

GOVERNOR'S 1999-00 BUDGET PROPOSAL FOR: GENERAL GOVERNMENT

DEPARTMENT OF INDUSTRIAL RELATIONS

The Department of Industrial Relations (DIR) has the responsibility to protect the workforce, improve the working conditions of workers, and advance opportunities for profitable employment in California. The Department enforces workers' compensation laws, adjudicates workers' compensation claims, administers programs to prevent industrial injuries and deaths, promulgates regulations, and enforces laws relating to wages, hours, and conditions of employment. The Governor's budget proposes total expenditures of \$223.7 million for the 1999-00 budget year, 0.4 percent less than estimated current year expenditures.

Some of the major budget proposals for the Department of Industrial Relations include:

- \$91.7 million (\$74.2 million General Fund, \$17.5 million Workers' Compensation Administration Revolving Fund) for the Division of Workers' Compensation to address ongoing workload;
- \$6.2 million General Fund to continue funding of the Targeted Industries Partnership Program, which provides consultation and inspection services intended to reduce injuries, illnesses, and worker's compensation losses of employers in these industries;
- \$5.2 million to fully fund rent increases resulting from relocation to the newly completed state-owned San Francisco office building; and
- \$429,000 to restore funding for the Industrial Welfare Commission (IWC). The IWC is authorized to adopt Wage Orders that impact wages, hours, labor conditions, and employment in California.

The Governor's budget also intends on restoring the eight-hour day, enacting legislation to reenact DIR's authority to assess employers for a portion of the support of the Division of Workers' Compensation and enacting legislation to continue DIR's authority to assess employers with the highest incidence of preventable injuries for the cost of the targeted industries and consultation program.

DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

The Department of Fair Employment and Housing's (DFEH) statutory mandate is to protect the rights of the people of California to be free from discrimination in employment, housing and public accommodation as well as hate violence pursuant to the California Fair Employment and Housing Act, the Unruh Civil Rights Act, and the Ralph Dills Act.

The DFEH evolved from the Department of Industrial Relations' Division of Fair Employment Practices, which was established by the Legislature in 1959. In 1980, DFEH became an independent department. The DFEH is within the State and Consumer Services Agency, and is organized into three internal functions: enforcement, legal, and administrative services.

MAJOR PROPOSALS

The Governor's 1999-00 Budget includes an increase of \$1.4 million General Fund and 12 positions for the Employment unit to investigate complaints of employment discrimination in California. In addition, the following is proposed:

- \$434,000 to fund full-year rental costs of the department's move into the new State office buildings in Oakland and San Francisco.

In recent years, DFEH's ability to meet its statutory mandate to investigate and close a case within the mandated one year time frame has been severely impacted by an increased number of discrimination complaints, staff reductions, expanded jurisdiction, and enhanced public awareness of harassment and discrimination. During each of the last nine fiscal years, the number of complaints filed with DFEH has steadily increased.

Annual funding increases have kept pace with the department's incremental increases in caseload requirements. The department indicates that with these augmentations, they are now able to close all cases before the statutory one-year deadline.

EMPLOYEE COMPENSATION

California employee compensation is most appropriately understood in the context of the issue that is paramount to both labor and management—a collective bargaining unit agreement to protect employees as well as managers, to guide their respective conduct, to define their respective duties and the resulting discretionary parameters. The new administration inherits an impasse between employee groups and state departments that has dragged on for several years. Because all parties recognize this coming year as the first opportunity in some time to bring closure to this matter and

return their combined energy and focus fully to bear upon improving the delivery of service to the people of California, the new administration has exercised the requisite fiscal discipline and strategic preparation to facilitate resolution of this matter.

The proposed budget not only provides the necessary resources to fulfill its compensation increase obligations under the agreements reached with a few bargaining units effective July 1, 1998, but it also sets aside funding (\$28.1 million in 1998-99) to facilitate collective bargaining with those numerous represented employees who have been without an agreement or a pay raise for several years. In 1999-00, \$190 million is budgeted to provide for compensation increases which may be agreed to through the collective bargaining process.

The funding will be applied to whatever rate increases and effective dates are eventually agreed upon. The amount should not be construed to represent a foreshadowing of the floor or ceiling of the eventual percentage increase for any given bargaining unit.

DEPARTMENT OF FOOD AND AGRICULTURE

Through its many divisions and program elements, the California Department of Food and Agriculture: serves the consumer by maintaining a viable food system; provides leadership in the development of California food and agricultural policy; offers industry assistance relative to marketing and export endeavors; spearheads harmful pest and plant disease prevention and eradication; develops and enforces weights and measures standards for all levels of commerce; and provides technical support and financing for agricultural pursuits to agricultural districts, counties and citrus fairs.

The new administration recognizes the importance of the agriculture industry to the public health and economy of California. In accordance with said recognition the proposed budget continues to support beneficial programs originated by both the prior administration and the Legislature. For instance, despite the General Fund situation, the Governor actually provides slight increases to the base budget for pest prevention and eradication programs. Approximately \$201 million in total department funding is scheduled for 1999-00. Over \$70 million of the total department appropriation is General Fund. Another \$86 million comes from the Agricultural Fund. The balance of the department's total appropriation is made up of federal dollars and various Special Funds. The 1999-00 appropriation reflects an increase of almost \$600,000 despite the General Fund situation. Some of the more notable programs the \$201 million support are as follows:

- Over \$7.6 million combined for both release of sterile medfly efforts as well as domestic parcel inspection for pest infestation;
- Total funding for plant and animal health, pest prevention and food safety programs exceed \$94 million (various funds); and

- Total funding supporting marketing, commodities and agricultural services exceeds \$54 million (various funds).

The decision to preserve existing levels of funding in light of the condition of the General Fund is evidence that the new administration will not be shrinking from its responsibilities to consumers and the industry. If the citrus freeze damage continues to climb and pest detections and need for eradication strategies escalate, the new administration is prepared to consider added funding to help restore industry stability and consumer access. The Legislature should be prepared to work with the Governor to find added resources in the event of such a scenario.

MAJOR PROPOSALS

The major proposals for the Department of Food and Agriculture include:

- \$10 million in local assistance to allow counties to increase their pest exclusion efforts thereby reducing the pest infestation risk to California agriculture and the associated need to engage in mass eradication spraying. \$5 million was added by Legislature in last year's budget process. The new administration recognizes the importance of this Legislative augmentation and has committed to preserving the funding level.
- \$7.3 million total for capital outlay projects that are critical to preventing the introduction of plant diseases and pests that cause public health problems, serious financial losses to the California agricultural industry or adversely affect the supply of agricultural products to consumers. Specifically the budget provides \$6.9 million to fund continuing phases of the relocation project for the Truckee Agricultural Border Station and \$411,000 for preconstruction requirements associated with the new Agricultural Border Station at Yermo.
- \$250,000 for 1998-99. This is a Legislative augmentation that is to be used to contract with the University of California to conduct a review of the department's risk assessment of fertilizer hazards. The new Governor continues support for this augmentation. The levels of heavy metals and other notable contaminants found in fertilizers, has received increasing attention from the scientific community. This review is necessary to confirm the department's understanding of the risks to public safety posed by fertilizer products so that appropriate statutory and regulatory measures can be employed.

MILITARY DEPARTMENT

The Military Department is responsible for the leadership, command and management of the Air National Guard and the California Army. The purpose of the California National Guard is to provide military service supporting this State and the nation. The primary objective of the department is to provide mission ready forces to the Federal Government, emergency public safety support to civil authorities, and support to the community as approved by proper authority. The Governor's budget proposes total expenditures of \$60 million for the 1999-00 budget year, similar to current year expenditures. The Military Department receives an additional \$399.6 million in federal funds which are not deposited in the state treasury.

MAJOR PROPOSALS

The major proposals for the Military Department include:

- \$3 million General Fund to make additions and modifications to the Fresno Aviation Classification Activity Depot such as expanding the helicopter and airplane hangars and building a new Paint/Strip facility;
- \$2.3 million General Fund to purchase property with existing buildings to supplement the existing armory in the Bakersfield area which is overcrowded and does not meet current health and safety code requirements; and
- \$1 million General Fund to continue the homeless shelters program at various National Guard armories during the winter months. The Administration will seek legislation to extend the sunset date (March 1999) the Temporary Emergency Shelter Program, until a permanent source of funding can be identified.

DEPARTMENT OF VETERAN AFFAIRS

The Department of Veterans Affairs (DVA) provides services to California Veterans and their dependents, and to eligible members of the California National Guard. The principle activities of DVA include: (1) providing home and farm loans to qualifying veterans, using proceeds from the sale of general obligation and revenue bonds; (2) assisting eligible veterans and their dependents to obtain federal and state benefits by providing claims representation, subventions to county veterans service officers, and direct educational assistance to qualifying dependents; and (3) operating veterans' homes in Yountville and Barstow with several levels of medical rehabilitation services, as well as residential services.

The 1999-00 proposed budget is almost \$351 million and reflects a 2.7 percent relative to the department's 1998-99 appropriation. The majority of the increase is accounted for by the scheduled construction of the Veteran's Home at Chula Vista.

The new administration addresses the needs of veterans in ways not experienced by this group in several years. In addition to supporting existing funding levels for meritorious endeavors, the new administration has taken decisive first steps to develop remedies for deficiencies in state efforts for veterans. The Governor will launch the following policy directives to comprehensively and systematically address long-standing issues:

Reported Abuse in Veterans' Homes in California: The Governor will sign legislation to create an Office of the Inspector within the Department of Veteran Affairs. This entity would investigate, as well as serve as a deterrent, to the reported abuse of veterans in the department operated homes (Yountville and Barstow). While obviously overdue, this measure will do much to rectify current problems and protect veterans in the future.

Quality of Health Care in Veterans' Homes in California: The Governor will appoint a Blue Ribbon Commission to develop findings for improvement of the health care provided at the Veterans' Homes.

Cal-Vet Program—Existing Function, Future Role: The Governor will direct the Bureau of State Audits (BSA) to conduct program and fiscal audits of the Cal-Vet Loan Program. This will lay the ground work for addressing the crucial policy question ignored by the previous administration as to what should be done if it is found that the need for home loans is not as great as say elder care for an aging veteran population. With the BSA findings combined with existing study findings--the Secretary will, within 180 days of being appointed, make recommendations for what restructuring of the Cal-Vet program would be in order.

"Veterans' Bridge": The Secretary will also report to the Governor on gaps in supportive services to veterans and how to fill or bridge said gaps.

MAJOR PROPOSALS

The major proposals for the Department of Veterans Affairs include:

- \$14.6 million and 126 positions to staff and operate the new Chula Vista Veterans Home which is under construction and scheduled to be completed by February 2000. Nursing and medical staff will be available on site, providing a full complement of medical services to this state's deserving veterans;
- \$385,000 to increase outside health care provider funding for veterans; and

- \$2.1 million for funding of County Service Veterans Offices (CVSOs). CVSOs assist veterans to secure federal benefits that absent such assistance the veterans would go without. By connecting veterans to federal benefits, the CVSOs provide an important service to this worthy group as well as significantly reduce reliance on local general assistance and various forms of state aid, thereby driving notable savings to both state and local government. Although he originally denied funding increases for this effort in his last budget proposal, the previous Governor followed the Legislature's lead and eventually supported a 31 percent increase in General Fund (reflected herein) resources for CVSOs. The new Governor recognizes the importance of this effort and continues the funding at the level supported by the Legislature.

FRANCHISE TAX BOARD

The Franchise Tax Board (FTB) administers the Personal Income Tax (PIT) and the Bank and Corporation Tax laws, which contribute a significant portion to the General Fund. The Governor's budget proposes total expenditures of \$378 million for the 1999-00 budget year, a \$10 million, or 2.6 percent, decrease from revised current year expenditures.

MAJOR PROPOSALS

The major proposals for the Franchise Tax Board include:

- \$1.8 million and 22 positions for an automated return validation, billing, and accounting system to process taxes of limited liability companies which will generate at least \$8 million in additional revenues beginning in 2000-01;
- \$6.9 million for the second year of the Integrated Non-filer Compliance Project, thus generating \$19 million in additional revenues in 1999-00 and \$36 million annually once fully implemented;
- \$3.4 million and 58 positions for audit and collection activities. These activities will generate \$18 million for 1999-00 and \$34 million annually thereafter;
- \$500,000 and 13 positions for the Board's Taxpayers Services Call Center. This funding will provide taxpayers with shorter waiting periods when calling the center;
- \$8 million in savings as a result of the successful completion of the Bank and Corporation Tax Automation Project. This project will generate \$73.7 million in additional revenues; and
- \$9 million in annual savings by repealing the Business Tax Reporting mandate. This mandate required local governments to provide the board with information

regarding local business license taxpayers. This information has lost its value as a result of cuts to the minimum corporate tax.

STATE BOARD OF EQUALIZATION

The State Board of Equalization (Board) administers eighteen tax programs for support of state and local government activities, including Sales and Use Taxes; Motor Vehicle Fuel License Tax; Diesel and Use Fuel Tax; Alcoholic Beverage Tax; Cigarette Tax; Cigarette and Tobacco Products Surtax; Insurance Tax; Energy Resources Surcharge; Emergency Telephone Users Surcharge; Hazardous Substances Tax; Integrated Waste Management Fee; Underground Storage Tank Fee; Oil Spill Prevention Fees; Occupational Lead Poisoning Fee; Childhood Lead Poisoning Prevention Fees; Tire Recycling Fee; Private Railroad Car Tax; and Timber Yield Tax. The Board also assesses utility property for local property tax purposes, and provides guidance to local government in the administration of property tax.

The five-member Board was established by the State Constitution. Four members are elected to represent equalization districts, and the State Controller serves as an ex officio, voting member. The Board administers programs generating taxes exceeding \$36 billion.

The Governor's proposed budget for the board is \$290.7 million for 1999-00, an increase of \$4.3 million, or 1.5 percent, over revised current year funding.

MAJOR PROPOSALS

The major proposals for the Franchise Tax Board include:

- \$6 million to hire 118 audit staff. The budget projects the increased number of audits will generate \$19 million in additional revenues during 1999-00 and \$25 million annually thereafter; and
- A commitment from the Administration to review the impact of updating replacement cost factors and economic life tables used in the valuation of state and local assessed properties to ensure statewide property tax assessment standards are fair, yet provide stable tax bases for local jurisdictions.

DEPARTMENT OF GENERAL SERVICES

The Department of General Services is responsible for providing support services to state agencies and departments, and performs management and oversight activities

related to these support services. It provides these services through two programs: statewide support and property management services. The Governor's budget proposes total expenditures of \$612 million for the 1999-00 fiscal year, a \$3 million, or 0.5 percent, decrease over revised current year expenditures.

MAJOR PROPOSALS

The major proposals for the Department of General Services include:

- \$20 million for 1998-99 and \$40 million for 1999-00 for the new School Facilities Fee Assistance Fund, consistent with the intent of Chapter 407, Statutes of 1998, to fund four new programs that assist low and moderate income homebuyers and renters who are most negatively affected by the impact of school facility fees on the cost of new housing. Legislation will be proposed to reschedule the funding as proposed by the Administration; and
- \$4.9 million to implement a five-year replacement plan for 911 switching equipment at various locations around the State and to address changes in technology.

DEPARTMENT OF CONSUMER AFFAIRS

The primary function of the department includes oversight of professional and occupational practices on behalf of the state's consumers. This responsibility is divided between the department, which directly administers nine bureaus and programs, and 32 independent committees, boards, and commissions. Each entity licenses and regulates various professions and occupations. The department aims to educate and protect consumers to ensure a fair and honest marketplace.

Some of the major issues and budget proposals for the Department of Consumer Affairs include the following:

- \$3 million to accommodate operations and enforcement needs;
- \$1.2 million to continue funding for the Cemetery Program, which is directly administered by the department; and
- \$280,000 to address enforcement and regulatory demands of the Barbering and Cosmetology Program, which is directly administered by the department.

Since 1995, the Joint Legislative Sunset Review Committee (JLSRC) has conducted a review of the relevance and efficacy of its various professional and occupational boards. The boards and committees found to be adverse to the review's objectives have sunset and their regulatory functions to be administered and enforced directly by the department. Effective July 1, 1999, the Hearing Aid Dispensers Examining

Committee and the Speech Pathology and Audiology Examining Committee will sunset, and their responsibilities will be executed directly by the Department.

Performance Based Budgeting (PBB): In 1995, the bureaus and programs directly administered by the Department of Consumer Affairs entered into the Performance Based Budgeting pilot program, where resources would be allocated by expected outcomes or performance, and the department would possess flexibility in their budget to allow for more organizational efficiency. PBB is entering its final year, and a decision must be made to determine the extent of the program's effectiveness.

Smog Check: The Smog Check program was created to reduce state automobile emissions to federal levels, as mandated by the Clean Air Act Amendments passed by the U.S. Congress in 1990. The program, through targeting the small number of "gross polluting" vehicles, has met the standards regulated by the Environmental Protection Agency. Yet, the program has been criticized greatly for the level of inconvenience suffered by consumers. Last year, legislative action was taken to improve customer service, and offer assistance to low-income individuals. The legislation, AB 2789 (Thompson), proposed vast reforms to the Smog Check program that were ultimately vetoed by the governor. However, approximately \$159 million dollars were earmarked for the Smog Check program with the understanding that the Bureau of Automotive Repairs, who oversees the program, adopt the following measures:

- Repair assistance for low-income automobile owners and a method of verification of eligibility for program participants;
- Improve customer service and education through cooperation with the Department of Motor Vehicles; and,
- Regularly report the progress made on programs, in particular, the Voluntary Accelerated Vehicle Retirement Program.

The status of these measures will likely be an issue of concern this year.

SECRETARY OF STATE

The Secretary of State (SOS), a constitutionally established office, serves as the chief election officer and is responsible for the administration and enforcement of election laws. The SOS also administers and enforces laws regarding security agreements, and the filing of corporate and limited partnership documents. In addition the SOS appoints notaries public, enforces notary laws, and is responsible for the procurement and preservation of various documents of historical significance.

The Governor's budget proposes a total of \$67 million to fund the SOS for the 1999-2000 fiscal year, a six percent decrease from revised current year expenditures. The difference in funding is primarily due to the elimination of one-time funding provided for automation projects in fiscal year 1998-99.

In 1995, the SOS received a \$3.5 million loan, AB 1701 (McPherson) Chapter 913, Statutes of 1995 to create the CALVOTER program aimed at making the state electoral process more efficient and accessible. CALVOTER has three tasks: (a) delete duplicate and outmoded registered voters from the state's records, (b) implement a universal method for counties to dispatch vote counts to the SOS, and (c) expedite the document filing process for candidates. The project to remove voters from the state's records is currently functioning in all but a few counties. However, \$2.3 million is appropriated in the current year to further develop the two latter tasks of the CALVOTER program. The loan is expected to be repaid by the December 31, 2000 and will be in the form of credits applied towards the loan. The credits are calculated based on cost avoidances resulting from less printing and mailing costs due to the removal of duplicate and obsolete voter registrations.

MAJOR PROPOSALS

The major proposals for the Secretary of State include:

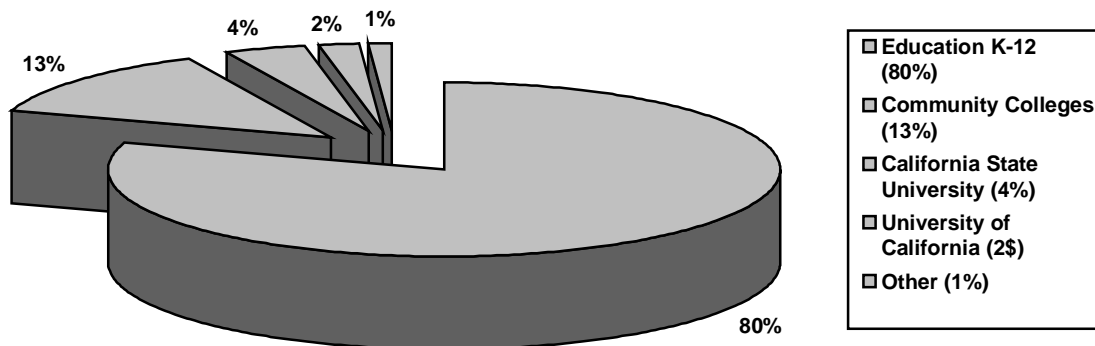
- The budget includes \$2.2 million to continue funding for the printing and distribution of voter registration materials. However, the Administration directs the SOS to ascertain an effective method to quantifiably measure voter registration and turnout in order to justify additional funding in the future. Only 58 percent of voters cast ballots in the 1998 general election;
- \$519,000 to accommodate the workload for a program that protects victims of domestic violence by having their mail forwarded and processed by the SOS consistent with SB 489 (Alpert) Chapter 1005, Statutes of 1998; and
- \$720,000 to address various ongoing operating workload needs of the SOS.

CALIFORNIA STATE LOTTERY COMMISSION

The California State Lottery Act of 1984 established a statewide lottery, and a commission to administer the program with the intention of creating additional funds for the state's public schools. The California State Lottery Commission is composed of five members, appointed by the Governor and approved by the State Senate. Distribution of lottery revenue as mandated by the Act is as follows: 50 percent to prizes, 34 percent to public schools, and 16 percent to administrative costs. The 34 percent

reserved for public schools are allocated on a per-capita basis to the areas of K-12, community colleges, California State University, and University of California. The budget anticipates \$2.7 billion in revenue for 1999-2000, of which approximately \$970 million will be directed to the state's public education institutions.

1999-2000 LOTTERY EDUCATION FUND DISTRIBUTION



TRADE AND COMMERCE AGENCY

Created in 1992, the Trade & Commerce Agency promotes economic growth by coordinating and facilitating business development and job-retention efforts. In that light, the Agency also oversees the state's international trade programs through foreign investment, export cultivation, and strategic planning and research projects. For fiscal year 1999-2000, the Governor's budget proposes \$67 million for the Trade & Commerce Agency, down from \$128 million for the current year due primarily to last year's one-time \$50 million augmentation for the Infrastructure Bank and \$8 million for various one-time expenditures. However, this decrease is offset by \$530,000 in proposed current year funding for various programs designed to promote new economic development in California.

According to the Legislative Analyst, California boasts one of the most diverse economies in the country, where over 120 industries are represented. In addition, foreign trade is an increasing source of employment and economic strength. In light of these facts, the Governor has called for a review of the state's business tax laws, local-level services, and international trade programs, therefore, placing an emphasis on improving the effectiveness of the Agency, its offices and its services. Additionally, the Secretary for Trade and Commerce directed to commence planning of a trade mission to Mexico to highlight economic relationships between Mexico and California.

MAJOR PROPOSALS

The major proposals for the Trade and Commerce Agency include:

- \$3 million to continue the matching funds program for defense-related adjustment and other economic development projects, which local communities need to procure federal funding. The amount would renew the program for two more years;
- \$250,000 to expand staff for the Commission of the Californians to be located in the Governor's San Diego Office;
- \$79,000 to implement the Regulatory Fee Registry Program, which maintains an inventory of all fees and charges collected by various state entities;
- \$183,000 to finance the California Mill Reuse Program, an effort enabled by federal funds to restructure the state's local logging and milling-driven economies for the current and 1999-2000 budget year.

FAIR POLITICAL PRACTICES COMMISSION

The Fair Political Practices Commission (FPPC) administers and enforces the Political Reform Acts of 1974 and 1996. It is responsible for monitoring the compliance of campaign finance, contribution disclosure, and conflict of interest requirements. The commission is composed of five members, two of which, are appointed by the Governor, one by the Attorney General, one by the State Controller, and one by the Secretary of State. The Governor's budget proposes \$5 million to fund the Fair Political Practices Commission for budget year 1999-2000.

MAJOR PROPOSALS

The major proposals for the Fair Political Practices Commission include \$588,000 to continue funding for workload related to litigation resulting from Proposition 208.

Following passage of Proposition 208, which establishes campaign spending and contribution limits, it was immediately challenged in court, which resulted in an injunction until the State Supreme Court had an opportunity to consider the issue. On January 5, 1999 the U.S. Ninth Circuit Court upheld the injunction and returned the case to the district court to determine its constitutionality. The district court was directed to render a decision before the 2000 election cycle.

