$1,135
Back out one-time costs	-12,796	-106	-12,902
Full-year effect of 1989-90 costs	1,177	299	1,476
Miscellaneous adjustments	<u>-190</u>	<u>4,047</u>	<u>3,857</u>
Subtotals, baseline adjustments	(-\$11,911)	(\$3,207)	(-\$8,704)

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Table 2—Continued
Department of Food and Agriculture
Proposed 1990-91 Budget Changes
By Program and Funding Source
(dollars in thousands)

	<i>General Fund</i>	<i>Other^a Funds</i>	<i>Totals</i>
<i>Budget change proposals:</i>			
Increased pesticide use reporting ^b	—	\$328	\$328
Increased pesticide residue monitoring ^b	\$1,054	1,683	2,737
Additional hydrilla eradication	—	156	156
Chemistry laboratory standards repository	165	97	262
Additional staff for division of fairs and expositions	—	431	431
Augmentation for agriculture export program	—	1,000	1,000
Subtotals, budget change proposals	(\$1,563)	(\$4,895)	(\$6,458)
1990-91 Expenditures (Proposed)	\$91,035	\$116,840	\$207,875
Change from 1989-90			
Amount	-\$10,348	\$8,102	-\$2,246
Percent	-10.2%	7.5%	-1.1%

^a Agriculture Fund; Fairs and Expositions Fund; Unitary Fund; Environmental License Plate Fund; Harbors and Watercraft Revolving Fund; Agriculture Building Fund; Federal Trust Fund.

^b Primarily Ch 1200/89 (AB 2161, Bronzan).

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the proposed changes shown in Table 2 that are not discussed elsewhere in this analysis.

Pesticide Mill Tax Should Be Increased

We recommend that the Legislature enact legislation requiring mill taxes to be adjusted annually to a level that will generate sufficient revenue to cover the costs of the department's pesticide regulatory program (General Fund savings of about \$25 million).

The budget requests a total of \$40 million to fund the department's pesticide regulatory program in 1990-91. This amount consists of \$25 million from the General Fund (62 percent), \$14 million from the Agriculture Fund (35 percent), and \$1 million from federal funds and reimbursements (3 percent).

Agriculture Fund revenues come from five sources:

- Licensing and certification fees paid by pesticide dealers, pesticide applicators, cropduster pilots, and pest control advisors.
- License fees imposed on dealers and processors of farm products.
- Registration fees assessed on food manufacturers that are registered by the Department of Health Services (DHS).
- Registration fees paid by companies for each pesticide they sell which is registered for use in California.
- "Mill tax" funds which come from a 9-mill tax (\$0.009 per dollar sold) on all pesticides sold in California.

Five-eighths of the mill tax revenues are distributed to counties to provide partial funding for local enforcement of pesticide regulations by

county agricultural commissioners. The remaining three-eighths of the revenue helps support the department's pesticide programs.

The department's pesticide program consists of seven elements which are described below. Table 3 shows how the budget proposes to fund each of these program elements in 1990-91. Table 4 provides further detail on program funding by indicating the percentage and source of funds devoted to each program element.

Pesticide Registration. The department must register pesticides before they may be used in California. As part of the registration process, the department must determine if the benefits of using a pesticide outweigh its potential detrimental effects and, if so, when, where, and how the pesticide may be used.

Pesticide Use Enforcement and Local Assistance. The department provides oversight, training and coordination for county pesticide enforcement programs. Enforcement staff sample and analyze produce to ensure that pesticide residues are below established tolerance levels. Additionally, they license and certify pesticide dealers, pesticide applicators, pilots, and pest control advisors. County staff issue use permits and enforce permit provisions such as field posting and field reentry intervals. The state pays for a portion of the county costs.

Pest Management Analysis and Planning. This program promotes and disseminates information on ways to integrate individual pest control methods into more effective pest management systems.

Biological Control Services. This program primarily conducts research on, disseminates information on, and promotes methods of biologically controlling agricultural pests. Consideration of such alternative methods of pest control is required by the California Environmental Quality Act (CEQA) before County Agricultural Commissioners may issue a permit authorizing an application of a restricted pesticide.

Environmental Hazards Assessment. This program evaluates the environmental threat posed by pesticides and monitors selected pesticide applications to determine if they cause unintended effects. Information gathered from these evaluations is used in the registration and use enforcement process to reduce the possibility of groundwater contamination or air pollution.

Worker Health and Safety. This program protects agricultural workers and the public from unsafe or excessive exposure to pesticides. Program activities include researching the feasibility and effectiveness of methods to reduce exposure to pesticides, evaluating the adequacy of existing regulations and laws, and assisting in pesticide illness investigations.

Medical Toxicology. This program reviews toxicological data to determine if the information submitted for product registration is complete and valid and to evaluate the significance of potential adverse health effects caused by pesticides.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

Table 3
Department of Food and Agriculture
Pesticide Regulation Program Funding
Proposed Fund Sources for 1990-91
(in thousands)

	<i>Agriculture Fund</i>					<i>Total Ag. Fund</i>	<i>Other</i>	<i>Totals</i>
	<i>General Fund</i>	<i>Mill Tax Revenues</i>	<i>Registration Fees</i>	<i>License Fees</i>	<i>Food Safety Fees</i>			
Pesticide registration.....	\$3,406	\$427	\$2,084	—	—	(\$2,511)	\$54	\$5,971
Pesticide use enforcement ..	6,329	2,537	—	\$939	\$1,683	(5,159)	921	12,409
Local assistance, use enforcement	2,881	5,284	—	34	—	(5,318)	—	8,199
Pest management analysis ..	699	—	—	—	—	(—)	21	720
Biological control services.....	761	—	—	—	—	(—)	50	811
Environmental hazards assessment.....	6,121	—	—	—	—	(—)	—	6,121
Worker health and safety ..	2,191	—	—	—	—	(—)	—	2,517
Totals	\$24,905	\$9,208	\$2,084	\$973	\$1,683	(\$13,948)	\$1,046	\$39,899
Percent of Total Funding	62.4%	23.1%	5.2%	2.4%	4.2%	(35.0%)*	2.6%	100.0%

* Detail does not add to total due to rounding.

Table 4
Department of Food and Agriculture
Percent of Funding from Different Fund Sources
1990-91

	<i>General Fund</i>	<i>Agriculture Fund</i>	<i>Other Funds</i>	<i>Total Funds</i>
Pesticide registration.....	57.0%	42.1%	0.9%	15.0%
Pesticide use enforcement.....	51.0	41.6	7.4	31.1
Local assistance, use enforcement.....	35.1	64.9	0.0	20.5
Pest management analysis	97.1	—	2.9	1.8
Biological control services	93.8	—	6.2	2.0
Environmental hazards assessment.....	100.0	—	—	15.3
Worker health and safety	69.5	30.5	—	7.9
Medical toxicology	100.0	—	—	6.3
Percent of Total Funding	62.4%	35.0%	2.6%	100.0%

As the tables indicate, the General Fund is currently the primary source of funds for all of the department's pesticide regulatory activities except local use enforcement. The General Fund, however, has not always been the main source of support for the department's pesticide programs.

The mill tax was first imposed on pesticide sales in 1970 (at the rate of 8 mills) and for 10 years it provided the primary source of revenue for the department's regulatory programs. During this period, the General Fund supported less than 30 percent of the total costs of pesticide regulation. In

1976, the Attorney General issued an opinion that the California Environmental Quality Act (CEQA) requires the preparation of an environmental impact report (EIR) each time a county agricultural commissioner issues a permit for the application of a restricted pesticide. In 1980-81, after the Legislature enacted several statutes to temporarily exempt the pesticide regulatory program from the requirements of CEQA, the DFA implemented a major expansion of its regulatory programs in order to bring them into compliance with CEQA. By incorporating consideration of alternatives and mitigation measures in the decision-making process and by including greater public participation, the expanded program enabled growers to use restricted pesticides without requiring complete EIRs for each of the many thousands of pesticide permits issued by the county commissioners.

The program expansion in 1980-81 was funded entirely by the General Fund. After adjusting for inflation, Agriculture Fund support actually *decreased* by \$1.1 million that year. Since 1984-85, several other program expansions also have been funded entirely by the General Fund. As a result, the General Fund now provides most of the funding for the department's pesticide regulatory activities.

Current Funding Is Inconsistent with DFA Policy. According to the department, industry fees or special taxes should support programs (1) that either directly benefit an identifiable group of persons or regulate their activities in order to prevent damage to others and (2) for which there is a feasible and cost-effective mechanism available for collecting the money. We believe that this policy is sound and that the manner in which the pesticide regulatory program currently is funded is inconsistent with this policy.

The purpose of the department's pesticide regulatory program is to protect the public from the potential hazards of pesticides. The program provides benefits to the regulated community by allowing the use of certain chemicals and prohibiting or restricting the use of others. If growers did not use pesticides in their operations—and in recent years many growers have substantially reduced or entirely eliminated their use of pesticides—there would be no need for the pesticide regulatory program.

When there is an efficient and equitable means, such as the mill tax, available to generate revenue for supporting the programs that benefit those who use pesticides, it is unnecessary for the General Fund to be the primary source of support for the program. A 2-1/2 cent increase (\$0.025) in the mill tax would raise about \$25 million and would entirely offset the current General Fund cost of the department's pesticide regulatory program. Accordingly, we recommend that the Legislature enact legislation requiring mill taxes to be annually adjusted to a level that will generate sufficient revenue to cover the entire cost of the department's pesticide regulatory program.

Mill Tax Should Cover Food Safety Expansion Costs

We recommend a reduction of \$1.1 million from the General Fund and an equivalent increase in the Agriculture Fund because (1) there is

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

sufficient mill tax revenue to cover these costs and (2) this action would apportion costs for food safety activities according to previous Legislative action. (Reduce Item 8570-001-001 by \$1.1 million and increase Item 8570-001-111 by an equivalent amount.)

Last year the Legislature enacted Ch 1200/89 (AB 2161, Bronzan) which, among other things, required the DFA to (1) expand a portion of its existing pesticide residue monitoring program, (2) conduct an assessment, in cooperation with the Department of Health Services (DHS), of dietary risks associated with consumption of produce and processed foods treated with pesticides, (3) fund pest management research projects and (4) coordinate a review of alternative funding mechanisms for pesticide regulatory activities. The statute also required the DHS to establish a program for monitoring pesticide residues in processed foods.

To cover part of the cost of these additional activities, the measure (1) increased the tax imposed on pesticide sales by 1 mill, from 8 mills to 9 mills (one mill equals one tenth of a cent), (2) imposed new "food safety fees" on dealers and processors of farm products and (3) assessed new registration fees on food manufacturers that are registered by the DHS.

Chapter 1200 also specifically appropriated (1) \$2 million from the General Fund to the DHS for its current-year costs resulting from the measure and (2) \$1.3 million from the Food Safety Account (a new account within the Agriculture Fund created by the measure as the repository for revenue from food safety fees) to the DFA for its current-year costs resulting from the statute.

In the process of developing the proposed 1990-91 budget, the department discovered that there would not be sufficient revenue available in the Food Safety Account to cover the costs of its budget-year implementation of Chapter 1200. As an alternative to using food safety fee revenue the budget proposes to cover \$1.1 million of the DFA's costs related to Chapter 1200 from the General Fund.

Our analysis indicates that all of the DFA's activities related to the new food safety requirements which the budget proposes to fund from the General Fund are virtually identical to other work conducted by the department that is at least partially funded from revenue generated by the mill tax. Additionally, the DFA's most recent fund condition statement for mill tax-supported programs indicates that the mill tax fund will have a reserve of at least \$1.2 million at the end of the current year and that the reserve has been steadily increasing in recent years. Based on this trend, it appears that the mill tax fund will have a reserve in excess of \$1.2 million in the budget year. This reserve is available for appropriation to support additional costs of the pesticide regulatory program.

Consequently, we recommend a reduction of \$1.1 million from the General Fund and an equivalent increase in the Agriculture Fund because (1) there is sufficient mill tax revenue to cover these costs and (2) this action would apportion costs according to previous legislative action in Ch 1200/89.

Export Program Augmentation Is Unnecessary

We recommend that funding for the Agricultural Export Program be reduced by a total of \$2.3 million (\$1.3 million General Fund and \$1 million Unitary Fund) to eliminate awards to organizations for which state funding is unnecessary. (Reduce Item 8570-001-001 by \$1.3 million and delete Item 8570-001-047). We further recommend that the Legislature adopt Budget Bill language prohibiting the DFA from awarding Export Program grants to any organization that has received funding in three previous years to help ensure that (1) program grants are awarded to organizations that would not otherwise conduct activities to establish new export markets and (2) state funds are not used to subsidize marketing activities that may be unprofitable.

The Foreign Market Development Export Incentive Program provides grants for participants to create, expand or maintain foreign markets for California agricultural products. Participants must be entities actively engaged in marketing agricultural commodities, and can include private companies, nonprofit agricultural marketing organizations, and state and federal marketing order boards or commissions. Grants are awarded on the basis of proposals submitted each year to an advisory board that makes recommendations to the Director of Food and Agriculture. Current law requires that grants be made only to projects that will expand or maintain agricultural markets abroad and allows the Director to give special consideration to proposals from participants who are new to the market or who are promoting new products in the market. Participants are expected to match each grant award with an equivalent value of "contributions" which may include money, personnel, materials, facilities, services, or supplies. A total of over 400 individual grants amounting to \$18.2 million have been awarded to participating organizations since the program was established in 1985.

Current law expresses the Legislature's intent that \$5 million be appropriated annually for the program. The first two years of the program (1986-87 and 1987-88) were funded at this level. However, in 1988-89 and again in the current year, the department reduced grants to program participants in order to absorb an unallocated budget reduction imposed on the DFA in both those years. For 1990-91, the budget proposes to increase program expenditures by \$1 million to restore full funding for the program. Our analysis indicates that this increase is unnecessary for the following reasons:

Many Participants Do Not Need State Funding. Export Program participants often are major corporations with well established international marketing networks. For example, since 1986 the DFA has given five separate grants totaling \$915,000 to E. & J. Gallo Winery. According to the department, this company has been marketing significant quantities of wine overseas for almost 20 years, has export sales in 44 countries, and in 1985 accounted for almost 40 percent of total U.S. wine exports. With its Export Program grants, Gallo Winery targeted additional sales of its wines in the Canadian market.

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

The Export Program repeatedly has given sizeable grants to numerous other established organizations as well. These organizations include Sunkist Growers (five grants totaling \$1.1 million), Blue Diamond Growers (five grants totaling \$930,000), Calcot Ltd. (four grants totaling \$709,000), Dole Dried Fruit, Fresh Fruit, and Nut Companies (five grants totaling \$622,000), and Beatrice/Hunt Wesson (four grants totaling \$417,000).

Awarding grants to organizations for which state support appears unnecessary makes up a substantial portion of the overall Export Program budget. Based on information provided by the DFA, our review indicates that since 1986, grants totaling over \$6.6 million (about \$1.3 million annually) have been awarded to 10 participants that, in the absence of state support, would have the resources to (1) hire experts to identify undeveloped foreign markets that are likely to be profitable and (2) promote their products in the identified markets. If state support is withdrawn, these organizations are likely to continue profitable marketing programs they currently conduct and discontinue marketing programs that are not profitable without a state subsidy.

Repeated State Funding of Successful Programs Is Unnecessary. In our view, one of the goals of the program should be to develop in program participants the expertise to make a marketing program profitable in the absence of state support. More than one-half of the 106 grants awarded in 1989-90 (accounting for more than 75 percent of total grant funding), however, were awarded to organizations that had received grants in previous years. Moreover, many of these participants have received grants every year that the program has been operating. If the programs which the state has been supporting are profitable, then these participants no longer need state support. If, on the other hand, these programs have not proven profitable, then the state could enhance the return on program expenditures by redirecting these monies to new program participants.

Conclusion. Our review of the Export Program indicates that the state should eliminate support to organizations that can afford to develop and implement their own export marketing programs. In addition, by limiting the number of years that a participant may receive program funding, the DFA could free up significant funds for redirection to new program applicants. Consequently, if the department provides grants only to new participants who intend to develop new markets and eliminates support for major organizations that have other resources available for marketing programs, it will be (1) unnecessary to augment the Export Program budget by \$1 million and (2) possible to eliminate at least \$1.3 million from the Export Program's base budget.

Accordingly, we recommend that the budget request for the Agricultural Export Program be reduced by a total of \$2.3 million (\$1.3 million General Fund and \$1 million Unitary Fund) to eliminate (1) \$1.3 million from the base budget which is generally awarded to organizations for which state funding is unnecessary and (2) \$1 million proposed to

augment the base budget. We further recommend that the Legislature adopt Budget Bill language that prohibits the DFA from awarding Export Program grants to any organization that has received funding in three previous years. This will help ensure that (1) program grants are awarded to organizations that would not otherwise conduct activities to establish *new* export markets for California agricultural commodities and (2) state funds are not used to subsidize marketing activities that may be unprofitable.

Growers Should Fund Agroforestry Research

We recommend deletion of \$156,000 requested from the Environmental License Plate Fund (ELPF) for agroforestry research because (1) the ELPF is not an appropriate funding source for this project and (2) local irrigation districts can pay for the research. (Delete Item 8570-001-140).

The budget requests \$156,000 from the ELPF for the sixth year of what was originally expected to be a five-year research program concerning "agroforestry". The primary goal of the research is to develop crops that may be grown profitably on land affected by salt buildup from saline irrigation drainage water. In previous years, this research has been funded through a variety of agencies including the U.S. Bureau of Reclamation, the U.S. Department of Agriculture's Soil Conservation Service, the California Department of Water Resources, and the DFA. The department currently expects to request additional funding of about \$214,000 annually in 1991-92 and 1992-93 to complete the project.

The University of California at Davis and the California State University at Fresno are conducting the research on 25 test sites, totaling 300 acres, located in Fresno, Kings, and Kern Counties. These sites have been planted with salt-tolerant trees and grasses. According to the department, monitoring of these sites and related research is intended to determine (1) the varieties of trees and other plants that grow best with saline irrigation, (2) if agroforestry can reduce salt buildup on cropland and reduce the volume of saline drainage water that flows into the San Joaquin River, (3) if tree plantations irrigated with drainage water pose threats to wildlife from selenium in the water and selenium buildup in vegetation, and (4) the "impact of trees on air quality".

Although the department requests ELPF funds for this project, the primary purpose of the research—maintaining profitable farming operations—is not consistent with the statutory uses of the ELPF. A portion of the proposed funding (\$36,000) would be used for monitoring the potential *adverse* effect of saline irrigation on wildlife, rather than protecting or enhancing wildlife habitat. Furthermore, since the primary purpose of this project is to maintain profitable operations for those San Joaquin Valley growers whose land has poor drainage, it would be more appropriate for those growers benefiting from the program to fund it. The Department of Water Resources indicates that water districts in the San Joaquin Valley currently fund over \$1 million of irrigation drainage reduction programs through water-use assessments. This agroforestry

DEPARTMENT OF FOOD AND AGRICULTURE—Continued

proposal could be funded in a similar manner if the irrigation districts consider it a high priority.

Accordingly, we recommend that the \$156,000 be deleted from the department's budget because (1) the ELPF is not an appropriate funding source for this project and (2) local irrigation districts can pay for the research.

Capital Outlay

The Governor's Budget proposes several appropriations beginning with Item 8570-301-036 for DFA capital outlay expenditures. Please see our analysis of the proposed DFA Capital Outlay Program in the capital outlay section of this *Analysis* which is in the back of this document.

FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT

Items 8620 and 8640 from the
General Fund

Budget p. GG 117

Requested 1990-91	\$7,999,000
Estimated 1989-90	7,848,000
Actual 1988-89	6,334,000
Requested increase (excluding amount for salary increases) \$151,000 (+1.9 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8620-001-001—Support	General	\$2,777,000
8640-001-001—	General	2,242,000
Secretary of State.....		\$706,000
Franchise Tax Board.....		1,190,000
Attorney General.....		346,000
Statutory Appropriation—Support	General	2,972,000
Reimbursements		8,000
Total		\$7,999,000

GENERAL PROGRAM STATEMENT

The Political Reform Act (PRA) of 1974 was an omnibus measure designed to improve the elections process in California. The act:

- Established guidelines for candidates by
 - requiring campaign expenditure reporting,
 - setting contribution limits,

- requiring conflict-of-interest disclosure statements,
- limiting gifts and honoraria, and
- restricting mass mailings;
- Required state ballot pamphlets to have useful and understandable information;
- Established lobbyist activity disclosure regulations; and
- Established the Fair Political Practices Commission (FPPC) to impartially implement and administer the act.

Further contribution limits, and requirements for candidates, campaign contributors and political committees were added in 1988 by voter passage of Propositions 68 and 73.

Restrictions on campaign funds were made more specific in 1989 by Ch 1452/89 (SB 1431, Roberti). This legislation specifies the appropriate use of funds for:

- Travel;
- Health-related expenses;
- Payments of fines, penalties and litigation costs;
- Purchases of vehicles, property, clothing, tickets and gifts; and
- Reimbursements of unused campaign funds.

All of these provisions relating to the PRA are carried out by four state agencies: Secretary of State, Franchise Tax Board, Attorney General and the FPPC. Funding for the FPPC is provided by both a continuous appropriation made in the PRA and by the Legislature through Item 8620-001-001. The other three agencies are funded 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). All funding is from the General Fund.

The Secretary of State, Franchise Tax Board and the FPPC have 129.8 personnel-years in the current year to carry out the provisions of the PRA.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes a total of \$8 million from the General Fund to carry out the provisions of the PRA in 1990-91. This is \$151,000, or 1.9 percent, more than estimated current-year expenditures. Table 1 identifies the agencies that will spend the PRA funds and the function each agency performs. The estimated General Fund support provided to each agency during the prior, current and budget years is also shown in the table.

FAIR POLITICAL PRACTICES COMMISSION AND POLITICAL REFORM ACT—Continued

Table 1
Political Reform Act of 1974
General Fund Support
1988-89 through 1990-91
(dollars in thousands)

Function	Expenditures			Percent Change From 1989-90
	Actual 1988-89	Est. 1989-90	Prop. 1990-91	
Budget Bill Appropriations				
Secretary of State ^a Filing of documents	\$657	\$700	\$714	2.0%
Franchise Tax Board..... Auditing statements	1,088	1,165	1,190	2.1
Attorney General..... Criminal enforcement	321	340	346	1.8
Fair Political Practices				
Commission..... Local enforcement/support	1,529	2,791	2,777	-0.5
Subtotals.....	(\$3,595)	(\$4,996)	(\$5,027)	(0.6%)
Statutory Appropriation—Fair Political Practices				
Commission..... Administration of act	\$2,739	\$2,852	\$2,972	4.2%
Totals, Political Reform Act.....	\$6,334	\$7,848	\$7,999	1.9%

^a Includes reimbursements.

ANALYSIS AND RECOMMENDATIONS **FAIR POLITICAL PRACTICES COMMISSION**

We recommend approval.

The FPPC is responsible for the administration, implementation and enforcement of the PRA. The commission consists of five members. The Governor appoints two members, and the Attorney General, the Secretary of State and the State Controller each appoint one member. The FPPC is supported by a statutory General Fund allocation of \$1 million plus an adjustment for changes in the cost of living since the initial allocation. In recent years, the commission also has received a Budget Act appropriation to fund its Local Enforcement Division.

For the budget year, the commission proposes total expenditures of \$5.7 million from the General Fund. This is \$106,000, or 1.9 percent, above estimated current-year expenditures. The proposed increase in expenditures reflects the *net* effect of: the elimination of \$150,000, for positions administratively established in the current year; an increase of \$92,000 for salaries, benefits and other baseline adjustments; and an increase of \$164,000 and 1.9 personnel-years for workload increases associated with the commission's enforcement responsibilities under Chapter 1452.

SECRETARY OF STATE

We recommend approval.

Responsibilities assigned to the Secretary of State by the PRA include receiving campaign expenditure statements, filing statements of the organization, and registering lobbyists. In addition, the Secretary of State prints and distributes information listed in lobbyist registration statements.

The budget proposes expenditures of \$714,000 by the Secretary of State from this item for PRA-related work during 1990-91. This is \$14,000, or 2 percent, above estimated 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 186 PRA audits in the budget year.

The budget proposes \$1.2 million for the FTB to administer its portion of the PRA in 1990-91. This is an increase of \$25,000, or 2.1 percent, 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. The budget proposes \$346,000 for the Attorney General's Office to carry out its responsibilities under the PRA. This is an increase of \$6,000, or 1.8 percent, over estimated current-year expenditures.

PUBLIC UTILITIES COMMISSION

Item 8660 from various funds

Budget p. GG 119

Requested 1990-91	\$76,793,000
Estimated 1989-90	80,541,000
Actual 1988-89	66,915,000
Requested decrease (excluding amount for salary increases) \$3,748,000 (-4.7 percent)	
Recommendation pending	33,690,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8660-001-042—Railroad grade crossing safety	State Highway Account, State Transportation	\$1,686,000
8660-001-046—Rail passenger service and enforcement of federal railroad track and freight car equipment standards	Transportation Planning and Development Account, State Transportation	2,828,000
8660-001-412—Freight transportation regulation	Transportation Rate	20,489,000
8660-001-461—Passenger transportation regulation	Public Utilities Commission Transportation Reimbursement Account	4,728,000

PUBLIC UTILITIES COMMISSION—Continued

8660-001-462—Utility regulation	Public Utilities Commission	44,108,000
	Utilities Reimbursement Account	
8660-001-890—Various purposes	Federal Trust	130,000
Ch 323/83—Interest on loan	Public Utilities Commission	300,000
	Utilities Reimbursement Account	
Reimbursements		<u>2,524,000</u>
Total		<u>\$76,793,000</u>

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONSAnalysis
page

1. Telephone and Trucking Regulations. Withhold recommendation on \$33.7 million and 379 personnel-years requested in Items 8660-001-412, 8660-001-461, and 8660-001-462 to administer the commission's telephone and trucking regulations pending additional workload information. Further recommend commission report prior to budget hearings on the impact of these new regulatory decisions on commission programs.

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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 1,013.5 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

Proposed expenditures in 1990-91 from all funding sources, including federal funds and reimbursements, total \$76.8 million, which is a decrease of \$3.7 million, or 4.7 percent, below 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
1988-89 through 1990-91
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1989-90
	Actual 1988-89	Esti- mated 1989-90	Pro- posed 1990-91	Actual 1988-89	Esti- mated 1989-90	Pro- posed 1990-91	
Regulation of Utilities:							
Certification.....	21.9	18.9	18.9	\$1,690	\$3,295	\$1,730	-47.5%
Rates.....	370.1	382.6	390.2	36,026	44,440	40,842	-8.1
Safety.....	14.7	13.3	13.3	1,279	1,522	1,456	-4.3
Service and facilities.....	23.7	31.5	31	2,134	3,270	3,034	-7.2
Subtotals, utilities.....	(430.4)	(446.3)	(453.4)	(\$41,129)	(\$52,527)	(\$47,062)	(-10.4%)
Regulation of Transportation:							
Licensing.....	130.8	149.8	161.8	\$9,455	\$10,269	\$11,355	10.6%
Rates.....	122.6	130.3	126.5	11,268	12,443	12,835	3.2
Safety.....	50.7	51.1	54.9	4,074	4,236	4,411	4.1
Service and facilities.....	10.1	11.3	11.3	989	1,066	1,130	6.0
Subtotals, transportation.....	(314.2)	(342.5)	(354.5)	(\$25,786)	(\$28,014)	(\$29,731)	(6.1%)
Administration (distributed):							
Executive.....	61.1	48.3	48.3	\$3,806	\$4,050	\$4,120	1.7
Strategic planning.....	10.7	10.4	10.4	664	650	661	1.7
Public affairs.....	39.3	44.4	41.6	1,575	1,819	1,719	-5.5
General office.....	34.4	36.6	36.6	3,842	4,216	4,816	14.2
Personnel.....	15.8	15.1	16.1	672	666	727	9.2
Fiscal.....	13.9	12.2	12.2	435	474	484	2.1
Data processing.....	38.3	40.7	40.7	3,115	2,766	3,362	21.5
Reporting.....	16.1	17.0	17.0	1,096	1,284	1,356	5.6
Subtotals, administration.....	(229.6)	(224.7)	(222.9)	(\$15,205)	(\$15,925)	(\$17,245)	(8.3%)
Totals.....	974.2	1,013.5	1,030.8	\$66,915	\$80,541	\$76,793	-4.7%
Funding Sources							
Public Utilities Commission Transportation Reimbursement							
Account.....				\$4,148	\$4,470	\$4,728	5.8%
Public Utilities Commission Utilities Reimbursement Account.....				39,517	45,737	44,408	-2.9
Transportation Rate Fund.....				17,712	19,205	20,489	6.7
Transportation Planning and Development Account, State							
Transportation Fund.....				2,272	2,618	2,828	8.0
State Highway Account, State Transportation Fund.....				1,589	1,721	1,686	-2.0
Federal Funds.....				205	129	130	0.8
Reimbursements.....				1,472	6,661	2,524	-62.1

Table 2 shows the changes in the PUC's proposed budget for 1990-91. The table shows a net decrease of \$3.7 million due primarily to the elimination of one-time costs which were incurred in the current year. The largest of these reductions are (1) \$3.5 million for interest paid on loans made when the PUC converted to regulatory fee funding (2) \$2.6 million to review the proposed electrical utility merger between Southern California Edison and San Diego Gas and Electric, and (3) \$1.5 million for environmental impact studies on a proposed interstate gas pipeline. The reductions are partially offset by increased costs for employee compensation (\$1.2 million) additional computer equipment (\$744,000), implementation of 1989 legislation (\$590,000), increased rent and building maintenance (\$585,000), and various other changes (\$700,000).

PUBLIC UTILITIES COMMISSION—Continued

Table 2
Public Utilities Commission
Proposed 1990-91 Budget Changes
(dollars in thousands)

	<i>PUC Utilities Reimbursement Account</i>	<i>Transportation Rate Fund</i>	<i>PUC Transportation Reimbursement Account</i>	<i>Other Funds</i>	<i>Reimburse- ments</i>	<i>Totals</i>
1989-90 Expenditures (Revised)	\$45,737	\$19,205	\$4,470	\$4,468	\$6,661	\$80,541
<i>Baseline Adjustments</i>						
Central administrative services	\$386	\$69	\$55	\$33	—	\$543
Employee compensation adjustment	656	439	67	66	—	1,228
Price increase	202	92	21	21	—	336
Loan interest payment	-3,500	—	—	—	—	-3,500
Consumer complaints	-78	—	—	—	—	-78
Highway carrier financial audits	—	-230	—	—	—	-230
Transportation management information system	—	—	—	-198	—	-198
San Diego public advisor	-90	—	—	—	—	-90
SCE and SDGE merger review	—	—	—	—	-\$2,637	-2,367
Environmental impact reports	—	—	—	—	-1,500	-1,500
Highway carrier fees	—	-12	—	—	—	-12
Ch 1105/88—limousine operators, alcoholic beverages	—	—	-72	—	—	-72
Ch 1122/88—metallic balloons, service disruptions	-31	—	—	—	—	-31
Ch 1586/88—commercial motor vehicle safety	—	-80	—	—	—	-80
Ch 345/89—unsolicited telefacsimile advertising	-90	—	—	—	—	-90
Ch 814/89—commission decision publishing	-96	-33	-8	—	—	-137
Ch 1240/89—worker's compensation for highway carrier	—	-70	-25	—	—	-95
Subtotals, baseline adjustments	(-\$2,641)	(\$175)	(\$38)	(-\$78)	(-\$4,137)	(-\$6,643)
<i>Workload Changes</i>						
Rail safety	—	—	—	\$254	—	\$254
Federal gas proceedings	\$201	—	—	—	—	201
Water utility audits	124	—	—	—	—	124
Subtotals, workload changes	(\$325)	(—)	(—)	(\$254)	(—)	(\$579)
<i>Program Changes</i>						
Personnel staff	\$18	\$10	\$2	—	—	\$30
Mainframe computer	111	243	35	—	—	389
Computer air conditioner	11	25	4	—	—	40
Auditing software	160	—	—	—	—	160
Personal computers	155	—	—	—	—	155
Building maintenance	154	79	30	—	—	263

Item 8660

GENERAL GOVERNMENT / 1141

Building rent increases.....	206	94	22	—	—	322
Continue worker's compensation insurance program..	—	70	25	—	—	95
Continue commercial motor vehicle safety program.....	—	160	—	—	—	160
Continue limousine operators-alcoholic beverage program.....	—	—	72	—	—	72
Continue San Diego public advisor.....	40	—	—	—	—	40
Recent Legislation:						
Ch 796/89—clean air vehicles	55	—	—	—	—	55
Ch 1014/89—nonpublic telephone service providers	77	—	—	—	—	77
Ch 1025/89—private carrier registration	—	397	30	—	—	427
Ch 1322/89—commercial vehicle inspection facilities.....	—	31	—	—	—	31
Subtotals, program changes	<u>(\$987)</u>	<u>(\$1,109)</u>	<u>(\$220)</u>	<u>(—)</u>	<u>(—)</u>	<u>(\$2,316)</u>
1990-91 Expenditures (Proposed)	\$44,408	\$20,489	\$4,728	\$4,644	\$2,524	\$76,793
Changes from 1989-90:						
Amount	-\$1,329	\$1,284	\$258	\$176	-\$4,137	-\$3,748
Percent	-2.9%	6.7%	5.8%	3.9%	-62.1%	-4.7%

ANALYSIS AND RECOMMENDATIONS

Unknown Workload Changes From Recent PUC Decisions

We withhold recommendation on \$33.7 million and 379 personnel-years included in the commission's baseline budget to regulate local telephone companies and intrastate trucking pending receipt of additional information. We further recommend that the commission report prior to budget hearings on the affect that the commission's recent decisions on telecommunications and trucking will have on its workload.

The Governor's Budget includes approximately \$33.7 million and 379 PYs to administer and enforce local telephone and intrastate trucking regulations. Recently the PUC made two major decisions to (1) replace the regulatory framework for the state's two largest local telephone companies, Pacific Bell and General Telephone and (2) alter its regulation of the *intrastate* trucking industry. Although these decisions will likely result in significant changes in the commission's workload and programs they are not reflected in the Governor's Budget.

Changes in Local Telephone Regulations. In October 1989 the PUC adopted a new regulatory framework for setting local telephone rates for customers in Pacific Bell's and General Telephone's service areas. Traditionally, local telephone rates were set using rate-of-return regulation. That regulatory framework allowed Pacific Bell and General Telephone to recover all reasonable costs plus a reasonable rate of return

PUBLIC UTILITIES COMMISSION—Continued

on capital (approximately 11 percent). Approximately, every three years the commission would hold lengthy, in-depth rate hearings to set local telephone rates.

Under the new regulatory framework the commission will no longer hold in-depth rate hearings. Instead the new regulatory framework adjusts local telephone rates upward for inflation and downward by 4.5 percent for assumed productivity improvements. The goal of this framework is to provide Pacific Bell and General Telephone with the same types of incentives, risks and rewards as competitive firms.

Changes in Intrastate Trucking Regulations. In the fall of 1989 the PUC also adopted a more flexible rate program for a portion of the trucking industry ("for hire" freight trucking) to encourage competition within the intrastate trucking industry. When this decision goes into effect (at the time that this analysis was written, the implementation of this decision was stayed pending further commission review) it would provide trucking companies substantial flexibility to change rates without prior approval by the PUC. The decision allows trucking companies to increase rates by up to 10 percent within a 12-month period and reduce rates to a variable cost rate floor. This variable cost floor includes, driver labor, fuel, tires, maintenance and insurance costs but excludes capital and overhead costs. The commission's decision would require additional (1) monitoring of the intrastate trucking industry, and (2) disclosure of rates and contracts to minimize the potential for discriminatory rate practices.

Unknown Workload Impacts. These two major decisions could result in significant workload changes in the budget year as well as future years. However, at this time it is unclear whether these changes will result in net savings or costs. The commission's telecommunication decision eliminated the traditional rate hearing that should significantly reduce workload. However, these savings are at least partially offset by (1) new proceedings and workshops to "work out the details" of the new regulatory scheme and (2) continued need for accurate cost and financial information. Similarly, although the intrastate trucking decision increases rate flexibility which should reduce the number of rate schedules that the commission has to analyze, it also requires additional monitoring and disclosure requirements that will result in increased workload.

Because the effects of these decisions can significantly affect the commission's workload, we withhold recommendation on \$33.7 million and 379 personnel-years included in the PUC's baseline budget for regulation of local telephone companies and intrastate trucking pending receipt of additional workload information. Further, we recommend that the PUC report, prior to budget hearings, on how these decisions will affect PUC workload and programs.

BOARD OF CONTROL

Item 8700 from the General

Fund and various other
special funds

Budget p. GG 130

Requested 1990-91	\$92,665,000
Estimated 1989-90	85,881,000
Actual 1988-89	67,743,000
Requested increase (excluding amount for salary increases) \$6,784,000 (+7.9 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8700-001-001—Support	General	\$939,000
8700-001-214—Support	Restitution	16,912,000
8700-001-890—Support	Federal Trust	13,610,000
Reimbursements		<u>312,000</u>
Total, Budget Bill Appropriations		(\$31,773,000)
Continuing Appropriation—Claims	Restitution	60,890,000
Continuing Appropriation—Claims	Missing Children Reward	<u>2,000</u>
Total		<u>\$92,665,000</u>

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS*Analysis
page*

1. Victims Claims Backlog. Recommend that the board provide specified information during budget hearings on the number of claims in the backlog and strategies for processing these claims. 1145
2. Permanent Positions. Recommend adoption of supplemental report language directing the board and the Department of Finance to develop a budget change proposal which will establish the number of permanent positions needed to support the Victims of Crime program in 1991-92. 1147
3. Earthquake Victims Program. Recommend the board provide status report during budget hearings. 1148

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, and (4) Hazardous Substance Claims.

The board has 249.4 personnel-years in the current year.

BOARD OF CONTROL—Continued
OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures totaling \$92.7 million to support Board of Control activities in 1990-91. This is an increase of \$6.8 million, or 7.9 percent, above estimated current-year expenditures. Proposed expenditures consist of (1) \$939,000 from the General Fund, (2) \$77.8 million from the Restitution Fund, (3) \$2,000 from the Missing Children's Fund, (4) \$13.6 million from federal funds, and (5) \$312,000 in reimbursements. Table 1 provides a three-year summary of the board's expenditures by program and funding source.

Table 1
Board of Control
Program Summary
1988-89 through 1990-91
(dollars in thousands)

<i>Program</i>	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	<i>Percent Change From 1989-90</i>
Citizen Indemnification.....	\$66,602	\$81,115	\$91,414	12.7%
Hazardous Substance Claims	18	20	20	—
Civil Claims Against the State.....	1,077	4,746	1,231	-74.1
Statewide Pro Rata Agreement.....	46	—	—	—
Administration (distributed)	(1,256)	(1,502)	(2,015)	(34.2)
Totals, Expenditures.....	\$67,743	\$85,881	\$92,665	7.9%
Funding Sources				
General Fund	\$853	\$925	\$939	1.5%
Restitution Fund	49,911	67,503	77,802	15.3%
Mediterranean Fruit Fly Claims Fund.....	—	3,535	—	-100.0%
Missing Children Reward Fund.....	—	2	2	—
Federal Trust Fund	16,691	13,610	13,610	—
Reimbursements.....	288	306	312	2.0%
Personnel-Years	212.0	249.4	274.1	9.9%

Proposed Budget Changes for 1990-91. Table 2 summarizes the proposed budget changes for 1990-91 by funding source. As the table shows, the budget proposes a General Fund appropriation of \$939,000 in 1990-91. This is \$14,000, or 1.5 percent, above estimated current-year expenditures. The budget also requests \$77.8 million in special fund expenditures. These expenditures reflect an increase of \$6.8 million, or 9.5 percent, above current-year expenditures. The bulk of this increase is the net effect of (1) an increase of \$8.9 million for the payment of victim claims, (2) an increase of \$1.2 million and 24.7 personnel-years to administer and process an increased number of Citizen Indemnification program claims, and (3) a reduction of \$3.5 million related to Mediterranean Fruit Fly claims.

Table 2
Board of Control
Proposed 1990-91 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Special Funds</i>	<i>Federal Funds</i>	<i>Reimburse- ments</i>	<i>Total</i>
1989-90 Expenditures (revised).....	\$925	\$71,040	\$13,610	\$306	\$85,881
<i>Workload Changes</i>					
Victim claims processing	—	1,237	—	—	1,237
Victim claims payments	—	8,890	—	—	8,890
Subtotals, workload adjustments	(—)	(\$10,127)	(—)	(—)	(\$10,127)
<i>Other Adjustments</i>					
Employee compensation	\$14	\$191	—	\$3	\$208
Price increase	—	126	—	3	129
One-time costs	—	-288	—	—	-288
Pro rata	—	143	—	—	143
Mediterranean Fruit Fly claims	—	-3,535	—	—	-3,535
Subtotals, other adjustments	(\$14)	(\$-3,363)	(—)	(\$6)	(\$-3,343)
1990-91 Expenditures (proposed).....	\$939	\$77,804	\$13,610	\$312	\$92,665
Change from 1989-90:					
Amount	\$14	\$6,764	—	\$6	\$6,784
Percent	1.5%	9.5%	—	2.0%	7.9%

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 (AB 1485, Sher), 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 total expenditures of \$77.8 million for support of the Citizen Indemnification program. This requests consists of (1) \$74.5 million for the payment of victim of crime claims in 1990-91 (\$60.9 million from the Restitution Fund and \$13.6 million from federal funds) and (2) \$16.9 million from the Restitution Fund for administration of the program.

Claims Processing Delays and Backlogs Persist

We recommend that, at the time of budget hearings, the board report to the Legislature on (1) the size of its victims' claims backlog, both in the central office and in the counties, (2) the time required to process claims in the central office and at the county level, (3) an estimate of

BOARD OF CONTROL—Continued

the costs it will incur to pay all or part of the claims in the backlog, and (4) strategies it may be employing to eliminate the backlog and reduce claims processing times.

The budget proposes total expenditures of \$91.4 million for support of the Victims of Crime program (VOC) in 1990-91. This amount consists of \$74.5 million for payments to victims of crime (\$60.9 million from the Restitution Fund and \$13.6 million from federal Victims of Crime Act monies) and \$16.9 million from the Restitution Fund for administration of the program. This amount is an increase of \$10.3 million, or 13 percent, over estimated current-year expenditures.

The increase is requested to (1) reduce the claims backlog in the program, and (2) process an estimated 20 percent increase in claims in the budget year.

Background. Historically, the Legislature has been concerned with the large backlog of VOC claims and the length of time it takes the board to process these claims. Consequently, to keep pace with the steadily increasing number of claims and to monitor the board's progress, the Legislature has (1) provided the board with additional staff, (2) authorized the board to establish "joint powers" contracts with county victim/witness centers to assist in the claims process, and (3) adopted Budget Act language which requires the board to report to the Legislature each month on the status of the VOC program.

Claims Backlogs Persist at County Level. In its most recent report to the Legislature, the board indicates that its central office claims backlog was eliminated as of March 1989. This is a significant accomplishment considering that in December 1988, the board had a central office backlog of approximately 3,000 claims. Although the board's *central office* backlog has been eliminated, this accomplishment is somewhat misleading because the entire VOC program continues to experience a significant claims backlog.

As mentioned earlier, the board established joint powers contracts with county victim/witness assistance centers to assist in the claims process. Currently, the board contracts with centers in 21 counties. Under the joint powers agreements, county victim/witness centers assist the board by helping claimants fill out applications and obtain documentation, such as police reports, medical bills, and pay stubs. In addition, the counties verify the claims by confirming physician medical evaluations and applicant disability periods and wage losses. Once the claim is verified, it is forwarded to the board's central office for final review and approval. Board staff indicate that the counties verify approximately 40 percent of the claims that are presented each month at the board's hearings.

Our review indicates that a backlog of roughly 3,000 claims exists at the county level. According to the board, the bulk of these claims (over 75 percent) are located in 3 of the 21 counties—Los Angeles, Sacramento, and San Francisco. In an effort to allow the counties to process their backlogs, the board has entered into *new* agreements with these three counties to accept and process all of the counties' *new* claims.

As a result of entering into these agreements, board staff indicate that the board has about 800 claims currently in the backlog in the central office that would normally be processed by counties under the joint powers' agreements. Thus, *we estimate that the VOC program currently has a total claims backlog of about 3,800 claims.*

Claims Processing Delays. By statute, the VOC program is required to process victims' claims within 90 days. The board advises that meeting the statutory time limit has become more difficult because of the increased volume of claims received. The increased volume has resulted from a heightened public awareness of the VOC program and the expansion of the number of eligible victims due to recently enacted legislation.

Our analysis indicates that the claims processed at the central office are meeting the 90-day statutory requirement. Those claims processed through the counties, however, are averaging *roughly 200 days* to process.

Recommendations. Although the board has made a significant effort to expedite the processing of victims claims and eliminate the backlogs in its central office, some counties continue to have problems in both these areas. Board staff indicate that they have taken several steps to address the backlog situation and plan to have the entire backlog eliminated by early April 1990. Given this estimate, we recommend that, at the time of budget hearings, the board report to the Legislature on (1) the size of its victims' claims backlog, both in the central office and in the counties, (2) the time required to process claims both in the central office and at the county level, (3) an estimate of the costs the board will incur to pay all or part of the claims in the backlog, and (4) strategies it may be employing to eliminate the backlog and reduce claims processing times.

How Many Permanent Positions Are Needed to Support the Victims of Crime Program?

We recommend that the Legislature adopt supplemental report language requiring the Board of Control and the Department of Finance to develop a budget change proposal for the 1991-92 budget which will establish the appropriate permanent staffing level needed to support the Victims of Crime program in 1991-92.

The budget proposes a one-time expenditure of \$1.2 million for 24.7 additional limited-term positions to address an increased victims of crime claims workload. *We recommend approval of this request.*

Permanent Positions Are Needed. Our analysis indicates that in four of the last five years the Legislature has either provided additional limited-term positions or extended the time frame for existing limited-term positions in the board's VOC program. Currently, 42 percent of the positions in the VOC program are limited-term positions. The board advises that it has relied heavily on limited-term positions and overtime to eliminate the claims backlogs because it is difficult to determine the actual number of permanent positions that are needed to support the VOC program. Specifically, the board indicates that the backlog inflates their workload measures and makes it extremely difficult to obtain an

BOARD OF CONTROL—Continued

accurate picture of VOC workload. Although we recognize the problem the board has in determining the number of permanent positions needed to process VOC claims, we believe its use of limited-term positions may have become excessive.

Recommendation. As mentioned earlier, the board plans to eliminate its backlog problems by early April 1990. Therefore, in a very short period of time, the board should be able to begin collecting data which accurately reflect their VOC workload. Given that the board projects a 20 percent increase in the number of claims in the budget year and that all the existing limited-term positions will expire as of June 30, 1991, we recommend that the Legislature adopt supplemental report language requiring the Board of Control and the Department of Finance to develop a budget change proposal for the 1991-92 budget which will establish the *appropriate permanent staffing level* needed to support the Victims of Crime program in 1991-92.

Specifically, we recommend adoption of the following language:

For the 1991-92 budget, the Board of Control and the Department of Finance shall develop a budget change proposal which will establish the appropriate permanent staffing level needed to support the Victims of Crime program in 1991-92. Such a budget change proposal should include (1) the projected number of VOC claims in 1991-92 and (2) the workload data and formulas used to calculate the number of permanent positions needed to support the VOC program in 1991-92.

Board Implements Program to Process Earthquake Claims

We recommend that the board provide the Legislature with a status report during budget hearings on the Loma Prieta earthquake victim claims program.

During the First Extraordinary Session of 1989, the Legislature adopted and the Governor signed Chapter 21 (SB 45x, Lockyer) and Chapter 22 (AB 45x, Willie Brown). These statutes (1) established procedures to compensate victims of the Loma Prieta earthquake and their families for personal injury, death, or property damage arising from the collapse of the I-880 Cypress structure and part of the San Francisco-Oakland Bay Bridge, and (2) directed the Board of Control to review earthquake claims, provide emergency payments, and make settlement offers to earthquake victims and their families. Additionally, Chapter 22 appropriated \$30 million from the General Fund to a newly created San Francisco-Oakland Bay Bridge and I-880 Cypress Structure Disaster Fund, to support the earthquake victim claims program.

Status of the Earthquake Victims Claims Program. Our review indicates that the board implemented the earthquake victims claims program in a prompt and orderly manner. The board processed its first emergency claim less than one month after the earthquake. The board indicates that it has redirected two existing positions to process earthquake claims and has established a working group consisting of members of the Attorney General's Office and the Department of Transportation to provide programmatic oversight and to review settlement offers. The

board also has contracted with two private firms to aid in the establishment of fair settlement awards and facilitate the settlement negotiation process.

At the time of this analysis, the Board of Control indicated that 167 earthquake claims had been filed and approximately \$1.2 million had been paid out in emergency claims. Based on known fatalities and injuries, the board currently anticipates receiving over 250 earthquake claims.

Comments. It is difficult to assess the actual cost of the earthquake victims claims program because the board can not project accurately the number of claims that will be filed, the willingness of individuals to accept settlement offers, or the amount of the settlement awards. Since the deadline for filing earthquake claims is April 1, 1990, at the time of budget hearings, the board should be able to provide the Legislature with a status report on the earthquake victims claims program.

Accordingly, we recommend that the board report at budget hearings on (1) the number of earthquake claims that have been filed, (2) an estimate of the number of claims they anticipate being filed, (3) the amount of funding paid out in emergency claims and settlements, (4) the balance in the San Francisco-Oakland Bay Bridge and I-880 Cypress Structure Disaster Fund, and (5) an estimate of the total cost of the earthquake victims' claims program.

COMMISSION ON STATE FINANCE

Item 8730 from the General
Fund

Budget p. GG 135

Requested 1990-91.....	\$868,000
Estimated 1989-90	844,000
Actual 1988-89	813,000
Requested increase (excluding amount	
for salary increases) \$24,000 (+2.8 percent)	
Total recommended reduction.....	None

GENERAL PROGRAM STATEMENT

Chapter 1162, Statutes of 1979 (SB 165, Mills), established the Commission on State Finance. The commission's primary responsibility 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 the budget year. Finally, Ch 1027/85 (AB 623, Farr) requires the commission to report semiannually to the Legislature and the

COMMISSION ON STATE FINANCE—Continued

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 Floor Leader; (4) the Assembly Minority Floor 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 \$868,000 from the General Fund for support of the commission in 1990-91. This is a net increase of \$24,000, or 2.8 percent, over estimated current-year expenditures. This increase is primarily attributable to increases in salaries and benefits, and increased administrative charges from the State Treasurer's Office.

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

Item 8780 from the General
Fund

Budget p. GG 136

Requested 1990-91.....	\$544,000
Estimated 1989-90	538,000
Actual 1988-89	512,000
Requested increase (excluding amount for salary increases) \$6,000 (+1.1 percent)	
Total recommended reduction.....	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8780-001-001—Support	General	\$542,000
Reimbursements	—	2,000
	Total	\$544,000

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.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes expenditures of \$544,000 (\$542,000 from the General Fund and \$2,000 from reimbursements) for support of the commission in 1990-91. This is \$6,000, or 1.1 percent, more than estimated current-year expenditures. This amount includes an increase of \$7,000 for personal services costs, and a \$1,000 decrease for operating expenses.

MEMBERSHIP IN INTERSTATE ORGANIZATIONS

Item 8800 from the General
Fund

Budget p. GG 137

Requested 1990-91	\$815,000
Estimated 1989-90	775,000
Actual 1988-89	630,000
Requested increase \$40,000 (+5.2 percent)	
Total recommended reduction	None

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes an appropriation of \$815,000 from the General Fund to support nine interstate organizations in 1990-91. 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, the State and Local Legal Center, the National Governors' Association, the Council of State Policy and Planning Agencies, the Coastal States' Organization, and the Western Governors' Association.

The requested amount is an increase of \$40,000, or 5.2 percent, above estimated current-year expenditures. This primarily results from increases in the state's assessments for membership in the Council of State Governments and the National Conference of State Legislatures.

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

MEMBERSHIP IN INTERSTATE ORGANIZATIONS—Continued

Table 1
Membership in Interstate Organizations
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

<i>Memberships</i>	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	<i>Percent Change From 1989-90</i>
Council of State Governments.....	\$301	\$243	\$258	6.2%
National Conference of State Legislatures.....	243	260	276	6.2
Western States Legislative Forestry Task Force	11	22	22	—
Governmental Accounting Standards Board....	67	69	69	—
State and Local Legal Center	8	8	8	—
National Governors' Association ^a	—	121	129	6.6
Council of State Policy and Planning				
Agencies ^a	—	11	12	9.1
Coastal States' Organization ^a	—	11	11	—
Western Governors' Association ^a	—	30	30	—
Totals.....	\$630	\$775	\$815	5.2%

^a Past-year expenditures for these organizations are included in the budget of the Governor's Office (Item 0500).

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 \$6 million for 1990-91. Assessments imposed on member states pay for about \$3 million, or 50 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—\$39,000—plus an additional amount based upon the state's population—\$8.10 per 1,000 residents. The CSG indicates that it has increased the base rate from \$36,800 to \$39,000 in 1990-91, in order to reduce the burden on large population states such as California. The CSG estimates that about 55 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 1990-91 is projected to be about \$9.7 million, of which \$4.3 million will be derived from assessments on member states and \$5.4 million will come from other sources.

The NCSL determines each state's 1990-91 assessment by adding \$8.70 per 1,000 residents to the base assessment of \$46,437.

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 five 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 Governors' Association.

National Governors' Association (NGA). The NGA was established in 1908 to represent the Governors of the 50 states and the various territories in the development and implementation of national policy. The state's membership in this organization as well as in the three organizations discussed below, had been included in the expenses of the Governor's Office in prior years.

The annual budget for the NGA is projected to be about \$10.8 million in 1990-91. The assessments on the 55 member states and territories account for about \$3.8 million, or 35.2 percent, of this amount. Assessments are computed on a sliding scale according to the population of the member states and territories. The remaining amount is funded through federal and private foundation grants and contracts.

Council of State Policy and Planning Agencies (CSPA). The CSPA was founded in 1966 for the purpose of developing information and recommendations and providing technical assistance on various issues of importance to the states and territories. The council is composed of executive aides from all 50 states and the territories.

Coastal States' Organization (CSO). The CSO represents the interests of those states that border on the Pacific Ocean, Atlantic Ocean, the Gulf of Mexico, and the Great Lakes. The CSO represents its members' interests regarding coastal zone management and offshore energy development issues before Congress and the U.S. Supreme Court.

Western Governors' Association (WGA). The WGA represents the interests of the 16 western states, two Pacific territories and one commonwealth in regard to regional policy management and the promotion of efficient resource management.

COMMISSION ON THE STATUS OF WOMEN

Item 8820 from the General

Fund and the Displaced

Homemaker Emergency Loan

Fund

Budget p. GG 139

Requested 1990-91.....	\$795,000
Estimated 1989-90	783,000
Actual 1988-89.....	786,000
Requested increase (excluding amount for salary increases) \$12,000 (+1.5 percent)	
Total recommended reduction.....	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8820-001-001—Support	General	\$612,000
Government Code Section 8257.3	Displaced Homemaker Emer- gency Loan	183,000
Total		<hr/> \$795,000

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 Chapter 1596, Statutes of 1984 (SB 2262, Marks).

The commission has 10.5 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes spending \$795,000 from the General Fund and the Displaced Homemaker Emergency Loan Fund for the support of the commission in 1990-91. This is an increase of \$12,000 or 1.5 percent, from estimated current-year expenditures. The proposed increase primarily reflects increased pro rata and employee compensation costs, which are partially offset by decreased operating expenses under the Displaced Homemaker Emergency Loan Program and a decrease in the amount needed to cover defaults and subsidize interest on the loans. In addition, the budget requests the redirection of \$21,000 in operating expenses (printing and conference costs) to establish a half-time information systems manager position.

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

CALIFORNIA LAW REVISION COMMISSION

Item 8830 from the General
Fund

Budget p. GG 141

Requested 1990-91	\$660,000
Estimated 1989-90	586,000
Actual 1988-89	573,000
Requested increase (excluding amount for salary increases) \$74,000 (+12.6 percent)	
Total recommended reduction	None

GENERAL PROGRAM STATEMENT

The California Law Revision Commission consists of 10 members — 1 from each house of the Legislature, 7 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 that 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.

The commission currently has before it 26 topics assigned by the Legislature. In 1990, the commission will complete its study of the Probate Code and submit recommendations to the Legislature. The commission will also start work on two major studies involving administrative law and the establishment of a new family relations code.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$660,000 from the General Fund for support of the commission in 1990-91. This is \$74,000, or 12.6 percent, above estimated current-year expenditures. The change results primarily from a proposed new position and increased operating expenses and equipment costs, both relating to the family relations code study. We have reviewed the commission's budget and the proposed expenditures appear reasonable.

COMMISSION ON UNIFORM STATE LAWS

Item 8840 from the General
Fund

Budget p. CG 143

Requested 1990-91	\$104,000
Estimated 1989-90	100,000
Actual 1988-89	100,000
Requested increase \$4,000 (+4.0 percent)	
Total recommended reduction	None

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 10 members — 6 appointed by the Governor, 2 Members of the Legislature (1 selected by each house), the Legislative Counsel, and a California life member of the National Conference of Commissioners on Uniform State Laws.

ANALYSIS AND RECOMMENDATIONS

We recommend approval.

The budget proposes an appropriation of \$104,000 from the General Fund for support of the commission in 1990-91. This is an increase of \$4,000, or 4 percent, above the amount appropriated in the current year for this purpose. The increase represents an increase in the state's annual membership fee.

Over 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 \$56,000 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.

DEPARTMENT OF FINANCE

Item 8860 from the General
Fund

Budget p. CG 143

Requested 1990-91	\$29,531,000
Estimated 1989-90	28,149,000
Actual 1988-89	25,935,000
Requested increase (excluding amount for salary increases) \$1,382,000 (+4.9 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8860-001-001	General	\$28,543,000
Reimbursements	—	988,000
Total		<u>\$29,531,000</u>

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.

The department has 368 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes total expenditures of \$29.5 million to support DOF in 1990-91. This amount is \$1.4 million more than estimated current-year expenditures. General Fund expenditures in 1990-91 are proposed at \$28.5 million, a \$1.2 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 1989-90 and 1990-91.

The budget increase results primarily from cost increases for employee compensation (\$656,000) and additional funding for (1) budget staff and overtime pay (\$325,000), (2) employee compensation to comply with changes in the Department of Personnel Administration regulations (\$202,000) and (3) staff training (\$150,000). These cost increases are partially offset by \$102,000 in savings from transferring the state administration manual (SAM) to the Department of General Services.

DEPARTMENT OF FINANCE—Continued**Table 1**

**Department of Finance
Budget Summary
1988-89 through 1990-91
(dollars in thousands)**

<i>Program</i>	<i>Personnel-Years</i>			<i>Expenditures</i>			<i>Percent Change From 1989-90</i>
	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	
	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	<i>1988-89</i>	<i>1989-90</i>	<i>1990-91</i>	
Annual financial plan	134.7	133.0	138.2	\$11,323	\$12,042	\$12,953	7.6%
Program and information system assessments	81.7	85.3	85.3	6,378	7,241	7,438	2.7
Supportive data	99.6	97.0	97.0	8,107	8,724	9,013	1.4
Administration (distributed)	53.3	52.6	51.7	(3,920)	(3,970)	(4,195)	5.7
Administration (undistributed) ...	—	—	—	127	142	127	-10.5
Totals	369.3	367.9	372.2	\$25,935	\$28,149	\$29,531	4.9%
Funding Sources							
<i>General Fund</i>				\$25,033	\$27,312	\$28,543	4.5%
<i>Reimbursements</i>				902	837	988	18.0

Table 2

**Department of Finance
Proposed 1990-91 Budget Changes
(dollars in thousands)**

	<i>General Fund</i>	<i>Reim- bursements</i>	<i>Totals</i>
1989-90 Expenditures (Revised)	\$27,312	\$837	\$28,149
<i>Baseline Adjustments</i>			
Employee compensation adjustments	\$656	—	\$656
Increased reimbursements	—	151	151
Subtotals, baseline adjustments	(\$656)	(\$151)	(\$807)
<i>Workload Changes</i>			
Increased employee compensation costs	\$202	—	\$202
Transfer of state administrative manual	-102	—	-102
Subtotals, workload changes	(\$100)	(—)	(\$100)
<i>Program Changes</i>			
Additional budget staff	225	—	225
Increased overtime funding for budget staff	100	—	100
Increased training	150	—	150
Subtotals, program changes	(\$475)	(—)	(\$475)
1990-91 Expenditures (Proposed)	\$28,543	\$988	\$29,531
Change from 1988-89			
Amount	\$1,231	\$151	\$1,382
Percent	4.5%	18.0%	4.9%

COMMISSION ON STATE MANDATES

Item 8885 from the General
Fund and the Restitution
Fund

Budget p. GG 150

Requested 1990-91	\$288,757,000
Estimated 1989-90	271,947,000
Actual 1988-89	124,969,000
Requested increase (excluding amount for salary increases) \$16,810,000 (+6.2 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8885-001-001—Support	General	\$675,000
8885-101-001—Local assistance	General	75,446,000
8885-101-214—Local assistance	Restitution	1,510,000
8885-111-001—Local assistance	General	113,991,000
8885-112-001—Local assistance	General	15,143,000
Proposed Legislation—Local assistance	General	81,992,000
Total		\$288,757,000

SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS

- | | |
|---|--------------------------|
| | <i>Analysis
page</i> |
| 1. Compliance Waivers. Recommend deletion of Budget Bill language to excuse local agency compliance with 10 mandated programs, because this cannot legally be accomplished in the budget. | 1161 |
| 2. 1990-91 Reimbursement Costs Underbudgeted. In the absence of legislation to excuse compliance, this item is underbudgeted by \$24 million in 1990-91. | 1162 |
| 3. Deferral of Mandate Reimbursements. The Governor's proposal to defer mandate payments will cause the state to incur increased future obligations for local government reimbursement. | 1163 |
| 4. New Mandates Funded in 1989. Our review indicates that seven mandates newly approved for reimbursement in 1989 should not be modified or repealed at this time. | 1163 |

GENERAL PROGRAM STATEMENT

The Commission on State Mandates is responsible for determining whether local agency claims for reimbursements 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 eight personnel-years in the current year.

COMMISSION ON STATE MANDATES—Continued**MAJOR ISSUES**

- ☒ Proposed Budget Bill language will not excuse local agency compliance with 10 mandated programs.
- ☒ In the absence of legislation, state reimbursement costs will be \$24 million higher than provided in this item.
- ☒ The Governor's proposal to defer payment of mandated costs will result in increasing obligations for local government reimbursement in future years.

OVERVIEW OF THE BUDGET REQUEST

The budget requests appropriations totaling \$288.8 million from the General Fund (\$287.2 million) and the Restitution Fund (\$1.5 million). This is an increase of \$16.8 million, or 6.2 percent, above estimated current-year expenditures.

State Operations. The budget proposes an appropriation of \$675,000 from the General Fund for support of the Commission on State Mandates in 1990-91. This is an increase of \$64,000, or 9.5 percent, above estimated current-year expenditures, and is attributable primarily to an increase in funding for operating expenses and equipment.

Local Assistance. The budget proposes appropriations totaling \$288.1 million from the General Fund and the Restitution Fund for the various state-mandated local programs in 1990-91. Of the total, \$286.6 million is requested from the General Fund. This is an increase of \$18.0 million, or 6.7 percent, above the level of estimated current-year expenditures for payment of mandated costs. This increase is the net result of four major budget proposals:

- **Adjustments to Reflect Actual Costs.** The budget proposes an increase of \$10.1 million from the General Fund to bring the 1990-91 mandate funding levels closer to the actual costs. In the past, many of the mandates have been budgeted at an inadequate level. Consequently, this item has required annual deficiency appropriations which have consistently been in excess of \$10 million. This proposal is intended to obviate the need for large deficiency appropriations in the future.

- **"Set Aside" for Claims Bill.** According to the commission, the local government claims bill to be introduced in 1990 will request an appropriation of \$181.5 million in funding for mandates recently approved by the commission. This amount includes \$68.9 million to reimburse the 1990-91 costs of these mandates, \$99.5 million for prior-year costs of the same mandates and \$13.1 million for estimated deficiencies in past-year costs of other existing mandate programs. This budget item includes \$82 million for the 1990-91 costs and for the prior-year deficiencies.
- **Deferral of Prior-Year Costs.** The budget proposes to defer the reimbursement of the remaining \$99.5 million of the local government claims bill amount to future years. Specifically, the budget proposes to reimburse the pre-1990-91 mandates in equal installments in the Budget Acts of 1991, 1992, and 1993.
- **Governor's Proposal to Excuse Local Compliance.** The Budget Bill includes language to excuse local agencies from complying with the requirements of 10 mandates. The budget estimates that this will result in a savings of \$28.3 million in 1990-91.

ANALYSIS AND RECOMMENDATIONS

Governor's Proposal to Excuse Compliance with Mandates

We recommend deletion of the Budget Bill language excusing local governments from complying with identified mandates. (Eliminate Item 8885-001-001, Provision Number 1.)

Table 1 lists the 10 mandates from which the Governor proposes to excuse local governments from complying in 1990-91. It also summarizes our recommendations as to whether the specific programs identified by the Governor should be maintained or repealed. Our recommendations for these programs are based on the following criteria:

- Has the statute resulted in a mandate by requiring local governments to establish a new program or provide an increased level of service?
- Does the mandate serve a statewide interest, as opposed to a primarily local interest that can be served through local action? For example, are the benefits of the program concentrated within a particular jurisdiction, or are the interests of state residents in general served by the mandate? Does the mandate address a problem of statewide magnitude?
- Has compliance with the mandate achieved results that are consistent with the Legislature's intent and expectations?
- Are the benefits produced by the mandate worth the cost?
- Can the goal of the mandate be achieved through less costly means?

COMMISSION ON STATE MANDATES—Continued

Table 1
Legislative Analyst's Office (LAO) Recommendations on
Governor's Mandate Proposal
1990-91
(dollars in thousands)

<i>Mandates Proposed for Defunding</i>	<i>Cost^a</i>	<i>LAO Recommendation</i>	<i>Rationale</i>
1. Ch 1399/76—Custody of Minors	\$3,158	Maintain	State interest in uniform enforcement of child custody orders.
2. Ch 1262/78—Victims' Statements	1,680	Repeal	Benefits limited.
3. Ch 815/79—Short-Doyle Case Management ^b	4,716	Maintain	State interest in assuring integrated services and preventing unnecessary hospitalization.
4. Ch 1281/80—Involuntary Lien Notices	1,155	Maintain, but fund with fee	State interest in protecting property rights.
5. Ch 875/81—Interviews of Potentially Dependent Minors ^b	4,275 ^c	Maintain	State interest in standard interviewing practices for dependency hearings.
6. Ch 1088/82—Juvenile Felony Arrests	2,275	Repeal	Benefits limited.
7. Ch 1226/84—Investment Reports ^b	2,606	Repeal	Primarily local interest.
8. Ch 1203/85—Motorist Assistance	3,150	Repeal	Primarily local interest.
9. Ch 641/86—Open Meetings Act ^b	2,031	Maintain	State interest in citizen access to government.
10. CAC Title 22—Pretreatment Facilities for Drinking Water	3,247	Maintain ^d	Current law allows local fee authority.
Total	<u>\$28,293</u>		

^a Source: Department of Finance (DOF).

^b Mandates proposed for funding in 1990 claims bill.

^c Our analysis indicates that the mandate is currently funded through Department of Social Services subventions to counties, so no additional reimbursement is required.

^d Amend parameters and guidelines to disallow costs if district can recover them through standby fees or user charges.

While we agree that several of these mandates have limited benefits, our analysis indicates that the Governor's proposal will require separate legislation in order to repeal these mandates or make compliance with these mandates optional. This is because current law cannot be changed in the Budget Act. Consequently, we recommend that the Legislature delete the language excusing local governments from complying with the identified mandates, because it will not accomplish the intended purpose.

Budget Underfunds Reimbursement Costs

In the absence of legislation to excuse compliance with 10 mandated programs, the proposed appropriations will fall short of actual reimbursement requirements by \$24 million.

In the absence of legislation to repeal or excuse compliance with the programs discussed above, the costs of this item are underbudgeted by a total of \$24 million in 1990-91. This includes a total of \$14.7 million for the continuing costs of existing mandates, and \$9.4 million associated with

mandates that will be proposed for funding in the 1990 claims bill. Our estimate is somewhat lower than the Department of Finance's estimate (shown in Table 1) because we have determined that no reimbursement will be required for Chapter 875, Statutes of 1981 (interviews of potentially dependent minors). The costs of this mandate are already funded through subventions from the Department of Social Services.

Deferral of Costs Results in Increasing Obligations

The proposed deferral of expected 1990 reimbursement costs will shift the burden of paying for services already delivered to future budgets.

The budget proposes to defer reimbursement of the prior-year costs of several mandates recently approved by the commission, and deficiencies in certain other mandates to the Budget Acts of 1991, 1992, and 1993. This proposal is consistent with past actions of the Governor to defer reimbursement of mandated costs. In signing Chapter 1485, Statutes of 1988 (AB 2778, Vasconcellos), which appropriated funds for eight mandates approved in 1988, the Governor vetoed \$135 million for the prior-year costs of these mandates. The veto message stated that these costs would be reimbursed in the Budget Acts of 1989, 1990, and 1991. The budget includes \$36.5 million to satisfy the second installment of this commitment.

The Governor's proposal to defer mandate payments will shift to future budgets the burden of paying for services already delivered by local governments. For example, if the Legislature accepts the Governor's current proposal, the state will face obligations of \$61 million in 1991-92 for the third installment of the 1988 deferral and the first installment of the 1990 deferral. These increasing future obligations will make it difficult for the Legislature to exercise control over the budget in subsequent years. In addition, the Governor's policy of deferring payments to local governments reduces their fiscal capacity and impairs their ability to undertake rational budgetary planning.

Review of Mandates Funded in 1989 Claims Bill

Our review of seven mandates newly approved by the Legislature for funding indicates that they should not be modified or repealed at this time.

Chapter 788, Statutes of 1989 (SB 235, Alquist) appropriated funding for statutes and regulations found by the commission to contain state-reimbursable local mandates. Chapter 788 appropriated a total of \$29.6 million for the costs of seven mandated programs through 1989-90, including \$23.4 million for costs incurred prior to 1989-90. The budget contains \$6.6 million for the 1990-91 costs of these mandates.

Chapter 1256, Statutes of 1980 (SB 90, Russell), requires the Legislative Analyst to report each year on any previously unfunded state mandates for which the Legislature appropriated funds during the prior fiscal year. This measure also requires the Analyst to make recommendations as to whether each of these mandates should be modified, repealed, or made permissive. The criteria used in evaluating these mandates are the same

COMMISSION ON STATE MANDATES—Continued

as those described above regarding the Governor's proposal to excuse local governments from compliance with mandates.

Consistent with the requirements of Chapter 1256, we have reviewed the seven mandates funded in Chapter 788. The results of our review are summarized in Table 2. In most cases, we recommend maintaining the mandates because they appear to serve a statewide interest and to have reasonable costs. In the case of Chapter 1490, Statutes of 1984 (AB 3230, Hannigan), we currently do not have the necessary information to determine whether the benefits of the mandate exceed the costs. This is because the Franchise Tax Board is in the initial stages of implementing this program. More information regarding the benefits of the program will be available next year, and we plan to review the program in more detail at that time.

Table 2
Legislative Analyst's Office (LAO) Recommendations on
Claims Funded in 1989 Claims Bill
(dollars in thousands)

<i>Mandates Funded in Claims Bill</i>	<i>1990-91 Cost^a</i>	<i>LAO Recommendation</i>	<i>Rationale</i>
1. Ch 1111/81—Charging Documents	— ^b	Maintain	State interest in the appropriate placement and treatment of inmates.
2. Ch 498/83—Expulsion Reports	\$410	Maintain	State interest in safe schools.
3. Ch 1117/84—Airport Land Use	771	Maintain	State interest in compatible land use near airports.
4. Ch 1490/84—Business Tax Reporting	2,901	Maintain pending receipt of information on program benefits	Information used to select income tax audits.
5. Ch 115/85—School District Cost Accounting	— ^c	Maintain	State interest in uniform accounting procedures for K-12 school system.
6. Ch 1352/85—Residential Care Services	1,829	Maintain	State interest in access to residential care and adequate services for mentally disordered individuals.
7. Ch 1017/86—Investigations of Guardianships Petitions	648	Maintain	State interest in ensuring that guardians are qualified to serve the interests of their wards.
Total	\$6,559		

^a Source: Department of Finance.

^b Counties waive reimbursement as a condition of participation in Trial Court Funding Program.

^c Agencies were reimbursed for one-time costs incurred in 1985-86. The mandate has no ongoing costs.

OFFICE OF ADMINISTRATIVE LAWItem 8910 from the General
Fund

Budget p. GG 157

Requested 1989-90.....	\$3,263,000
Estimated 1988-89	3,145,000
Actual 1987-88	2,879,000
Requested increase (excluding amount for salary increases) \$118,000 (+3.8 percent)	
Total recommended reduction.....	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8910-001-001—Support	General	\$3,063,000
Reimbursements		200,000
Total		<u>\$3,263,000</u>

GENERAL PROGRAM STATEMENT

The Office of Administrative Law (OAL), established by Chapter 567, Statutes of 1979 (AB 1111, McCarthy), 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 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 Chapter 61, Statutes of 1982 (AB 1013, McCarthy). 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 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.

OFFICE OF ADMINISTRATIVE LAW—Continued

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 \$3,263,000 from the General Fund and reimbursements for the support of the Office of Administrative Law (OAL) in 1990-91. This is \$118,000, or 3.8 percent, above estimated current-year expenditures. Table 1 summarizes OAL's expenditures, by program, for the prior, current, and budget years.

Table 1
Office of Administrative Law
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

Program	Personnel-Years			Expenditures			Percent Change From 1989-90
	Actual	Est.	Prop.	Actual	Est.	Prop.	
	1988-89	1989-90	1990-91	1988-89	1989-90	1990-91	
Regulatory oversight							
Regulations review	16.7	17.3	17.3	\$1,760	\$1,849	\$1,928	4.3%
Regulatory determinations—							
Ch 61/82	2	1.9	1.9	198	202	211	4.5
Subtotals, regulatory oversight	(18.7)	(19.2)	(19.2)	(\$1,958)	(\$2,051)	(\$2,139)	(4.3%)
Legal information services	8.3	9.6	9.6	\$921	\$1,094	\$1,124	2.7%
Administration (distributed)	16.5	19.2	19.2	(904)	(974)	(1,029)	5.6
Totals	43.5	48.0	48.0	\$2,757	\$2,911	\$3,063	5.2%
Funding Sources							
General Fund	—	—	—	\$2,757	\$2,911	\$3,063	5.2%
Reimbursements	—	—	—	122	234	200	-14.5%

Table 2 summarizes the major changes in OAL's proposed budget for 1990-91. The most significant adjustments to estimated current-year expenditures are: (1) a \$115,000 increase in OAL's baseline budget to reflect lower actual salary savings rates and higher operating expenses (2) the deletion of a limited-term position and establishment of a permanent position — a Legislative/Public Affairs Coordinator, and (3) a \$49,000 reduction in reimbursements related to decreased workload for the CRNR.

Table 2
Office of Administrative Law
Proposed 1990-91 Budget Changes
(dollars in thousands)

	<i>General Fund</i>	<i>Reimburse- ments</i>	<i>Total</i>
1989-90 Expenditures (Revised).....	\$2,911	\$234	\$3,145
<i>Baseline Adjustments</i>			
Employee compensation adjustments	\$51	—	\$51
Salary savings/operating expenses adjustment	100	\$15	115
Limited-term position	-48	—	-48
Subtotals, baseline adjustments	(\$3,014)	(\$249)	(\$3,263)
<i>Workload Changes</i>			
Legislative/public affairs coordinator	\$49	—	\$49
California Regulatory Notice Register	—	-\$49	-49
Subtotals, workload changes	\$49	-\$49	—
1990-91 Expenditures (Proposed)	\$3,063	\$200	\$3,263
Change from 1989-90:			
Amount	\$152	\$34	\$118
Percent	5.2%	-14.5%	3.8%

ANALYSIS AND RECOMMENDATION

We recommend approval.

Our review indicates that the proposed expenditures for the OAL are reasonable.

DEPARTMENT OF ECONOMIC OPPORTUNITY

Item 8915 from the General
Fund and Federal Trust Fund

Budget p. GG 160

Requested 1990-91	\$97,019,000
Estimated 1989-90	138,813,000
Actual 1988-89	111,094,000
Requested decrease (excluding amount for salary increases) \$41,794,000 (-30.1 percent)	
Total recommended reduction	None

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8915-001-001—Support	General	\$89,000
8915-001-890—Support	Federal	7,699,000
8915-101-853—Local assistance	Petroleum Violation Escrow Account	2,000,000
8915-101-890—Local assistance	Federal	86,936,000
Reimbursements	—	295,000
Total		\$97,019,000

GENERAL PROGRAM STATEMENT

The Department of Economic Opportunity (DEO) administers both the Low-Income Home Energy Assistance (LIHEA) block grant program

DEPARTMENT OF ECONOMIC OPPORTUNITY—Continued

and the Community Services Block Grant (CSBG). In addition, the 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. The CSBG provides funds to community action agencies for programs intended to assist low-income households.

The department has 161.1 personnel-years in the current year.

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

The budget proposes total expenditures of \$97 million from all funds (\$89,000 from the General Fund) for programs administered by the department in 1990-91. Table 1 shows expenditures for the past, current, and budget years, as displayed in the Governor's Budget. The proposed budget represents a net decrease of \$41.8 million, or 30 percent, below estimated current-year expenditures. This is due primarily to a reduction in the amount of funds available from the Petroleum Violation Escrow Account (PVEA). The PVEA funds have been used since 1986-87 to supplement the federal LIHEA Program to assist low-income persons in meeting or reducing their energy costs.

The budget proposes no new programs for the department in 1990-91 and a decrease of 2.6 personnel-years.

Table 1
Department of Economic Opportunity
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

<i>Program</i>	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	<i>Percent Change From 1989-90</i>
Energy programs	\$79,927	\$107,031	\$65,360	-38.9%
DEO advisory commission.....	85	89	89	—
Community services	31,082	31,693	31,570	-0.4
Administration (distributed)	(2,966)	(2,931)	(3,009)	(2.7)
Totals	\$111,094	\$138,813	\$97,019	-30.1%
Funding Sources				
General Fund	\$85	\$89	\$89	—
Reimbursements.....	—	438	295	-32.6%
Petroleum Violation Escrow Account	18,489	39,237	2,000	-94.9
Federal Trust Fund:				
<i>Low-Income Home Energy Assistance</i>				
(LIHEA) ^a	60,567	59,086	58,580	-0.9
Department of Energy	871	8,270	4,485	-45.8
Community Services Block Grant.....	31,082	31,693	31,570	-0.4
Personnel-years	138.6	161.1	158.5	-1.6%

^a These amounts do not include LIHEA funds that are transferred to the Department of Social Services (Item 5180-151-001).

DEPARTMENT OF ECONOMIC OPPORTUNITY—REAPPROPRIATION

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

Budget p. GG 160

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 1990-91 all local assistance funds for energy programs and CSBG programs that are unexpended in the current year. Without this language, the 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.

In general, the department will use these funds for the same programs in 1990-91 that these funds support in the current year. We recommend approval of the reappropriation.

MILITARY DEPARTMENT

Item 8940 from the General
Fund and various special
funds

Budget p. GG 164

Requested 1990-91	\$365,283,000
Estimated 1989-90	354,108,000
Actual 1988-89	344,579,000
Requested increase (excluding amount for salary increases) \$11,175,000 (+3.2 percent)	
Total recommended reduction	None
Recommendation pending	681,000

1990-91 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8940-001-001—Support	General	\$22,683,000
8940-001-485—Support	Armory Discretionary Improve- ment	120,000
8940-001-890—Support	Federal Trust	27,088,000
Other federal funds		313,008,000
Reimbursements		<u>2,384,000</u>
Total		<u>\$365,283,000</u>

MILITARY DEPARTMENT—Continued**SUMMARY OF MAJOR FINDINGS AND RECOMMENDATIONS***Analysis
page*

1. **IMPACT Program Funding.** Withhold recommendation on \$681,000 proposed from the Employment Training Fund for support of the IMPACT program, pending receipt of a funding plan for the program which reflects the interagency agreement with the Employment Training Panel. 1172

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 (22,370 authorized officers and enlisted personnel), the Air National Guard (6,090 authorized personnel), and the Office of the Adjutant General. The department has 666.4 state personnel-years and 3,880 federal personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes the expenditure of \$365.3 million from all funding sources for support of the Military Department in 1990-91. This is an increase of \$11.2 million, or 3.2 percent, above estimated current-year expenditures. The amount includes \$22.7 million from the General Fund. This is an increase of \$368,000, or 1.6 percent, over estimated current-year expenditures from the General Fund.

The budget includes \$340 million in federal funds for expenditure in 1990-91. Of this amount, only \$27 million is appropriated through the Budget Bill. The remainder (\$313 million) is administered directly by the federal government.

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 6.2 percent in 1990-91.

The department also expects to receive additional federal funds to support the California National Guard's Counter Narcotics Operations which are a part of the President's National Drug Strategy. The department indicates that these funds will be provided directly to the department.

Table 1
Military Department
Budget Summary
1988-89 through 1990-91
(dollars in thousands)

<i>Program</i>	<i>Actual 1988-89</i>	<i>Est. 1989-90</i>	<i>Prop. 1990-91</i>	<i>Percent Change From 1989-90</i>
Army National Guard.....	\$224,655	\$233,202	\$238,109	2.1%
Air National Guard.....	113,057	112,802	118,835	5.3
Adjutant General				
undistributed.....	1,900	2,100	2,200	4.8
(distributed)	5,087	5,680	5,817	2.4
Support to civil authority.....	546	800	800	—
Military retirement	2,030	2,174	2,236	2.9
California Cadet Corps	505	543	550	1.3
State Military Reserve	265	297	301	1.3
Farm and Home Loan.....	26	29	30	3.4
IMPACT.....	1,595	2,161	2,222	2.8
Totals, Expenditures.....	\$344,579	\$354,108	\$365,283	3.2%
Funding Sources				
General Fund	\$20,503	\$22,315	\$22,683	1.6%
Federal Trust Fund	22,590	25,307	27,088	7.0
Other Federal Funds.....	299,659	303,838	313,008	3.0
Armory Discretionary Improvement Fund.....	61	120	120	—
Reimbursements.....	1,766	2,528	2,384	-5.7
General Fund share of total.....	6.0%	6.3%	6.2%	

ANALYSIS AND RECOMMENDATIONS

The department proposes a number of workload adjustments, cost adjustments, and program changes totaling \$3.1 million, including the following:

- An increase of \$120,000 from federal funds for 7.5 additional temporary help-state positions for maintenance and support services at Camp Roberts.
- An increase of \$458,000 from federal funds to establish 13 firefighter positions at Fresno Air National Guard Base.
- An increase of \$380,000 from federal funds and the General Fund to provide additional maintenance support at various Air National Guard bases throughout the state.
- An increase of \$80,000 from federal funds and the General Fund for two State Civil Service positions for groundskeeping services at Channel Islands Air National Guard Base.
- An increase of \$738,000 from the General Fund to reflect the full-year cost of the salary increases granted state employees in the current year.

Armory Emergency Shelter Program is Permanently Established. The budget also includes a proposal for \$630,000 from the General Fund and 15 positions to establish the Armory Emergency Shelter program. Since 1987-88, the Governor's Office has authorized the opening of the Military Department's armories to house homeless persons during the

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months of November through March when life-threatening weather conditions exist. The department opens an armory upon the approval of the Office of Emergency Services (OES) and provides personnel to supervise the use of the facility. Costs for Military Department personnel and utilities are incurred by the department while costs for food, bedding, and supervision of the homeless are provided for by cities, counties, and other users of the armories. The department currently provides for the use of approximately 40 National Guard armories in 19 counties throughout the state.

For the past two years and in the current year, the department has obtained a deficiency authorization to cover the costs of the Armory Emergency Shelter Program. This budget proposal would instead ensure that the funds would be available for the Armory Emergency Shelter program on a permanent basis.

Employment Training Panel Contract with IMPACT is Still Under Negotiation

We withhold recommendation on \$681,000 proposed in reimbursements from the Employment Training Fund for support of the IMPACT program and for the establishment of eight teacher positions, pending receipt of the department's funding plan for the IMPACT program which reflects the interagency agreement between the department and the Employment Training Panel.

In two separate proposals, the Governor's Budget requests a total of \$681,000 in reimbursements from the Employment Training Fund (ETF) for an interagency agreement between the Employment Training Panel (ETP) and the Military Department. Of this amount, the Military Department proposes to use \$621,000 to serve participants of the Innovative Military Projects and Career Training (IMPACT) program who are eligible for ETF funding. The IMPACT program provides basic skills, military, and preemployment training to economically disadvantaged youth between the ages of 17 and 22. The goal is to have the participants either return to school, enter the military, or find and maintain full-time unsubsidized employment.

The remaining \$60,000 from the ETF is to be used to convert personal services contract funds to support eight teacher positions in the department. The contract funds are currently used to provide remedial instruction to IMPACT students. The department is proposing this conversion to civil service teachers in order to comply with a State Personnel Board (SPB) determination that personal services contracts are an inappropriate means to provide instruction to IMPACT program participants.

Analyst's Concerns. Because the agreement between the department and the panel has not yet been finalized, we are concerned that (1) funding from the panel may not be secured given the strict placement requirements which govern the use of most of its funds, and (2) the use of ETF funds to support the conversion of personal service contract funds

to civil service positions may not be allowed by the panel.

The panel is required by statute to use the bulk of the funds from the ETF only for eligible persons who have completed a training program and are placed in private, unsubsidized employment for at least 90 days. Persons eligible for ETF funding include those who are (1) unemployed and receiving Unemployment Insurance (UI) benefits, (2) unemployed but have exhausted their UI benefits within the past two years, and (3) employed but likely to be displaced and become UI recipients. In general, reimbursements are made on a "per-placement" basis. Currently, the panel reimburses the department \$5,000 per successful placement. At this rate, in order for the Military Department to receive the full \$681,000, the IMPACT program must place at least 136 participants in the required types of employment for at least 90 days.

Chapter 926, Statutes of 1989 (AB 28, Johnston), recently changed the law regarding the use of ETF funds. The new law provided for ETF support of research projects that provide more information to the panel on effective training methods for populations which are difficult to serve. In addition, another portion of ETF funds can be used for projects that retrain individuals in areas of employment where there are documented shortages of employees with particular skills. These two additional uses of ETF funds have reimbursement requirements which are more loosely defined than the use of the funds under the current contract between the department and the panel. However, because the new *uses* are defined specifically and because no agreement has been reached between the department and the panel for IMPACT, it is not possible to know which portion of the ETF funds the panel would use to fund the program. We therefore assume that the current type of ETF funding would be used for the budget year agreement as well.

Progress with ETP Placements Has Been Slow. Currently, the definition of a successful placement for the IMPACT program is broader than ETP requirements. Overall, the IMPACT program has been successful at placing about 81 percent of its participants who complete the program in school, the military, or private employment. However, the program has made slow progress in placing its ETF-eligible participants. Of the first two classes in which ETF-eligible participants were identified, 14 have been placed in private employment. However, of these 14, only one has been a *successful* placement according to ETP requirements (placement in which the individual has maintained unsubsidized employment for at least 90 days). The current agreement between the panel and the department allows the program until December 1990 to successfully place 104 ETF-eligible participants in order for the department to receive reimbursements. Based on the IMPACT program's performance to date, we believe that the required number of successful placements will be extremely difficult to achieve.

ETP Funding for Conversion to Civil Service Teacher Positions is Questionable. In January 1989, the SPB determined that it is inappropriate under state law to use personal services contracts to provide remedial instruction services to participants in the IMPACT program. The SPB

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allowed the department to continue its current contracts through June 1990 in order to ensure continuity within the IMPACT program. However, the SPB directed the department to convert the contracts to civil service teacher positions by July 1, 1990. The SPB is currently working with IMPACT staff to establish the teacher positions, including the associated title, grade, and pay range. The department advises that development of the test for this position should begin in March 1990.

Given that the Legislature does not have the full details of the agreement between the department and ETP to support IMPACT for the budget year, we are concerned that the use of ETF funds for this proposal may not be allowed by ETP. To the extent that such provisions are allowed by ETP, we are further concerned that the cost of converting to civil service teachers may exceed the reimbursements the department receives from ETP.

Negotiations for IMPACT are Underway. Both the department and ETP advise that negotiations are underway for an interagency agreement for the support of IMPACT. The ETP also advises that it would probably not allow support for administrative costs in the contract for the IMPACT program, nor would it reimburse the department at the current rate of \$5,000 per successful placement. The ETP stresses that the current agreement which allows for this level of reimbursement is a special one-time contract. It also advises that the department would instead be reimbursed at the rate of \$2,500 to \$2,800 per successful placement, which is the usual reimbursement ETP provides for similar projects. The ETP indicates that it is looking into other possible sources of funding that potentially have fewer or less stringent requirements for reimbursements.

However, we are concerned that if a contract using ETF funds is negotiated at the proposed level, the lower per-placement reimbursement rate would result in an even greater burden on the program to successfully place a larger number of ETF-eligible IMPACT participants. For example, at a reimbursement rate of \$2,500 per placement, IMPACT would have to place twice as many (or 272) ETF-eligible participants as they are required to place under the current rate.

Summary. Because of our concerns regarding the IMPACT program's ability to meet the panel's requirements and questions regarding the amount of ETF funds that will be available, we withhold recommendation on \$681,000 proposed for IMPACT, pending the receipt of the department's funding plan for the program which reflects its final agreement with the ETP.

Capital Outlay

The Governor's Budget proposes appropriations of \$1.2 million in Item 8940-301-036 and \$807,000 in Item 8940-301-890 for capital outlay expenditures for the Military Department. Please see our analysis of these items in the capital outlay section of this *Analysis* which is in the back portion of this document.
