

AN ANALYSIS OF
CALIFORNIA'S WEIGHTS AND MEASURES PROGRAMS

DECEMBER 1985

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INTRODUCTION

Article I, Section 8(s) of the United States Constitution authorizes the Congress to "fix the standard of weights and measures" used in commerce. It was not until 1832, however, that the Congress actually adopted uniform standards of weights and measure.

In 1850, the California Legislature, in one of its first legislative acts, adopted a system of standard weights and measures based on the national standards established by Congress. These standards were intended to facilitate value comparisons by consumers and fair competition among firms. Today, Division 5 (commencing with Section 12001) of the Business and Professions Code governs the regulation of weights and measures in the state.

At the state level, regulation and enforcement of weights and measures laws is the responsibility of the Division of Measurement Standards (DMS) within the California Department of Food and Agriculture (CDFA). The DMS's activities are designed to (1) ensure the accuracy of commercial weighing and measuring devices, (2) verify the quantity of both bulk and packaged goods and commodities, and (3) enforce quality, advertising, and labeling standards for most petroleum products. The division works closely with the county sealers of weights and measures who, under the supervision and direction of the Director of Food and Agriculture, carry out the vast majority of weights and measures enforcement activities at the local level.

Weights and measures activities performed by the DMS are funded primarily with revenues raised through a variety of licensing, registration, and testing fees. These revenues are deposited in the Department of Food and Agriculture Fund (Agriculture Fund). The state General Fund also funds a significant portion of the division's expenditures. At the county level, weights and measures activities are funded largely from county general funds, supplemented by a relatively small amount derived from fee revenue and state General Fund subventions.

SENATE CONCURRENT RESOLUTION 30

Senate Concurrent Resolution 30 (Resolution Ch 117/83--McCorquodale), directs the Legislative Analyst to study and report to the Legislature on the activities of the county sealers and the CDFA in carrying out the state's weights and measures laws.

The resolution requires that the study "ascertain to the extent possible the most critical features of the program, such as the personnel years and salary schedules, the frequency of device inspections, the costs of each activity, the total costs for administration, both direct and indirect, the total dollar expense, and the sources of funding for 1981 and 1982 compiled by county and summarized statewide, based on reasonable cost procedures, such as Management and Budget Circular A-87." (A copy of the resolution is included in this report as Appendix A.)

This report was prepared in response to the directive contained in SCR 30.

PREPARATION OF THIS REPORT

In order to develop data for this report, we sent a questionnaire to each of the 56 county sealers of weights and measures (Inyo and Mono

counties and Plumas and Sierra counties operate joint weights and measures programs). These questionnaires, which were distributed in January 1984, requested information from the counties on their programs in 1981-82 and 1982-83. Twenty-five counties responded to this questionnaire.

A second questionnaire, representing a refined version of the initial survey, was sent out in July 1984 (Appendix B is a copy of this questionnaire). It requested information on weights and measures programs conducted during 1983-84. Forty-five sealers, representing 46 of the 58 counties, responded to the second questionnaire.

Unfortunately, many of the counties' responses to questions pertaining to the frequency of device inspection were incomplete or not consistent with one another. For this reason, we have not been able to include in this report any information regarding the frequency of device inspection.

This report is based primarily on information covering fiscal years 1982-83 and 1983-84. It was prepared by Lyle Defenbaugh, with the assistance of Phillip Dyer, under the supervision of Daniel P. Rabovsky.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

California provides for the regulation of weights and measures as a means of ensuring fair competition among firms and enabling consumers to make meaningful value comparisons. The Division of Measurement Standards within the California Department of Food and Agriculture is responsible for accomplishing these objectives at the state level. The division works closely with the county sealers of weights and measures who, under the supervision and direction of the Director of Food and Agriculture, carry out the vast majority of weights and measures inspection and enforcement activities within California.

FUNDING TRENDS

Total statewide expenditures for weights and measures programs, both at the state and county levels, were relatively constant during 1982-83 and 1983-84. The source of financing for county expenditures, however, changed significantly between the two years. In 1982-83, county general funds provided 97 percent of all revenues for county weights and measures programs, while county fee revenues accounted for less than one-half of 1 percent. In 1983-84, however, county fee revenues increased dramatically, largely as a result of Ch 1380/82, which authorized counties to charge fees for registering weighing and measuring devices such as supermarket scales and retail gasoline pump meters. As a result, the contributions of county fee revenues toward the cost of county weights and measures programs increased to more than 12 percent in 1983-84.

We also found that, instead of using the increased revenues generated from device registration fees to augment their weights and measures programs, counties used this revenue primarily to reduce the amount contributed toward these programs from their general funds. This is illustrated by the fact that in 1983-84, the 18 counties reporting an increase of almost \$895,000 in registration fees for weighing and measuring devices also reported a decrease of more than \$738,000 in county general fund support weights and measures programs.

WEIGHTS AND MEASURES EXPENDITURES AND PERSONNEL-YEARS

Our survey showed that, overall, county weights and measures expenditures increased 3.8 percent from 1982-83 to 1983-84--an increase equal to about one-half the increase in county nonenterprise expenditures (7.4 percent) statewide. Taken together, the counties allocated a smaller portion of their total available resources to weights and measures programs in 1983-84 than they did in 1982-83, indicating that these programs were assigned a lower priority by the counties in 1983-84 than in 1982-83.

We also found that, in individual counties, funding for weights and measures can be quite volatile from year to year. For example, 16 of the 45 counties responding to our survey reported a change in total expenditures of 10 percent or more from 1982-83 to 1983-84; in 12 of these counties the change exceeded 15 percent.

In analyzing county weights and measures expenditures, we organized the counties responding to our survey into four population groups--very small, small, medium, and large--based on their 1983 populations. In doing so, we found that per capita county expenditures for weights and measures activities generally decrease as population increases. This suggests that

the larger counties are able to realize some economies of scale in their weights and measures programs.

Our analysis of expenditures and staffing levels indicates that counties allocated most of their resources to inspections of weighing and measuring devices. In fact, within each population category, expenditures and staff devoted to device inspection activities were at least twice what they were for the next largest activity within the weights and measures program.

Because many of the responses to our survey were incomplete or not comparable with one another, we were not able to compile meaningful information on the salary schedules of county weights and measures personnel. Nevertheless, our analysis of county expenditures on personal services suggests that differences in the average staff cost per personnel-year among the four population categories were small and, apparently, insignificant.

INDIRECT ADMINISTRATIVE COSTS

Information on indirect administrative costs allocated to weights and measures programs by the counties is not readily available in many instances. While the Bureau of County Cost Plans in the Office of the State Controller reviews and approves all Countywide Cost Allocation Plans, it does not have information on the exact amount allocated to weights and measures programs by a large number of counties--those that have combined their weights and measures program with other county programs, such as the county agricultural commissioner's office.

Based on information supplied by the Bureau of County Cost Plans or derived from our survey and follow-up conversations with weights and

conclude that device inspection, weighmaster enforcement and petroleum enforcement are appropriate candidates for fee support.

We also believe that the decision as to which level of government should administer the fees ought to be made with an eye toward whether the benefits from the activity are primarily statewide or primarily local. On this basis, we conclude that county fees are an appropriate source of funding for local device inspection programs. This is because (1) each of these devices is used by an identifiable business entity and (2) most retail weighing and measuring devices have only a local impact. On the other hand, sampling and analysis activities involving petroleum products generally produce statewide benefits because these products often are distributed statewide. Similarly, weighmaster enforcement activities often involve goods being transferred across county lines or even out of state. Consequently, these activities are appropriately funded from state fees.

Quantity control programs, on the other hand, appear to warrant support from general funds. This is because the population at large tends to be the principal beneficiary of most quantity control activities. In addition, there does not appear to be any feasible special fee which could support quantity control activities.

We find that most local quantity control activities, such as undercover purchases of prepackaged goods in grocery or hardware stores, tend to provide local, rather than statewide, benefits. In contrast, inspections at the point of manufacture or at a central distribution point appear to have primarily statewide benefits and, consequently, are appropriately funded from the state's General Fund.

measures officials, we found that similar costs are treated differently by individual counties. We also found that counties use a number of different methods in determining what indirect administrative costs should be allocated to their weights and measures programs. These findings do not mean that counties are failing to comply with the guidelines and principles set forth in Office of Management and Budget Circular A-87. This is because Circular A-87 merely requires that the methods used by a county to allocate its indirect administrative costs be reasonable and consistently applied from one year to the next across all of the county's departments or programs.

For the reasons given above, we conclude that meaningful comparisons cannot be made of the indirect costs allocated to weights and measures programs by different counties. Nevertheless, we found no evidence to (1) justify excluding indirect costs from program costs eligible for financing from fees or (2) indicate that these cost estimates are, on average, biased.

ADDITIONAL FUNDING SOURCES

We identified four basic sources of funding for weights and measures programs: (1) the state General Fund, (2) county general funds, (3) state fee revenues, and (4) local fee revenues.

We believe fees are an appropriate source of funding for weights and measures programs--as well as for other programs regulating business and commerce--to the extent that: (1) the activity benefits an identifiable and limited group or regulates the group's activities so as to protect the public (the so-called "benefit principle") and (2) it is feasible to collect the fees in a cost-effective manner. Using these criteria, we

FUNDING RECOMMENDATIONS

We found that the present methods of funding for weights and measures programs are generally sound. There are two changes, however, which we believe would improve the current funding arrangement.

Specifically, we recommend that the Legislature enact legislation:

1. Explicitly authorizing the counties to recover the indirect costs of their quantity control activities through registration fees.
2. Withdrawing the exemption from registration fees now enjoyed by owners of retail feed and seed scales.

We further recommend that the Legislature limit the use of state General Fund subventions for quantity control activities to those inspections which produce statewide, rather than localized, benefits.

Table S-1 summarizes the current and our recommended funding arrangements for weights and measures programs, by function.

Table S-1
 Weights and Measures Functions
 Comparison of Current and Recommended Funding Structures

<u>Function</u>	<u>Current Funding Source</u>	<u>Recommended Funding Source</u>
Device Inspection Generally	Local Fees Local General Funds	Local Fees
Retail Grain Feed and Seed Scales	Local General Funds	Local Fees
Quantity Control (Primarily Local Benefits)	State and Local General Funds	Local General Funds
Quantity Control (Primarily Statewide Benefits)	Local and State General Funds	State General Funds
Weighmaster Enforcement	State Fees	State Fees
Petroleum Enforcement	State Fees	State Fees

CHAPTER I

OVERVIEW OF CALIFORNIA'S WEIGHTS AND MEASURES PROGRAMS

The Director of Food and Agriculture has the primary responsibility within California for administering and enforcing the state's weights and measures laws. He carries out these responsibilities through the Division of Measurement Standards (DMS) within the Department of Food and Agriculture (CDFA).

DIVISION OF MEASUREMENT STANDARDS

The DMS's principal function is to provide direction to and oversight of county sealers of weights and measures, who perform most of the actual inspection and enforcement work. The DMS does this by:

- o Establishing statewide and regional inspection and enforcement priorities,
- o Coordinating multicounty inspection and enforcement activities, and
- o Providing technical assistance and training to county personnel.

In addition, the DMS performs some inspection and enforcement activities directly, such as (1) laboratory testing of petroleum products to ensure adherence to prescribed product quality standards, and (2) field investigation and audits of licensed weighmasters.

The programs administered by the DMS consist of the following five elements:

- o Metrology. The DMS maintains the state's primary physical reference standards (the actual weights and measuring instruments

against which commercial weighing and measuring devices are gauged) in a highly controlled environment, in conformity with the standards maintained by the National Bureau of Standards.

The DMS also certifies a number of state and county field enforcement standards (weights and measuring instruments which are calibrated against the primary reference standards) used in the inspection and testing of weighing and measuring devices.

- o Devices. The DMS plays both a technical and enforcement role with respect to the regulation of weighing and measuring equipment. The technical role consists of evaluating and certifying specific types and designs of weighing, measuring, or counting devices which are proposed for commercial use (type approval). The enforcement role encompasses the provision of training and technical assistance to county weights and measures field personnel who inspect these devices.
- o Quantity Control. The DMS oversees and coordinates county sealers' enforcement of minimum packaging and labeling standards for packaged goods and commodities. This program seeks to ensure, for example, that the quantity indicated on the label is the quantity inside the package. The program also provides investigative assistance to counties in cases of suspected fraud or misrepresentation.
- o Weighmaster Enforcement. The DMS has primary responsibility for the weighmaster enforcement program, which involves the licensing and regulation of approximately 6,000 weighing locations and

40,000 weighmasters. In carrying out this function, DMS staff, in conjunction with county personnel, perform field investigations and audits to ensure the accuracy of bulk commodity statements issued by weighmasters (weighmaster certificates).

- o Petroleum Products. The DMS enforces minimum quality and labeling standards for most petroleum products, such as gasoline, diesel fuel, and engine and brake lubricants. It also regulates the advertising of gasoline, other motor vehicle fuels, and oil. As part of its quality control activities, the division maintains a specialized laboratory which is used to analyze petroleum product samples.

COUNTY WEIGHTS AND MEASURES PROGRAMS

A county sealer is appointed by the board of supervisors for his or her respective county. Appointment is made from a list of eligible persons established by the CDFA based on the results of qualifying examinations administered by the department. The term of office for a county sealer is four years, and a person may be reappointed to succeeding four-year terms without limit.

The DMS requires each county to undertake activities in each of the program elements described above, with the exception of metrology. Los Angeles County, however, also runs a metrology program on a fee for service basis. This program primarily serves the aerospace industry in southern California.

For administrative purposes, many counties have combined their weights and measures program with their agricultural programs. In such counties, the agricultural commissioner generally is also the county sealer. In a number of these counties, the sealer's/agricultural commissioner's office is combined with other county functions, such as animal control, air pollution control, and consumer affairs.

CHAPTER II

WEIGHTS AND MEASURES FUNDING

In 1983-84, almost \$12.7 million was spent by the state and counties on weights and measures activities. Of this amount, almost \$3.85 million, or 30 percent, was spent at the state level by the Division of Measurement Standards, while the remaining \$8.82 million, or 70 percent, was spent at the county level. In this chapter, we summarize information regarding the sources of the funds spent on weights and measures activities by the DMS during the most recent four fiscal years and by the counties during 1982-83 and 1983-84.

DIVISION OF MEASUREMENT STANDARDS

The Division of Measurement Standards receives most of its funding from two sources--fee revenues deposited in the Agriculture Fund and appropriations from the state General Fund. It also receives relatively small amounts of funding from the federal government and reimbursements. Table 1 summarizes the division's expenditures, by sources of funds (exclusive of local assistance), for the period 1982-83 through 1985-86.

Table 1

Division of Measurement Standards
 Funding by Source
 1982-83 through 1985-86
 (dollars in thousands)

<u>Source</u>	1982-83 ^a		1983-84 ^a		1984-85 ^a		1985-86 ^b	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
General Fund	\$1,591	45.6	\$1,707	44.4	\$1,894	43.7	\$1,919	42.6
Agriculture Fund	1,686	48.3	1,879	48.8	2,262	52.2	2,404	53.4
Federal Funds	38	1.1	40	1.0	36	1.0	37	0.8
Reimbursements	<u>177</u>	5.1	<u>222</u>	5.8	<u>141</u>	3.3	<u>142</u>	3.2
Totals	\$3,492		\$3,848		\$4,333		\$4,502	

a. Actual expenditures.

b. Budgeted expenditures.

Sources of State Fee Revenue

Agriculture Fund revenues allocated to the Division are derived from four sources, as follows:

Motor Oil Fees. Section 13431 of the Business and Professions Code establishes a motor oil fee of up to 2 cents per gallon of motor oil sold in California. The motor oil fee is levied against the producer for oil produced in-state and against the retailer for oil brought into California from out-of-state. These fee revenues support the division's enforcement of petroleum products standards.

Weighmaster Licensing Fees. Chapter 7, Division 5 of the Business and Professions Code establishes a schedule of weighmaster licensing fees (depending on the number and type of locations at which a weighmaster

operates). Revenues derived from these fees support the division's licensing function and its weighmaster certificate auditing activities.

Industry Standards Certification Fees. Section 12310.5 of the Business and Professions Code requires the division, upon request, to test and certify that devices used by industry for weighing and measuring are within the tolerances established by the National Bureau of Standards. The CDFA has established a fee schedule to recover the costs of this service. These fees support the division's Metrology program.

Device Repairman Registration Fees. Chapter 5.5, Division 5, of the Business and Professions Code requires businesses that repair weighing and measuring devices to register with the CDFA each year. Chapter 5.5 also establishes a basic \$50 per firm registration fee (with additional fees for multiple repair outlets) and an annual enrollment fee of \$5 for each employee. Three-eighths of the revenues derived from these registration and enrollment fees are retained by the division to support its licensing and regulatory activities. The remaining five-eighths of the fees is distributed to the counties in proportion to each county's weights and measures expenditures in the prior fiscal year.

Agriculture Fund Support

Table 2 displays the DMS's use of Agriculture Fund revenues for the period 1982-83 through 1985-86. Table 2 shows that virtually all of the Agriculture Fund support (98 percent in 1985-86) is used for petroleum enforcement and weighmaster enforcement activities.

Table 2

Division of Measurement Standards
 Use of Agriculture Fund Revenues
 1982-83 through 1985-86
 (dollars in thousands)

<u>Program</u>	<u>1982-83 (Actual)</u>	<u>1983-84 (Actual)</u>	<u>1984-85 (Actual)</u>	<u>1985-86 (Budgeted)</u>
Metrology	\$5	\$1	\$12	\$12
Device Inspection	26	16	37	38
Quantity Control	--	--	--	--
Weighmaster Enforcement	594	652	806	857
Petroleum Enforcement	<u>1,061</u>	<u>1,210</u>	<u>1,407</u>	<u>1,497</u>
Total	\$1,686	\$1,879	\$2,262	\$2,404

COUNTY SEALERS OF WEIGHTS AND MEASURES

County weights and measures activities traditionally have been supported almost entirely from county general funds. Table 3 displays county weights and measures funding, by source, for fiscal years 1982-83 and 1983-84. As the table shows, counties reported expenditures for weights and measures of almost \$8.5 million in 1982-83. For 1983-84, counties reported expenditures of \$8.82 million, an increase of \$324,000, or 3.8 percent, over the 1982-83 level.

Table 3

County Weights and Measures
Funding by Source
1982-83 and 1983-84
(dollars in thousands)

<u>Source</u>	1982-83		1983-84	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
County general funds	\$8,223	96.8	\$7,660	86.9
State fees allocated to counties	29	0.3	29	0.3
County fees	203	0.4	1,100	12.4
Other	41	0.5	30	0.4
Totals	\$8,496		\$8,820	

Source: County responses to survey questionnaire.

Device Registration Fees. Chapter 1380, Statutes of 1982, authorized counties to impose annual registration fees to recover the costs of inspecting and certifying (sealing) weighing and measuring devices. Retail gasoline pump meters and retail scales used primarily for weighing feed and seed were specifically exempted from the registration fee provisions of Chapter 1380. Chapter 1245, Statutes of 1983, however, deleted the exemption for retail gasoline pumps, effective January 1, 1984.

Under the terms of Chapter 1380, counties must use their device registration fee revenues solely for device testing and sealing activities. Moreover, any fee adopted pursuant to Chapter 1380 may not exceed the lesser of (a) the county's total costs of actually performing the test or inspection, or (b) the following schedule of maximum charges:

Number of Devices	<u>1 to 3</u>	<u>4 to 9</u>	<u>10 or More</u>
Charge per Location	\$20	\$40	\$60

It is not clear whether the provisions of Chapter 1380 preclude counties from recouping the indirect administrative costs associated with their device testing and sealing activities. Most counties indicate, however, that current fee revenues are insufficient to offset their indirect administrative costs.

The provisions of Chapter 1380 were to sunset on January 1, 1986. Chapter 74, Statutes of 1985, however, extended to January 1, 1988, the sunset date for device registration fee authority.

Survey information provided by the county sealers indicates that only six of the counties had implemented device registration fees in 1982-83. The number of counties implementing device registration fees increased to 18 in 1983-84. Information from the DMS and the California Association of Weights and Measures Officials indicates that, as of September 1985, 29 counties, accounting for approximately two-thirds of the weighing and measuring devices in the state, had adopted device registration fee ordinances.

Fee Revenues Used to Reduce County General Fund Support

As Table 3 shows, counties reported receiving \$1.1 million in fee revenues during 1983-84, an increase of \$897,000, or 440 percent, over 1982-83. This increase was due almost exclusively to the new device registration fees authorized by Ch 1380/82. Because Chapter 1380 did not take effect until January 1, 1983, and then required county boards of supervisors to hold public hearings before adopting a fee schedule, device registration fee revenues in 1982-83 constituted less than 0.5 percent of total county funding. In 1983-84, however, device registration fee

revenues accounted for nearly 11 percent of total revenues statewide, representing an increase of nearly 25-fold.

Table 3 also shows that, on a statewide basis, county general fund support for weights and measures programs declined--both as a percent of total revenues (from 97 percent to 87 percent) and in absolute terms (by 6.8 percent). This decline partially offset the increase in fee revenues.

Table 4

Change in Composition of Funding
For County Weights and Measures Programs
1982-83 to 1983-84

	Increase in Fee Revenues <u>1982-83 to 1983-84</u>	Increase (Decrease) in County General Fund Support <u>1982-83 to 1983-84</u>
18 Counties reporting 1983-84 Device registration fee revenues	\$894,873	(-\$738,536)
27 Other responding counties	<u>2,308</u>	<u>174,912</u>
Totals	\$897,181	(-\$563,624)

Table 4 shows that these two trends--higher fee revenues and lower county general fund support--were not unrelated. County general fund support for weights and measures programs in those 18 counties which received device registration fee revenues in 1983-84 declined by \$738,536 from the 1982-83 level. Only 3 of these 18 counties increased their county general fund support, and that increase amounted to only \$10,507 for the three counties combined.

In contrast, county general fund support for the weights and measures program increased in the 27 counties which did not report any

device registration fee revenues in 1983-84. This increase amounted to \$174,912 over the 1982-83 level for these 27 counties combined. Thus, we conclude that the increased revenue from device registration fees in 1983-84, for the most part, was used to replace, rather than augment, the county general funds allocated to the program in 1982-83.

STATE GENERAL FUND SUBVENTIONS IN 1985-86

In the Budget Act of 1985, the Legislature appropriated \$475,000 from the General Fund to the CDFA as local assistance for county weights and measures programs. These funds are intended to augment county quantity control activities such as verifying that the quantity shown on the label is consistent with the quantity inside the package. In order to receive funds, a county must agree to use them for one or more of the following purposes:

1. Additional quantity control personnel;
2. Equipment (test equipment, vehicles, computer enhancement, etc.);
3. Additional travel expense;
4. Increased funds for undercover purchases; and
5. Additional bulk commodity moisture tests.

Existing state law authorizes the Director of Food and Agriculture to allocate to each county an amount not to exceed one-third of the amount expended by that county for weights and measures activities during the previous fiscal year. Subventions to many counties in 1985-86, however, are considerably less than the statutory maximum. According to the DMS, the \$475,000 was allocated using a two-step formula, as follows:

1. Each county received an amount equal to one-third of its prior-year expenditures or \$6,600, whichever is less; and
2. The remaining funds were allocated among counties in proportion to each county's prior-year expenditures as a percent of county weights and measures expenditures statewide.

This formula favored small counties at the expense of larger counties. Appendix C shows the amounts distributed to individual counties, as reported by the DMS. It shows that Los Angeles County, which spends more on weights and measures than any other county, received the largest dollar allocation--\$28,424. This amount, however, represents only 1.6 percent of the county's 1983-84 weights and measures expenditures--the smallest percentage for any county. In contrast, Mariposa County's allocation of \$779, although the smallest allocation from the 1985 appropriation, amounts to 22 percent of the county's 1983-84 weights and measures expenditures.

CHAPTER III

WEIGHTS AND MEASURES EXPENDITURES AND STAFFING

In this chapter, we present information on weights and measures expenditures and staffing, by program, for different sized counties.

Unfortunately, the responses to our questionnaire do not provide meaningful information on the counties' salary schedules. In order to provide a rough comparison of costs per employee in the different jurisdictions, however, we have included in this chapter information on overall personnel expenditures per personnel-year for the Division of Measurement Standards and the counties responding to our survey.

STATE EXPENDITURES AND STAFFING

Expenditures

Table 5 displays expenditures by the Division of Measurement Standards, exclusive of local assistance expenditures (which are included in county expenditure totals), by program, for 1982-83 through 1985-86.

Table 5

Department of Food and Agriculture
 Division of Measurement Standards
 Expenditures by Program
 1982-83 through 1985-86
 (dollars in thousands)

	<u>1982-83^a</u>	<u>1983-84^a</u>	<u>1984-85^a</u>	<u>1985-86^b (Estimated)</u>	<u>Percent Change 1982-83 to 1985-86</u>
Metrology	\$217	\$224	\$261	\$262	20.7
Device Inspection	1,024	1,139	1,229	1,262	23.2
Quantity Control	528	514	594	587	11.2
Weighmaster Enforcement	596	560	806	857	43.8
Petroleum Enforcement	1,127	1,311	1,443	1,534	36.1
Distributed Administration:					
Program Administra- tion	-- ^c	(254)	(266)	(274)	7.9 ^d
Departmental Overhead	(278)	(306)	(323)	(342)	23.0
Totals	\$3,492	\$3,848	\$4,333	\$4,502	28.9

SOURCE: Governor's Budgets

a. Actual expenditures.

b. Budgeted expenditures.

c. Program administration not separately accounted for in 1982-83.

d. Percentage from 1983-84 to 1985-86.

As Table 5 shows, total DMS expenditures have increased by \$1,010,000, or 29 percent, since 1982-83. This is equivalent to an average annual growth rate of 8.4 percent. Table 5 also shows that \$485,000, or 48 percent, of the increase occurred between 1983-84 and 1984-85.

Staffing

Table 6 provides information regarding the number of personnel-years, total personal services costs (including wages and benefits), and average staff costs per personnel-year for the DMS from 1982-83 through 1985-86. As the table shows, DMS staffing has increased by 5.7 personnel-years, or 7.2 percent, since 1982-83, while the average cost per personnel-year has increased by almost \$8,000, or 27 percent. The increase in the average cost per personnel-year is equivalent to an annual growth rate of 8.15 percent--about the same as the annual growth rate for total DMS expenditures over the same period (8.4 percent).

Table 6

Department of Food and Agriculture
Division of Measurement Standards
Personnel-Years, Staff Costs, and Average Cost Per Personnel-Year
1982-83 through 1985-86

Personnel Years	Staff Costs			Average Staff Cost Per Personnel-Year
	Amount	Percentage of Total Expenditures		
1982-83 ^a	79.6	\$2,374,378	68.0%	\$29,829
1983-84 ^a	77.1	2,591,118	67.3	33,607
1984-85 ^a	82.1	2,938,780	67.8	35,795
1985-86 ^b	85.3	3,218,176	71.5	37,728
Change 1982-83 to 1985-86				
Amount	5.7	\$843,798		\$7,899
Percent	7.2%	35.6%		26.5%

- a. Actual amounts.
b. Budgeted amounts.

COUNTY EXPENDITURES

Table 7 displays county expenditures on weights and measures programs in 1982-83 and 1983-84 as reported by those counties responding to

our survey. The counties are listed in ascending order of population as of January 1, 1983. The table shows that, in general, weights and measures expenditures increase with population.

Table 7

Weights and Measures Expenditures
By County
1982-83 and 1983-84

<u>County (by population)</u>	<u>Total 1982-83</u>	<u>Expenditures 1983-84</u>	<u>Percent Change</u>
Mariposa	\$4,177	\$3,500	-16.2%
Colusa	37,469	32,080	-14.4
Del Norte	26,009	32,662	25.6
Amador	39,675	43,098	8.6
Plumas-Sierra	31,742	42,130	32.7
Glenn	51,060	49,149	-3.7
Calaveras	24,473	26,120	6.7
Tuolumne	22,381	31,436	40.5
Siskiyou	58,943	59,400	0.8
Tehama	94,073	89,089	-5.3
Lake	52,110	51,320	-1.5
Yuba	80,210	48,200	-39.9
Sutter	82,398	74,289	-9.8
Nevada	47,615	60,000	26.0
Mendocino	55,316	66,141	19.6
Kings	105,280	98,250	-6.7
E1 Dorado	73,646	78,521	6.6
Imperial	115,229	97,546	-15.3
Napa	76,000	76,189	0.2
Humboldt	92,322	95,390	3.3
Yolo	75,254	77,396	2.8
Shasta	131,389	127,981	-2.6
Merced	110,613	101,818	-8.0
Butte	88,551	100,498	13.5
San Luis Obispo	176,008	184,654	4.9
Santa Cruz	90,169	86,115	-4.5
Marin	76,004	86,906	14.3
Tulare	280,724	225,691	-19.6
Stanislaus	196,680	215,013	9.3
Monterey	123,813	124,223	0.3
Santa Barbara	136,449	161,213	18.1
Sonoma	231,115	240,758	4.2
San Joaquin	324,638	324,394	-0.1
Kern	357,339	382,594	7.1
Fresno	378,497	416,300	10.0
Ventura	204,800	201,100	-1.8
San Mateo	165,354	201,840	22.1
Contra Costa	318,100	305,565	-3.9
San Francisco	167,353	179,540	7.3
Sacramento	281,805	298,812	6.0
San Bernardino	473,645	504,295	6.5
Santa Clara	348,090	375,495	7.9
San Diego	261,199	444,670	70.2
Orange	501,582	506,100	0.9
Los Angeles	1,827,671	1,792,712	-1.9
Total, All Responding Counties	\$8,496,970	\$8,820,193	3.8%

Weights and Measures a Lower County Priority in 1983-84

Overall, weights and measures expenditures in the responding counties increased by 3.8 percent from 1982-83 to 1983-84. This is roughly one-half the percentage increase in total county expenditures statewide (exclusive of enterprise activities) reported by the State Controller's office for the same period (7.4 percent). Thus, in 1983-84, the responding counties allocated a smaller portion of their combined resources to weights and measures than they did in 1982-83. This means that the counties shifted resources away from their weights and measures programs toward other, presumably higher priority, programs.

Funding Levels Are Volatile

Table 7 also indicates that between 1982-83 and 1983-84, weights and measures expenditures in many counties changed significantly. For instance, 16 of the 45 counties responding to the survey reported a change in expenditures of 10 percent or greater from 1982-83 to 1983-84 (11 increases and 5 decreases); 12 reported a change of greater than 15 percent (8 increases and 4 decreases). Thus, funding for county weights and measures programs is not particularly stable.

County Expenditures By Program

Table 8 shows how the counties chose to distribute funding among weights and measures programs in 1982-83 and 1983-84. In this and many subsequent tables contained in this report, the responding counties are grouped according to their 1983 populations (as estimated by the Department of Finance Population Research Unit), as follows:

o Very Small Counties. Those with populations below 50,000:

Amador	Calaveras	Colusa
Del Norte	Glenn	Lake
Mariposa	Plumas-Sierra	Siskiyou
Tehama	Tuolumne	

o Small Counties. Those with populations between 50,000 and 150,000:

El Dorado	Humboldt	Imperial
Kings	Mendocino	Merced
Napa	Nevada	Shasta
Sutter	Yolo	Yuba

o Medium Counties. Those with populations between 150,000 and 500,000:

Butte	Kern	Marin
Monterey	San Joaquin	San Luis Obispo
Santa Barbara	Santa Cruz	Sonoma
Stanislaus	Tulare	

o Large Counties. Those with populations over 500,000:

Contra Costa	Fresno	Los Angeles
Orange	Sacramento	San Bernardino
San Diego	San Francisco	San Mateo
Santa Clara	Ventura	

Table 8 shows that the allocation of funds among the four field programs and administrative support activities did not vary greatly from 1982-83 to 1983-84. That is, on a statewide basis, each program received roughly the same percentage of total funds in both years.

Table 8
 Weights and Measures Expenditures
 By Program
 1982-83 and 1983-84
 (dollars in thousands)

<u>Program</u>	County Size (Percent of Total Expenditures)				All Responding Counties	
	<u>Very Small</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>	<u>Percent</u>	<u>Dollar Amount</u>
1982-83						
Device Inspection	58.0%	63.8%	54.5%	51.7%	54.2%	\$4,609
Quantity Control	10.3	11.0	14.5	21.9	18.1	1,541
Weighmaster Enforcement	5.7	2.5	3.6	3.6	3.6	303
Petroleum Enforcement	5.1	5.6	5.7	4.8	5.2	438
Administration	21.0	17.0	21.7	17.9	18.9	<u>1,606</u>
<u>Total 1982-83 Expenditures</u>	<u>\$442</u>	<u>\$1,045</u>	<u>\$2,081</u>	<u>\$4,928</u>		<u>\$8,497</u>
1983-84						
Device Inspection	60.9%	63.4%	54.3%	51.3%	53.9%	\$4,755
Quantity Control	9.2	10.9	13.4	19.8	16.7	1,471
Weighmaster Enforcement	6.2	2.4	4.3	5.5	4.9	429
Petroleum Enforcement	4.5	5.6	6.6	4.7	5.3	463
Administration	19.2	17.7	21.4	18.7	19.3	<u>1,702</u>
<u>Total 1983-84 Expenditures</u>	<u>\$459</u>	<u>\$1,001</u>	<u>\$2,132</u>	<u>\$5,226</u>		<u>\$8,820</u>

Note: Percentages may not add to totals due to rounding.

Regardless of size, counties tended to allocate most of their weights and measures budgets to device inspection (roughly 54 percent, statewide). In fact, in all four population categories, expenditures for device inspection were more than double the expenditures for the next largest program (generally administration).

The program activity (excluding administration) accounting for the second largest share of expenditures was quantity control. Here, however, the percentage of county weights and measures expenditures varied by county population category. In general, the emphasis given to quantity control expenditures increased with county population. The largest counties devoted approximately twice as much of their total weights and measures budgets to quantity control (roughly 20 percent) as the smallest counties devoted (roughly 10 percent).

Table 8 also shows that weighmaster enforcement and petroleum enforcement activities received the lowest priority in terms of county expenditures. These two programs accounted for only about 10 percent of total county weights and measures expenditures. This is not surprising, given the fact that the state Division of Measurement Standards (1) performs a significant portion of the field investigation work in the weighmaster enforcement program and (2) exercises primary responsibility for the testing and enforcement of petroleum product standards.

Per Capita Expenditures. Table 9 shows total weights and measures expenditures and per capita expenditures for each of the county population groups in both 1982-83 and 1983-84. The largest counties--those with populations of more than 500,000--contain more than 80 percent of the population residing in the counties responding to the survey, but accounted for only about 60 percent of total county weights and measures expenditures in each of the two years. By contrast, the very small counties--those with populations of less than 50,000--contain only 1.3 percent of total population, but accounted for 5.2 percent of total county weights and measures expenditures each year.

Table 9

Weights and Measures Expenditures
By County Population Category
1982-83 and 1983-84

<u>County Population Category</u>	<u>Population Within Category</u>	<u>1982-83 Expenditures</u>		<u>1983-84 Expenditures</u>	
		<u>Total</u>	<u>Per Capita</u>	<u>Total</u>	<u>Per Capita</u>
Very small	296,110	\$442,112	\$1.40	\$459,984	\$1.52
Small	1,110,800	1,045,272	0.94	1,001,821	0.88
Medium	3,056,000	2,081,490	0.68	2,132,059	0.68
Large	18,045,200	4,928,096	0.27	5,226,429	0.28
All Responding Counties	22,508,110	\$8,496,970	\$0.38	\$8,820,193	\$0.38

Table 9 indicates that, whereas total expenditures generally increase with population, per capita expenditures decrease with population. It thus appears that either (a) the larger counties are able to realize some economies of scale in their weights and measures programs or (b) the smaller counties, in general, place a higher priority on weights and measures activities.

ALLOCATION OF STAFF RESOURCES

Table 10 shows, by program, the number of personnel-years (PYs) which counties devoted to weights and measures activities in 1982-83 and 1983-84. It indicates that, statewide, the number of staff devoted to weights and measures activities declined by 9.1 PYs, or 3.6 percent, from 1982-83 to 1983-84. Table 10 shows that virtually all of this decline (8.6 PYs) took place in the large counties.

Table 10

Personnel-Years
By Program
1982-83 and 1983-84

<u>Program</u>	<u>County Size</u> (Percent of Total Personnel-Years)				<u>All</u> <u>Responding</u> <u>Counties</u>	
	<u>Very</u> <u>Small</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>	<u>Person</u> <u>Percent</u>	<u>Person</u> <u>Years</u>
1982-83						
Device Inspection	59%	61%	55	51%	54%	136.6
Quantity Control	12	11	14	21	18	45.4
Weighmaster Enforcement	5	3	3	4	4	9.0
Petroleum Enforcement	5	6	6	5	5	13.1
Administration	18	19	22	19	20	50.8
<u>Total 1982-83 Personnel-Years</u>	<u>12.9</u>	<u>29.6</u>	<u>63.9</u>	<u>148.5</u>		<u>254.9</u>
1983-84						
Device Inspection	61%	62%	54	51%	54%	131.9
Quantity Control	10	10	14	21	17	42.6
Weighmaster Enforcement	6	3	5	3	4	8.9
Petroleum Enforcement	5	5	6	4	5	12.4
Administration	18	19	22	20	20	50.0
<u>Total 1983-84 Personnel-Years</u>	<u>12.6</u>	<u>29.9</u>	<u>63.4</u>	<u>139.9</u>		<u>245.8</u>

Note: Percentages may not add to totals due to rounding.

The data presented in Table 10 demonstrate that the allocation of staff resources among the four field programs and administrative support activities did not vary significantly from 1982-83 to 1983-84. Once again,

we find that device inspection activities received most of the resources available for weights and measures programs, regardless of county size.

Appendix D presents the ratio of the proportion of total personnel-years of staff devoted to each weights and measures program with the proportion of total expenditures for each program within each county population category for 1982-83 and 1983-84. Nearly all of these ratios are close to 1.00, indicating that the distribution of staff and expenditures among the programs is nearly identical.

STAFF COSTS

Table 11 displays total personnel-years, total staff costs (wages and benefits), and average costs per personnel-year for the weights and measures programs operated by counties of different size. It shows that average staff costs per PY did not vary significantly among the four population categories.

Table 11 also shows that average personnel costs per PY increased by 4.9 percent from 1982-83 to 1983-84. In this case, however, there was considerable variation among the population categories. While the very small counties showed an increase in average staff costs per PY of 11.3 percent, the small counties showed a 1.6 percent decrease.

Table 11
 County Weights and Measures Programs
 Average Staff Costs Per Personnel-Year
 1982-83 and 1983-84

County Population Category	1982-83		1983-84		Percent Increase (Decrease) 1982-83 to 1983-84
	Personnel-Years	Average Cost Per Personnel-Year	Personnel-Years	Average Cost Per Personnel-Year	
Very Small	12.9	\$28,074	12.6	\$31,244	11.3
Small	29.6	26,884	29.9	26,444	-1.6
Medium	63.9	27,207	63.4	27,646	1.6
Large	148.5	29,497	139.9	31,492	6.7
All Responding Counties	254.9	28,487	245.8	29,874	4.9

When the data in Table 11 are compared with Table 6, one finds that salary and benefit costs per personnel-year in the state's Division of Measurement Standards were greater than they were in any of the four county population categories.

CHAPTER IV

ADMINISTRATIVE COSTS

Senate Concurrent Resolution 30 requires the Legislative Analyst to examine the total costs of administering county weights and measures programs, both direct and indirect. In doing so, we are directed to use reasonable cost procedures, such as those described in the [Office of] Management and Budget Circular A-87. In this chapter, we (1) describe the guidelines for allocating indirect administrative costs contained in Circular A-87 and (2) summarize the available information on indirect administrative costs allocated to county weights and measures programs, as reported by the counties responding to our survey.

COST ALLOCATION

In conducting its operations, an agency incurs basically three types of costs:

- o Direct program costs are those incurred in connection with a particular program or activity, such as a county sealer's device inspection program. Typical direct costs include (1) salaries and wages of employees carrying out the program activities, (2) the cost of goods and services used in program activities, and (3) the cost of equipment, buildings, and other fixed assets that are specifically used for the program activity.
- o Direct administrative costs are those costs which cannot be readily attributed to a particular program activity or function because they are incurred for the benefit of all agency programs.

These costs may include a county sealer's central administrative staff and the facilities and office equipment used in common by all or most of the sealer's programs. These costs generally are included in the weights and measures budget under "administration."

- Indirect administrative costs, or central support services costs, are costs which are necessary to sustain the effort involved in administering an agency's field-level programs or services. These services may include payroll processing, accounting, budgeting, audit functions, data processing, and facilities maintenance and operations. Ordinarily, these services are performed by a central county department or unit that is organizationally separate from the weights and measures agency. As a rule, these costs are not included in the expenditure totals for the county sealer.

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-87

As the number and significance of federal grants to state and local governments increased in the 1960s, state and local governments became increasingly concerned about the indirect and central support services costs brought about by the need to administer these grants. While the grantor-agencies acknowledged the legitimacy of these concerns, they were unwilling to let grantees decide how much indirect cost should be charged to each federal program.

In response to these concerns, the Bureau of the Budget (now the Office of Management and Budget--OMB) issued Circular A-87, setting forth

uniform cost principles applicable to federal grants and contracts with state and local governments. Circular A-87 requires agreement in advance on (1) the types of costs which can be charged to federal grants and (2) the methods used for determining the amount of the charges.

Circular A-87 establishes guidelines and principles for the treatment and allocation of indirect costs; it does not require a uniform method of accounting for, or allocating, indirect costs among all state and local governments. Circular A-87 does not require allowable indirect costs to be incurred within the same department or unit carrying out a program, nor does it require that funds actually be transferred between departments or organizations.

Circular A-87 recognizes that there is no universally accepted method of characterizing costs as either direct or indirect, and that different jurisdictions may categorize the same type of costs in different ways. Circular A-87 merely requires that the accounting methods used by each jurisdiction be reasonable and consistently applied, from one year to the next, among all of the jurisdiction's departments or programs.

COUNTY COST ALLOCATION PLANS

Under Circular A-87, each county must prepare a countywide cost allocation plan (CAP) annually in order to receive federal reimbursement for indirect administrative costs related to federally supported programs. In California, the counties' CAPS also are used to determine the amount of costs chargeable to many state-supported programs.

In essence, a CAP prepared pursuant to Circular A-87 identifies the total cost of county central support services and allocates this cost among

all of the county's programs. The federal guidelines do not allow the allocation to federal grant programs of certain costs, such as the general operating costs of the county board of supervisors, the chief administrative officer, or county counsel, since these are considered a cost of general government.

The cost allocated to a specific program represents that program's fair share of what it costs to maintain county support services. In cases where the county administers state or federal programs, it also represents a cost which may, at least partially, be charged to the state or federal governments.

In California, county CAPs must be submitted to the Office of the State Controller's Bureau of County Cost Plans (BCCP). The BCCP has been delegated the authority to review and approve the CAPs on behalf of the federal government. The BCCP reviews the plans to ensure that only allowable indirect administrative and central support service costs are identified, and that these costs are accumulated and allocated to county programs correctly and in a consistent manner.

The information submitted by the counties to the BCCP indicates the dollar amount allocated to each county program for indirect administrative and central support services costs. Many counties' weights and measures programs, however, are operated within county agricultural departments and/or other county programs. It is not possible, therefore, to determine the exact amounts of indirect administrative and central support services costs allocated to each county's weights and measures program under the CAPs. Therefore, for the years 1982-83 and 1983-84, we estimated the

amount allocated to each county's program based on information contained in the approved CAPs on file with the BCCP and the proportion of county agriculture departments' budgets devoted to weights and measures.

Indirect Cost Allocations to Weights and Measures Programs

Table 12 summarizes our estimates of the indirect administration costs allocated to county weights and measures programs, by counties of different size. As the table shows, indirect administrative costs in the very small counties--those with populations of less than 50,000--account for a much smaller percentage of total weights and measures expenditures than they do in the larger counties.

Table 12

Indirect Administrative and Central Support Service Costs
Allocated to County Weights and Measures Programs
By County Population Category
1982-83 and 1983-84

County Population Category	1982-83		1983-84	
	Estimated Amount ^a	Percentage of Total Expenditures	Estimated Amount ^a	Percentage of Total Expenditures
Very Small	\$29,246	6.6%	\$35,588	7.7%
Small	118,501	11.3	101,772	10.2
Medium	173,293	8.3	169,836	8.0
Large	<u>604,000</u>	12.3	<u>663,742</u>	12.7
All Responding Counties	\$925,040	10.9%	\$970,938	11.0%

a. Estimated by Legislative Analyst's office based on information provided by the Bureau of County Cost Plans.

Because local governments in California do not use the same accounting system, similar costs may be classified differently by different counties. For example, the weights and measures program's copying costs may be treated as direct or indirect administrative costs, depending on

whether the program uses its own copying machine or has it done by a central county unit. Similarly, personnel administration costs may be treated as direct or indirect, depending on whether the program itself has its own personnel office.

For this reason, it is not clear to what extent, if any, the differences which appear in Table 12 are indicative of differences in actual costs rather than differences in accounting methods.

Our analysis indicates that the data on which Table 12 is based are not always comparable. Not only are similar types of costs treated differently by the counties, the counties use a variety of different bases for determining their indirect administrative costs.

For instance, most counties determine the share of indirect administrative costs allocated to the weights and measures program by determining what percentage of total county expenditures is accounted for by the county sealer. Santa Clara County, however, bases its allocation on a comparison of the county sealer's general fund weights and measures expenditures with total county general fund expenditures. Butte County uses a third method to allocate indirect administrative costs to the weights and measures program.

Currently, the Department of Food and Agriculture does not recognize indirect administrative costs in calculating expenditures by county sealers (which form the basis for allocating funds among counties). Therefore, to the extent that some counties include in their direct costs categories of spending that are designated indirect costs by other counties, the former group of counties may receive larger subventions than the latter group.

Also, to the extent, however, that county fees are based on the cost of service, including indirect costs, different cost allocation mechanisms may account for part of the differences in county fees.

Notwithstanding these differences, there is no reason to assume that, on average, indirect cost allocations are biased, so long as they are consistent with county CAPs.

Indirect Cost Allocations at the State Level

At the state level, indirect administrative costs are charged to all special fund programs through the Statewide Cost Allocation Plan (SWCAP), and fees or user charges generally are set at levels sufficient to fully cover all costs, including indirect costs.

CHAPTER V

ALTERNATIVE SOURCES OF FUNDING

Senate Concurrent Resolution 30 directed the Legislative Analyst's office to include in this report recommendations on alternative methods for funding weights and measures programs. In this chapter, we consider four separate sources of funding for these programs: (1) the state General Fund, (2) county general funds, (3) state fee revenues, and (4) local fee revenues.

APPROPRIATE USE OF FEES

We believe that fees are an appropriate source of funding for a program activity when (1) the activity benefits directly an identifiable group of persons (the so-called "benefit principle" that is widely accepted in public finance) and (2) there is a feasible and cost-effective mechanism available for collecting the fees. Adherence to the benefit principle helps government emulate the market pricing mechanism, which allocates goods and services efficiently. At the same time, the "feasibility test" helps government avoid applications of the benefit principle that cost more to implement than they yield in benefits.

The use of fees to finance regulatory programs is a well-established practice in California state government. The Contractor's State License Board, the Bureau of Automotive Repair, and many of the agricultural programs administered by the California Department of Food and Agriculture are viewed as benefiting primarily those being regulated (or promoted) and consequently are funded almost exclusively from license and registration

fees. To the extent that these charges are passed on to consumers, in the form of higher prices, only those consumers of the regulated product or service--and thus only those benefitting from the regulatory program--bear the cost.

Funding for weights and measures activities generally conforms only partially to this financing model with some notable exceptions. On the one hand, the Division of Measurement Standards funds its weighmaster enforcement and petroleum enforcement programs entirely from fees imposed on regulated entities. On the other hand, device inspection and quantity control activities, until quite recently at least, have been funded almost exclusively from general revenues.

Our analysis tends to confirm the appropriateness of using fees to support the petroleum enforcement and weighmaster enforcement programs. Both provide benefits to identifiable groups, and we know of no special circumstances that would warrant a state or local subsidy for these groups in lieu of fees. Our analysis also suggests that device inspection is an appropriate candidate for fee support. Here again, the beneficiaries (device owners) are easily identifiable and a fee system appears to be feasible.

State Versus Local Fees. We believe that in determining which level of government should impose and collect fees, the Legislature should consider whether the benefits of the fee-supported activity are localized or extend beyond the locality's borders.

In our judgment, the benefits from regulating most retail weighing and measuring devices, such as supermarket scales and gasoline pumps, are

primarily local in nature. On the other hand, because petroleum products often are distributed statewide, the sampling and analysis activities conducted under the weights and measures program generally provide benefits statewide, regardless of where samples are obtained.

Using these criteria, we conclude that county-imposed fees are the appropriate funding source for local device inspection programs. These fees have been authorized by Ch 1380/82, and a growing number of counties are implementing them. In contrast, we believe that enforcement of petroleum product quality and weighmaster standards is appropriately funded from state-imposed fees.

APPROPRIATE USE OF GENERAL FUNDS

We believe a good case can be made that local quantity control enforcement activities, such as undercover purchases of goods in grocery or hardware stores, also benefit an identifiable group and could legitimately be funded through fees. In this case, however, the principal beneficiaries--patrons of grocery and hardware stores--are virtually indistinguishable from the general county population. Consequently, a fee levied to support these activities would amount to a general business or sales tax. In such instances, we believe county general funds represent a more feasible--and therefore more appropriate--source of funding.

Similarly, we conclude that the costs of certain quantity control inspections are more appropriately funded from the state General Fund than from fees. This is because the benefits from inspections conducted at the point of manufacture or at a central distribution point of prepackaged products, such as soft drinks, candy and other food products, which are

distributed statewide, accrue statewide. On this basis, continuation of General Fund subventions to counties is warranted.

CONCLUSION

In summary, our analysis indicates that (1) the existing state-administered fee system is appropriate for support of the petroleum enforcement and weighmaster enforcement programs, (2) the locally administered device registration fee system authorized by Chapter 1380 is appropriate for support of the device registration and inspection program, and (3) a combination of state General Fund subventions and county general funds is the most appropriate source of financing for county quantity control activities.

CHAPTER VI

FUNDING RECOMMENDATIONS

As discussed in Chapter V, we find that the methods now used to fund county weights and measures programs are generally sound. By allocating program costs to those who benefit most directly from these programs, the current funding arrangements substantially comply with the benefit principle.

Nevertheless, we believe further improvements are possible in the way weights and measures programs are funded. This chapter discusses two recommendations which, if implemented, would strengthen the current system and make it more consistent with the benefit principle. These recommendations address (1) the current statutory limits on device inspection fees and (2) the use of state General Fund subventions for quantity control work.

DEVICE REGISTRATION FEES

Chapter 1380, Statutes of 1982, authorized counties to impose device registration fees in order to recover the costs of inspecting and certifying retail weighing and measuring devices. Chapter 1380, however, limits the amount of the fee which may be charged to the lesser of (1) the actual cost of the inspection or (2) a fixed dollar amount that varies according to the number of devices per business location. Furthermore, Chapter 1380 exempts retail scales used primarily for weighing feed and seed from registration fees.

To the extent that the exemptions from and limitations on registration fees prevent counties from recouping the total costs--direct and indirect--of their device inspection activities, county taxpayers must make up the difference.

We can find no convincing reason why businesses using weighing devices should be subsidized by the taxpayers. Rather, it would seem that the costs associated with insuring the accuracy of these devices is a normal cost of doing business and should be borne by the owners who benefit from the inspections. On this basis, we recommend that the Legislature enact legislation:

1. Authorizing counties to charge device registration fees that are sufficient to cover both direct and indirect costs associated with device inspections; and
2. Withdrawing the current exemption from fees granted to owners of retail feed and seed scales.

SUBVENTIONS FOR QUANTITY CONTROL ACTIVITIES

Our analysis indicates that many county quantity control activities could appropriately be funded from the state General Fund. This is because the benefits from inspections at a central manufacturing or distribution plant provide benefits on a statewide basis.

In 1985-86, state General Fund subventions for quality control programs total \$475,000, or about 32 percent of direct expenditures for quantity control activities made by the counties responding to our survey in 1983-84. Although the use of this money is limited to quantity control programs, there is no requirement that these funds be used for inspection

which yield statewide benefits. If the Legislature decides to continue these subventions in the future, we recommend that it include in the appropriations bill language which requires counties to use the funds specifically for inspections offering statewide benefit.

APPENDIX A

SENATE CONCURRENT RESOLUTION NO. 30 RELATIVE TO WEIGHTS AND MEASURES

Resolved by the Senate of the State of California, the Assembly thereof concurring, That the Legislative Analyst conduct a study of the activities of county sealers of weights and measures and the Department of Food and Agriculture in carrying out the duties required by Division 5 (commencing with Section 12001) of the Business and Professions Code. The study shall ascertain to the extent possible the most critical features of the program, such as the personnel years and salary schedules, the frequency of device inspections, the costs of each activity, the total costs for administration, both direct and indirect, the total dollar expense, and the source of funding for 1981 and 1982 compiled by county and summarized statewide, based on reasonable cost procedures, such as Management and Budget Circular A-87; and be it further

Resolved, That, in conducting the study, the Legislative Analyst may selectively employ the use of written questionnaires and interviews along with review of available data; and be it further

Resolved, That the Legislative Analyst report his findings and recommendations, including recommendations on alternative methods of funding, to the Legislature by April 30, 1984; and be it further

Resolved, That the Secretary of the Senate transmit a copy of this resolution to the Legislative Analyst.

APPENDIX B

WEIGHTS AND MEASURES SURVEY

County of _____

Prepared by: _____

Telephone: () _____

Funding Sources

<u>Source</u>	Amount			
	(Actual) 1977-78	(Actual) 1981-82	(Actual) 1982-83	(Estimated) 1983-84

County General Funds

State Agriculture Fund (§12539, B&P Code)

Fees^a

Mandatory fees
(fees as authorized
by Section 12240, Business
and Professions Code)

Fees for requested services
(Stand-by fees, etc.)

Other^b

Totals, All Sources

- a. What fees produce most of your fee revenue and for what amount is each of these fees set?
- b. For other revenue, list amounts by source.

Budget Summary by Object

<u>Object</u>	Expenditures			
	(Actual) 1977-78	(Actual) 1981-82	(Actual) 1982-83	(Estimated) 1983-84
Personnel Services				
Salaries and wages				
Employee benefits				
Total, Personal Services				
Operating Expenses and Equipment				
Special items, adjustments (describe below)				
Totals, Expenditures				

Staffing				Expenditures ^a			
Personnel-Years				Expenditures ^a			
(Actual)	(Actual)	(Actual)	(Est.)	(Actual)	(Actual)	(Actual)	(Est.)
1977-78	1981-82	1982-83	1983-84	1977-78	1981-82	1982-83	1983-84

Position Summary

Classification^b

- a. Wages and benefits.
- b. Director, Inspector I, Account Technician, etc.

Staff By Program

	Personnel-Years				Expenditures ^a			
	(Actual) 1977-78	(Actual) 1981-82	(Actual) 1982-83	(Est.) 1983-84	(Actual) 1977-78	(Actual) 1981-82	(Actual) 1982-83	(Est.) 1983-84

Program

Device inspection

Quantity control

Weighmasters

Petroleum
Enforcement

Administration

Total

a. Wages and benefits.

Total Expenditures by Program

<u>Program</u>	Expenditures			
	(Actual) 1977-78	(Actual) 1981-82	(Actual) 1982-83	(Est.) 1983-84
Device inspection				
a. devices under B&P Code Section 12240				
b. all others				
Quantity control				
Weighmasters				
Petroleum enforcement				
Administration directly associated with:				
Device inspection				
Quantity control				
Weighmasters				
Petroleum Enforcement				
Subtotal				
Countywide administrative costs ¹				
Totals, Administration				
Totals, Expenditures				

1. Costs that are allocated to the sealer's office and are included in the sealer's budget as reported to the Department of Food and Agriculture.

Countywide Administrative Costs

<u>Pro Rata</u> ¹	<u>Other</u> ²	<u>D N A</u>
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How are the countywide administrative costs that are allocated to the sealer's office, and which appear in the sealer's budget, determined?

(Check DNA if countywide administrative costs are not allocated to the sealer's office or do not appear in the sealer's budget as reported to the Department of Food and Agriculture.)

1. For pro rata determinations, what is the base used (i.e. county general funds only or total expenditures)?

2. For determination by other methods, briefly characterize the method used.

PROGRAM ACTIVITY

			Number of Inspections					
1981-82			1982-83			1983-84		
No.	% of	Total	No.	% of	Total	No.	% of	Total

PROGRAM ACTIVITY

Device Inspection

Retail Devices

Wholesale Devices

Repair Persons

Two-party Devices*

Milk Tanks

- a. liquid test
- b. visual

Vapor Meters

Electric Meters

1981-82		1982-83		1983-84	
Est.	No.	Est.	No.	Est.	No.
Vis	Insp	Vis	Insp	Vis	Insp

Weighmaster**

- a. audits
- b. reweighings
- c. investigations
- d. legal actions
- e. complaints

Quantity Control**
per monthly reports

Petroleum Enforcement**
per monthly reports

* Do not include with wholesale or retail devices

** Use your state monthly report totals

QUESTIONNAIRE EXPLANATION

PAGE

1. Funding Sources

a. Mandatory Fees

Fees charged where the person paying has no choice.

b. Other Fees

Include reimbursement for investigative costs, but do not include fines or civil judgments.

2. Budget Summary by Object

a. Salaries and Wages

Include the prorated share of departmental administrative salaries, such as Director/Sealer, Deputy Sealer and Clerical.

b. Operating Expenses and Equipment

Include all services and supplies including any countywide administrative costs charged in the Sealer's budget.

c. Special Items

Include capital outlay

3. Staffing

This page should be self-explanatory.

4. Staff by Program

a. Device, Quantity Control, Weighmaster and Petroleum.

Report Inspector Hours

b. Administration

Report prorated share of Director/Sealer, Supervising Deputies and Clerical.

5. Total Expenditure by Program

a. Program

Report total program cost, including services and supplies, vehicles, etc., but do not include departmental administrative costs or countywide administrative costs which are to be shown further down on the page.

b. Administration

Report prorated share of Director/Sealer, Supervisors and Clerical.

c. Countywide Administrative Costs

Include only those costs shown in your budget.

d. Total Administration

Total of administrative costs and countywide costs (b & d above)

6. Countywide Administrative Costs

Self explanatory

7. Program Activity

% of total means "what percent of the total number of devices in the county were inspected?"

Weighmaster, Quantity Control and Petroleum Enforcement should be reported just as you report them to the State.

APPENDIX C

Allocation of General Fund Subvention
to County Weights and Measures Programs
1985-86

<u>County</u>	<u>Amount</u>	<u>County</u>	<u>Amount</u>
Alameda	\$12,887	Siskiyou	\$7,164
Alpine	1,125	Solano	8,892
Amador	7,116	Sonoma	9,491
Butte	8,376	Stanislaus	8,964
Calaveras	6,912	Sutter	7,488
Colusa	6,984	Tehama	7,572
Contra Costa	10,271	Trinity	3,884
Del Norte	6,996	Tulare	9,312
El Dorado	7,308	Tuolumne	6,936
Fresno	11,507	Ventura	9,383
Glenn	7,188	Yolo	7,464
Humboldt	7,740	Yuba	<u>7,200</u>
Imperial	7,632		
Inyo-Mono	7,512	Total	\$474,538
Kern	11,195		
Kings	7,776		
Lake	7,320		
Lassen	6,034		
Los Angeles	28,424		
Madera	7,464		
Marin	7,668		
Mariposa	779		
Mendocino	7,392		
Merced	7,992		
Modoc	6,864		
Monterey	8,088		
Napa	7,512		
Nevada	7,428		
Orange	12,695		
Placer	7,728		
Plumas-Sierra	6,948		
Riverside	8,844		
Sacramento	10,187		
San Benito	6,852		
San Bernardino	12,659		
San Diego	11,939		
San Francisco	8,532		
San Joaquin	10,499		
San Luis Obispo	8,652		
San Mateo	8,760		
Santa Barbara	8,520		
Santa Clara	10,715		
Santa Cruz	7,632		
Shasta	8,136		

APPENDIX D

Ratio of Proportion of Staff to Proportion of Expenditures
Devoted to Weights and Measures Programs
By County Population Category
1982-83 and 1983-84

<u>Program</u>	<u>County Population Category</u>				<u>All Responding Counties</u>
	<u>Very Small</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>	
1982-83					
Device Inspection	1.02	0.95	1.00	0.98	1.00
Quantity Control	1.20	1.00	1.00	0.95	1.00
Weighmaster Enforcement	0.83	1.00	0.75	1.00	1.00
Petroleum Enforcement	1.00	1.00	1.00	1.00	1.00
Administration	0.86	1.12	1.00	1.06	1.05
1983-84					
Device Inspection	1.00	0.98	1.00	1.00	1.00
Quantity Control	1.11	0.91	1.08	1.05	1.00
Weighmaster Enforcement	1.00	1.50	1.25	0.60	0.80
Petroleum Enforcement	1.00	0.83	0.86	0.80	1.00
Administration	0.95	1.06	1.05	1.05	1.05

Note: Ratios for small programs may be affected by rounding errors in the percentages used to generate this table.