Title
California agency reconnaissance project reports

Permalink
https://escholarship.org/uc/item/7qk576nw

Authors
La Porte, Todd R.
Hadwiger, David
Stehr, Steven

Publication Date
1988
CALIFORNIA AGENCY RECONNAISSANCE
PROJECT REPORTS

Professor Todd R. La Porte
David Hadwiger
Steven Stehr

Working Paper
88-7
(Reports 1-26)

INSTITUTE OF GOVERNMENTAL STUDIES
UNIVERSITY OF CALIFORNIA, BERKELEY
CALIFORNIA AGENCY RECONNAISSANCE PROJECT REPORTS

Professor Todd R. La Porte  
David Hadwiger  
Steven Stehr

Working Paper 88-7, Reports 1-26

June, 1988  
Institute of Governmental Studies  
University of California  
Berkeley, CA 94720

Working Papers published by the Institute of Governmental Studies provide quick dissemination of draft reports and papers, preliminary analyses, and papers with a limited audience. The objective is to assist authors in refining their ideas by circulating research results and to stimulate discussion about public policy. Working Papers are reproduced unedited directly from the authors pages.
<table>
<thead>
<tr>
<th>Report #</th>
<th>Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Air Resources Board</td>
</tr>
<tr>
<td>2</td>
<td>California Coastal Commission</td>
</tr>
<tr>
<td>3</td>
<td>Department of Commerce</td>
</tr>
<tr>
<td>4</td>
<td>Department of Consumer Affairs</td>
</tr>
<tr>
<td>5</td>
<td>Department of Corporations</td>
</tr>
<tr>
<td>6</td>
<td>Department of Developmental Services</td>
</tr>
<tr>
<td>7</td>
<td>Employment Development Department</td>
</tr>
<tr>
<td>8</td>
<td>Energy Commission</td>
</tr>
<tr>
<td>9</td>
<td>Department of Fair Employment and Housing</td>
</tr>
<tr>
<td>10</td>
<td>Franchise Tax Board</td>
</tr>
<tr>
<td>11</td>
<td>Department of Industrial Relations</td>
</tr>
<tr>
<td>12</td>
<td>Office of Emergency Services</td>
</tr>
<tr>
<td>13</td>
<td>Department of Health Services</td>
</tr>
<tr>
<td>14</td>
<td>State Lands Commission</td>
</tr>
<tr>
<td>15</td>
<td>California State Lottery Commission</td>
</tr>
<tr>
<td>16</td>
<td>Department of Mental Health</td>
</tr>
<tr>
<td>17</td>
<td>Military Department</td>
</tr>
<tr>
<td>18</td>
<td>Department of Parks and Recreation</td>
</tr>
<tr>
<td>19</td>
<td>Public Utilities Commission</td>
</tr>
<tr>
<td>20</td>
<td>Department of Real Estate</td>
</tr>
<tr>
<td>21</td>
<td>Seismic Safety Commission</td>
</tr>
<tr>
<td>22</td>
<td>Department of Social Services</td>
</tr>
<tr>
<td>23</td>
<td>Teale Data Center</td>
</tr>
<tr>
<td>24</td>
<td>Department of Transportation</td>
</tr>
<tr>
<td>25</td>
<td>Waste Management Board</td>
</tr>
<tr>
<td>26</td>
<td>Water Resource Control Board</td>
</tr>
</tbody>
</table>
The California Agency Reconnaissance Project was begun in 1984 as an ongoing program to address a lack of systematic information about state administrative agencies. It has, to date, gone through three increments, two in 1984, another in spring, 1987.

The program, immediately dubbed CARP by the students who have participated in it, has produced to our knowledge the only systematically present information available about the general organization and history of California's administrative departments. These reports were prepared by upper-division undergraduates at the UCB. Officials in the subject departments have graciously reviewed the original reports to remove possible inaccuracies. In addition, modest resources in the summer 1987 allowed a relatively careful review of the facts assembled in the original student reports. The reports in this series have been both reviewed and edited for consistency of form and information. The interpretations are those of the students, in the context of comments from agency officials.

CARP attempts to fulfill two objectives: to remedy the dearth of information about California's state administrative agencies, and to provide advanced students first-hand knowledge about the evolution and operations of public organizations. With a population and economy comparable to the most developed nations in the world, surprisingly little work has been conducted to systematically describe California's administrative organs. This gap is more alarming when one considers the unique social and electronic technologies that are applied in state operations.

CARP serves upper-division undergraduates in public administration and organizational behavior at UCB. It provides a means of gaining first-hand knowledge regarding the evolution and operations of public organizations: how they are structured to reach their objectives; how they operate; and how they are influenced by actors and events over which they may have little or no control.

Students engaged in a "reconnaissance" of information about state bureaucracies. Data was gathered about organizational structure, departmental history (organizational and policy), and budgetary evolution. Hypotheses about what might have occurred within each department, as a consequences of the changes reflected in the data, were developed. Then raw facts were "fleshed out" and hypotheses explored through interviews with executives in each department. During the summer of 1987, the preliminary reports were returned to departments and comments were integrated into the finished product. We are most grateful for departments' participation. Of we are responsible for the final product.
Forty departments participated in CARP. Final reports on 26 are of sufficient quality to prepare as Institute Working Papers. Reports highlight the important attributes and recent developments of each department. Tables and graphs of recent budgetary and personnel developments are provided for each department, as well as organizational charts, when available. A bibliography on each department is included.

The observations reported herein are those of undergraduate students with little or no prior field research experience. The students were highly motivated and able. Conclusions, however, are based on a small number of interviews for each department and they should be assessed accordingly.

Copies of these papers, by agency or as a set, are available from the Institute's Publication Office. The original reports and data sets are available at the Institute of Governmental Studies Library.

We thank the many state executives and employees who made the project possible and who provided a positive contrast to the popular images of "stuffy bureaucrats." Our gratitude to the over 250 state officials who have assisted us with interviews and data collection. We initially had little idea of the reception we would receive. Aside from the usual scheduling difficulties, we were almost universally welcomed, with considerable interest, often with enthusiastic assistance. Students found officials open, quite willing to join in the spirit of the project, sometimes noting that "its about time someone took notice of us."

A special acknowledgement must go to Steven Stehr and David Hadwiger, the Project Coordinators for 1984 and 1987 respectively. Steve pioneered the field work arrangements and set up the framework for data gathering and reporting. Dave carried this forward, especially in the review and preparation of the materials for the Working Paper series. Both men were exceptionally good in helping our undergraduates over the rough spots of individual problem formulations, overcoming the occasional administrative problem, and skilled van driving in our various treks to Sacramento.

Todd R. La Porte
Professor of Political Science

David Hadwiger and Steven Stehr
Project Coordinators
A NOTE ABOUT STATISTICS:

The first table at the end of each report provides budget expenditure information for the department. The first three columns of this table present figures for state operations, local assistance and capital outlay. Figures in these columns include actual state General Fund and special fund expenditures. These figures DO NOT INCLUDE BOND FUNDS. The fourth column shows the departments' state operating expenditures as a percentage of entire state operating expenditures. The final column lists combined federal fund expenditures for state operations, local assistance and capital outlay. In some cases negative figures will appear in the budget expenditure tables. These represent years in which the department has reimbursed the state or federal government.

The second table presents personnel-years of the departments as provided in the Governor's Budget. Figures are actual, not proposed. The personnel-year figures provided do not include those specifically funded by the federal government. The authorized personnel-years are those authorized under the original budget legislation for the department. Filled personnel years reflect workload adjustments during the fiscal year.

* Support has been provided by the Institute of Governmental Studies, the Department Political Science, and the Council on Educational Development, at the University of California, Berkeley.
Summary

Beginning in 1954, the state air pollution program was centered in the State Department of Public Health. Pollution control was later shared with the Motor Vehicle Pollution Control Board which was created in 1959. The 1967 Legislature passed the Mulford-Carrell Act, combining the state air pollution control programs and forming a new agency—the Air Resources Board.

The Board is responsible for the control of motor vehicle emissions and for a coordinated state and local program for the control of nonvehicular sources. The goal of the Air Resources Board is the control of air pollution by attaining and maintaining the air quality standards in California. The ARB has primary authority over mobile sources; the air pollution control districts have principal authority over the stationary sources.

The Board sets air quality standards; maintains a statewide network of air quality surveillance and a statewide inventory network of source of air pollution; adopts standards and test procedures for emissions from motor vehicles; approves motor vehicle emission control systems; maintains
surveillance over the effectiveness of motor vehicle emission control systems in public use; coordinates control of air pollution from nonvehicular sources on a statewide basis in the 14 air basins in the state; reviews the rules and regulations of local and regional air pollution control agencies; provides technical assistance to local air pollution control agencies; and may enforce control of nonvehicular sources if local agencies fail to do so.

---Budget and Personnel Profile

The Air Resources Board receives 70% of its funds from the State Motor Vehicle Account of the State Transportation Fund. The state's General Fund provides approximately 10% of departmental funding. Remaining financing comes from federal funds, the Environmental Plate Fund and reimbursements.

Several types of professional groups are represented in the ARB. They include individuals with experience in chemistry, meteorology, physics, law, economics, engineering, medicine, toxicology, plant pathology, computer science and biology.


Expenditure fluctuations did occur in the budget years following an expenditure peak in 1982-83. In 1983-84 state operations expenditures were reduced by nearly 5%, and again by this amount in the following year. ARB officials attribute this reduction to across-the-Board budget reductions requested of nearly all agencies by the Governor in order to meet shortfalls in state funds available. In the 1985-86 budget year, the ARB's state
operations expenditures rebounded by over 5% due in part to a new toxics program taken on by the ARB.

While aggregate levels of air pollution have been steadily increasing in the last 30 years, it has only been within the last 15 years that public awareness has become sensitized to the growing problem. In a mutually reinforcing dynamic, as environmental awareness has expanded, so too has the ARB.

Regarding new employee training, each individual is treated to a standard orientation session followed by presentations from representatives of each of the eight sub-divisions. Specialized training is then given and optional individual educational improvement is offered at local colleges.

--Discussion of Organizational Development

As noted, the ARB has experienced a fairly steady rate of growth since its inception in 1968. Major changes have come about in the composition of the agency's program elements which have seen continuous been additions and name changes over the life of the ARB. These changes constitute more cosmetic adjustments and fine tuning than anything else. While new elements like the Haagen-Smit lab have been added, major changes have been the renaming of old elements with new titles.

Overview - Air Pollution Control Agencies in California

The federal Environmental Protection Agency (EPA) has ultimate responsibility for improving air quality throughout the nation according to the Clean Air Act of 1970. Pollution control strategies developed by California's 46 local pollution control districts are incorporated into a statewide plan by the Air Resources Board and forwarded to EPA for its approval. The EPA has the right to void any strategies it finds unacceptable
and has the authority to develop and order the use of others in California in
the absence of any acceptable measures developed by the Air Resources Board.

The Air Resources Board was created by the California Legislature to
control air pollutant emissions and improve air quality throughout the state.
It is answerable to the EPA for its progress in improving air quality. The
Board evolved in 1967 from the merger of two former agencies; the Bureau of
Air Sanitation within the Department of Health and the Motor Vehicle
Pollution Control Board. The efforts of 549+ full-time staff members are
directed by seven Board members. Board members have experience in chemistry,
meteorology, physics, law, engineering and related scientific fields and
administration.

The ARB staff is divided into eight divisions: Technical Support,
Stationary Source Division, Mobile Source Division, Compliance, Research, The
Haagen-Smit Laboratory, Administrative Services and the Aerometric Data
Division.

There are 46 Local Air Pollution Control Districts (LAPCD) in
California, divided in three types: Management Districts (two in California-
the South Coast District and the Bay Area Quality Management District),
Unified Districts (three in California), and County Districts (41 in
California).

The ARB has primary statutory authority to establish and enforce
standards which limit pollutant emissions from motor vehicles. California is
the only state in the country which has been granted a waiver from the
Federal Environmental Protection Agency so that it can enforce more stringent
vehicle emission limitations than those set by EPA for cars sold in the rest
of the nation.
The Board also establishes ambient air quality standards which identify acceptable concentrations of specific pollutants and which are intended to protect the health of vulnerable members of the general population and to prevent property and crop damage. Those standards based on health effects must be found on recommendations of the Department of Health.

LAPCDs prepare regional SIPs for state approval. They control pollutant emissions from all sources other than the motor vehicles. They may adopt stricter standards than the ARB. They have primary responsibility for establishing and enforcing rules to control emissions from stationary sources of air pollution. Responsibility for attainment of ambient air quality standards lies with both the EPA and the ARB.

The Board also conducts research to promote better understanding of the formation and atmospheric behavior of air pollutants and their harmful effects on health and property. Air quality is monitored on a regular basis throughout the state and inventories are taken of major sources of air pollutants. The ARB also evaluates the effectiveness of pollutant control strategies for both automobiles and industrial sources. Lastly, the Board regulates and monitors agricultural burning on a daily basis, and provides technical and financial assistance to local air pollution control districts.

The ARB reviews all locally adopted regulations and oversees local enforcement programs. The Air Resources Board has the authority to modify or repeal unacceptable or ineffective regulations, to adopt regulations for districts which fail to adopt regulations which are acceptable to the ARB,
and to assume the enforcement powers of local districts which fail to fulfill their legal responsibilities for the state's ambient air quality regulations. However, the Board can exercise this authority only after discussion of the issues during a public hearing.

Districts receive financial assistance from the ARB which favors those agencies which participate in coordinated or regional air pollution control programs. Especially in metropolitan areas of California, regional control programs have jurisdiction throughout an air basin. Air basin boundaries define areas which experience common air pollution problems because of geography, climate and population. These boundaries tend to follow the state's mountainous terrain, which segregates many regions of California and is a prime cause of each bowl-shaped basin's distinctive air pollution problems.

California's air pollution problem is one of the most severe in the nation and is unique in its makeup because of the state's geography, climate and population. All major urban areas of the state are ringed by mountains, which easily trap pollutants in stagnant air. Calm weather conditions and the lack of rain during much of the year not only prevent pollutants from dispersing in the atmosphere, but also increase the amount of time reactive gases are exposed to California's abundant sunshine.

The state's celebrated sunshine and high barometric pressure also form temperature inversions in the atmosphere that restrict air movement, trapping pollutants near ground level. In most parts of the nation, air near ground level is warmer than air above it. However, California's daily summertime sunshine and high barometric pressure reverse that pattern, creating warmer air at high elevations which traps pollutants by preventing cooler air from rising to the upper atmosphere. These inversions can occur at any height,
from ground level to several thousand feet elevation, depending upon weather conditions.

The aesthetic beauty of California is also substantially degraded by photochemical smog, prevalent in the southern part of the state and in the state's Central Valley, and caused by agricultural waste burning which the ARB is prevented by law from eliminating altogether.¹

In sum, it is important to note that the major achievement of California's air pollution control programs has been the limitation of pollution emissions, rather than the removal of pollution from California. The technology is only just now becoming available that will make such projects feasible in the future.

Sources of Change and Organizational Response

Characteristics of the Internal Environment

The ARB is run and decisions are made principally by the members of the Board and the Executive Officer. Board members are appointed by the Governor, while the Executive Officer is selected by the Board and its Chairman.

The ARB's programs and plans are evaluated at various times by essentially two sets of actors: those operating "internally" and those functioning "externally." Internally the Planning Section of the Executive Office is responsible for oversight and evaluation of ARB's projects and proposals. Externally, the State Legislature, as well as a variety of private interest groups, keep a regular watch on ARB and its plans. Moreover, the Office of the Legislative Analyst releases a report on the Board once a year in February and the Senate Office of Research conducts its
own periodic reviews. Lastly, environmental lobbies (e.g., Sierra Club) and industrial lobbies (e.g., oil companies and auto manufacturers) keep close tabs on the actions of the ARB.

While it is true with the ARB, as it is with most organizations, that the Board's divisions have different goals and objectives, there does not appear to be a significant level of conflict and competition within the organization. For one, goals and objectives, while distinct in detail, are fundamentally the same: clean air and the reduction of pollutants. Nevertheless, each division does submit its annual budgetary needs and requirements, and competition does arise in the formal annual budget process.

The ARB contracts out extensively for services, information and analysis. Out of the 1984/85 budget of 53 million dollars, a full 12 million dollars was set aside for "outside services." The variety of organizations and services contracted out include: the University of California for research, independent agencies for specialized studies, Local Air Pollution Control Districts for air monitoring and a variety of other subcontractors for various and sundry pieces of equipment and technology.

Information is communicated and authority is transmitted in a variety of ways within the ARB. The Executive Officer meets periodically with his deputies and the staffs of the various offices. Division chiefs then have their own meeting to disseminate information within their particular element. Other vehicles of information transmission include periodic board meetings and an annual or biannual meeting that the Executive Officer holds for all the employees of the ARB. Finally, issues and actions involving the ARB receive ample attention and coverage by the state (and sometimes national) media.
Even limited contact with personnel creates the impression that members of the ARB have a high level of motivation toward their work and the agency they represent. Environmental idealism seems to be the driving force behind such motivation and, indeed, the ARB views itself as being on the "cutting edge" of environmental issues across the nation. This sense of being leaders in their field provides, concurrently, a strong incentive for achievement and an accompanying sense of frustration that even more cannot be done about pollution problems. Hence, reliability and loyalty among ARB employees is often, and with good cause, taken for granted.

Accordingly, there is little need seen to come up with elaborate socialization procedures to insure member compliance. Rather simple training methods seem to suffice. These include new employee orientations twice a year, extensive employee training at all levels and semi-annual, all-employee gatherings. The ARB's small size, 550+ employees out of a state total of 100,000+ helps keep the organization tight and close-knit.

One does not get the sense that any one professional group dominates the ARB's decision making process. Indeed, there seems to be a balance between the "scientists" and the "generalists." While the division chiefs have mainly scientific/engineering backgrounds, the Chairman, the Executive Officer and one of the principal Deputies have non-technical backgrounds. The other principal Deputy has a chemistry and engineering background.

Characteristics of the Task Environment

The ARB comes into frequent contact with a great variety of groups and actors for a number of different reasons. Relations with the Governor and the 120 member State Legislature are both formal and informal and usually cordial as opposed to adversarial. Indeed, the ARB, owing in part to the popularity of its cause, has acquired a number of supporters and allies.
Environmental groups and interested lobbies, like the Sierra Club and the League of Women Voters, give strong support to the Board. The ARB is not, however, without its adversaries, including oil and gas companies and/or auto manufacturers. In the final analysis, however, lobbying by "anti"-ARB organizations, like the Citizens for Economic and Environmental Balance, is offset by the strong efforts of "pro"-ARB groups.

There is currently pending a state court case which, if successful, would result in a relaxation of proposed ARB standards. The California Supreme Court unanimously agreed in the fall of 1982 to review the case between the ARB and Western Oil and Gas. The Court of Appeals had held that the ARB could not adopt ambient air quality standards without first considering the costs of compliance to industries affected. Unlike its setting of emissions standards, in which economic factors are considered, the ARB has since its inception based its standards more or less solely on the risk to human health. Nine oil companies have challenged the validity of California standards for sulfates and sulphur dioxide, claiming that the burdens placed upon these industries by the ARB create standards that would be "devastating." This case represents the first time an ARB standard has been subject of judicial challenge.²

The ARB is legally accountable to the State Legislature and the Governor under a variety of statutes of the Health and Safety code.

As we have indicated, the ARB has received both positive acclaim and negative reproach from a number of different interest groups. Moreover, this has been true not only of the ARB's relationships with external groups, but also with "internal" bodies such as the local Air Pollution Control Districts. Overall, however, the ARB enjoys favorable public support and a high degree of exposure from the news media.
The ARB, like any other state agency, is susceptible to political pressure from the Legislature and the Governor, if only through the annual budget process. However, one of the real reasons for the ARB's continued growth and prosperity over its eighteen-year history is its ongoing, very positive relationship with these parties.

Beyond the realm of state politics, only one organization has significantly succeeded in curbing the authority of the ARB, the Council for Economic and Environmental Balance, which describes itself as follows:

The California Council for Environmental and Economic Balance is a non-profit organization offering programs, coordinating efforts and seeking wide support for improving the environment, while maintaining needed economic growth.

The Council works to promote better understanding of important environmental-economic issues. In keeping with this goal, the Council presents this evaluation of the impact of industrial development of the California Air Resources Board's (CARB) proposed Air Conservation Program. 3

Under the Federal Clean Air Act of 1972, the ARB is required to submit plans for achieving standards of air quality. The inclusion of certain standards and requirements proposed by the EPA was blocked by state legislation in 1975, inspired, in part, by the efforts of the C.E.E.B. The standards subsequently passed were less stringent than those earlier proposed.

**Characteristics of the Environment: Sources of External Stress**

Overall there have been no major sources of instability in the ARB's eighteen year history. Fiscal adjustments have not been significant. Federal funding formerly occupied a larger percentage of the ARB's budget than it does today. This has been a function of the progressive growth of the ARB's income from sources other than federal funding (e.g.: principally state funding), and a concurrent diminishing of national financing. The
impact of this has been most evident in the Board's capacity to run the State's Implementation Plan (SIP) for monitoring and maintaining healthful levels of air quality. In real terms this has meant a scaling back, though not drastically, of goals and projections. Indeed, at the state level, as well, "taxpayer revolts" such as Proposition 13 have induced "belt-tightening" within the ARB, but these events have not precipitated significant curtailment of plans and programs. All of this is reflected in the budget and personnel figures which indicate sure and steady growth of the ARB over most of its history.

Technologically, the ARB has made significant advances in a number of fields. Since 1975, the ARB has become more and more computer oriented. This has facilitated a greater sharing of information between the EPA, the ARB and the local districts. In addition, the ARB has made considerable use of its telemetry system for reporting air quality data: digitized information is rapidly assessed at the local level and then reported to the air quality data center. Overall, the following technological advances have been reported by the ARB:

- Analysis and graphing capabilities have significantly increased;
- Air quality monitoring technology has been improved;
- The carborating technology for autos (a private innovation) has improved;
- An improvement in the acid deposition monitoring capabilities, and;
- Greater and more sophisticated monitoring of toxins.

Finally, a look at how relations stand currently between the ARB and the significant groups with which it must interact in the "task" environment.
One important problem which has existed in the past has been between the local/regional Air Pollution Control Districts and the ARB due to the highly competitive and conflictual relationship between these two groups and the Federal EPA. Today, the problem has largely been eliminated, due in part to the reduced influence of the EPA. Where formal federal funding at one time made up close to 20% of the ARB's budget, it now makes up only 5% of the total Board budget. Relations between the ARB and legislative committees have improved principally due to the presence of its current Chairman, an eighteen-year ex-legislator.

Notes

1. Much of the descriptive material here can be credited to the Air Resources Board, Air Resources Board Annual Report, 1976 (Sacramento: Air Resources Board, 1977), and the California Secretary of State, California Blue Book, 1975 (Sacramento: Office of State Printing, 1974).


Bibliography


California Health and Safety Code.


Lockett, Bill, External Affairs Office, ARB. Interview, 7 November 1984.


Rogers, Wayne, Chief, Administrative Division, ARB. Interview, 7 November 1984.

Tanimoto, Judy, Fiscal Officer, External Affairs, ARB. Interview (telephone), summer 1987.
Air Resources Board
Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>$1,857</td>
<td>0</td>
</tr>
<tr>
<td>1970/71</td>
<td>2,941</td>
<td>0</td>
</tr>
<tr>
<td>1971/72</td>
<td>7,537</td>
<td>0</td>
</tr>
<tr>
<td>1972/73</td>
<td>7,156</td>
<td>$3,580</td>
</tr>
<tr>
<td>1973/74</td>
<td>7,620</td>
<td>3,925</td>
</tr>
<tr>
<td>1974/75</td>
<td>11,160</td>
<td>4,132</td>
</tr>
<tr>
<td>1975/76</td>
<td>15,400</td>
<td>5,068</td>
</tr>
<tr>
<td>1976/77</td>
<td>18,123</td>
<td>4,815</td>
</tr>
<tr>
<td>1977/78</td>
<td>20,383</td>
<td>4,803</td>
</tr>
<tr>
<td>1978/79</td>
<td>25,048</td>
<td>6,680</td>
</tr>
<tr>
<td>1979/80</td>
<td>36,496</td>
<td>6,723</td>
</tr>
<tr>
<td>1980/81</td>
<td>42,696</td>
<td>7,313</td>
</tr>
<tr>
<td>1981/82</td>
<td>43,885</td>
<td>7,344</td>
</tr>
<tr>
<td>1982/83</td>
<td>47,358</td>
<td>0</td>
</tr>
<tr>
<td>1983/84</td>
<td>42,708</td>
<td>6,609</td>
</tr>
<tr>
<td>1984/85</td>
<td>38,210</td>
<td>6,741</td>
</tr>
<tr>
<td>1985/86</td>
<td>45,025</td>
<td>7,011</td>
</tr>
</tbody>
</table>


* See note in Preface.
# Air Resources Board Personnel-Years

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Authorized Permanent</th>
<th>Authorized Temporary</th>
<th>Filled Permanent</th>
<th>Filled Temporary</th>
<th>Authorized Total</th>
<th>Filled Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>96</td>
<td>*</td>
<td>123</td>
<td>*</td>
<td>96</td>
<td>123</td>
</tr>
<tr>
<td>1970/71</td>
<td>183</td>
<td>*</td>
<td>157</td>
<td>*</td>
<td>183</td>
<td>157</td>
</tr>
<tr>
<td>1971/72</td>
<td>224</td>
<td>*</td>
<td>201</td>
<td>*</td>
<td>224</td>
<td>201</td>
</tr>
<tr>
<td>1972/73</td>
<td>251</td>
<td>*</td>
<td>227</td>
<td>*</td>
<td>251</td>
<td>227</td>
</tr>
<tr>
<td>1973/74</td>
<td>296</td>
<td>*</td>
<td>270</td>
<td>*</td>
<td>296</td>
<td>270</td>
</tr>
<tr>
<td>1974/75</td>
<td>319</td>
<td>*</td>
<td>329</td>
<td>*</td>
<td>319</td>
<td>329</td>
</tr>
<tr>
<td>1975/76</td>
<td>392</td>
<td>*</td>
<td>366</td>
<td>*</td>
<td>392</td>
<td>366</td>
</tr>
<tr>
<td>1976/77</td>
<td>440</td>
<td>*</td>
<td>435</td>
<td>*</td>
<td>440</td>
<td>435</td>
</tr>
<tr>
<td>1977/78</td>
<td>517</td>
<td>*</td>
<td>523</td>
<td>*</td>
<td>523</td>
<td>523</td>
</tr>
<tr>
<td>1978/79</td>
<td>548</td>
<td>*</td>
<td>482</td>
<td>32</td>
<td>548</td>
<td>514</td>
</tr>
<tr>
<td>1979/80</td>
<td>519</td>
<td>21</td>
<td>461</td>
<td>34</td>
<td>540</td>
<td>495</td>
</tr>
<tr>
<td>1980/81</td>
<td>552</td>
<td>20</td>
<td>502</td>
<td>49</td>
<td>552</td>
<td>551</td>
</tr>
<tr>
<td>1981/82</td>
<td>551</td>
<td>20</td>
<td>519</td>
<td>43</td>
<td>571</td>
<td>562</td>
</tr>
<tr>
<td>1982/83</td>
<td>565</td>
<td>20</td>
<td>539</td>
<td>35</td>
<td>585</td>
<td>574</td>
</tr>
<tr>
<td>1983/84</td>
<td>536</td>
<td>21</td>
<td>511</td>
<td>29</td>
<td>557</td>
<td>553</td>
</tr>
<tr>
<td>1984/85</td>
<td>550</td>
<td>11</td>
<td>522</td>
<td>29</td>
<td>601</td>
<td>581</td>
</tr>
<tr>
<td>1985/86</td>
<td>588</td>
<td>8</td>
<td>558</td>
<td>25</td>
<td>586</td>
<td>583</td>
</tr>
<tr>
<td>1986/87</td>
<td>603</td>
<td>7</td>
<td>NA</td>
<td>NA</td>
<td>610</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: Governor's Proposed State Budget of California
Supplement for Salaries and Wages, 1969 - 1987

* Temporary personnel-years have been included with permanent.
Air Resources Board
Personnel-Years

Authorized
Filled

Budget Year

Personnel-Years

69/70  70/71  71/72  72/73  73/74  74/75  75/76  76/77  77/78  78/79  79/80  80/81  81/82  82/83  83/84  84/85  85/86  86/87
In 1975, following several unsuccessful attempts to enact coastal legislation through the State Legislature, California voters passed Proposition 20, the Coastal Zone Conservation Act. This act created the California Coastal Zone Conservation Commission (CZCC). The Coastal Zone Conservation Commission's purpose was to control development through permits while it formulated a comprehensive plan for the California coast. The plan became the basis for the Coastal Act of 1976, which created the California Coastal Commission (CCC). The CCC was given the authority to regulate coastal development through the issuance of permits to developers for land use and by approving coastal plans developed by local governments. Both Proposition 20 and the Coastal Act of 1976 provided for regional commissions to assist in carrying out the state commission's functions. Regional commissions were terminated in 1981, although the CCC maintains its district offices.
The CCC received funding from the State General Fund, other state funds and from the federal government. Some federal funds are passed directly to local governments by the Commission to finance preparation and implementation of Local Coastal Plans. Commission personnel include professionals in geology, engineering, planning and resource management, and administrative and support personnel.

Both budget and personnel resources have experienced severe cutbacks since 1981, due primarily to political opposition from the Governor, and to administration attempts to reduce staffing throughout the state's bureaucracies. Personnel reductions have been managed under the rules of the Civil Service Code and in compliance with several unionized employee contracts. Budget reductions have been lessened somewhat through appeals to the Legislature and a recognition that the Commission's performance would be critically impeded by further cuts.

The CCC has generally evolved from a role of advocacy to one of management. The Commission has matured from environmental idealism to capable resource management, though the original ideals have not been lost. Specifically, a decrease in resources coupled with an increased demand for more complex services created a situation of real uncertainty within the CCC. The major sources of these changes have been the state budget and personnel reductions, reorganization of the Commission, reorientation of commissioner representation, and changes in the fiscal and legal relationship between the state and federal government. There has also been a change in formal labor relations, but this impact has been relatively small. The CCC has responded to these changes first by relying on formal procedure to reallocate resources and determine responsibility. Most importantly, however, it has relied on informal employee interactions and preservation of original ideals to prevent
goal displacement, avoid employee alienation, and maintain a high standard of service.

Organizational Development and Structure

Prior to Proposition 20 of 1972, establishing the California Coastal Zone Conservation Commission, numerous attempts had been made to implement coastal regulation in the State Legislature. An act was passed in 1967 requiring development of an ocean area plan by the Governor. However, no bill after this was able to overcome the variety of legislative obstacles required for passage. Between 1970 and 1972 at least seven unsuccessful bills were introduced and reintroduced in the Legislature to establish a statewide coastal commission to regulate coastal issues.

In 1972 frustrated environmental groups, led by the California Coastal Alliance, coordinated their efforts and took full advantage of the initiative process, rewriting one defeated bill into a state proposition. The effort, coupled with a growing concern for environmental issues by the voters, led to the passage of Proposition 20 in the November 1972 ballot. The resulting Coastal Zone Conservation Act established six regional commissions to provide temporary regulation of coastal development, and a state commission to oversee regulation and prepare the Coastal Plan, a blueprint for permanent management of the California coast.

The regional commissions set by the 1972 act were spread throughout the state as follows:

North -- Del Norte, Humbolt, and Mendocino Counties;
North Central -- Sonoma, Marin, and San Francisco Counties;
Central -- San Mateo, Santa Cruz, and Monterey Counties;
South Central -- San Luis Obispo, Santa Barbara, and Ventura Counties.
South -- Los Angeles and Orange Counties;

San Diego -- San Diego County.

Each regional commission consisted of half locally-elected officials (county supervisors, mayors and city council members) and half citizen representatives. One-third of the representative were appointed by the Governor, one-third by the Senate Rules Committee, and one-third by the Speaker of the Assembly.

The state commission consisted of one member chosen by each regional commission and six representatives, two of whom are chosen by the Governor, two by the Senate Rules Committee and two by the Speaker of the Assembly.

In addition to preparing the plan for passage of the 1976 Coastal Act, the regional and state commissions acted on thousands of land-use permit applications between 1973 and 1976. They approved a high percentage, requiring insurance of appropriate development densities, protection of ocean views, and increased public access to the shore in certain areas.

In 1976, using the recommendations of the plan submitted by the CZCC in 1975, the State Legislature adopted the Coastal Act, which recognized the original state commission as the new California Coastal Commission. Subsequent to the CCC's establishment, the six regional commissions were placed under the state commission's control. The Coastal Act provides for the protection, restoration and enhancement of the environment and ecology of the coastal zone, an area which extends three miles seaward and varying distances inland from the shoreline. In urbanized areas the zone extends less than 1000 yards inland. In other areas where public access or recreational or environmental resources are the concern the zone may extend as far inland as five miles.
Under this act, coastal regulatory power for most of the coastal zone is ultimately to be granted to local government upon completion of the Local Coastal Programs (LCPs), which consist of land-use plans (LUPs) and implementing ordinances. LCPs are intended to provide public access to the shoreline and regulate coastal recreation, the marine environment, coastal land resources, and coastal development, including energy resources. The act provided that coastal zone developers in an area without an LCP be required to obtain coastal development permits from the regional commission prior to new development.

The Coastal Act of 1976 altered the CZCC and the regional commissions. The new California Coastal Commission was expanded to fifteen members consisting of three ex-officio non-voting members representing state agencies, six public members appointed by the Legislature and the Governor, and six members of the regional commissions, appointed from their membership. After determining the need for continued workload assistance, the regional commissions were retained to assist in implementing the act. In 1981, under the terms of the Coastal Act, the regional commissions were abolished, although the CCC now maintains regional offices.

As many coastal communities complete and receive approval for their LCPs, the need for a regional presence diminishes. The long-term strategy of the CCC has thus been to cut back its regional expenditures and staffing as the LCPs are completed. This strategy was first implemented in fiscal 1981-82 with a cutback in personnel. The planned scale-down of the Commission's permitting and regulatory activities was based on its projection of LCP completions in 1983-84. Severe budget and personnel cuts altered this plan and delayed LCP completion. The effects of these cuts are discussed later in
this report. Since 1981-82 the CCC has eliminated one of its six district offices.

Since 1976, as more LCPs have been implemented, the Commission's role has evolved from one of regulation of local coastal development to oversight of land-use plan preparation and implementation, but the interim process still affords immediate protection of coastal resources while local plans are being prepared for their long-term conservation and use. The Commission's permitting process serves as a guide for future planning and ensures that land-use plans are not obsolete before they are completed.

Organizational Goals and Responsibilities

The CCC watches over several areas of concern which together are intended to insure that the public as a whole enjoys maximum benefit from coastal uses. These concerns include recreational uses, habitat protection, restricting the development of hazardous areas, providing for coastal dependent uses, managing energy development, and protecting against the excessive development of coastal agricultural operations. A primary impetus for these goals as provided in the Coastal Act was the excessive urbanization which occurred in coastal areas such as the San Francisco Bay Area prior to state regulation.

A major goal of the CCC among these has been to increase public access to the shoreline and beaches. The Coastal Act of 1976 makes the increase of access to and along the coastline one of the most important state policies. Coastal Act permit and planning decisions have significantly increased the amount of coastline available for public access and recreational use.

Finally, one concern of the Commission under the original Coastal Act which has since been removed was the protection of housing opportunities for
persons of low and moderate income. This concern was removed from the Coastal Act in 1981 by the Legislature because of problems in reasonably addressing it.

In considering implementation of proposals and land-use plans for new development on the coast, the Commission weighs the need for development of specific projects against the Coastal Act goals of environmental protection and increased public coastal access. The discretion of the CCC is controlled by Coastal Act restrictions, such as limited subdivisions of rural areas.

An associated and vital service is the provision for public participation in coastal planning and regulation through public hearings on the LCPs. Hundreds of LCP hearings and workshops have been held involving thousands of interested citizens. As a result, LCPs reflect both public and private interests, locally and for the entire state. Public participation has also been a critical element of the permit process under the state CCC and continues to be encouraged at the local level.

Even after completion of the LCP development and approval process, the CCC will continue to be responsible for limited jurisdictional authority in regulating coastal activities. On going functions will include acting as an appeal authority, enforcement of LCP regulations, regulation of tidal and submersed lands, five-year program reviews of LCP plan implementation for conformance with the state plan, and administering federal programs.

Major Programs

Over the years, the Commission's major programs and program goals have changed as they have been affected by both state and federal legislation. The several programs administered over the years are listed below, followed by their effective years.
California Coastal Zone Conservation Plan, 1972-1976

The major activities under this program were the preparation of a coastal zone plan for the state and interim permit issuance and control. In late 1975 the Coastal Zone Conservation Commission submitted the developed plan to the State Legislature that provided for the preservation, protection, restoration and enhancement of the environment and ecology of the coastal zone. Elements covered by the plan included the marine and coastal land environment, geology, energy, recreation, appearance and design, transportation, and agency powers, funding and government.

Concurrent to the plan's development and review by the Legislature, the CZCC along with the regional commissions reviewed and issued required permits for approved developments. The process required the developer to file a permit application with the regional commission which the regional staff members would review along with related documentation. A summary report was then prepared for the commissioners with recommendations for either approval, conditional approval or denial. Public hearings when warranted allowed testimony from all parties concerned with the proposed project. A decision by the regional commission could, under the act, be appealed to the state CZCC. Periodic field inspections of development sites were made by regional staff members to determine if developers were complying with the terms of their permits.

Coastal Management Program Implementation, 1976-present

The main objectives since 1976 have been to bring local general plans into conformity with the Coastal Act through encouragement and assistance with Local Coastal Plan development, to continue the state's involvement in planning for coastal issues that cannot be adequately addressed by local
governments, to regulate development along the coast while local planning is being carried out, and to ensure that the state and national interests are protected by local decisions.

Two main functions of this program are the approval of LCPs and the interim regulation of development in the coastal zone. Under the provisions of the 1976 Coastal Act, all proposals for development along the coastal zone not yet within an approved LCP area must be reviewed to insure that the development is (1) in conformity with the provisions of the Act, and (2) would not prejudice the ability of the local government to prepare an LCP that is acceptable. This interim permit process may be taken over by a local authority, with decisions subject to CCC appeal, otherwise, as has been the overwhelming case, the interim development permit authority would rest in the regional commissions, again, subject to state appeal. In any case, once both parts of the LCP—Land Use Plans and the implementation ordinances—are approved, permanent coastal development permit authority reverts back to the local authority with a more narrow appeal jurisdictional role by the CCC.

Until their elimination in 1981, as provided in the Coastal Act, the regional commissions throughout the state were the primary authorities for approving LCPs and for issuing interim development permits under state authority, with permits subject of appeal to the state commission. LCP final approval now rests solely in the state commission, although support functions are provided by the district offices. Major legislation in 1981, intended to speed up the LCP process, allowed permanent development permitting authority to revert back to local authorities once the LUP portion of the LCP had been approved by the CCC and prior to the installation of implementing ordinances.

Other functions under the Coastal Management Program are the execution of statewide planning and support studies for CCC activities, promoting
coastal access by the public, and acting as administrator of federal Coastal Management Program funds. Among the wider policy concerns addressed by CCC technical studies, the Coastal Act assigned to the Commission the specific responsibilities for reviewing port planning, energy facilities planning and public works, and state university plans. This information is mostly derived from studies done under contract with other state agencies and private consulting firms.

**Determination of Liquid Natural Gas Terminal Sites, 1977-79**

The state's Liquified Natural Gas (LNG) Terminal Act of 1977 set up a separate CCC program to study the potential onshore and offshore sites for LNG terminals in which the CCC would report and make recommendations based on its findings. The CCC studied potential onshore sites, ranked them in order of desirability, and made recommendations to the Public Utilities Commission, which has exclusive power to issue a permit for construction and operation of such a facility. Offshore sites were also studied and recommendations were transmitted to the Public Utilities Commission, the California Energy Commission, the Governor, and to each house of the Legislature by 1978 bringing an end to this program.

**Coastal Energy Program, 1977-present**

The Commission's main function under this program was the monitoring of coastal-dependent energy development. The program was originally established to administer the federal Coastal Energy Impact Program (CEIP) in California, intended to allow states to plan for the onshore and offshore effects of outer continental shelf (OCS) oil and gas exploration activities and other coastal-dependent energy development. Primary funding came from federal grants provided by the program. Over the years, federal CEIP funding has
dwindled, and in 1984 was eliminated permanently. Accordingly, this program has been cut substantially. Funding for energy planning and regulation now comes from the state's General Fund.

Sources of Change and Organizational Response

Three primary factors have shaped the CCC's development to date. They are: (1) Externally-imposed cutbacks, (2) Commission reorganization, (3) changing relations with the federal government. These changes have also affected citizen participation in coastal management and the CCC's relations with other organizations.

A general hypothesis about the Commission's development underlies these separate factors. These changes increased the CCC's use of formal procedure and organization in decision-making and management in order to reduce the uncertainty caused by unplanned external shocks to its operation. While this increased reliance on formality provided stability and clarified administrative responsibility, the informal structure of management/staff relations remained and the personal commitment of the staff to coastal protection persisted.

Changes in Budget and Personnel

Three phases of Commission development can be identified which mark the evolution of the CCC's purpose from advocacy to management. The first, lasting from 1973 to about 1976, was a response to the public outcry for coastal protection. The young, idealistic organization worked overtime on a far-reaching regulatory scheme, with a strong commitment to a conservation ethic. Most of this innovative program was turned into statute by the Legislature.
With the passage of the Coastal Act in 1976 the Commission's jurisdiction expanded and its role changed. Since then, the second phase of agency activity has focused on division of institutional responsibilities between local governments and the state: state policies were to be implemented at the local level through LCP creation, while the state retained final review authority.

As more LCPs were completed the CCC's orientation changed again, from regulation and planning to oversight of plan implementation. It is now more responsible for managing the current program than for advocating new innovations.

This third phase of development is important because it included an internally-generated plan to reduce CCC staff size as the regulatory and planning workload decreased. Natural attrition and minor layoffs began this gradual reduction in 1980, but an accelerated layoff occurred when the Deukmejian administration imposed severe budget and personnel cuts on the agency in FY 1981-82.

**CCC vs. the Governor**

The Governor has been a major source of uncertainty for the CCC. Governor Deukmejian has been philosophically opposed to state coastal legislation, arguing that such authority should be kept at the local level with minimal government interference in private sector land-use decisions. Though the Coastal Act explicitly calls for a state protection program, the Governor sought to eliminate the CCC and free the private sector of the CCC's regulatory control. The Governor's opposition went beyond a more general attempt on his part to reduce personnel across all state agencies. Early cuts called for elimination of the Commission's Energy Program staff and a
halving of the technical staff performing statewide planning and support studies.

The Governor's approach was counter-productive to the end goal of completing LCPs and cutting the CCC's regulatory role. The Department's statutory responsibilities to its client groups remained despite the cuts, resulting in an increased workload per remaining staff member. Permit processing was delayed which further inhibited coastal development. There was also less staff time to help local governments complete their LCPs, thus deadlines for their completion were missed and the CCC continued to bear the permitting workload otherwise taken on by localities with approved plans.

The CCC was traumatized by these cuts. As the gradual planned decline was accelerated, layoffs were drastically increased and projects were cancelled. Remaining staff became overworked and felt demoralized by the administration's devaluation of their program.

Layoffs were made according to the seniority requirements of the Civil Service Code, with no regard allowed for professional ability. This resulted in some resentment among the less experienced staff who were more vulnerable to cuts than management. Personnel transfer among regional offices was limited by individual abilities to relocate. A concurrent state hiring freeze complicated replacement of positions which became vacant due to natural turnover. As positions were eliminated, so were promotional opportunities. Many staff members saw their professional futures disintegrate, and some blamed management for this loss. Tension and loss of confidence pervaded the organization.

Administrators were forced to put more time into the problematic layoff process than into the coastal program. The threat of displacing the CCC's
goal of coastal preservation with maintenance of internal organization became a real danger.

To smooth the impact of personnel losses, program cuts were distributed across-the-board rather than limited to the specific programs designated by the Governor. However, some prioritization of programs was evident. Energy, Local Permit, and Access Programs were prioritized according to their short-term value, and those with less immediate benefit—such as the Public Information Library and the Completed Permit Tracking Program—were eliminated.

Reliance on formal civil service procedures and smoothing of specific program cuts throughout low priority areas were the primary coping strategies used by the CCC to manage the cutbacks. These correspond to the several external and internal political cutback methods to smooth organizational decline outlined by Charles Levine.¹

But the most important means the CCC used to deal with internal stresses were informal. Managers monitored each other’s decisions to be certain the original ideals of the program were not compromised for the sake of avoiding political pressure or personal job insecurity. Managers attempted to maintain the connection between personal goals of staff and CCC goals during the difficult layoff period by expressing sensitivity to staff needs and by correlating individual and organizational futures. This is similar to the "constructive leave-taking" approach described by Larry Hirschhorn.²

Staff dedication to the program persisted, even to the extent that several previously laid-off employees accepted new positions with the Commission at lower pay and with less authority. Thus, while formal strategies were used to adjust to external pressures, informal means were
essential in dealing with the internal uncertainties generated by these pressures.

After accommodating the Governor's cuts, the CCC faced a less stressful external environment and looked forward to an extended period of stability. However, while Commission appeals and project delays have caused the Governor to ease his attack on the CCC budget, personnel cuts have continued. The CCC has been moved to close at least one district office in recent years, and in 1987 faces a directive from the Governor calling for a second closing. The CCC is expressing open resistance to the Governor's effort at further closings.

The Changing Composition of the Commission

In July of 1981 the original six regional commissions were terminated as provided in the Coastal Act. This resulted in a substantial change in the political orientation of commissioners. Six regional representatives were replaced by locally-elected officials; two each of the remaining six commissioners are appointed by the Senate, the Assembly, and the Governor. The elected officials tend to have a more conservative, pro-development attitude than the regional representatives, as have the administration's appointees.

The change in Commission membership resulted in a less conciliatory attitude between the Commission and the staff. Staff had become accustomed to a Commission representing the environmentalist approach of the seventies. Staff proposals and recommendations reflected this approach. The new Commission, now directly representing the local interests and a greater toleration of coastal development, was thus less supportive of staff recommendations for preservation and less frequently accepted them.
Commission reorganization also contributed to the delay in LCP preparation. Several local governments already resisted the idea of state intervention in their planning process and refused to complete the plans. Many more delayed action on plans when pending Commission reorganization promised more favorable political representation by local officials, not to mention more sympathetic regulation by new administrative appointees.

Changing Federal Relationships

Although a large portion of the federal funds received by the CCC is passed through to other agencies and projects, federal funds have been a significant portion of the CCC's program resources. The increased in federal funding of the late seventies were important to counterbalance the decline in state funding. After Proposition 13 limited the state budget, federal funds became especially important. However, the new federal administration has substantially reduced its funding grants to the California CCC since 1981, noted already in CEIP reductions. The combination of federal cuts and state budget reductions have confounded the Commission's operation and future plans.

The 1981 federal Supreme Court decision in California v. Watt changed the CCC's legal relationship with the federal government. In this case, the court reaffirmed a federal Coastal Zone Management Act provision which requires all federal activities directly affecting the coastal zone to be conducted in a manner consistent with a state's coastal management plan. The case set a legal precedent by sanctioning an effective voice for state and local governments in federal land-use decisions.

The consistency requirement is especially significant in oil and gas development on the Outer Continental Shelf (OCS). Consistency was originally
construed by the state as applying to every stage of the development process. However, the Court ruled further in the same case that the effect of lease sales, "direct" or not, must be determined on a case by case basis. Lease sales are now potentially possible even in the most environmentally sensitive areas of the OCS, with only subsequent exploration activities subject to state review. Once the lease sale has been made, however, there is greater economic and political pressure on the Commission to approve a project, especially since oil and gas development are considered by many to be in the state and national interest. The California v. Watt decision increased the CCC workload, requiring more research into each development proposal since the results of Commission decisions now have a much greater impact. The increased energy devoted to federal projects has distracted attention from local issues, since federal projects are a Commission priority.

Labor Relations in the CCC

The State Employee Act (1981) requires negotiation of separate contracts with each union represented among agency employees. There are six unions with members in the CCC, some having only one employee, each with different contract terms to negotiate. While the requirement has not threatened the cohesion of unionized employees as a working group, it has increased differentiation between management and ranks. The Act's effects combine those of the Civil Service Code and the CCC's formal cutback-management strategies to reinforce a formal structure around many CCC decisions. Staff coherence survives, however, because the informal relationships between managers and ranks allow the communication and feedback which prevent alienation.
Changes in the Institutional Environment

Two external forces have had significant consequences for CCC operations. The first is decreased citizen participation. Because the Public Information program was eliminated, there is much less information circulated to citizens and public-interest groups regarding proposed coastal development, permit hearings, and coastal issues. The public is thus less informed; it is less capable of influencing Commission decisions; and those decisions lack the broad representation originally desired. In addition, public interest groups have experienced a reduction in resources similar to that of public agencies. Their ability to seek put information on their own is limited.

Inter-organizational relationships have also suffered as a result of resource reductions. The CCC's ability to seek technical assistance from professionals in other agencies is stifled by an increased workload and complicated by a maze of inter-agency communication procedure. Most California agencies have experienced some degree of resource reduction, and thus have less staff time to share. Though some expert consultation continues, fewer special studies are contracted out and the range of technical information available to the Commission in decision-making is narrower. Commission reports thus contain less comprehensive technical evaluation, which may have adverse long-term effects on effective coastal management.
Notes


Bibliography


## California Coastal Commission Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1972/73</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1973/74</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1974/75</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1975/76</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1976/77</td>
<td>$ 2,317</td>
<td>0</td>
</tr>
<tr>
<td>1977/78</td>
<td>5,692</td>
<td>$ 736</td>
</tr>
<tr>
<td>1978/79</td>
<td>5,106</td>
<td>756</td>
</tr>
<tr>
<td>1979/80</td>
<td>5,375</td>
<td>756</td>
</tr>
<tr>
<td>1980/81</td>
<td>6,385</td>
<td>756</td>
</tr>
<tr>
<td>1981/82</td>
<td>5,712</td>
<td>0</td>
</tr>
<tr>
<td>1982/83</td>
<td>6,221</td>
<td>303</td>
</tr>
<tr>
<td>1983/84</td>
<td>5,449</td>
<td>180</td>
</tr>
<tr>
<td>1984/85</td>
<td>5,948</td>
<td>280</td>
</tr>
<tr>
<td>1985/86</td>
<td>5,948</td>
<td>265</td>
</tr>
</tbody>
</table>


* See note in Preface.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>Permanent</th>
<th>Temporary</th>
<th>Permanent</th>
<th>Temporary</th>
<th>Permanent</th>
<th>Temporary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>12</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>1970/71</td>
<td>12</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>1971/72</td>
<td>12</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>1972/73</td>
<td>12</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>1973/74</td>
<td>12</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>1974/75</td>
<td>12</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>1975/76</td>
<td>12</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>1976/77</td>
<td>12</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>1977/78</td>
<td>12</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>1978/79</td>
<td>12</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>1979/80</td>
<td>12</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>1980/81</td>
<td>12</td>
<td>2</td>
<td>9</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
</tbody>
</table>


Temporary personnel-years have been included with permanent.

California Coastal Commission
California Coastal Commission
Personnel-Years

Budget Year

Authorized
Filled

Personnel-Years

0 50 100 150 200 250

69/70 70/71 71/72 72/73 73/74 74/75 75/76 76/77 77/78 78/79 79/80 80/81 81/82 82/83 83/84 84/85 85/86 86/87
Introduction

The Department of Commerce is located within the executive branch of the California government within the Business Transportation and Housing Agency. This agency joins nine others under the direct supervision of the Governor.

The Department of Commerce serves as the primary state department promoting economic development in California. Since its birth, we can identify three periods of its existence. In the first, from 1969 to 1974, the Department struggled to develop an independent identity. There was considerable debate about the department's programs. Some of those programs grew to become independent. The Department was dissolved at the end of this period, because "it did not appear to be the proper organization-al framework for the stated objective."¹ In the second period, from 1975 to 1977, the Commission for Economic Development took over the previous functions of the Department of Commerce. However, the Commission was more a source of economic legislation and economic information than an active actor in California business life. Eventually, the Commission became a permanent body
for economic advice. Lastly, from 1978 to the present, the Department of Economic and Business Development (DEBD) was founded. This new organization was by no means a direct ancestor of the previous Department of Commerce. But in 1983, the DEBD was again given the title "Department of Commerce" to conform to common practice in several other states. Moreover, it was felt that this title more accurately describes what the department is and does.

Because of the high priority that the latest administration has given to economic development, the Department of Commerce has been the recipient of regular budget increases. Nevertheless, continued expansion seems unlikely in the future.

The Department of Commerce has seven offices. Each of them is responsible for a specific program. The success or failure of implemented programs is measurable by indicators of economic growth, unemployment level or overall state revenues. Some of the major activities carried out by the Department's offices are:

1) **Office of Business Development.** Provides market services and economic data to assist businesses to expand or establish new facilities; identifies types of industries with greatest potentials for growth; identifies obstacles to business and industrial growth; develops statewide strategies and promotional programs for industry location based on regional needs and resources; serves as a liaison between the business community and government and provides the necessary permits and approvals to businesses.

2) **The California Film Office.** Promotes and encourages filmmaking in California; provides film location assistance, including maps, location sitings, over 45,000 photographs from places in California, brochures and production handbooks; issues location permits to film companies. It is assisted by the Motion Picture Council.

3) **Office of Tourism.** The primary responsibility of this office is to work with the private sector to create employment, increase visitors' expenditures and industry-related revenue, and stimulate capital investment and development of tourism-related facilities and services. It provides tourism marketing assistance to communities and
local businesses and information on visitors' attractions throughout California.

4) **Office of Local Development.** Helps the public and private sector to cooperate to diversify and strengthen local economies and provide jobs for local residents; provides case studies, handbooks, slide shows and other information on specific topics; conducts on-site training workshops and seminars to help local government officials, development practitioners, and private-sector interests build local economies with ample and diversified employment opportunities.

5) **Office of Small Business Development.** Administers programs of direct loans to encourage business expansion and the creation of new jobs; administers state loan guarantee programs which permit banks and other financial institutions to make loans to businesses which are unable to obtain loans through traditional channels; gives information, technical assistance and advocacy for small businesses; publishes guidebooks, manuals and other materials related to small-business issues.

6) **Office of Economic Research.** Gathers, analyzes, interprets and publishes information on the economy; prepares studies on the economic potential of various types of business, commercial or industrial development in improving the economy of the State, the creation of job opportunities and the effect on resources and the environment of the State; advises the Governor and the Legislature on the economic impact of government policies and regulations; provides technical assistance to other state agencies in the development of economic data; responds to inquiries from the public concerning California's economy.

7) **Administration.** Provides active leadership in designing and implementing economic-development programs and coordinates and provides administrative services to all programs of the Department.

These offices are funded from the State General Fund. The federal government has provided only limited and infrequent financial support, implying also limited influence (at least through budgetary means) on Commerce programs.

The work atmosphere of Commerce is one of optimism. Budget stability is anticipated in the future. There is a general feeling that the Department operates apart from the popular image of a "public bureaucracy." Business
principles are applied to promote economic development in cooperation with the private sector.

The Department exhibits a flat structural organization. Each of the eight offices stands at the same level. Each operates with considerable independence. There is a large proportion of gubernatorial appointees. The director is responsible for coordination between the offices but is not a supervisor in a strict hierarchical sense. Periodically, the different officers meet to discuss ideas or share experiences related to economic events. But hierarchical authority is not part of the Department's internal environment.

The Department's external organization is more hierarchical, with the Governor as head of the structural organization. Below the Governor, the Secretary of Business, Transportation and Housing is responsible for overseeing the Department of Commerce as well as eleven other departments.

Tourists, businessmen, Chambers of Commerce, interest groups, business consultants and other constituencies also interact extensively with the Department of Commerce. They benefit from the leadership and information that the Department provides. They deal with similar goals and concerns. Commerce provides expertise and resources in a wide range of activities.

Sources of Change and Environmental Responses

Characteristics of the Internal Environment

The Department of Commerce is an organization with a decentralized line of authority. Each of the seven divisions carries on its policies independently from each other. The Director of each office works with a high degree of discretion over his/her area. The clerical staff maintains direct communication with the directors. Executives meet periodically to discuss
and to evaluate results of their programs. The Director provides coordination for the seven offices. As mentioned above, this position does not operate in a traditional supervisory capacity. The Director ensures that the decentralization of authority does not cause discord over the specific goals and objectives of the Department, e.g. to achieve the best economic climate in California for business and to develop sources of employment.

On the other hand, approval of projects must follow the chain-of-command of the executive branch of the State. New ideas for future programs are first discussed with the Secretary of Business Transportation and Housing. If the proposal seems feasible, meetings are arranged to discuss its implementation. Next, it is submitted for Gubernatorial approval. If he likes it, the new project takes priority in the Department's agenda. After the Governor's approval, the project is submitted to the Department of Finance. The program finally is submitted for review and approval by the Legislature.

Programs are evaluated through the review of statistics concerning state economic growth. It is problematic to quantify the Department's role in producing economic results. Individual programs are easier to evaluate. For instance, last year California generated five percent more tourism than any other state in the country. At the beginning of this year, unemployment in California had reached its lowest level in the last five years. These figures suggest that Commerce has achieved their basic objectives.

Public evaluation of Commerce's projects is difficult to evaluate. As it is difficult to measure the influence of other factors upon state economic performance, it is difficult to attribute blame or credit to Commerce for the strength of California's economic performance.
The personnel seems to be highly motivated and anxious to keep improving the image of California's business environment. They are confident about the strong support from the Governor. They are positive about budget increases in the near future. They want to become the best agency of their type for the promotion of business and the reduction of unemployment. They are changing from a passive to a more aggressive attitude. Instead of waiting for clients to approach them, they are moving outside the State and overseas -- with offices in Japan and London -- seeking business prospects.

Budget variations are very important. The new Department of Commerce in its short life has not dealt with budget cuts. Such stability acts as a strong incentive for loyalty toward the organization. The confidence in the future of the agency is obvious. The personnel attitudes are positive. At this time, job stability and confidence in the organization seem to encourage the loyalty and high morale of the Department's personnel.

The personnel in the Department is grouped into a clerical sector, a librarian and staff, and professional or economic specialists. They are not organized or unionized but are considered three different bargaining groups within the agency. Management employee relations have been cordial. Few grievances have been filed in recent years. These have generally been minor issues. Personnel growth has kept pace with the budget increases. New positions have been created as the Department takes on new economic tasks. There are signs that Commerce, instead of supporting growth into additional programs, prefers to improve those programs currently in operation.

External Environment

Outside the Department is a network of contacts who are interested in any effort related to business movement, e.g. a group of independent business
consultants who try to accommodate their business clients or the Chamber of Commerce which deals with business needs at the local level. These private groups operate in similar areas and on a similar level as do many Commerce programs. In activities such as television commercials or business brochures, the private sector matches the amount of money invested by the Department. These groups are valuable allies in the accomplishment of Commerce's goals.

Commerce constituencies include the tourism industry, small business associations, the entertainment industry, and other organizations and industries with an interest in California economic development. These constituents, particularly tourism, entertainment, and small business have been strong supporters of Commerce programs. This support may take the form of using the services offered by Commerce (loans, information, seminars on business promotion) or lobbying in support of Commerce programs.

The Governor and the Legislature are the most influential elements in Commerce's task environment. The Governor is giving policy emphasis to state economic development. It is politically advantageous to demonstrate improvement in economic indicators. Support from the Legislature is also important. Lack of support from the Legislature and Governor in 1974 resulted in disbanding of the Commerce Department as it existed then. These relationships are positive currently, as demonstrated by departmental growth.

Sources of External Stress

Probably the major source of external stress is the contingency presented by an unpredictable economic environment. Sudden national and international shifts in a variety of business and economic arenas may have direct impacts on the viability of Commerce programs. An extended period of poor state economic performance may jeopardize its existence or generate
requests for reorganization of strategies for economic development. The current economic environment has been benevolent. While Commerce can somewhat affect the likelihood that this situation will continue, economic "surprises" might still create aftershocks for the Department for years to come.

Notes

Bibliography


Jenkins, Don E., Chief of Administration, Department of Commerce. Interview, April 6, 1987.

Rinehart, James, Director, Office of Business Development, Department of Commerce. Interview, April 6, 1987.

Stewart, Jack, Chief Executive Director, Department of Commerce. Interview, April 6, 1987.
### Department of Commerce
#### Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Operations</th>
<th>Local Assistance</th>
<th>Capital Outlay</th>
<th>% of Total State Oper.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00%</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00</td>
</tr>
<tr>
<td>1972/73</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00</td>
</tr>
<tr>
<td>1973/74</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00</td>
</tr>
<tr>
<td>1974/75</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00</td>
</tr>
<tr>
<td>1975/76</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00</td>
</tr>
<tr>
<td>1976/77</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00</td>
</tr>
<tr>
<td>1977/78</td>
<td>$2,358</td>
<td>$17</td>
<td>0</td>
<td>.06</td>
</tr>
<tr>
<td>1978/79</td>
<td>$4,218</td>
<td>$1,233</td>
<td>0</td>
<td>.11</td>
</tr>
<tr>
<td>1979/80</td>
<td>$4,939</td>
<td>625</td>
<td>0</td>
<td>.10</td>
</tr>
<tr>
<td>1980/81</td>
<td>$7,336</td>
<td>$1,700</td>
<td>0</td>
<td>.13</td>
</tr>
<tr>
<td>1981/82</td>
<td>$7,384</td>
<td>325</td>
<td>0</td>
<td>.12</td>
</tr>
<tr>
<td>1982/83</td>
<td>$6,362</td>
<td>0</td>
<td>0</td>
<td>.10</td>
</tr>
<tr>
<td>1983/84</td>
<td>$6,764</td>
<td>0</td>
<td>0</td>
<td>.10</td>
</tr>
<tr>
<td>1984/85</td>
<td>$15,402</td>
<td>0</td>
<td>0</td>
<td>.19</td>
</tr>
<tr>
<td>1985/86</td>
<td>$17,156</td>
<td>0</td>
<td>0</td>
<td>.18</td>
</tr>
</tbody>
</table>


* See note in Preface.
  a. Department of Economic and Business Development
  b. Department of Commerce
Department of Commerce
Expenditures for State Operations - State Funds

 Thousands of Dollars

Budget Year

Federal Funds

Thousands of Dollars

Budget Year
<table>
<thead>
<tr>
<th>YEAR</th>
<th>Department of Economic and Business Development</th>
<th>Department of Commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1970</td>
<td>101</td>
<td>99</td>
</tr>
<tr>
<td>1971</td>
<td>96</td>
<td>19</td>
</tr>
<tr>
<td>1972</td>
<td>88</td>
<td>19</td>
</tr>
<tr>
<td>1973</td>
<td>84</td>
<td>19</td>
</tr>
<tr>
<td>1974</td>
<td>99</td>
<td>19</td>
</tr>
<tr>
<td>1975</td>
<td>99</td>
<td>19</td>
</tr>
<tr>
<td>1976</td>
<td>72</td>
<td>19</td>
</tr>
<tr>
<td>1977</td>
<td>72</td>
<td>19</td>
</tr>
<tr>
<td>1978</td>
<td>72</td>
<td>19</td>
</tr>
<tr>
<td>1979</td>
<td>72</td>
<td>19</td>
</tr>
<tr>
<td>1980</td>
<td>72</td>
<td>19</td>
</tr>
<tr>
<td>1981</td>
<td>72</td>
<td>19</td>
</tr>
<tr>
<td>1982</td>
<td>72</td>
<td>19</td>
</tr>
<tr>
<td>1983</td>
<td>72</td>
<td>19</td>
</tr>
<tr>
<td>1984</td>
<td>72</td>
<td>19</td>
</tr>
<tr>
<td>1985</td>
<td>72</td>
<td>19</td>
</tr>
<tr>
<td>1986</td>
<td>72</td>
<td>19</td>
</tr>
<tr>
<td>1987</td>
<td>72</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: Governor's Proposed State Budget of California, 1969-1970

Temporary personnel-years have been included with permanent.
Department of Commerce
Personnel-Years

Budget Year

Personnel-Years

[Graph showing personnel-years from 1969 to 1987, with lines indicating 'Authorized' and 'Filled'.]
Introduction

The Department of Consumer Affairs (DCA), through its administration of four budgeted programs of Administration, the Bureau of Automotive Repair, the Contractors' State License Board and the Board of Medical Quality Assurance, coordinates the efforts of a vast number of diverse professionals and services from such unrelated backgrounds as contractors and physicians to funeral directors and tax preparers. Within the State of California's administrative structure, the DCA has been growing steadily over the last fifteen years in terms of expenditures and personnel. In 1985 the DCA had a budget of over $94 million, which represented over one percent of the Governor's budget. DCA programs affect populations both inside and outside of California. Most recently, the DCA became a regular part of every California motorist's life when the Bureau of Automotive Repair (BAR) implemented the Biennial Vehicle Inspection Program (BVIP), more commonly known to California motorists as the Smog Check Program. The success of the
BVIP has prompted proposals for similar programs in other states (e.g., Alaska) and other nations (Mexico).

Overview

The Department of Consumer Affairs was created in 1971 under the authorization of the 1970 Consumer Affairs Act. The DCA in effect replaced the Department of Professional and Vocational Standards, inherited its predecessor's regulatory and licensing functions, and received the new responsibility of educating and protecting the California consumer. In this regard, the DCA clearly represents the multi-purpose organization which, as Etzione states, legitimately serves two or more goals. More interestingly, however, the overall structure of the DCA forms an extensive bureaucracy in its own right. The boards and bureaus, with help from the DCA's five sub-units, operate with a great deal of independence, relying on executive leadership primarily for coordination of efforts. Nevertheless, four major events demonstrate the DCA's present and possible future direction: (1) the DCA's creation, (2) the decision to allow public members on the boards, (3) increasing professionalization and (4) increasing public profile.

The DCA's creation is significant in so far as it marked the formal recognition of consumer protection in California. In 1959 Governor Edmund Brown created a consumer council to advise him, but this council lacked enforcement powers. Likewise, in 1969, Governor Reagan created the Division of Consumer Affairs within the Department of Professional and Vocational Standards. This division lacked enforcement power. In contrast, the DCA's creation in 1971 as a separate agency with enforcement powers indicated that the state was taking consumer matters more seriously.
Unfortunately, the creation of the DCA did not satisfy the Legislature or consumer groups. Various groups criticized the DCA for, in effect, becoming a department of "business affairs" rather than the Department of Consumer Affairs. The mounting dissatisfaction and criticism led to a second significant change for the DCA, namely the passage of SB 2116, SB 1039, and SB 1987 which allowed public members to assume majorities on the boards.

The final two significant events are much more current. The DCA has undertaken to automate many department functions. The boards and bureaus primarily benefit from more sophisticated techniques, as they can better manage, store and manipulate licensee data. The benefit of superior data manipulation capabilities (for example, having instant access to a licensee's background, i.e.: history, violations, etc.) would allow the department to provide more information to the public. The sophisticated data processing system is a useful tool in an imperfect marketplace.

Finally, a major event for the DCA was the BAR's successful implementation of the Biennial Vehicle Inspection Program (BVIP) to assist in smog control. This program gave the DCA a breadth of program consistency not reached heretofore in DCA programs. The Legislature, in effect, ordered the BAR to intrude into a delicate facet of many Californians' lives: their automobiles. The Legislature feared that tampering in an area many Californians passionately enjoyed set up the potential for serious political backlash. In an attempt to avoid this, the Legislature gave the BAR adequate funds and other resources to develop a program acceptable to the public. The BVIP, thus, represented a serious intrusion into many people's lives, yet these people accepted the purpose and need for the program, i.e.: controlling car smog to improve California's air quality. Given the fact that the DCA
was its own prototype, these four events demonstrate the significant advances it has made.

**Characteristics of the Internal Environment**

Internally, the Department of Consumer Affairs is divided in three parts: (1) the Division of Consumer Services and Legislation, with the primary responsibility for implementation of the 1970 Consumer Affairs Act; (2) the present forty boards, bureaus, commissions, etc. (excluding the Board of Dry Cleaning and Fabric Care, which has been abolished), which are responsible for overseeing their respective professions; and (3) the five support units of the DCA: Administrative Services, Investigative Services and Technology, Internal Audits, and Legal Affairs. The five support units provide staff support to the various boards and bureaus.

This internal structure is managed by the DCA's Director, a Chief Deputy Director, and the three Deputy Directors. These individuals are appointed by the Governor and have executive control of the department. The Director oversees major departmental policy matters and supervises and directs relations with the Legislature, Governor, other state agencies and governmental concerns regarding DCA programs and policies. Furthermore, with the Governor's approval, the Director can consolidate, abolish or create divisions and reassign duties to the employees within a particular division as he/she believes best serves the public. Finally the Director can investigate any part of DCA work and obtain any records and data relevant to official business.³

The Chief Deputy Director oversees four of the five support units of the DCA as well as the boards, committees and a commission. Of the remaining three Deputy Directors, one presides over the five bureaus and the tax
preparers program. The heads of these bureaus and the tax preparers program are appointed by the Governor, but are legally accountable to the Director. Another Deputy Director serves as Chief of Consumer Services and Legislation, representing the DCA to the Legislature. The last Deputy Director is Chief of Legal Affairs. As the title implies, this person coordinates all legal functions and provides legal advice on matters which affect the licensing boards. Finally, the Director appoints an assistant who, in conjunction with the Director's office, makes recommendations regarding potential appointees. In most daily operations, the Chief Deputy Director and the other Deputy Directors coordinate the DCA.

Both program/planning and the decision making process are rather decentralized in the DCA. This is somewhat necessary because the simultaneous tasks of licensing/regulation and public assistance require expertise in the area of regulation. However, differences in authority exist. The five bureaus and the Tax Preparers Program are all headed by a Chief (or administrator in the case of the TPP), each appointed by the Governor. While, in day-to-day operations, the bureaus set their own licensing standards, rules and regulations, final authority lies with the Director, with each Bureau Chief reporting directly to him. Each bureau has one or more boards serving an advisory role, which are composed of industry and public representatives.

Beyond the bureaus, 34 regulatory boards exist which are associated with the DCA, but hold much more independence. Members of these boards are appointed by the Governor, the Senate Rules Committee, and the Speaker of the Assembly, and, like the advisory boards, represent the particular profession, industry or the public. These boards, unlike the advisory boards to the bureaus, hold full regulatory authority, and can set goals, policy and
direction for the industry or profession which they regulate independent of
the Director. Qualifications for board members are listed in the licensing
acts of the agencies while qualifications for public members are defined in
the Business And Professions Code Section 450.5

Program evaluation seems to take two forms: predetermined and
continuous. For example, the Bureau of Automotive Repair (BAR) implemented
the Better Automotive Repair Program in 1984 with a specific evaluation and
termination date of 1987. Other programs as well as entire boards are
evaluated continuously. The DCA Orientation Manual, for example,
specifically instructs board members to evaluate their programs routinely to
determine whether the need to regulate and/or license their particular
profession still exists.6 Recently, the Board of Dry Cleaning and Fabric
Care was evaluated and deemed no longer needed. Just as the boards and
bureaus can conduct their own evaluations, the DCA Director can also evaluate
any DCA program at his/her discretion. Finally, the Internal Audit Office
can perform financial, management and confidential investigative audits, and,
in fact, has been reviewing every board, bureau, etc. about once every two
years. The Internal Audit Office's financial audits evaluate a particular
agency's ability to account for revenue, while management audits gauge
efficiency and investigative audits probe for fraud or other malicious
intentions perceived to have taken place. In terms of program evaluation
within the DCA, it would appear that the boards, bureaus, etc. and the
Internal Audit Office conduct the majority of evaluations on a regular basis.

As previously noted, the DCA can be thought to consist of three central
parts—the five support units, the boards and bureaus, and the Division of
Consumer Services—working together to ensure competency in numerous
professions and to promote consumer protection and awareness. Each, however,
performs a separate role in this goal. The boards, bureaus, etc. pursue the DCA goal by attempting to ensure competence in the various professions which they regulate/license and by publicizing their efforts and providing methods by which consumers can issue complaints. The Division of Consumer Services provides assistance on facets of consumer law, studies consumer issues, receives complaints, proposes legislation and develops educational materials to boost consumer awareness. In pursuing these efforts, the five support units provide valuable services to the boards, bureaus, etc., and the DCS so that they can operate smoothly.

The Department of Consumer Affairs is generally free to choose the means for increasing visibility and public awareness. For example, they can recommend legislation, develop and distribute publications, or contract out for services if it is more advantageous. In some cases, the Legislature may mandate a certain course of action, such as instructing the department to contract out for services in the Biennial Vehicle Inspection Program (BVIP) to keep it decentralized. In another case, the Bureau of Automotive Repair chose to contract out to the Department of Motor Vehicles (DMV) to have its BVIP notices included in DMV registration forms. Subunits appear to have the discretion in selecting the means to increase their visibility and promote their programs.

The impression given by members of the DCA is that department personnel enjoy a high level of morale in performing their work. Several reasons may account for this. The goals of the different parts of the DCA are clear, minimizing uncertainty in the department. Also, the different parts of the DCA enjoy a fair amount of autonomy in performing their tasks, and, in the case of the independent regulatory boards, a high degree of autonomy. Another reason, no doubt, is that various units have experienced successes
and/or have conducted innovative work. For example, the BAR's smog control program not only was the first of its kind created on such a large scale, but it was successful. Also, the Contractors' State License Board (CSLB) has made significant strides in reducing its huge backlog of cases. In terms of innovation, the Board of Medical Quality Assurance (BMQA) has begun a program which evaluates specific foreign medical schools to compare their standards to California's and to develop medical qualifying exams for foreign students. Interviewees have given the DCA.

**Characteristics of the Task Environment**

The nature of DCA work attracts the attention of numerous groups and actors ranging from consumer groups and professional associations (whose members must be licensed by the DCA) to the Legislature, Governor and federal government agencies. Due to the great diversity of DCA boards and bureaus, virtually any group can question or scrutinize DCA actions. In this sense, the DCA must be ready to deal with these groups on a legal basis. Relations between parts of the DCA or the DCA and other groups can appear to be both cordial and adversarial. For example, the Contractors' State License Board (CSLB), in efforts to prevent unqualified or fraudulent contractors from operating in other states, cooperates with its counterpart agencies in Hawaii, Nevada and Arizona. In contrast, on occasions, relations can also be hostile.

In particular, the federal government can make a state legislature mobilize its resources quickly by threatening to impose sanctions for violating federal laws. Such was the case when the Environmental Protection Agency (EPA) determined California had too many nonattainment areas for ozone under the 1977 Clean Air Act. The EPA threatened to withhold millions of
dollars in highway funds unless air quality in the designated areas was improved. The Legislature eventually decided a vehicle-emissions control was the most efficient strategy to comply with EPA standards. Consequently the responsibility for creating such a program was passed to the DCA's Bureau of Automotive Repair (BAR). In this instance, the EPA had an adversarial relationship with the Legislature, which in turn diverted the task to the DCA. A potential for adversarial relations can also exist between the boards and bureaus and the respective professions they license.

As previously noted, the DCA's actions, as are those of all public organizations, can be scrutinized by anyone. With passage of the Public Records Act (Government Code Sections 6250-6265), state business has been opened to the public. Consequently, the potential for lawsuits prompted one DCA staffer to remark specifically that during program development, adequate time must be given to ensure such policies or programs can withstand litigation. Aside from legal accountability, the various boards and bureaus are accountable to the standards espoused by their respective professions. For example, some Contractors' State Licensing Board members are themselves contractors as some members of the Board of Medical Quality Assurance are physicians.

In terms of constituent support, if this can be measured by the number of processed complaints or by the number of licensees in a board/bureau, both the BAR and the CSLB have expanded their support. For example, the BAR in 1972 operated eight field offices and handled approximately 4,700 phone and mail complaints. Over the past thirteen years, the BAR has increased its field offices to nineteen and handled over 50,000 complaints in 1984-85. Similarly, the CSLB has experienced a steady increase in its licensees from
over 148,000 in 1979-1980 to approximately 200,000 today. Two primary factors help to explain these increases: increased visibility efforts by the boards and bureaus, and the perception by licensees that licensing brings added prestige and quality to the licensee's business. The increasing number of complaints processed by the BAR also implies that there remains a need for its services and thus that it has support. Though only a few boards and bureaus were examined, one would expect similar trends in increasing complaints and licensees in others as well, due to their emphasis on increasing visibility. Finally, the various and notable successes of the DCA (e.g., BVIP) appear to generate favorable responses among the public. In this case, the BAR currently receives only one complaint for every 1,400 smog inspections performed.

Sources of External Stress

The boards, bureaus, etc., which account for an overwhelming percentage of the DCA budget, receive their money via licensing/regulatory fees and other special funding activities, and thus have been relatively immune to external political forces, which otherwise might scrutinize funding for political reasons. However, other external forces have brought significant changes to the DCA (e.g., federal authorities attempting to enforce federal policies, changing gubernatorial priorities, and legislative relationships).

Public organizations have faced an uncertain environment since the late 1970s. These problems are fueled by reductions in federal aid programs from 1979-82, economic recessions of the 1980s, and the infamous "taxpayers' revolt", symbolized by Proposition 13 and like measures which seek to curb government spending due to the public perception of inefficiency within public organizations. These three factors have drained substantial funds
from public organizations and have been collectively blamed for the "Great State-Local Slowdown." Fortunately for the DCA the effects of these three events appear to be minimal. Again, because the DCA's boards and bureaus bring in their own funds, they generally do not require federal funds, continue to receive their licensing/regulatory fees during recessions and are somewhat insulated from the taxpayer's dissatisfaction. In effect, then, during the "Great State-Local Slowdown" it has been business as usual at the DCA.

The EPA's influence in forcing California to develop the BVIP was earlier described as an example of hostile relations. The EPA's decision to enforce the 1977 Clean Air Act in the State resulted in great change for the BAR, as its budget more than tripled from 1982 to 1985. Other actors as well have played roles in affecting change within the DCA. To some degree, various governors have made the Consumer Advisory Council an "on-again, off-again" agency. Though the Council was created under the Consumer Affairs Act to study consumer issues and recommend legislation, its funds were eliminated in 1979 and in 1986. However, arguably, the most profound change for the DCA occurred in 1976.

Prior to 1976, the DCA's boards, bureaus etc. were dominated by their professions and consumer protection seemed to be a low priority in practice. This situation was widely publicized in various studies within four years of the DCA's inception by such groups as the Legislature's Ways and Means committee, the U.C. Davis Institute of Governmental Affairs and consumer groups including San Francisco Consumer Action. The evaluation of the Ways and Means Committee was particularly critical. In its 1971 study of three healing arts boards and three business regulatory boards, the committee concluded that the DCA was "primarily a conglomeration of autonomous or semi-
autonomous licensing boards ... [and not yet] a cohesive, effective consumer protection agency." The committee recommended strengthening the department's influence by centralizing the DCA. Among their proposals four stand out: eliminating all special funds for all boards and bureaus, with the proceeds from licensing etc. being placed into a general fund; placing enforcement duties with the Director; recommending legislation be enacted to make all board functions advisory, excluding those of the healing arts; and having more public members serve on the various boards.

The struggle to gain majority public membership of the DCA's boards was difficult. The Ways and Means Committee had no success turning their first three recommendations into law but, after five years of political debate, they were able to pass their fourth recommendation. Specifically, public board majority membership became law in 1976 under SB 2116 (Gregario), SB 1039 and SB 1987, which stipulated that composition of DCA regulatory and advisory boards would include a majority of public members. The exception was public membership on the Healing Arts and Accountancy Boards, which would be limited to one-third with the other two-thirds representing licensee members. This victory not only was crucial but was very generous. The Ways and Means Committee had proposed making this historic inroad by advising that one-third of board members represent the public and instead they were granted a majority. The difficulty encountered in attempting to put public members on boards designed to serve the public suggests the influence of the professional groups which these boards regulate.

The DCA's regulatory boards are under attack from a new source in 1987. Some members of the state legislature have questioned the need and functions of professional licensing boards. It has been argued that the majority of the boards function genuinely to protect consumer interests. But some boards
may operate to protect and industry by limiting the number of practitioners or to bestow legitimacy on enterprises through state licensing (without enforcing the strict standards that would give validity to the license as a state seal of approval).

State Senator Daniel Boatwright of Concord has requested that the Legislative Analyst (LAO) review the functions of these boards. As of 1987, the LAO had recommended that four be abolished: the Board of Landscape Architects, the Tax Preparers Program, the Board of Registration for Geologists and Geophysicists, and the California Auctioneer Commission. Additional boards have been recommended for merger. The outcome of this effort will probably be resolved during the legislative deliberations during the remainder of this decade.13

Fortunately, other changes which have figured prominently in the DCA's future have emerged from friendlier circumstances. One such major change is common to many contemporary organizations: improved data processing. This is invaluable to the boards, bureaus, etc. which process a great deal of information relevant to licensing, regulating and disciplinary proceedings. For example, the CSLB has its licensees on file and shares this information with the Internal Revenue Service, the Franchise Tax Board and the Department of Insurance. Though the benefits from having sophisticated data processing systems can be enormous, a difficulty has arisen in attracting and keeping highly qualified data processing specialists. It appears that higher salaries in the private sector lure the best computer support staff away from the public sector. The DCA has not had such trouble with other professions.

In conclusion, the external task environment in terms of fund restrictions has had a marginal effect on the larger boards and bureaus. However, in the case of the BAR and the need to establish the BVIP quickly,
the BAR's budget and staff was dramatically increased to ensure rapid
development and implementation of the program. More likely, boards and
bureaus must be prepared to cope with policies or programs imposed by
external sources, be they federal, legislative or dissatisfied consumer
groups. In the context of the potential uncertainty such situations could
bring, the best regulatory boards will likely continue to emphasize the value
of their regulatory functions to the people and regulated professions of
California.

Notes


2. Kenneth Entin and Barbara Geesman, Government and the Consumer: The
California Model, p. 5. This source contains a very good account of the
political manuevers made by several actors in the DCA's inception.

3. State of California, Department of Consumer Affairs, Orientation Manual,
p. 10.

4. Ibid., p. 7.

5. Ibid., p. 20.

6. Ibid., p. 29.


8. Intergovernmental Perspectives, Federal and State-Local Spenders Go Their
Separate Ways, p. 23.


10. Assembly Ways and Means Committee, Interim Study of the DCA, p. 2.

11. Ibid. pp. 6-19.


13. Teresa Watanabe, "Professional Boards and Commissions: Protection for
Industry or Consumer?" in California Government Politics Annual 1987-88,
Thomas R. Hoeber and Charles M. Price, eds. (Sacramento: California Journal
Bibliography


Cohen, Candis, Consumer Liaison, DCA. Interview, spring 1987.


Fippen, Neil, Chief, Administrative Division, DCA. Interview, spring 1987.

Hunter, Gary, Chief of Field Operations, Board of Automotive Repair, DCA. Interview, spring 1987.


Laue, Doug, Manager, Internal Audit Office, DCA. Interview, spring 1987.

Maloney, Jack, Registrar, Contractor's State License Board, DCA. Interview, spring 1987.


Department of Consumer Affairs
Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>$ 10,677</td>
<td>0</td>
</tr>
<tr>
<td>1970/71</td>
<td>10,920</td>
<td>0</td>
</tr>
<tr>
<td>1971/72</td>
<td>12,148</td>
<td>0</td>
</tr>
<tr>
<td>1972/73</td>
<td>16,402</td>
<td>0</td>
</tr>
<tr>
<td>1973/74</td>
<td>19,490</td>
<td>0</td>
</tr>
<tr>
<td>1974/75</td>
<td>21,663</td>
<td>0</td>
</tr>
<tr>
<td>1975/76</td>
<td>26,164</td>
<td>0</td>
</tr>
<tr>
<td>1976/77</td>
<td>30,034</td>
<td>0</td>
</tr>
<tr>
<td>1977/78</td>
<td>34,044</td>
<td>0</td>
</tr>
<tr>
<td>1978/79</td>
<td>33,982</td>
<td>0</td>
</tr>
<tr>
<td>1979/80</td>
<td>40,341</td>
<td>0</td>
</tr>
<tr>
<td>1980/81</td>
<td>49,401</td>
<td>0</td>
</tr>
<tr>
<td>1981/82</td>
<td>55,117</td>
<td>0</td>
</tr>
<tr>
<td>1982/83</td>
<td>58,180</td>
<td>0</td>
</tr>
<tr>
<td>1983/84</td>
<td>71,533</td>
<td>0</td>
</tr>
<tr>
<td>1984/85</td>
<td>94,641</td>
<td>0</td>
</tr>
<tr>
<td>1985/86</td>
<td>105,388</td>
<td>0</td>
</tr>
</tbody>
</table>


* See note in Preface.
<table>
<thead>
<tr>
<th>Year</th>
<th>Authorized Permanent</th>
<th>Authorized Temporary</th>
<th>Filled Permanent</th>
<th>Filled Temporary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>1,039</td>
<td>1,141</td>
<td>1,108</td>
<td>1,710</td>
</tr>
<tr>
<td>1970</td>
<td>1,282</td>
<td>1,345</td>
<td>1,415</td>
<td>1,415</td>
</tr>
<tr>
<td>1971</td>
<td>1,643</td>
<td>1,496</td>
<td>1,605</td>
<td>1,475</td>
</tr>
<tr>
<td>1972</td>
<td>1,323</td>
<td>1,282</td>
<td>1,475</td>
<td>1,496</td>
</tr>
<tr>
<td>1973</td>
<td>1,039</td>
<td>1,141</td>
<td>1,108</td>
<td>1,710</td>
</tr>
<tr>
<td>1974</td>
<td>1,282</td>
<td>1,345</td>
<td>1,415</td>
<td>1,415</td>
</tr>
<tr>
<td>1975</td>
<td>1,643</td>
<td>1,496</td>
<td>1,605</td>
<td>1,475</td>
</tr>
<tr>
<td>1976</td>
<td>1,323</td>
<td>1,282</td>
<td>1,475</td>
<td>1,496</td>
</tr>
<tr>
<td>1977</td>
<td>1,039</td>
<td>1,141</td>
<td>1,108</td>
<td>1,710</td>
</tr>
</tbody>
</table>

Department of Consumer Affairs
Personnel-Years

Authorized
Filled

Personnel-Years

Budget Year

69/70 70/71 71/72 72/73 73/74 74/75 75/76 76/77 77/78 78/79 79/80 80/81 81/82 82/83 83/84 84/85 85/86 86/87

0 500 1000 1500 2000
Agency Development

The California Department of Corporations (DOC) was created in 1913. In 1929, the Department of Corporations became a division of the Department of Investment. This adjustment did not alter their responsibilities.

The Corporate Securities Law of 1968 triggered a major reorganization of the DOC's structure. This law explicitly defines the proper requirements for the legal sale of securities in California. The DOC's responsibilities in this area were specified by this law. More significantly, the new law initiated a departmental reorganization. Before 1968, each department office, under the direction of an assistant commissioner, was responsible for execution of departmental functions. There was little organizational task specialization, and coordination and uniformity were strained. After 1968, the agency was reorganized according to functional specialization. Each division concentrated upon a single function. Specialization combined with the legal duties of the Corporate Securities Law to significantly alter the DOC's internal environment.
The present Department of Corporations is comprised of three programs: Investment Program, Lender-Fiduciary Program, and Health Service Plan Program. The Investment Program administers the Corporate Securities Law to ensure that securities are bought and sold in California in a fair, just and equitable manner. This program investigates grievances when citizens feel that "an improper sale and issuance of securities has occurred."^2

The Lender-Fiduciary Program, which accounts for approximately 40 percent of the Department of Corporations' total expenditures, administers eight separate state laws regulating check sellers, bill payers and proraters, credit unions, escrow agents, personal property brokers, trading stamp companies, and loan providers for industrial, commercial and consumer uses. The primary enforcement method is the review of financial information required by the state to determine if companies are operating in accordance with the respective laws. Operating licenses are required by the state and issued to approved operators. License fees provide reimbursements to the Department.

The department acquired responsibility for regulating California's health care service plans (Health Service Plan Program) pursuant to the enactment of the Knox-Keene Act of 1975 which permits health plans to operate for profit. This program gave DOC regulatory oversight for health care service plans. This program affected the internal operations of Corporations by changing its personnel composition. Formerly, the department was dominated by lawyers and financial analysts. In addition to requiring additional professionals in these areas, the health program necessitated the hiring of medical examiners to evaluate the medical quality of these plans.

DOC has enjoyed steady budgetary growth. This budgetary stability is attributable to the fact that, as a licensing agency, DOC funding is
generally determined on the basis of reimbursements. Thus DOC was less vulnerable to the tax revolution of the 1970s. During the last ten years, the DOC has steadily grown to a present staff level of over 400 filled positions. Even with this stability, DOC faced personnel reductions between 1978 and 1980. The DOC rebounded after these setbacks.

Internal Environment

The Department of Corporations is small in comparison with many other state agencies in personnel and operational budget. Their responsibilities are quite extensive. With the scale of economic activity in California, the regulations of securities transactions, financial service organizations, and health care service plans is quite a formidable task.

The DOC is organized into five divisions, three of which carry out specific program functions. Program support is provided by the Enforcement Division and Administration and Services Division. The three program divisions operate with a great deal of autonomy. A good example of this independence in the Health Care Service Plans Division which functions almost as if it were a separate department. A newly appointed Assistant Commissioner, who heads the Division, sought to filter what he called overly bureaucratic methods with a "just get the job done" mentality. Though this is a quite simplistic view of how he solved the problem, the fact that he was able to come in and exert his own particular management philosophy indicates the type of autonomy the program divisions possess.

Support services are provided by the Division of Administration and Services, Division of Enforcement, and by a separate Office of Policy. The Division of Administration and Services is responsible for DOC budgeting, accounting, personnel, automation, archiving, and office operations. The Enforcement Division is the muscle of the department--responsible for
enforcing the laws which govern DOC programs. The Office of Policy performs a legislative review and liaison function, by reporting on proposed legislation affecting the Department and drafting proposals for new bills.

The DOC is distinctive for its high concentration of professional personnel, particularly lawyers and accountants. This professionalism, of course, is a double-edged sword. While agency personnel can generally be relied upon to carry out their tasks independently, the high demand for their skills subjects the DOC to a potential problem with "free exiters." That is, there is a disparity between the amount DOC can pay and what might be earned in private practice for many of these staffers. The salary range for a supervising counsel—an upper level management position in DOC—is comparable to that of a middle level manager in a small firm. This problem is particularly acute in the southern regional offices, where the DOC also has the largest demand for individuals who are qualified in securities and finance. The "free exiting" problem presents DOC with the paradox of hiring more-qualified and likely short-term employees versus hiring those who are less-qualified and more likely to remain with the Department. Since salaries are strictly controlled by schedules, one strategy for retaining qualified staff is a process called "deep-classing." Deep-classing increases the number of working grades to smoothly channel salary movement. Also, the DOC maintains a staffing ration which allows for as many "chiefs" as possible.

Two informal factors operate to promote personnel retention and departmental morale. In terms of securities and finance, the DOC is "in the thick of it." Since the DOC strives to be at the forefront of its field, the working environment is challenging and exciting for individuals with an interest in securities and finance. A second informal source employee morale is the status and support offered by a department with such concentrated
level of professionalism. This offers both status incentives and opportunities for personal development through informal interactions.

External Environment

As a regulating agency, the DOC must balance regulatory considerations with concerns that its activities not unnecessarily impede the healthy development of the regulated industries. The DOC must rigidly enforce the law, yet be flexible to keep enforcement activities from interfering with smooth operations in the private realm.

The Department of Corporations is selectively visible in its operations. Many groups are important actors in execution of DOC tasks. Police departments, district attorney offices, and the State and Consumer Services Agency are all important sources of violation referrals. These bodies are important to DOC operations, because most individuals need assistance (referral) in order to identify the DOC as the correct enforcement authority for certain complaints. Although public awareness is important to DOC, referral is still primarily accomplished through these external sources.

Notes

2. California, Governor's Budget 1986-87, p. BTH 11.
Bibliography

Broady, M.J. Supervising Counsel, Securities Regulation Division, DOC. Interview, April 15, 1987.


Camilli, R. L., Assistant Commissioner, Health Care Service Plan Division, DOC. Interview, April 6, 1987.


Hansen, R. H., Chief Administrative Officer, Administration and Services, DOC. Interview, April 6, 1987.

Lathrop, L., Fiscal Officer, Administration and Services Division, DOC. Interview, April 6, 1987.

San Felipe, C.J., Supervising Counsel, Enforcement Division, DOC. Interview, April 22, 1987.

Department of Corporations
Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Operations</th>
<th>Local Assistance</th>
<th>Capital Outlay</th>
<th>% of Total State Oper.</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>$2,940</td>
<td>0</td>
<td>0</td>
<td>.18%</td>
<td>0</td>
</tr>
<tr>
<td>1970/71</td>
<td>3,076</td>
<td>0</td>
<td>0</td>
<td>.17</td>
<td>0</td>
</tr>
<tr>
<td>1971/72</td>
<td>3,054</td>
<td>0</td>
<td>0</td>
<td>.17</td>
<td>0</td>
</tr>
<tr>
<td>1972/73</td>
<td>3,399</td>
<td>0</td>
<td>0</td>
<td>.16</td>
<td>0</td>
</tr>
<tr>
<td>1973/74</td>
<td>3,907</td>
<td>0</td>
<td>0</td>
<td>.17</td>
<td>0</td>
</tr>
<tr>
<td>1974/75</td>
<td>4,375</td>
<td>0</td>
<td>0</td>
<td>.17</td>
<td>0</td>
</tr>
<tr>
<td>1975/76</td>
<td>4,840</td>
<td>0</td>
<td>0</td>
<td>.16</td>
<td>0</td>
</tr>
<tr>
<td>1976/77</td>
<td>6,214</td>
<td>$11</td>
<td>0</td>
<td>.19</td>
<td>0</td>
</tr>
<tr>
<td>1977/78</td>
<td>6,099</td>
<td>4</td>
<td>0</td>
<td>.16</td>
<td>0</td>
</tr>
<tr>
<td>1978/79</td>
<td>5,588</td>
<td>-4</td>
<td>0</td>
<td>.14</td>
<td>0</td>
</tr>
<tr>
<td>1979/80</td>
<td>6,338</td>
<td>0</td>
<td>0</td>
<td>.13</td>
<td>0</td>
</tr>
<tr>
<td>1980/81</td>
<td>8,128</td>
<td>1</td>
<td>0</td>
<td>.14</td>
<td>0</td>
</tr>
<tr>
<td>1981/82</td>
<td>7,718</td>
<td>3</td>
<td>0</td>
<td>.13</td>
<td>0</td>
</tr>
<tr>
<td>1982/83</td>
<td>6,353</td>
<td>3</td>
<td>0</td>
<td>.10</td>
<td>0</td>
</tr>
<tr>
<td>1983/84</td>
<td>6,886</td>
<td>0</td>
<td>0</td>
<td>.11</td>
<td>0</td>
</tr>
<tr>
<td>1984/85</td>
<td>7,443</td>
<td>0</td>
<td>0</td>
<td>.09</td>
<td>0</td>
</tr>
<tr>
<td>1985/86</td>
<td>8,412</td>
<td>0</td>
<td>0</td>
<td>.09</td>
<td>0</td>
</tr>
</tbody>
</table>


* See note in Preface.
Department of Corporations
Expenditures for State Operations - State Funds

Thousands of Dollars

Budget Year
Temporal personnel-years have been included with permanent.

Source: Governor's Proposed State Budget of California, Supplement for Salaries and Wages, 1969-1987

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Authorized Total</th>
<th>Permanent Filled</th>
<th>Temporary Filled</th>
<th>Total Filled</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>368</td>
<td>175</td>
<td>163</td>
<td>338</td>
</tr>
<tr>
<td>1970/71</td>
<td>378</td>
<td>172</td>
<td>166</td>
<td>338</td>
</tr>
<tr>
<td>1971/72</td>
<td>363</td>
<td>172</td>
<td>151</td>
<td>323</td>
</tr>
<tr>
<td>1972/73</td>
<td>361</td>
<td>172</td>
<td>151</td>
<td>323</td>
</tr>
<tr>
<td>1973/74</td>
<td>361</td>
<td>171</td>
<td>150</td>
<td>321</td>
</tr>
<tr>
<td>1974/75</td>
<td>361</td>
<td>170</td>
<td>151</td>
<td>321</td>
</tr>
<tr>
<td>1975/76</td>
<td>361</td>
<td>170</td>
<td>151</td>
<td>321</td>
</tr>
<tr>
<td>1976/77</td>
<td>361</td>
<td>170</td>
<td>151</td>
<td>321</td>
</tr>
<tr>
<td>1977/78</td>
<td>361</td>
<td>170</td>
<td>151</td>
<td>321</td>
</tr>
<tr>
<td>1978/79</td>
<td>361</td>
<td>170</td>
<td>151</td>
<td>321</td>
</tr>
<tr>
<td>1979/80</td>
<td>361</td>
<td>170</td>
<td>151</td>
<td>321</td>
</tr>
<tr>
<td>1980/81</td>
<td>361</td>
<td>170</td>
<td>151</td>
<td>321</td>
</tr>
<tr>
<td>1981/82</td>
<td>360</td>
<td>170</td>
<td>150</td>
<td>320</td>
</tr>
<tr>
<td>1982/83</td>
<td>360</td>
<td>170</td>
<td>150</td>
<td>320</td>
</tr>
<tr>
<td>1983/84</td>
<td>360</td>
<td>170</td>
<td>150</td>
<td>320</td>
</tr>
<tr>
<td>1984/85</td>
<td>360</td>
<td>170</td>
<td>150</td>
<td>320</td>
</tr>
<tr>
<td>1985/86</td>
<td>360</td>
<td>170</td>
<td>150</td>
<td>320</td>
</tr>
<tr>
<td>1986/87</td>
<td>360</td>
<td>170</td>
<td>150</td>
<td>320</td>
</tr>
</tbody>
</table>
Department of Corporations
Personnel-Years

Budget Year

Authorized
Filled
Introduction

The Department of Developmental Services administers the Lanterman Developmental Disabilities Act. The intent of this act is to assure coordination of services to developmentally disabled individuals. These services are planned and provided for as part of a continuum which meets the needs of the developmentally disabled at each stage of their lives, regardless of age or degree of dependency, and to be done without dislocation from the home community whenever possible.

The DDS is one of ten departments in California's Health and Welfare Agency. The department attained this status in 1978 as a result of major reorganization. Previously, the program for the developmentally disabled was under the auspices of the Department of Health. Prior to this, it was in the Department of Mental Hygiene. The evolution of these programs over the last 15 years has been characterized by tremendous growth and continuous efforts to distinguish developmental disability from mental illnesses.
Overview of Agency Development

The Department of Developmental Services was formed in 1978. Prior to that year, the department's functions were performed under the Department of Mental Hygiene and the Department of Health.

In the Department of Mental Hygiene, programs were separated into the divisions of Mental Illness and Mental Retardation. Although these programs had clear internal identities, they were difficult to distinguish from the public point of view. In the late 1960s and early 1970s, the community-based services for both the developmentally disabled and the mentally ill were provided in public institutions known as state hospitals. In some instances, both groups of clients were treated within the same facility. This contributed to popular confusion about the differences between the two groups.

The parents of the disabled and the Association for Retarded Children (ARC), aided by the discoveries being made in the behavioral sciences, combined to further delineate the differences between the mentally retarded and the mentally ill. The problem with thinking of mental retardation as a medical or psychological problem was that it implied the disability was a sickness which could be cured. The parents and ARC stressed that retardation was a permanent disability which hindered the individual's ability to learn and develop.

Therefore, what was needed was not treatment, but training in how to best lead an independent life despite the disability. While a very few services were available at local levels, through county and the private sector, the vast majority were offered at state hospitals. However, to
receive these services, an individual with even a relatively minor disability has to be under 24-hour care. But how was the individual to gain any sort of independence in such an environment?

Thus, the need for local services became evident. In 1969, the Lanterman Act mandated that the state contract with private, non-profit corporations to operate regional centers. The act also required that patients admitted to the state hospitals had to be referred by the regional center or committed by the courts. This function would continue to be performed by the state hospitals where regional centers did not exist. Additionally, the regional centers were to provide diagnostic counseling and referral services.

In 1973, the Department of Mental Hygiene was abolished and its functions were assumed by the newly-created Department of Health. The new Developmental Disabilities Program which was formed in this department marked a further attempt to treat developmental disabilities apart from mental illnesses.

This reorganization brought growth to the program. The new program expanded the utilization of regional centers. Regional centers are private, non-profit agencies with which the Department contracts to provide fixed points of contact in the community for persons with developmental disabilities and their families.

While under the Department of Health, many clients were referred to Continuing Care Services of the Developmental Disabilities program. These were state-operated services for the client so that he/she could remain close to home or in some other acceptable living arrangement. At the time, CCS was a major source of in-home care. However, if the regional centers found an
alternate provider of equivalent services which were less expensive, then they could "opt-out" from using Continuing Care Services.

All of this resulted in the regional centers becoming the first link in the process by which a developmentally disabled individual received the needed services. It was the regional center staff who provided or arranged for the provision of these services.

As the resources of the centers grew, they became more diverse. Each developed its own agenda. These agendas consisted of distinct goals, priorities and services. Thus, there came to be increasing variation in the funding each center received. Unfortunately, some began overspending or under-estimating their budget. They would apply for emergency funds and the state begrudgingly granted them.

In 1978, California reorganized its Health and Welfare Agency. The Department of Health and the Department of Benefit Payments were divided among the existing Employment Development Department and the new Departments of Developmental Services, Mental Health, Social Services, Health Services, Alcohol and Drug Abuse, and the Office of Statewide Health Planning and Development. The stated purpose of this reorganization was to improve policy direction and increase visibility and public accountability.

This reorganization has had three effects upon DDS. First, the attainment of department status has further distinguished developmental from mental disabilities.

Secondly, there was further significant growth following the reorganization of 1978. Over the following five year period, legislative appropriations increased by almost $200 million. An improved outreach effort has led to the serving of more clients. The number of services offered has also increased. In addition to 24-hour care, clients now receive education
and consultation, early intervention and crisis response, day care, rehabilitation, and family and genetic counseling.

Thirdly, the change in emphasis toward community-based care that began in 1969 has come to dominate the department's functions. There was a 300 percent increase in this portion of the budget from 1975 to 1980. Thus, the regional centers, which are run by private, non-profit corporations under contract to the state, are now the primary means used to serve developmentally disabled Californians.

The problem of overspending by the regional centers continued even after the DDS was formed in 1978. Over a five-year period, the budget of the regional centers had increased 300 percent. To provide better accountability of the regional center's spending, DDS created the divisions of Community Operations and Community Monitoring. Community Operations was responsible for processing the contracts between the regional centers and the department and overseeing the implementation of new policies. Community Monitoring was responsible for gathering and analyzing data on the regional center's delivery of services.

Soon after this, regional centers were given more responsibility for handling their own affairs. The newly-elected governor sought cuts in the number of state employees. DDS then told the regional centers that all would have to "opt-out" so the Continuing Care Services could be cut. This enabled DDS to lead the state in employee reductions. However, this also created additional responsibilities for the remaining managers.

Some of this additional responsibility was delegated to the regional centers. This was received with mixed emotions. Staff members enjoyed increased autonomy, but autonomy also brought new responsibilities. Some were unable to handle it. Staffs in eight regions either stepped down or DDS
decided not to renew their contracts. In these cases, no impact was felt by the client. The regional centers were run by interim management composed of staff from DDS and the area boards until a board could be established.

Sources of Change and Organizational Responses

In the previous section, DDS's development over the last 15 years was characterized by its growth, increasing delivery of services at the local level, and the constant emphasis of the distinction between developmental disabilities and mental illnesses. The parents of developmentally disabled children and the Association for Retarded Children (ARC) played a major role in influencing these changes. Their perception of the disabled, which differed from the government's, ultimately resulted in the realization in the need for locally-based services.

These services were an instant success. They began to receive increasingly more funding. There was and is a high level of parental involvement in the centers. The success continued as more clients were receiving more needed services. The regional centers through which these services were performed soon became the focal point of the Department. Over the years some regional centers over-spent their client-services budgets and were allowed to obtain additional appropriations from the Legislature. This not only strained the state budget and the patience of legislators, but it also created inequities among the regional centers in per capita expenditures. It was this problem that the Department took action to remedy in 1982-83. After that date regional centers were expected to live within their budgets, which had been adjusted to reduce the inequities. Some regional centers -- the "big spenders" -- were not happy with this decision.
Not long after this, the regional centers faced cuts in state assistance. The newly-elected governor sought reductions in the number of state employees. DDS led the state in its compliance. However, staff reductions meant more responsibility for those who remained. Some of the additional responsibilities were then passed on to the regional centers.

External factors have been the major sources of organizational change. The change in knowledge caused by the parents of the developmentally disabled and ARC led to the development of the regional centers, and thus reversed the manner in which services had been previously delivered. The excessive spending of the regional centers highlighted the need for the Community Operations and Community Monitoring divisions. The election of a new governor led to the demise of Continuing Care Services. This not only made extra work for some people, but forced some of the regional board members to consider a career change.

And it was the reactions to these external changes which put DDS into a precarious situation. DDS was already sufficiently lean that significant budget cuts could drastically reduce its ability to serve its clients. On the other hand, because it serves so many so well, the constituents and clients may rally to prevent future cuts from occurring.

Thus, the changes in the Department were basically reactions to events occurring outside of it. Yet, these reactions are highly uncharacteristic of public organizations which have experienced the tremendous growth and success such as DDS. In fact, the reactions more closely resemble those characteristic of organizations resisting decline or are actually experiencing decline.

The evolution of DDS into an administrator, planner, and evaluator, as opposed to direct provider, of services is another characteristic usually
typical of public organizations in environments of stress or resource scarcity. The "opting-out" of CCS by regional centers and the increased autonomy which resulted suggests a continued DDS role as an administrator, not a direct provider, of services.

The Task Environment

The parents of the developmentally disabled and the ARC are a highly mobilizable clientele. After all, it was they who changed the perception of mental retardation and who fought for the establishment of community-based services. These services, in turn, increased the number of programs, clientele, and constituents. In FY 76-7, the regional centers handled 34,000 cases. For FY 84-5, it is estimated that 78,000 cases will be handled. The variety of services offered is also expanding. The number of constituents rose due to the increasing number of private vendors from whom the regional centers purchase services.

The relationship with both the Legislature and the Governor has improved. The Department objected to across-the-board budget cuts. An agreement between the Governor's office and DDS was reached allowing DDS to be represented during the formulation of further cuts. Also, the legislative liaison has become a formal division within the executive office to improve the relationship between DDS and the legislature.
Notes


also:

Bibliography

Bowling, Don, Chief of Clinical Programs, State Hospitals, DDS. Interview, Fall 1984.


Carleton, Paul, Manager, Community Support Branch, DDS. Interview, Fall 1984.

Coletti, Frank, Budget Office, DDS. Interview, Fall 1984.


Toedter, Allan, External Affairs, Director's Office, DDS. Interview, Fall 1984.
### Department of Developmental Services

**Department Expenditures**  
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1972/73</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1973/74</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1974/75</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1975/76</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1976/77</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1977/78</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1978/79</td>
<td>$ 7,374</td>
<td>$ 358,274</td>
</tr>
<tr>
<td>1979/80</td>
<td>10,185</td>
<td>436,450</td>
</tr>
<tr>
<td>1980/81</td>
<td>15,607</td>
<td>513,606</td>
</tr>
<tr>
<td>1981/82</td>
<td>14,282</td>
<td>525,886</td>
</tr>
<tr>
<td>1982/83</td>
<td>15,291</td>
<td>528,544</td>
</tr>
<tr>
<td>1983/84</td>
<td>16,393</td>
<td>561,076</td>
</tr>
<tr>
<td>1984/85</td>
<td>16,675</td>
<td>354,857</td>
</tr>
<tr>
<td>1985/86</td>
<td>18,323</td>
<td>349,724</td>
</tr>
</tbody>
</table>

*Source: Governor's Proposed Budget of California, 1969 - 1988.*

*See note in Preface.*
<table>
<thead>
<tr>
<th>Year</th>
<th>Authorized Permanent</th>
<th>Authorized Temporary</th>
<th>Filled Permanent</th>
<th>Filled Temporary</th>
<th>Total Permanent</th>
<th>Total Temporary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>16,611</td>
<td>19,826</td>
<td>14,856</td>
<td>14,805</td>
<td>14,587</td>
<td>14,249</td>
</tr>
<tr>
<td>1978/79</td>
<td>11,447</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1981/82</td>
<td>14,882</td>
<td>15,260</td>
<td>13,279</td>
<td>12,949</td>
<td>14,912</td>
<td>13,380</td>
</tr>
<tr>
<td>1982/83</td>
<td>16,184</td>
<td>16,069</td>
<td>14,021</td>
<td>13,648</td>
<td>14,011</td>
<td>13,380</td>
</tr>
<tr>
<td>1983/84</td>
<td>11,550</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Governor's Proposed State Budget of California Supplement for Salaries and Wages, 1969 - 1997

Temporary personnel-years have been included with permanent.
Department of Developmental Services
Personnel-Years

Budget Year

Authorized
Filled

Personnel-Years

69/70  70/71  71/72  72/73  73/74  74/75  75/76  76/77  77/78  78/79  79/80  80/81  81/82  82/83  83/84  84/85  85/86  86/87
Introduction

The Employment Development Department (EDD) is one of ten departments in the Health and Welfare Agency under the Governor. In addition to the EDD are the departments of Health Services, Aging, Social Services, Developmental Services, Alcohol and Drug Programs, Rehabilitation, Mental Health, Emergency Medical Services Authority, and the Office of Statewide Health, Planning and Development. The goals of the EDD include providing job placement, maintaining systems of unemployment and disability insurance payments, furnishing job placement and related services to low income clients, providing services to employers and placing welfare recipients in jobs. Four divisions comprise this department: Administration, Employment and Tax, Job Service and Benefit Payments, and Management Review and Support.

The Employment Development Department is only one of several state departments responsible for some phase of the State's employment training strategy. Other departments include the Department of Aging, California Conservation Corps, California Community Colleges, Department of Corrections,
Department of Education, Department of Industrial Relations, Department of Rehabilitation, Department of Social Services (especially the Greater Avenues for Independence or GAIN Program), Military Department, Department of Youth Authority, and State Personnel Board. EDD administered approximately 17 percent of the total $2 billion funding for employment and training in California in fiscal year 1986-87, and served approximately 28 percent of the 4.6 million employment and training program clients in California in that year.¹

Overview of the EDD's Development

EDD's roots are traceable to the California Department of Employment, established in 1936. After the passage of Assembly Bill 1463 (Aug. 1968), the Human Resources Development Act, the name was changed to the Department of Human Resources Development. This name change reflected a change in emphasis of departmental objectives from that of the job ready/labor exchange concepts to that of helping disadvantaged clients become economically and socially self-sufficient.

In addition to shifting the emphasis to the disadvantaged clients, the Department underwent structural changes in 1968. The organizational structure moved from a hierarchical type of organization to one with parallel field structures. Benefit Payments, Human Resource Development Service Centers, and Farm Labor Services were all parallel structures.

In 1973 the State again changed the Department's name to the Employment Development Department after the passage of Senate Bill 601, the Employment Development Department Act, which transferred HRD's responsibilities to the new Department and added relating to job creation activities.
Structurally, the EDD combined some organizational units resulting in the disappearance of some independent entities such as the Farm Labor Services Division. One person, for instance, managed the Employment Services as well as Agriculture Divisions instead of two separate managers. Some former HRD, including the personal income tax withholding responsibility delegated by the Franchise Tax Board, were transferred to the Benefit Payments Division, established by Chapter 1212, statutes 1973 (AB 1950).

As mentioned, the EDD currently is comprised of four branches: Administration, Employment and Tax, Job Service and Benefits Payments, and Management Review and Support. The Administration Branch performs the general administrative work of the Department within the guidelines set by the Director and according to statutes and regulatory requirements of the State and Federal governments. The Business Service Division of this branch manages and operates the San Francisco office building. The Los Angeles buildings are maintained by general services. The Business Service Division acts as liaison between the central office and general services when management contracts are negotiated.

The Data Processing Division (DPD) reports to the Deputy Director, Administration Branch, and provides electronic data processing services in support of EDD programs. DPD has four functional areas: 1) Production Services Section is responsible for data entry and storage; 2) Administrative and Technical Section serves as EDD's liaison with the Health and Welfare Data Center; 3) Tax and Benefit Section, performing analysis and programming for automated systems for data processing users (most of the Department's data processing applications development takes place within the Tax and Benefit Section); 4) Liaison and Support Section. As an arm of the Liaison and Support Section, the Information Center provides technical advice
and assistance to other EDD divisions in the analysis, development, implementation, and maintenance of their own automated systems.

The Fiscal Programs Division of the Administrative Branch is responsible for the development of the annual EDD budget, for securing State and Federal approval for the budget, and for ensuring that expenditures are consistent with the budget as approved by the federal government and the State Legislature. The Division is also responsible for accounting for all EDD expenditures, and for accountability for Department funds.

The Personnel Programs Division provides for supervisory and management employee development through administration of the Department's management and staff development training program. This Division also establishes and maintains a cooperative relationship with employee unions and supervisory organizations, and investigates grievance/complaints attempting to resolve employer-employee disputes.

The Employment Training Panel is located administratively within EDD, but operates independently. The Panel operates like a retraining and economic development council. It aims to assist businesses by training displaced workers and those facing unemployment for work in sectors where demand for labor is greater—that is, these programs try to shift the available labor pool from areas with declining needs to those whose needs are growing. The Panel is provided funds through a special Employment Training Tax and contracts with businesses, big or small, anywhere in California, to train persons for employment. ETP has established offices in Los Angeles and San Mateo.

Funding for the EDD is affected directly by the level of unemployment. A rising unemployment rate results in increased demand for unemployment benefits and greater need for additional job training. These forces lead to
the growth of EDD budgets. Department activities are funded through various sources. The greatest is the federal government. In 1974, for instance, the EDD received 79.4 percent of its funds from the federal government. Federal funds have fluctuated, increasing during 1972-76, decreasing between 1976-78, increasing in 1978-83, then dropping in recent years.

The greatest State support comes from the Unemployment Compensation Fund, followed by the State General Fund, and other smaller funds. From 1968-1975 EDD support form the General Fund increased. Expenditures have climbed unsteadily since—dipping in 1975, 1978, and 1984.

Following reorganization in 1973, the Department experienced a decline in resources and personnel. As a percentage of the EDD's personnel makeup, the number of administrators declined between 1970 - 1975. Although overall employment may have decreased, the number of employment security officers appears to have grown. Support staff and workers comprise the greater portion of EDD employees.

The proposed 1987-88 State budget anticipated a net 244.1 personnel year reduction, due to the anticipated gearing down of the WIN Demo and Employment Preparation Program (EPP) to allow for the growth of the Greater Avenues for Independence Program (Department of Social Services). As the new fiscal year began, more counties had opted for the EDD programs, leading to a restoration of funding and personnel resources.

Also emphasized in the 1987-88 budget is EDD automation. The budget included $1.1 million for office automation, especially for electronic mail. This project will improve clerical and accounting productivity.
Sources of Change and Organizational Response

The Employment Development Department has experienced many changes in structure, programs, and goals since 1968 which were the product of external events, beyond the scope of direct departmental influence. Legislation reflecting changing values and attitudes of Californians constitutes a central source of this change. The "war on poverty" of the 1960s corresponded to enactment of the Human Resources Development Act. The Act changed EDD goal emphasis from assisting the general unemployed to providing job training for the economically disadvantaged to increase their skills and help them maintain a level of economic sufficiency. Increased expenditures in the Job Training Program are evidence of this change of emphasis. The training element within this program, for instance, experienced roughly a $10 million expenditure growth between 1968 and 1970. The Job Training Program as a whole received almost a $13 million increase in federal funds during this period. Other programs, stemming from the Manpower Training Act (followed by CETA and later JTPA), were implemented.

These legislative changes and others have affected both the EDD’s internal environment and the task environment. The shift in 1968 in response to the war on poverty altered the clientele of EDD. Department employees had to adjust to the needs of new clients. The EDD also faced an accountability problem verifying that employers were providing adequate referrals. The Department expanded to improve employer relations.

Within the Department, the introduction of affirmative action legislation prompted adjustment of EDD internal hiring policies. Recruitment changed and the department adopted affirmative action goals. The EDD de-emphasized the criterion of the applicant's educational level. This same legislation called for the EDD to address discrimination externally.
Although not a regulatory agency, the Department was to enforce against discrimination in the private workplace by threatening to discontinue service to employers that were proven to be discriminatory.

The Department was also affected by the Federal Tax Equity Act, which changed the method for determining federal funding. With this act, the EDD received federal funds based on a cost model-type of formula. Unfortunately, the new formula has several detriments. By relying on a formula based on program statistics, as the new one does, funding may not reflect true program effectiveness. Funding based on the number of job placements made by an employment officer does not take into consideration qualitative differences between different types of clients. The officer may succeed with many placements, but these jobs may have required almost no skill, even failing to address the real objective of the program—placing people in jobs which enhance their skills. Therefore, a cost model study poses a dilemma for the Department by forcing a choice between focussing on the formula numbers to increase funds for the program, or choosing to address the objectives of the program (which may not result in sufficient numbers) and risking a cut in funds.

In 1978, Congress increased the scope of duties of specific EDD branches by requiring that the Department extend unemployment insurance coverage to non-profit organizations. Responding to this mandate, and to funding reductions, the Tax Branch of the EDD has increased its use of automation, allowing it to process information quickly while simultaneously reducing the number of personnel in the Branch. The software system used in the Branch, which is updated every year, carries 160,000 lines of code. Another coping tactic has been the hiring of a private consultant to devise a less costly mail service program.
The "new federalism" has brought shifts in state responsibilities in the employment training arena. With this change, in which the states have now become resource providers and responsible for the implementation and monitoring of programs, the EDD has lost much autonomy vis-a-vis the State Legislature. Prior to this shift, the EDD's interaction with the state legislature was minimal. Under this arrangement, EDD submitted an operation plan to the federal government, and the federal government would then allocate the funds. With the new federalism era, however, the Legislature has taken a greater interest in funding of EDD's programs. Legislation in 1978 required that the EDD could not use any funds until the Legislature approves the expenditures. Furthermore, retroactive approvals, in which agencies spent money prior to actual authorization, were prohibited.

Out of this has come a shift in emphasis to the EDD budget as an operational plan. Whereas the federal government saw the operation plan as separate from the budget, the state now views the budget and operational plan as one. The EDD must enter all plans in the budget and submit the budget to the state legislature for approval. If the Department fails to enter a program or plan in the budget the Department cannot expect to receive approval to spend funds.

Planning for the EDD budget is limited by the fact that the EDD knows neither what funds it will receive from the federal government in future years, nor which federal government programs the State will approve.

A program directly affected by the shift in state-federal responsibilities has been the Comprehensive Training and Employment Act, or CETA. Under CETA, planning and budgeting were targeted to accomplish short-term training, arguably at the expense of long-term training. Budgeting fluctuated erratically from year to year, creating uncertainty at the local
level and undermining long-range planning. The Job Training Partnership Act (JTPA), which replaced CETA, was signed into law in October 1982. There are significant changes between CETA and the new job training system. The new law enlarges the role of California state government and private industry in the federal job training system, imposes performance standards, limits support services and creates a new program of retraining for displaced workers. The JTPA is based upon intergovernmental relationships common in the era of "new federalism" in California. The federal government provides primarily funding and oversight. The State assumes general administrative responsibilities, including oversight of operation and implementation of the program, designating Service Delivery Areas, certifying Private Industry Councils, appointing members to the State Job Training Coordinating Council (responsible for policy guidance) and designating the State agency or agencies responsible for administering the Act. The State establishes performance standards for the major JTPA program (Adult and Youth Programs), including standards for adult outcomes: entered employment rate, cost per entered employment, average wage at placement, and welfare entered employment rate. Standards for youth outcomes, also set by the State, include entered employment, positive termination rate, and cost per positive termination.

Local governments are responsible for the way in which the jobs programs are actually implemented. SDAs are the administrative entities at the local level responsible for providing employment and training services. There are 51 SDAs in California. The SDA adopts a local job training plan subject to State approval. Local planning has been felt to improve ability to meet the specific employment and training needs of communities. The plan must demonstrate that every sponsor in an SDA is coordinating with other employment agencies in the area to avoid redundancy. With guidance from the
PICs, SDAs fund job training and other services according to the prepared plan and oversee local administration of programs. PICs bring together representatives from various segments of the private and public sectors for the active management of job training programs.

Economic conditions, of course, significantly affect the emphasis of CETA and JTPA. CETA was often caught between the contradictory needs and objectives of the structurally and cyclically unemployed during the 1970s. While CETA devoted most of its resources to the structurally unemployed, the economic recession pressured CETA to address the cyclically unemployed. The program was in constant tension between these two factors. JTPA shifted the emphasis back to the structurally unemployed and focused on job placement rather than training.

In addition to the response to economic changes, the EDD has had to respond to fluctuating resources. The EDD has responded to cuts in resources by smoothing rather than resisting cuts. In planning for the reduction of JTPA positions, for example, the EDD had planned to reduce temporary employees first.

The innovation of the EDD's programs is demonstrated by the interest of other states in studying and/or emulating them. According to Sandra Glackin, Delaware, Illinois, Kansas, Massachusetts and New York have investigated the California job training programs.

Planning at the EDD is part of a structured process including development of a Two-Year Plan and an annual report. The objectives in the plan reflect priority areas in which either improvement is desired or innovative programmatic changes will be made. The Department has combined the structured planning process with the new managerial Performance Appraisal process required by chapter 938 Statutes of 1982. The Managerial Performance
Appraisal assessed how successfully individuals designated as "managerial" are accomplishing their planned objectives. By combining these two processes, the Department is further strengthening its planning system. The Two-Year Plan is intended primarily for use by EDD employees. It identifies the objectives of each departmental subunit and explains the connection of these objectives to the general Departmental mission. The plan permits each employee to see how his/her duties contribute to accomplishing EDD's objectives, and provides information for communicating with the public about EDD's programs and services.

During FY 1984/85, EDD implemented a pilot evaluation system designed to evaluate the programs operated by SDAs. The system was under the guidance of the SJTCC with the goals of determining reasons for exceptional or poor performance by SDAs, and minimizing JTPA administrative costs and SDA administrative time by concentrating on those programs and operations which produced the best results. Each test of the evaluation design was conducted in two phases: a desk review of the Job Training Plan and quarterly reports of performance, followed by an on-site review of program operation at each of the participating SDAs including interviews with SDA, PIC, and service provider staff.

In the five SDAs where the evaluation design was tested, the most important factor in determining successful outcomes was program management. That is, did program managers plan and implement training strategies which were best suited to the labor market and most appropriate for the target population? Subcontractors were monitored to ensure adherence to planned objectives. Management has access to a management information system which was timely and reliable.
As discussed, automation is having an impact on the Department in various ways. TAS is the new Tax Accounting System EDD has developed in cooperation with the accounting firm, Arthur Anderson and Co. TAS was five years in development and is the largest information processing system in California. TAS is the third largest automated system in the country exceeded only by the Department of Defense and the Internal Revenue Service. It will process 2.5 million tax returns and approximately 6.5 million tax payments annually.

Department employees in the Central Office and in the 39 Employment Tax District Offices are able to access the system through more than 400 TAS terminals. The employer database contains over 100 million records and maintains over 800 separate and unique elements of information for each employer.

As a side benefit of TAS, the Central Operations Division (COD) of Tax Branch has been streamlined to follow the flow of work in the Branch. Two of the three bureaus in COD, the Tax Control Bureau (TCB) and the Tax Accounting Bureau (TAB), have been significantly restructured to reflect the changes in certain functions under TAS.

Under the new organization, TCB processes checks and tax returns and registers new employers. TCB includes the Tax Status and Payment Section (Cashiering and Tax Examination Groups), as well as Return Entry and Corrections Section (Data Capture and Tax Data Correction Groups). The new TAB performs the mainline tax accounting function for the Branch, and manages the benefit interface functions. TAB includes the Tax Adjustment Section, the School Employees Fund, and Insurance Financing Determination Section (Contribution Rate, Reimbursable Accounting and Certification Control groups).
Bibliography

Alves, Arnold, EDD. Interview, spring 1984.


Clark, Larry, Planning Division, Management Review and Support Branch, EDD. Interview, spring 1987.

Evan, Kathleen, Job Training Partnership Office, EDD. Interview, spring 1987.


Howland, Mike, Tax Branch, EDD. Interview, spring 1987.

Iles, George J., Assistant to the Chief, JTPA, EDD. Interview, spring 1984.

Little, Bob, Planning Division, Management Review and Support Branch, EDD. Interview, spring 1987.

Padley, Jack, Administration Branch, EDD. Interview, spring 1987.

Roberts, Maurie, Tax Branch, EDD. Interview, spring 1987.

Sanders, Mark, Assistant Director, EDD. Interview, spring 1984.

Sullivan, Ed, Deputy Director, Tax Branch, EDD. Interview, spring 1984.

Wyhliko, Jim, Chief of Fiscal Programs, EDD. Interview, spring 1984.
Notes

1. California Employment Development Department, Employment and Training Programs in California, (Sacramento: December 1986), displays C and D.

## Employment Development Department

### Department Expenditures

(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Operations</th>
<th>Local Assistance</th>
<th>Capital Outlay</th>
<th>% of Total</th>
<th>Federal Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00%</td>
<td>-</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00</td>
<td>-</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00</td>
<td>-</td>
</tr>
<tr>
<td>1972/73</td>
<td>10,590</td>
<td>0</td>
<td>0</td>
<td>.51</td>
<td>$829,420</td>
</tr>
<tr>
<td>1973/74</td>
<td>12,486</td>
<td>78</td>
<td>$-125</td>
<td>.55</td>
<td>881,783</td>
</tr>
<tr>
<td>1974/75</td>
<td>12,538</td>
<td>0</td>
<td>-222</td>
<td>.48</td>
<td>1,752,596</td>
</tr>
<tr>
<td>1975/76</td>
<td>12,334</td>
<td>0</td>
<td>-110</td>
<td>.42</td>
<td>2,334,192</td>
</tr>
<tr>
<td>1976/77</td>
<td>19,503</td>
<td>0</td>
<td>24</td>
<td>.59</td>
<td>2,222,296</td>
</tr>
<tr>
<td>1977/78</td>
<td>25,026</td>
<td>27</td>
<td>240</td>
<td>.67</td>
<td>1,769,100</td>
</tr>
<tr>
<td>1978/79</td>
<td>22,953</td>
<td>1,839</td>
<td>240</td>
<td>.59</td>
<td>1,535,595</td>
</tr>
<tr>
<td>1979/80</td>
<td>25,798</td>
<td>1,989</td>
<td>1,040</td>
<td>.54</td>
<td>1,659,321</td>
</tr>
<tr>
<td>1980/81</td>
<td>37,093</td>
<td>0</td>
<td>3,088</td>
<td>.66</td>
<td>2,351,126</td>
</tr>
<tr>
<td>1981/82</td>
<td>50,269</td>
<td>0</td>
<td>145</td>
<td>.84</td>
<td>2,534,486</td>
</tr>
<tr>
<td>1982/83</td>
<td>57,552</td>
<td>0</td>
<td>0</td>
<td>.94</td>
<td>3,610,625</td>
</tr>
<tr>
<td>1983/84</td>
<td>64,883</td>
<td>0</td>
<td>0</td>
<td>1.00</td>
<td>2,790,291</td>
</tr>
<tr>
<td>1984/85</td>
<td>53,232</td>
<td>0</td>
<td>0</td>
<td>.65</td>
<td>2,642,587</td>
</tr>
<tr>
<td>1985/86</td>
<td>56,202</td>
<td>10,444</td>
<td>0</td>
<td>.60</td>
<td>2,727,521</td>
</tr>
</tbody>
</table>


* See note in Preface.
Employment Development Department
State Fund Expenditures

State Fund Expenditures

- C.O.
- Local Ex.

Federal Funds

Budget Year

Budget Year
<table>
<thead>
<tr>
<th>YEAR</th>
<th>Permanent</th>
<th>Temporary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>10,270</td>
<td>10,355</td>
<td>11,395</td>
</tr>
<tr>
<td>1970</td>
<td>10,890</td>
<td>10,995</td>
<td>11,975</td>
</tr>
<tr>
<td>1971</td>
<td>11,410</td>
<td>11,520</td>
<td>12,920</td>
</tr>
<tr>
<td>1972</td>
<td>12,030</td>
<td>12,160</td>
<td>14,180</td>
</tr>
</tbody>
</table>

Temporary personnel-years have been included with permanent.

Employment Development Department
Personnel-Years

Authorized
Filled

Personnel-Years
15000
10000
5000

0

Budget Year
69/70 70/71 71/72 72/73 73/74 74/75 75/76 76/77 77/78 78/79 79/80 80/81 81/82 82/83 83/84 84/85 85/86 86/87
Summary

The California Energy Resources Conservation and Development Commission (CEC or Energy Commission) was established in January of 1975 through the Warren-Alquist Act. The CEC was created in response to a turbulent and unknown energy situation in California, culminating with the "energy crisis" in 1974. The Commission is headed by five commissioners, all appointed by the Governor for five-year terms. The five commissioners are appointed to insure representation from certain specified backgrounds. They are supported by an Executive Director, Deputy Director, and a large administrative staff. The Energy Commission is divided into five divisions: Conservation, Development, Siting and Environment, Assessments, and Administrative Services.

The CEC is largely a research and regulatory agency. The main output of the CEC is the Biennial Report in which the Commission forecasts California's future energy needs and recommends policy to the State.
Legislature. Specific responsibilities of the CEC include (1) power plant siting, (2) energy conservation, including setting and revising energy conservation standards for buildings and appliances, (3) research and development of energy technologies, (4) forecasting the state's future electricity demand and (5) maintaining the state's energy shortage contingency plan.

Historically, the CEC has received the majority of its funding from the Energy Resources Program Account. The funds in this account are supplied via a surcharge on electricity consumption, and are used for various energy programs. In the 1986-87 budget and subsequent budgets however, the majority of CEC funding is supplied by federal grants from the federal Petroleum Violation Escrow Account (PVEA). PVEA funds are negotiated settlements awards to the federal government from oil companies for overpricing violations over an eight-year period ending in 1981.

The CEC enjoyed steady growth to FY 1979-80. The Commission then reached two enormous budget peaks in FY 1980-81 and FY 1982-83. These peaks were the result of additional income from the Energy Resources Fund. The funds were allocated to the Development and Conservation Divisions for various projects. In 1982 a new Governor took office which placed a lower priority on the CEC's programs. As a result, extensive reductions in the Energy Commission's FY 1983-84 budget occurred with corresponding personnel cuts. By the next budget year, however, expenditures again were increasing in real dollar amounts. Since FY 1986-87, the availability of PVEA dollars has meant successive increases in CEC funding.

The CEC began with a relatively young and idealistic staff assembled for the unique purposes of the CEC. Many of the staff were hired directly upon graduation from college. Due to the relative newness of the CEC and the
unique professional needs required to carry out its mandate, the CEC had initial staffing difficulties. The problem lay not in finding appropriate personnel to meet its needs, but in matching those needs to the state civil service. With no job classifications to accurately describe CEC positions, new ones had to be created.

The budget cuts and ensuing personnel cuts negatively affected staff morale in the CEC. The implicit threat of layoffs, and the opportunities for trained staff in the private sector, caused an out migration of staff members. The remaining staff relied upon mutual internal support and flexible lines of communication to cope with the budgetary pressures. Staff members broadened their range of skills and took on more responsibility. In the end, attrition levels were of sufficient magnitude to forestall layoffs.

The cutbacks directed by the Deukmejian administration through the Department of Finance were a signal for administrative redirection. Following the initial cuts, the Governor took a new interest in the activities of the Commission, placing full trust for advice on energy issues in the Commission's Chairman, and assuring new growth for the CEC's budget. The CEC has been very successful in its forecasting functions, saving California electricity rate payers billions of dollars by accurately predicting California's energy needs. It is now recognized as the foremost authority in the nation on energy issues and regulation. The recent addition of PVEA funds has given the Commission renewed vitality.

CEC: The Early Years

The California Energy Conservation and Development Commission was conceived in the turbulent atmosphere which culminated in the "energy crisis." Energy politics in California, as in most other states, was
fragmented, with many agencies having jurisdiction over some portion of energy policy and an overlapping responsibilities. Among the agencies responsible for energy programs in California at the time were the Public Utilities Commission (PUC), State Lands Commission, Division of Oil and Gas (Dept. of Conservation), California Coastal Zone Conservation Commission, and the Office of Planning and Research. The CEC began operations in January of 1975 to consolidate of many energy-oriented responsibilities of these departments.

The CEC was the California Legislature's response to uncertainty and complications in the energy environment. By 1969 government leaders and the Legislature sensed the need for a coherent, cohesive unit to bring together California's disjointed energy responsibility and largely nonexistent energy policy. Forecasts at this time by the utilities, in conjunction with the PUC, predicted that California would need many new power plants in order to respond to the predicted growth in electrical energy demand. At the same time, utility companies sought to have a divided and complex plant-siting process consolidated into one authority. In 1969 House Resolution 459 proposed establishment of a resources agency which would work with the utilities to develop a long-range plan for power plant siting to meet projected state growth. AB 1247 and AB 1942 in 1970 again unsuccessfully attempted to create an agency to consolidate power plant siting procedures in order to speed up the plant siting process. In the early 1970s, Senator Alfred Alquist and Assemblyman Charles Warren proposed legislation to create an Energy Commission. In 1974 AB 1575 a compromise energy bill entitled the Warren-Alquist Act passed through the Legislature and was signed into law. The bill represented the interests of the administration, the utilities, and Democrat leadership in the Legislature. This legislation provided both for a
consolidated plant siting authority and independent energy forecasts by the Commission.

Responsibilities

The CEC was delegated five broad areas of responsibility:

1) Siting new power plants;
2) Developing energy conservation measures;
3) Performing energy assessment, forecasting and planning;
4) Research and development;
5) Developing and maintaining an energy shortage contingency plan for the state.

The CEC is pursues these responsibilities in keeping with its departmental goals: to conserve known energy sources while developing alternate energy sources; ensure that enough electrical energy remains available to protect public health and safety; and promote the general welfare and enhance environmental quality.

Structure

The CEC is comprised of five members. The members are appointed by the Governor for five years in staggered terms. The Warren-Alquist Act mandates that each member have a specific background to ensure broad treatment of energy issues. There must be a member to fill each of five different issue-area positions: a physical scientist; an attorney; an environmentalist; an economist; and a public representative. The CEC began operation in January of 1975 under initial appointments by Governor Edmund G. Brown, Jr.

The commissioners are supported by an Executive Director, a Deputy Director, Division Chiefs and additional support staff, which at times has numbered over 500 in personnel-years. This total has declined to roughly 350 in FY 1985-86. The Commission is subdivided into the following divisions:
Division Operations

Beyond the Administrative Services Division, providing support and direction to the CEC, each line division is further divided and organized to conduct programs and contribute to the CEC goals as follows:

--Siting and Environment Division

Together, the Siting, Environmental and Engineering Offices within this division serve to expedite the permitting of new energy production facilities while reviewing and respecting safety, environmental and economic efficiency considerations. The Division prepares all environmental documentation for proposed facilities, monitors construction, and works with local governments to address siting problems and energy issues.

--Conservation Division

The Conservation Division serves to encourage the efficient use of energy in the state. As envisioned, the Division's several programs will reduce the growth rate of energy sales by 25% over the twenty-year period ending in 1996. A part of this effort is the development and maintenance of efficiency standards for new appliances and new building construction in California.

A second part of the conservation effort is the administration of grant and loan programs. A substantial amount of the Division's resources are now devoted to this area. The Conservation Division receives most of its pass-
through funds from the PVEA and the Energy Bank fund from the federal Department of Housing and Urban Development. The CEC also administers a $5 to $8 million State Loan Fund. The main emphasis of these programs has been for retro-fitting and the application of other energy conservation technologies in existing buildings particularly. Such programs have been aimed at schools, hospitals, prisons and non-profit organizations. The Division is also working with other state agencies and local governments to reduce energy usage.

--Development Division

This division provides services and programs which are intended to stimulate the development of new and alternative energy production technologies in the state. The Division provides financial support such as public/private development partnerships, loans and grants, and technical support. Without such support energy technology development and exploration which is currently not economically feasible would be hampered. Technologies currently at the forefront of development include biomass combustion and synthetic fuels (e.g., methanol). An important addition to the Division's operation has been the Energy Technology Advancement Program (ETAP). Passed as legislation in 1985, the program had by mid-1987 provided $5.4 million in public and private sector assistance for development projects.

--Assessments

The Assessments Division performs the key function of energy forecasting. Forecasting includes assessing electricity demand and the supply (availability and cost) of existing and prospective energy technologies. These forecasts result in the California Energy Plan or
Biennial Report and other supporting documents which lay out California’s energy scenario over 5-, 12- and 20-year periods. These forecasts are used to recommend and implement a planning strategy for the state to assure adequate energy availability.

The Impact of Forecasting

As originally envisioned, the CEC’s central activities were to be the approval of new power plants and the establishment of energy efficiency standards for buildings and appliances. Over the years, however, increasing attention has been given to the forecasting and policy recommendation function of the CEC. The Biennial Report, mandated by the Warren-Alquist Act, serves to provide the Legislature with recommendations to improve California’s energy future. Based upon the forecasts made for California’s future energy-growth needs, the agency determines how many new power plants will be needed to meet that growth. The CEC has been extremely successful in its forecasting function, correctly predicting a decrease in the growth rate of electrical energy consumption. The abundant energy supply which were successfully forecast in the latter seventies has, in turn, reduced the need of the CEC to plan for new energy production sites.

Supporters of the enabling act had not anticipated a reduced need more power plants. The anticipated "green light" was really yellow going on red according to CEC forecasts. Whereas the Rand Corporation performed a study concluding that California would need 120 new nuclear plants by the year 2000 without energy conservation, Assemblyman Charles Warren believed the CEC would function to reduce that need to thirty-five through programs to decrease the annual growth in energy consumption from 7.5% down to about three percent. In fact, through conservation and accurate forecasting,
billions of dollars have been saved in avoided construction costs in California as the growth in energy consumption has actually fallen to two percent.

Start-up and Growth

Assembling a staff qualified to carry out the unique mandate given the CEC presented initial difficulty for the CEC. As Charles Warren stated in a June 1978 interview in California Journal, "...people were brought aboard who were poorly prepared to undertake programs as innovative and as imaginative as the act itself contemplated." While it is true that, due to the Commission's new and unique functions, professionals specifically experienced in energy issues were scarce in the civil service system, much of the problem was caused by an administrative snag in the state's civil service program. Existing job classifications did not meet the Commission's needs, and new ones had to be developed. Original engineering positions were often filled by persons classified as highway engineers, recently laid off from the Department of Transportation due to cutbacks.

Educational requirements for the CEC are higher than in most organizations. As a result, new employees came from varied backgrounds: college graduates, career government employees, and members of the private sector who were lured by the opportunity to participate in a new and innovative program. Employees faced a new organization in which conflicting signals from new commissioners were complicated by multiple internal and external interdependencies with the Legislature, the PUC and various client groups, requiring the forging of new lines of communication.
Once the agency solved its initial staffing difficulties, the CEC enjoyed steady personnel and budgetary growth until FY 1983-84. The CEC had successfully met the demands of forecasting and has also been a national leader in the development and examination of new energy technologies.

FY 1980-81 and 1982-83

The years 1979-1981 were marked by significant growth for the CEC. The budget for the CEC climbed from $22 million to $53 million from 1978-79 to 1980-81. Although unavailable in 1981-82, these funds were again received in the following year placing that year's budget at $50 million. The increases were represent mostly additional funds from the Energy Resources Fund (ERF). ERF funds provided for loan, demonstration and subsidy programs. Control of these funds was assigned to the Conservation and Development Divisions. The demonstration programs created displays and examples of biomass and other energy technologies. The ERF fund further provided rewards for energy development and supported retro-fitting projects.

Cutbacks

The CEC experienced rapid budgetary and personnel decline after FY 1982-83, attributable to a combination of Proposition 13 and the policies of the new Deukmejian administration. Proposition 13 had a delayed impact on the State of California as the Legislature chose to spend accumulated budget surpluses to ease the effects. Governor Deukmejian's election campaign, in which he openly disapproved of CEC activities, provided an omen of future events. As a result, the CEC was a major recipient of Proposition 13 cutbacks.
The budget cuts forced the CEC to implement tactics for large and difficult personnel decreases. Overall the CEC plummeted from a high of 546 personnel in FY 1980-81 to a level of about 350 in the mid-1980s. Difficulties arose throughout the CEC as staff began to find new employment. The first to leave were the support staff that had easily transferrable and highly desired skills in the job market. This left a shortage of support staff for the remaining technical staff. As a result administrative personnel were called upon to perform support duties.

In a general sense, times of cutback or no growth bring decreased departmental ability to meet employee needs. The agency cannot offer many promotions nor can it offer monetary rewards as incentives for good work. This leads to morale problems among employees who may have higher aspirations in public organizations. Many opt for lateral moves to other agencies where growth is more attainable.

The CEC handled the personnel cutbacks through extensive communication efforts with its employees. This included group meetings to explain the situation fully, allowing each employee to assess their own prospects. The personnel office of the Commission opened up its resources to aid employees in relocation efforts. Where excessive personnel were lost from a single area, employees were shifted to balance the Commission's needs. Additionally, many redundant procedures were quickly discovered and eliminated. In the end, attrition rates were sufficient to avoid the need for layoffs. The remaining employees have adapted to the decreased resources, and have expanded their job duties to compensate for lack of resources.

An area in which cutbacks were not as difficult was in the Siting Division. Because of the decrease in siting activity due to lower than
expected energy demand, the Division had already begun a five-year employee attrition program, leaving Division staff at 49 by 1984. Since that time, the Division has again begun to grow due to a rise in siting applications.

New Growth

The cutbacks were a sign of the Governor's desire not only to address the budgetary complications of the state as a whole, but to bring administrative redirection to the CEC. Following his taking office, Governor Deukmejian consolidated all responsibility for advice on energy issues in office of the CEC Chairman. In years since the extensive cutbacks in FY 1983-84, the CEC has again experienced real growth in state funding and departmental expenditures.

In FY 1986-87 the CEC began receiving long-anticipated Petroleum Violation Escrow Account funds distributed by the federal government. These funds have brought great increases in the size of the CEC funding. Preliminary budget figures show that the CEC received approximately $70 million in FY 1986-87 PVEA funds and expects another $110 million in FY 1987-88, doubling the expected total real dollar funding of the CEC in a period of two years. PVEA funds will account for over 65% of CEC funding in FY 1987-88.¹ Plans are for PVEA funds to be expended over a six or seven year period through loan regeneration. (See below for discussion of PVEA)

As agency funding has grown, so has employee morale. A new Executive Director has made it a special concern to address this issue. Since 1984, management changes have occurred and the CEC has attempted to provide fairer compensation to "acting" employees by reclassifying positions and by securing
additional over-time funds. Other organizational "character" boosters—a softball team, an in-house newsletter, charity drives—have been encouraged.

Effects of Federal Government

There have been two major sources of federal government activity which have had a direct impact on the CEC operations. The first is the Public Utility Regulatory Policies Act (PURPA) and the second is the Petroleum Violation Escrow Account (PVEA). In addition, the Reagan administration has directly altered one source of loan and grant money of which the CEC is a recipient, and has advocated a more laissez-faire approach toward regulation at the federal level—an approach mirrored in the Deukmejian administration.

--Public Utility Regulatory Policies Act

PURPA was the second part of the 1978 National Energy Plan aimed at electric utilities. It was part of President Carter's energy plan in which he sought to have all state public utility commissions adopt standards that would conserve electricity and favor individual consumers rather than industrial consumers. The part which has had a large impact on the Siting and Environment Division is Section 210 requiring utility companies to allow state approved cogenerating industries to interconnect and sell their surplus power to the utility.

Passed in a year of high oil prices, the state Public Utilities Commission began setting ten-year contract rates at the "avoided cost" of "third parties". Third parties (a.k.a. cogenerators) are the private companies who wish to set up cogeneration facilities in accordance with Section 210. Avoided costs approximate the price of providing one's own power at current oil prices. The high avoided costs set by the PUC in 1979
and assumed in the ten-year contracts, coupled with the subsequent unexpected drop in oil prices, has resulted in a dramatic increase in siting applications to the CEC. These applications came both from industrial generators which have over-built cogeneration facilities to sell power and from entrepreneurs eager to turn a profit by building small-scale power plants.

The Siting Division was understaffed to process the applications caused by the sudden rush of siting applications from third parties. In response, the Siting Division requested additional employees in succeeding budgets. Approval of the 1987-88 request will increase the Division's staff to 78 from 49 employees in 1984. The Siting Division has also contracted cyclical work increases to independent firms. Cyclical work includes siting applications increase and decrease in number in response to fossil fuel price changes. Such contracted firms are hardly distinct from regular personnel, with office space provided within the CEC building complex for regular contract work. Contracting provides the advantage of staffing flexibility to the Division. In 1984, the Division was expected to contract for approximately $1 million for siting purposes, but that figure later increased to about $6 to $7 million.

--Petroleum Violation Escrow Account

The PVEA derives revenue from out-of-court settlements with oil companies that violated price restrictions imposed by President Nixon in 1973 and lasting to 1981. Ideally the federal government would have liked to compensate those who were directly hurt by the violation; however, the government cannot hope to identify all of the victims fairly. The federal
government therefore distributes much of the money to state agencies for disbursement.

Funds received by California are administered by the Energy Commission and have been distributed through an elaborate process to review proposals. The process includes the development of a state PVEA Working Group to evaluate distribution criteria, a series of workshops and public meetings and hearings to distribute information, and a CEC contract with the Lawrence Berkeley Labs to objectively evaluate proposals. The ultimate use of these funds is up to the Legislature and the Governor. Since 1981 California has received in excess of $300 million.

PVEA fund provisions to CEC programs (not all PVEA funds go to CEC programs), as mentioned, have resulted in a large increase in the budget of the CEC. Funds granted to the CEC go primarily to activities associated with the Conservation and Development Divisions. These funds are used for various activities including operations and energy project loans and grants.

--State Energy Conservation Program

The State Energy Conservation Program is a federally administered program to provide money to the states for conservation programs. The CEC had been receiving $4.5 million from this fund, but when the Reagan administration took office this figure decreased to $1.5 million. This reflects a feeling within the administration that the federal government should not impose conservation on the public (see Conservation vs. Economic Criteria section).
CEC External Relationships

---Local Governments and Public

Local governments largely contact the CEC for grants and loans for desired projects and this results in amiable negotiations for those funds. The public consists largely of manufacturers, building contractors and others who may be affected by CEC regulations or standards. The relations here are similarly positive due to the exchange of information benefitting both parties. The CEC can discern how well its standards are being received and understood while the other party receives needed information or clarification.

---Legislature

The CEC's relationship with the Legislature has fluctuated from its inception. The CEC was initially well-supported and heralded as an answer to California's energy policy needs. However, the CEC did not meet many original expectations. As described earlier, the CEC was, to a large extent, designed facilitate power-plant siting approval. The CEC streamlined this procedure, but simultaneously—through its forecasting function—discovered that there was a reduced need for new power plants.

The diverse sentiments of legislators in the late seventies are represented by the authors of the bill. In a June 1978 issue of California Journal Senator Alfred Alquist stated "I feel like Dr. Frankenstein." He claimed that the Commission was failing in primary mission (approving new power plants). At the time, he favored abolishing the Commission and replacing it with a state Department of Energy. In the same article, Charles Warren stated that he was against a radical alteration of the Commission even though he was "not happy with everything the Commission has done or how it's
been managed." Leo McCarthy's summarized the CEC position at the time by prophecing that the Commission would survive, but not emerge verbally or financially unscathed.²

The CEC's legislative relations have improved since the height of controversy in these years. The successful forecasts of minimal energy growth needs have brought a new respect for the Commission in the Legislature. At the same time, reductions in the CEC's budget and staff have mitigated some criticisms of the commission's size. The relationship is now more neutral than in the late seventies.

--Governor and Department of Finance

This relationship has to a great extent been noted already. The Governor in his election campaign attacked the commission. These attacks were later embodied in budget reductions. The budget cuts were largely targeted at certain programs by the Department of Finance. New growth and the designation of the CEC Chairman as the Governor's chief energy advisor indicate a new interest by the Governor in the activities and future of the commission.

--Third Parties and Utilities

The relationship with third parties and with utility companies have taken an unusual turn over the years since the commission's establishment. Although utilities expected the Commission to make power plant siting easier, the controversial forecasts of energy needs by the Commission were seen by the utilities as an attempt to block power plant construction, perhaps more for political reasons. Utilities Worried about their ability to meet future
energy demand. Relations with third parties, on the other hand, have been strong.

The ultimate success of the CEC's forecasts have brought new praise to the Energy Commission. These forecasts have saved billions of dollars in construction costs of unneeded facilities for utility companies and consumers. Utility companies themselves have now adopted the Energy Commission's forecasting methods for their own use.

In recent years PURPA has become an issue which now places the utility companies on the side of the Energy Commission against the interests of private third party developers. Because the Commission has forecast an overabundance of energy in California for the future, and because changes in California's energy supply have made cheaper energy easily available, the CEC is advocating a revision in the PURPA program to curb required energy purchases from independent cogeneration and small power plant facilities.

--Public Utilities Commission

The CEC and PUC have often collided on jurisdictional disputes. Both the PUC and the CEC make energy forecasts, albeit for different purposes. Both are responsible for part of the regulation of energy production and use. The PUC, which is in many ways constitutionally protected from legislative interference, has strived to maintain its independence in carrying out its functions, and thus has been cautious in its dealings with the CEC.

Many of the enabling mandates existing for the CEC were sufficiently unclear that the PUC and CEC can come into conflict when asserting their respective jurisdictions. For example, when the CEC began regulating standards for the utilities commercial conservation program, utilities were given a specified date by which the standards should be attained. The
utilities argued that the PUC should determine the conservation measures. A report by the "Little Hoover Commission" (an on-going state task force which analyzes state administrative issues) concluded that such gray areas confuse the relationship between the CEC and the PUC, as that the two agencies should try harder to solve their difficulties on an administrative level.³

The CEC also has a different regulatory orientation than the PUC. The PUC is primarily concerned with rate matters in relation to the utilities whereas the CEC interjects environmental criteria and the state's long-term energy needs. This has been a significant issue in recent years due to PURPA. Despite the CEC energy demand forecasts, the PUC has continually approved contracts for third party facilities below 50 Megawatts over which the CEC has no authority. The CEC on this issue has taken a much more market-oriented stance, advocating a revision in PURPA to allow utilities to purchase energy from cheaper available sources. As of mid-1987 the two agencies had planned first-ever CEC-PUC joint hearings to resolve the situation.

Unionization

CEC unionization in 1982-83 caused no major difficulties except for anticipated tension as the role of the union became established in the workplace. All "categories" of workers have their own union representation. Those who choose not to become union members must pay a "fair share" fee in lieu of union membership.

Electricity Surcharge

The electricity surcharge was created to help fund the CEC by placing a surcharge on electricity consumption. Revenues from the surcharge are held
in the Energy Resources Program Account. Although the CEC is the primary benefactor of these funds, the account is used to serve energy programs in general including those outside the Energy Commission. At one time the PUC received nearly $15 million from this fund, however, they no longer receive any funding from this source. Sentiments within the CEC support a more direct tie of the CEC budget to the surcharge fund.

CEC as a Unique Agency

Members of the CEC feel that the CEC is a unique agency. Many factors account for this feeling. Some are derived from the quality and type of staff that is assembled in the CEC. The CEC has higher educational requirements than most organizations. The CEC obtains the staff primarily from among college graduates and the private sector rather than from the pool of civil-service employees. In addition, the employees are primarily attracted to the CEC to participate in its unique mission. These are people who are new to bureaucracies with a vision of affecting and shaping a vital new area. The commissions uniqueness is reflected in the Public Advisor's Office. This office, mandated by the Warren-Alquist Act, works to assist and promote public participation in the agency's hearing and policy-making process. The Energy Commission was the first state agency to establish such an office. The idea of a public advisor within the organization has now been adopted by other state agencies including the PUC.

The CEC is a relatively new agency. It does not have the benefit of a long history to aid it in dealing with its environment. Furthermore, the CEC was given a legislative mandate to do things that no other agency had undertaken before, including extensive research and development, and preparing California for the future through forecasting while responding to
the many unpredictable energy events in the present. The CEC was born in the 1974 "energy crisis" and subsequently dealt with the 1979 market disruptions. The demands placed on an agency which must react to a dynamic environment sets it apart from other agencies who can fulfill their mandate in a more routine fashion.

Conservation vs. Economic Criteria

The Reagan administration on the federal level as well as the Deukmejian administration on the state level have altered the course of energy conservation. The Carter and Brown administrations had emphasized conservation as a desirable means for attaining a stable energy future. In meeting this goal it was felt that issuing standards and mandating the use of conservation technology was the cost-effective and rapid way to achieve a better energy future. However, the current administrations have de-emphasized an official commitment to conservation. Market forces are seen as the appropriate mechanisms for encouraging consumers to buy conservation technology. The current administrations do not believe that it is the government's place to promote conservation technology.

Conclusion

Although early success in forecasting may have actually contributed to a budgetary crises, the CEC is now confident in its ability to continue working for California's best energy future. Aiding this is the appointment by Governor Deukmejian of the current Chairman, who has shifted the CEC's approach to its duties and improved the dialogue between the agency and the administration. The CEC has saved California billions of dollars through its
forecasting role and has saved more through its development of conservation technology and alternative energy technology. Energy savings estimates now included in the budget under various projects promise additional savings in the future.

Notes

1. $100 million, roughly 90%, of the CEC's 1987-88 PVEA funds have been preliminarily earmarked for school bus purchases for K-12 districts statewide. Reducing CEC funding by this non-discretionary amount would result in a substantial cut in the CEC budget from 1986-87 due to more discretionary PVEA funds received in that year.


Bibliography

Blevins, B.B., Advisor to the Chairman, CEC. Interview, summer 1987.


California. Governor's Budget (and supplements), various years, 1967 - 1985.


Deter, Ross, Chief, Siting and Environment, CEC. Interview, 7 November 1984.


Griffen, Karen, Manager of Retrofit and Energy Management Programs (REMP), Conservation Division, CEC. Interviews, 7 November and (telephone) 26 November 1984.


Kukulka, Ronald, Chief, Development Division, CEC. Interviews, 7 November and (telephone) 30 November 1984.


Smith, Kent, Deputy Director, CEC. Interview, 7 November 1984.

Energy Resources Conservation and Development Commission
Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1972/73</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1973/74</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1974/75</td>
<td>$1,130</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975/76</td>
<td>10,516</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1976/77</td>
<td>14,477</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977/78</td>
<td>17,074</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978/79</td>
<td>17,157</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1979/80</td>
<td>32,530</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980/81</td>
<td>44,495</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1981/82</td>
<td>24,552</td>
<td>$729</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1982/83</td>
<td>39,831</td>
<td>7,532</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1983/84</td>
<td>12,275</td>
<td>1,548</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1984/85</td>
<td>25,602</td>
<td>5,032</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985/86</td>
<td>35,297</td>
<td>1,314</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


* See note in Preface.
Energy Commission
Expenditures for State Operations - State Funds

- C.O.
- Local Ex.

Budget Year

Federal Funds

Thousands of Dollars

Budget Year
**Yearly Personnel-Years have been included with permanent.**

Source: Governor’s Proposed State Budget of California (1969-1987)

<table>
<thead>
<tr>
<th>Year</th>
<th>Authorized Permanent</th>
<th>Temporary</th>
<th>Filled Permanent</th>
<th>Temporary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>334</td>
<td>0</td>
<td>334</td>
<td>0</td>
<td>334</td>
</tr>
<tr>
<td>1970</td>
<td>325</td>
<td>0</td>
<td>325</td>
<td>0</td>
<td>325</td>
</tr>
<tr>
<td>1971</td>
<td>379</td>
<td>0</td>
<td>379</td>
<td>0</td>
<td>379</td>
</tr>
<tr>
<td>1972</td>
<td>327</td>
<td>0</td>
<td>327</td>
<td>0</td>
<td>327</td>
</tr>
<tr>
<td>1973</td>
<td>193</td>
<td>0</td>
<td>193</td>
<td>0</td>
<td>193</td>
</tr>
<tr>
<td>1974</td>
<td>89</td>
<td>0</td>
<td>89</td>
<td>0</td>
<td>89</td>
</tr>
<tr>
<td>1975</td>
<td>72</td>
<td>0</td>
<td>72</td>
<td>0</td>
<td>72</td>
</tr>
<tr>
<td>1976</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1977</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1978</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1979</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1980</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1981</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1982</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1983</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1984</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1985</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1986</td>
<td>285</td>
<td>0</td>
<td>285</td>
<td>0</td>
<td>285</td>
</tr>
<tr>
<td>1987</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: Temporary personnel-years have been included with permanent.
Energy Commission
Personnel-Years

Budget Year

Authorized
Filled
DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

Original Report by Adam Stone
1987 Update by David T. Burke

Summary

In 1959, the State Legislature created the Division of Fair Employment Practices (DFEP) in the Department of Industrial Relations. Situated within the DFEP was the Fair Employment Practice Commission. The Commission had the dual responsibility of making policy for the elimination of discrimination in California and of receiving, investigating, and resolving complaints of discrimination filed by individuals. The DFEP was the administrative arm of the Commission, performing the actual investigations, and responsible for the administration and enforcement of the state's civil rights laws.

During the next 25 years, the Division received additional responsibilities outside the area of employment. In 1963, it was granted the power to investigate complaints regarding discrimination in housing. From 1970 to 1974 discrimination based on sex, age (years 40 to 64), and physical handicap was outlawed. Under the Unruh Civil Rights Act of 1977 discrimination in public accommodations was outlawed. In the late 1970s, the DFEP received responsibility for monitoring the licensing and testing
activities of the Department of Consumer Affairs (DCA) to ensure that the DCA's requirements and standards do not unlawfully discriminate. The Division also began monitoring state contractors for compliance with nondiscrimination program requirements.

Despite the expansion in agency responsibilities, the majority of their total budget over the past fifteen years has been spent on the enforcement of anti-discrimination laws in the areas of employment and housing. From fiscal year 1967-1968 to fiscal year 1974-1975, the DFEP's annual budget measured in constant dollars grew in small increments. Evidently, the allocated resources were not enough to process the Division caseloads. In fiscal year 1975-1976, the DFEP had a four thousand case backlog. In fiscal year 1976-77, the DFEP was awarded a federal grant of $1.4 million to investigate incoming discrimination complaints and to reduce the Division's large backlog. The DFEP hired more Fair Employment and Housing Consultants (i.e., investigators), initiating a period of Division growth. The primary impetus for the agency was the perceived need for the agency to have the organizational resources and status to enforce California's civil rights laws.

After fiscal year 1975-76, the Legislature regularly increased the Division's budget. The largest single increase occurred in fiscal year 1979-80 with budget expenditures increased by nearly one million dollars over the previous year (constant, inflation-adjusted dollars). With the growth in both caseload and budget, Governor Edmund G. Brown, Jr. proposed elevation of the DFEP to Departmental status in Reorganization Plan Number 1 of 1979. Brown's elevation of the DFEP expressed two gubernatorial objectives. First, Brown wanted the agency to focus equally on employment and non-employment discrimination. Second, Departmental status would give the Division the
organizational structure necessary to enforce the state's civil rights laws. The DFEP became the Department of Fair Employment and Housing (DFEH) in January 1980.

Elevation to Departmental status brought about three specific organizational responses to growth and each response displays the building of organizational infrastructure. Organizational infrastructure refers to possession of the resources and personnel necessary to carry out the organization's major task as well as the administrative network necessary to ensure agency control over its resources and outputs. The first response to growth was increasing both the percentage and the actual number of consultants. Second, there was an increase in the actual number and in the proportion of administrators. Upon achieving Departmental status, the agency created an Administrative Services Division. Thus, the DFEH improved control over its financial matters as well as the ability to monitor output. In 1980 the Department issued its first set of standard operating procedures to consultants. This introduction linked the line personnel with the administrative network. Subsequently, investigative and analytical processes were standardized through of a series of "case analysis manuals."

In the budget of 1982-83 a small reduction occurred. From that time to the 1985-86 budget year, the budget has remained fairly stable.

Introduction

The Department of Fair Employment and Housing (DFEH) administers California's civil rights laws. These state laws "prohibit discrimination in employment, housing, services, and public accommodations." The Department's major task "is to receive, investigate, and conciliate complaints of discrimination." The DFEH, which was the Division of Fair Employment
Practices until January 1, 1980, also "monitors the nondiscrimination/affirmative action programs of those who contract with the State of California." Finally, the Department provides assistance in resolving discrimination-based disputes and supplies the public with information on discrimination.¹

The Department of Fair Employment and Housing is one of eleven state Departments which make up the State and Consumer Services Agency. Because the DFEH has Departmental status, the agency "is under the direction of an executive officer known as the Director ... who is appointed by the Governor subject to confirmation by the Senate and who holds office at the pleasure of the Governor."² The Governor also appoints the Chief Deputy Director and the head counsel of the Department's Legal Services Division. The Department Director is thus responsible to the Governor and the Department's executive officer directly transmits Departmental requests to the Governor.

Overview of the Department's Development

In 1959, the State Legislature created the Division of Fair Employment Practices in the Department of Industrial Relations. Within the Division was the Fair Employment Practice Commission.³ The Commission had the dual responsibility of making policy for the elimination of discrimination in California and of receiving, investigating, and resolving complaints of discrimination filed by individuals.⁴ The Division was the executive arm of the Commission and performed the actual investigations.⁵ Thus, the Division became responsible for the administration and enforcement of the State's civil rights laws.

Responsibilities outside the area of employment were added to the Division during the next quarter century. In 1963, the Division was granted
the power to investigate complaints of discrimination in housing. From 1970 to 1974, discrimination based on sex, age (years 40 to 64), and physical handicap were outlawed. The Unruh Civil Rights Act of 1977 banned discrimination in public accommodations. In the late 1970s, the Division became responsible for monitoring the licensing and testing activities of the Department of Consumer Affairs to ensure that the DCA's standards and requirements do not unlawfully discriminate. The Division also began monitoring state contractors for compliance with nondiscrimination program requirements.

Despite the wide range of responsibilities assigned to the agency, the vast majority of the Department's total budget over the past fifteen years has been spent on the enforcement of anti-discrimination laws in the areas of employment and housing. For that reason, the actual "doers" of the agency's casework, the Investigator Consultants, have composed between one-third and one-half of the Department's total workforce. Most of these consultants work in the Department's district offices located throughout the State. The consultants are exclusively located in the Department's Enforcement Division which "is the heart of the DFEH program."

The consultants' caseloads were the stimulus for the tremendous growth the agency experienced from fiscal year 1975-1976 to fiscal year 1981-1982. From fiscal year 1967-1968 to fiscal year 1974-1975, the Division's annual budget (measured in constant dollars) grew in small increments. In fiscal year 1975-1976, the Division had a four thousand case backlog. From this point, federal funds began to flow to the agency and the period of growth started.

Federal funds, which were a major source of budgetary growth, came to the agency in two ways. The first major federal funding came in the form of
a $1.4 million grant "used to investigate incoming discrimination complaints and to reduce the Division's large backlog." These funds were used by the Division during fiscal year 1976-1977 and were not reflected in the Division's budget. The second source of federal funds was a work sharing agreement by the Division with the Equal Employment Opportunity Commission (EEOC). Alice Lytle, then the Division Chief, found that seventy percent of the cases processed by the Division fell under the 1964 Civil Rights Act's prohibition of employment discrimination. Thus, the Division entered into an agreement with the EEOC whereby federal funds would be used to reimburse part of the cost of processing cases under the jurisdiction of both federal and state law.

The federal seed funds paved the way for continued Division growth. The State Legislature continued to provide the new budgetary resources. In 1978, the Legislature amended the laws governing the Division. This amendment required the agency to determine within one year from the date of filing whether or not any complaint of discrimination was valid. This new provision was intended to prevent a recurrent backlog. In order to implement the amendment, the legislature increased the Division's budget. After fiscal year 1975-1976, the legislature routinely increased the agency's budget, but the largest single increase came in fiscal year 1979-1980 when the budget grew by almost one million dollars in constant terms.

Division growth paved the route to elevation to Departmental status. Originally, the Division of Fair Employment Practices was established within the Department of Industrial Relations. The Division was headed by a chief appointed by the Governor, but served at the pleasure of the Director of Industrial Relations and could be removed by him without cause. Thus, the Division's independence was limited. With the DFEP undergoing growth in both
caseload and budget, Governor Edmund G. Brown, Jr. proposed elevation to Departmental status in Reorganization Plan Number 1 of 1979. Brown's elevation of the Division had two objectives. First, Brown wanted the agency to focus equally on employment and non-employment discrimination. Second, Department status would give the DFEH necessary organizational stature and flexibility to enforce all of the state's civil rights laws. The Department of Fair Employment and Housing came into existence in January, 1980.

In 1982-83, the DFEH's budget was cut slightly. Since that time, constant expenditures for the Department have remained stable.

Sources of Change and Organizational Response

The California Department of Fair Employment and Housing has undergone two distinct periods of change during the last decade. From fiscal year 1975-1976 to fiscal year 1981-1982, the Department underwent a period of organizational growth. Since fiscal year 1982-1983, the DFEH has experienced small budgetary reductions leaving the agency in a no-growth situation. During the growth period, the primary impetus for expansion was the "perceived need" for the agency to have the organizational resources and status to enforce California's civil rights laws. DFEH growth resulted in great internal differentiation and greater centralization of Department decision making. The second period, marked by the slight but unprecedented budgetary decline, was addressed by two reduction strategies. Each separate period brought forth different organizational responses. Taken as a whole, these organizational responses illustrate the DFEH's formation of a solid Departmental infrastructure and its first major test of endurance.
In fiscal year 1975-1976, the Division of Fair Employment Practice began a period of growth which would culminate in the achievement of Departmental status. Even though the entire period of expansion occurred during the administration of Governor Edmund G. Brown, Jr., a well-known civil rights advocate, it would be simplistic to attribute growth only to Brown policy.

There were two causes of budgetary growth during the period of expansion. First, an expanding caseload required additional resources if Departmental functions were to be carried out. The federal government provided the resources to respond to this stimulus. In fiscal year 1976-1977, the agency received a federal grant of $1.4 million to investigate incoming discrimination complaints and to reduce the Division's large backlog. In fiscal year 1977-1978, the Division entered into a work sharing agreement with the federal Equal Employment Opportunity commission (EEOC) which provided funds for the agency's processing complaints under state law instead of the 1964 Civil Rights Act.17 EEOC funds were also targeted for use in reducing the backlog. To reduce the backlog, the Division hired more consultants with the federal monies.

The second source of growth was the Legislature's desire for speedier case resolution. In 1978, the Legislature amended statues to require the DFEH to determine within one year from the date of filing whether a complaint charging discrimination is valid. To ensure implementation of the new requirement, the Legislature provided sufficient funding to retain personnel hired with the monies from the federal grant. Thus, the Legislature provided the second sustained source of budgetary expansion.

Agency growth was also reflected in organizational status. From its establishment, the agency had been a division of the Department of Industrial Relations.18 However, increasing responsibilities as well as increased size
demanded that the Division exercise a level of executive authority exceeding that of other divisions within state government. The Division represented "the highest level of executive branch recourse for discrimination complaints ..." The Division was also required to monitor contracts entered into by other Departments to ensure compliance with civil rights laws. Elevation to Departmental status gave the agency the rank needed to fulfill both the statutory tasks and the perceived need.

DFEH growth resulted in three internal changes, demonstrating the emergence of the agency's infrastructure and centralization of decision making. The first response to growth was increasing the actual and the percentage of consultants. Increasing the number of case workers enabled the DFEH to reduce their case backlog and, more importantly, gave the Division the increased ability to fulfill its major task on an ongoing basis. The second response, also a personnel change, was the establishment of and Administrative Services Division to improve financial and personnel management as well as to monitor output. Following from this was the issuance of standard operating procedures for Department consultants. While this seems trivial, the introduction of formal, written rules gave the case workers a deep feeling of efficacy while allowing for greater centralization of decision making. This linked the task personnel with the administrative network. In sum, the latter two responses helped build infrastructure and strengthen the tie between line and staff functions.

In the 1982-83 budget, the DFEH faced an unprecedented cut in resources from the previous year, eliminating 28 authorized positions. Budgetary gains in the next two years were slight, and increases to 1986-87 have not made up for inflation. These budget cuts result from "environmental entropy" which "occurs when the capacity of the environment to support the public
organization at prevailing levels of activity erodes." Once more, it would be an oversimplification to attribute entirely the budget cuts to political preferences of a new conservative Governor. The confluence of a recession, a decrease in tax revenues, cutbacks in federal funds, a previous budget deficit, and a new Governor led to a budgetary decline. To cope with this decline, two cutback management strategies were adopted by the Department. To comprehend these strategies, cutback management must be understood as "managing organizational change toward lower levels of resource consumption and organizational activity."^23

The first strategy was a tactic to smooth decline. This strategy was simply hierarchical control over resources. Expenditure monitoring by the Administrative Services Division was used to check each unit's expenditures to assure they remained within appropriated levels. At the same time, new forms for case processing were issued. In general, the Department's monitoring and accounting systems became more thorough and employee flexibility was reduced.

The second coping was a selective hiring freeze. In order to cut the budget, the Department allowed vacated and unfilled positions in the Administrative Services Division to remain empty while continuing to fill case-processing positions. Later, the Department deleted the unfilled positions from the budget. In successfully implementing these responses, the Department has continued to concentrate on performing its primary goal of processing cases. In the critical Enforcement Division, the agency has actually increased the number of consultant positions by seven since 1982 standing at 97 in 1986-87 despite the overall decrease in the number of positions.
Notes

1. The Department of Fair Employment and Housing, DFEH: What Is It? (no date).


4. Ibid.

5. Ibid., p. 62.


9. Governor's Office, "Reorganization Plan."


12. Ibid.


15. Governor's Office, op. cit.


20. Ibid.

21. Ibid.


Bibliography

Banks, Sam, Fiscal Officer, Fiscal Resources Management Unit, DFEH. Interview, 1984.


Henry, Donald, Legislative Coordinator, DFEH. Interview, 1984.

McGee, Calvin, Assistant Deputy Director, Public Programs Division, DFEH. Interview, 1984.

Reader, Betty, Deputy Director, Public Programs Division, DFEH. Interview, 1984.
Department of Fair Employment and Housing
Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1972/73</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1973/74</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1974/75</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1975/76</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1976/77</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1977/78</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1978/79</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1979/80</td>
<td>$2,481</td>
<td>0</td>
</tr>
<tr>
<td>1980/81</td>
<td>6,196</td>
<td>0</td>
</tr>
<tr>
<td>1981/82</td>
<td>8,813</td>
<td>0</td>
</tr>
<tr>
<td>1982/83</td>
<td>7,827</td>
<td>0</td>
</tr>
<tr>
<td>1983/84</td>
<td>8,446</td>
<td>0</td>
</tr>
<tr>
<td>1984/85</td>
<td>9,463</td>
<td>0</td>
</tr>
<tr>
<td>1985/86</td>
<td>9,939</td>
<td>0</td>
</tr>
</tbody>
</table>


* See note in Preface.
Fair Employment and Housing Dept.
State Fund Expenditures

**Budget Year**

**Federal Funds**

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>Federal Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>69/70</td>
<td></td>
</tr>
<tr>
<td>70/71</td>
<td></td>
</tr>
<tr>
<td>71/72</td>
<td></td>
</tr>
<tr>
<td>72/73</td>
<td></td>
</tr>
<tr>
<td>73/74</td>
<td></td>
</tr>
<tr>
<td>74/75</td>
<td></td>
</tr>
<tr>
<td>75/76</td>
<td></td>
</tr>
<tr>
<td>76/77</td>
<td></td>
</tr>
<tr>
<td>77/78</td>
<td></td>
</tr>
<tr>
<td>78/79</td>
<td></td>
</tr>
<tr>
<td>79/80</td>
<td></td>
</tr>
<tr>
<td>80/81</td>
<td></td>
</tr>
<tr>
<td>81/82</td>
<td></td>
</tr>
<tr>
<td>82/83</td>
<td></td>
</tr>
<tr>
<td>83/84</td>
<td></td>
</tr>
<tr>
<td>84/85</td>
<td></td>
</tr>
<tr>
<td>85/86</td>
<td></td>
</tr>
</tbody>
</table>
The following table represents the Department of Fair Employment and Housing Personnel-Years, Authorized, Permanent, Temporary, and Total from 1969 to 1987. Temporary personnel-years have been included with permanent.

Source: Governor’s Proposed State Budget of California Supplement for Salaries and Wages, 1969-1987

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Permanent Authorized</th>
<th>Temporary Authorized</th>
<th>Permanent Filled</th>
<th>Temporary Filled</th>
<th>Total Filled</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1970</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1971</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1972</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1973</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1974</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1975</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1976</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1977</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1978</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1979</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1980</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1981</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1982</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1983</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1984</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1985</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1986</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1987</td>
<td>256</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Department of Fair Employment and Housing
Fair Employment and Housing Dept.
Personnel-Years

Authorized
Filled

Budget Year

Personnel-Years

69/70 70/71 71/72 72/73 73/74 74/75 75/76 76/77 77/78 78/79 79/80 80/81 81/82 82/83 83/84 84/85 85/86 86/87
Introduction

Over the past decade, the environment of California public agencies has changed considerably. Diverse pressures have forced policy-makers at all levels to reassess priorities. At the federal level, a decline in economic growth has pushed a new philosophy stressing the reduced scope of federal activities. This shift in emphasis has had dramatic consequences for federal programs to assist state and local governments. At the state level, a second source of support for budget reduction emerged in the late seventies in the form of taxpayer sentiments to limit state spending. Together, these developments have meant fewer resources available to public officials accompanied by rising expectations to meet the challenges of California's growth.

Perhaps most important in responding to these events is the assurance of the State's ability to take full advantage of the continuing revenue

---

sources available to fund California's vast array of programs. Unlike most other states, responsibility for the collection of revenues in California is divided among several agencies. Of these, separate tax programs are administered and collected by the State Board of Equalization, an independent elected body, the State Controller, also an elected position, and, providing the greatest amount of revenue to the State's general fund, the Franchise Tax Board (FTB), which administers the state's Personal Income Tax and Bank and Corporation Tax programs. The FTB receives administrative direction from the State and Consumer Services Agency. The three member Board consists of the State Controller, Chairman of the State Board of Equalization, and the Director of the Department of Finance, who is appointed by the Governor. An Executive Officer appointed by the Board implements its policies and performs such duties as are delegated by the Board. The Executive Officer directs a staff of approximately 3000 through a departmental organization with division and bureau level components. Recognizing the importance of the FTB's function, it is valuable to gain a clear understanding of its administrative organization and of how it has adapted to changes of the 1970s and 1980s.

This report is divided into three parts. Following the Introduction, Part II profiles the FTB's development from the years 1972 to 1985. Part III discusses the internal and external environments of the Franchise Tax Board. These are elaborated through description of the Board's strategies for dealing with change.

---

Development of the Franchise Tax Board

The three-member Franchise Tax Board has been a part of the State's administrative structure since 1950, when it replaced the Franchise Tax Commissioner as administrator of the Personal Income Tax (PIT) and Bank & Corporation Tax (B&C) programs. The Department's history under the Franchise Tax Commissioner dates back to 1929.

In recent times, three other programs have been added to the FTB's traditional responsibilities for income and bank and corporation tax administration. In 1968 the Senior Citizen's Property Tax Assistance program was added to provide relief through benefit adjustment to lower income property owners over the age of 65. In subsequent years, this program was liberalized to include those eligible over the age of 62, as well as blind and disabled persons. In 1977, it was renamed the Homeowners and Renters Assistance program and expanded to allow relief to both renters and property owners meeting the criteria. While California also has tax filing provisions for relief to property owners and renters without age or disability requirements, these are not a part of the Homeowner's and Renter's Assistance program.

In 1973, the FTB began providing use of its data processing facilities to other state agencies. These activities are included in the budget as a separate program entitled Contract Work, which is fully funded by reimbursements. The reimbursements cover both direct costs of contract work performed as well as portions of FTB's fixed overhead costs (e.g. equipment, facilities, and administration).
The most recent addition to the FTB's functions was created by the state Political Reform Act of 1974. This legislation included provisions requiring the FTB to audit the campaign finance statements of state lobbyists, political action committees, and candidates for state office.

These five programs comprise the current program of the FTB. In addition, administrative requirements are separated at the end of the budget.

Despite the addition of three newer programs, Personal Income Tax and Bank and Corporation Tax programs have remained the mainstay of the FTB's function, consistently commanding over 90 percent of FTB budgetary resources. The importance of these two programs to the State cannot be understated, with the PIT providing the second and the B&C the third largest single revenue sources to the State's General Fund. Together, they amount to roughly 55 percent of the General Fund. The Department is organized by functional program rather than statutory or budgeted program because of the organizational emphasis necessary to process large volumes of tax returns and related documents.

The similarity in the requirements of the PIT and B&C programs allow the FTB to organize in this functional manner. Each program, while provided for separately in the Governor's budget, is broken down into the same four activities of Self-Assessment, Filing Enforcement, Audit and Collections. Self-assessment activities for all programs are conducted in the Self-Assessment Division, while filing enforcement, audit and collections are conducted in the Compliance Division.

The Chief Executive Officer is appointed by the Board with Legislative approval. The CEO is supported by the Administration Division, serving the
staff function, and the four line divisions—Legal, Compliance, Information Systems, and Self-Assessment. In addition to audit and enforcement, Compliance performs the Political Reform Audit and has administrative authority over the 17 district offices and 4 out-of-state offices of the FTB. The other two line divisions provide support for activities carried on throughout the FTB: The Legal Division works closely with Compliance; and Information Systems, emphasizing its service orientation, responds to the expanding data processing needs of the FTB.

The divisions are characterized by diverse patterns of staff composition. At one extreme, the Legal Division requires the services of attorneys hired through the State Staff Counsel List. Compliance Division needs vary by activity. Auditing activities within Compliance are performed by professional auditors and qualified para-professionals, while the collections unit is comprised of collection agents known as Tax Compliance Representatives who, although they require no special prior training, generally hold college degrees.

Employee classifications within the Self-Assessment Division also vary by function. Many of the positions require a minimum amount of training and are trained on the job. Others, especially in the Taxpayer Services Bureau, are para-professionals, require specialized skill and training. The seasonal nature of tax filing—the same deadline for all returns—results in employment of many temporary personnel in Self-Assessment. Here, a permanent staff of about 1000 climbs seasonally to over 2500 employees. The FTB is required by law to meet its Self-Assessment personnel needs by hiring first from a select group referred by the Employment Development Department, which generally fills approximately 40 percent of available positions, before hiring through its own system.
Appointment to a data processing position in the Information Systems Division is generally from an eligibility list developed through an examination process, entry to which requires a college degree or equivalent EDP experience.

Finally, the Administrative needs vary. While professional degrees are valuable in many administrative positions, experience plays a large part in this area. For this reason, nearly all staff personnel are promoted from within the FTB, or are brought in from other state agencies. Management is taken from many avenues of expertise, with no single professional group dominating.

Since the implementation of wage withholding of taxes in 1971, the nature of the goals of the FTB have remained relatively static. As a whole, the FTB expenditures rose steadily in real dollars from 1971 up through fiscal year 1980-81, followed by a sharp decline in the next two years, rising again in 1983-84 and continuing to the present. In real amounts, department expenditures of 1980-81 were not surpassed until 1985-86. This pattern is matched in both the individual PIT and B&C budgets.

The expenditures of the three smaller programs, however, show a different pattern, somewhat similar among the three. Each program reaches a real dollar peak in the later 1970s, followed by a steady downward trend. The Political Reform Audit program is more pronounced in this aspect, having reached its peak one year after implementation, falling rapidly thereafter.

A more useful way of looking at the expenditure patterns, because of the FTB's organizational structure, is by activity. Combination of expenditures for identical PIT and B&C activities reveals the outcome of program reductions in the early 1980s as a significant reduction in Self-Assessment
expenditures, falling to an expenditure level approximately 20 percent below the lowest real dollar amount devoted to it of any year of the prior decade. All other activities show a relatively stable increase.

The reduction in Self-Assessment expenditures was not the result of external events forcing a budgetary change, but was due to elimination of the employee withholding contract of approximately $12.5 million. During the early 1980s, there were also some significant personnel year reductions due to internal events. Several changes following the installation of a new Executive Office, such as implementation of a Strategic Planning Process to review division work and plan for the future, encouraged the FTB to expand its Self-Assessment capabilities in the areas of procedures and automation. This allowed a consistent level of operation with fewer staff resources.

In addition to Self-Assessment changes, new attention has been devoted in recent years to compliance. A recognition of growing non-compliance with tax laws, coupled with the State's desire to take full advantage of available resources, led to the creation of "Project Fair Share" in 1982. This program is designed to close the "tax gap" between taxes owed and paid through various measures, including enhancing the FTB's compliance powers through legislative measures, and augmenting compliance activities, visible in the budget changes. A Tax Amnesty program passed by the Legislature in 1984 was an important step in this process.

Aside from staffing adjustments in the Self-Assessment Division, the impact of expenditure reductions on the FTB overall appears to have been minimal. The basic organizational structure has remained intact much as it was prior to 1980. Smaller changes have been made in this structure with the addition or deletion of sections or, less often, bureaus. Changes of this nature do not represent moves in a new direction by the FTB, but reflect
the growing importance of certain on-going functions which may warrant individual attention. Recent additions in this manner are the Planning and Communications Bureau, added in 1981, and the Legislative Services Bureau, added in 1983. The International Taxation Bureau was added in 1986 following a change in the unitary tax law of California.

In many ways, the development of the Franchise Tax Board in recent times has been one of few surprises, both from an outside perspective, and, importantly, for the department's personnel. The organization, resources and personnel have remained supportive of the two major programs and program goals for some time. New programs added have been small enough in size and like enough in functional requirements to be incorporated into the department within the existing structure. Even the budgetary changes that have occurred have not significantly impacted the operational environment of the FTB.

Organizational Environment

The ability of the Franchise Tax Board to function with a fair amount of stability results from a combination of several factors. From an organizational standpoint, the agency is fortunate in having avoided many of the potential pitfalls which create organizational uncertainty and threaten organizational effectiveness. As a revenue collection agency, the FTB enjoys some advantages over other agencies. The potential payback of budgeting funds to the FTB in terms of additional revenues (or inversely, potential of loss of revenues as a result FTB budget cuts) creates an external environment resistant to budget reductions. This has allowed the FTB to concentrate energies not only on maintaining but on improving its own abilities, and meeting self-imposed goals.
FTB's stability is also demonstrated in the limited variation of department programs. The Department's primary activity has been the administration of the PIT and B&C programs for over fifty years. These programs have clear goals and the organization has been able to tailor programs for their accomplishment. Other programs have been added to the FTB's responsibilities, but their small size has prevented their interference with the PIT and B&C programs. The Legislature has not added programs to the FTB duties which might complicate its operations. Important in this respect is California's decentralized revenue collection system, dividing what would be a vast undertaking among various departments. This has allowed the FTB to concentrate on the two primary programs and continue its long-term efforts to maintain an "effective and equitable tax system."

The FTB is notably independent from the whims of other echelons of government (especially federal and local). The nature of the FTB's programs have kept it relatively free of being required to interact with local governments, the federal government or other agencies. Where intergovernmental contacts are made, they tend to be reciprocal in nature. The FTB participates in extensive information sharing with the Internal Revenue Service as a part of its compliance activities, and maintains close contact with the IRS regarding many other aspects of agency work. The working relationship which has been built with the IRS will be important to the effective implementation of current changes taking place in the application of California's unitary method of allocating income. As one of the first states to implement wage withholding, California's tax system has grown to a level of sophistication similar to the federal system, making the exchange of administrative and technological information beneficial to both.

3) ibid.
systems. The FTB also exchanges tax information and administrative expertise with other states through the Multi-State Tax Compact and other organizations.

The FTB is, however, affected by the federal government in a more indirect, but crucial, and ironic way. While California has attempted to maintain a tax base independent of federal law—which has led to the development of a sophisticated tax system (many states simply assess a percentage of federal taxes owed)—each change in the federal law, including the 1986 tax reform, forces the State to adjust its laws. Failure to do so would likely result in confusion among taxpayers and complicate the FTB's administrative task. California tax laws were adjusted following federal tax reform in 1976, and can be expected in the near future in response to new practices adopted under President Reagan.

An important factor in the department's stability, however, lies with the essential nature of the programs themselves. Because the FTB is the State's revenue agent, the Legislature and the Governor have a distinct incentive in assuring that the FTB is provided with adequate resources to optimize departmental operations. While the definition of adequate resources or the measurement of success is often blurred with public agencies, revenue collection activities are easily measured in terms of revenue returns for each additional increment of expenditure. The FTB uses such measurement explicitly in its audit section. This unit has set a goal of auditing at a cost benefit ratio of 5:1—that is, it will audit to a point at which, for every one dollar spent, a minimum of five dollars is assessed. This type of performance measurement is both easily understood and generally acceptable to policy makers.
These factors have been important in maintaining the support of policy makers, most notably during times of State budget reductions. Twice, in 1981-82 and 1982-83 budget years, the Governor has mandated across-the-board agency cuts, while the FTB has been exempt from these cuts. In subsequent years, the Legislature has been reluctant to approve other cuts in tax programs recommended by the Governor for the reasons given above. Despite this, the FTB has proposed its own program reductions where possible, considering itself a "team player" with the Governor in this respect. This was the motivation behind the Self-Assessment reductions of 1981-83, and similar reductions in later years.

Where budget reductions have been made, their impact on the organization has been minimal. With regard to the Self-Assessment cuts, the heavy use of temporary employees allowed the FTB to make major personnel-year reductions in this division without the organizational stress which would be expected from permanent employee layoffs. Other reductions, visible in the three smaller programs, have been slow enough that excess personnel from these programs have been easily absorbed into the two larger programs. Because of this, the FTB has been able to maintain a policy of personnel retention through reassignment where permanent positions are eliminated.

In all, the relationship with the Legislature and with the Governor, through his Finance Director, has been supportive in recognizing the FTB's administrative needs. The FTB has been provided not only with a stable budget, but is supported by an impressive delegation of authority in the area of tax compliance powers necessary in assuring program effectiveness. These powers were enhanced by the Legislature in 1983 with the renewed emphasis on compliance. Because tax policy is highly visible and
extensively scrutinized, the FTB has made an effort to develop a good working relationship not only with policy makers, but with all interested parties, and, if contacted responds to interested groups and lobbying organizations about the impact of proposed tax law revisions.

Relations with other outside groups are also not a major problem. The department has recently contracted for a survey of taxpayers to assess the FTB's status in the taxpayers' view. Results are not yet available, but programs such as Tax Amnesty appear to have had a positive impact.

The installation of a Strategic Planning Process in 1981 addressed long-term goals. The process is overseen by a Strategic Planning Team including the Executive Officer and Assistant EO's. The Team develops broad objectives and strategies in a five year plan. The individual divisions (Assistant EO's and bureau directors) then prepare detailed division plans for the future. Divisional program plans are updated quarterly and operational plans annually. Changes are not uncommon in this process. Since the first few years, however, the overall Strategic Plan has needed few revisions.

Prominent in maintaining confidence in managerial capacity is the FTB's ability to retain its management personnel, most of whom have remained for many years and served in positions within different bureaus. As mentioned, in addition to promotion from within, the FTB looks to those with experience in other State agencies. If possible, the agency begins preparing personnel for higher positions up to five years prior.

Encouragement among lower level personnel has not been as easy. Much of the problem is attributable to the FTB's admitted reputation for being a "hard-line" employer in its treatment of line personnel. Because of tight operational timeframes and heavy production demands, stringent standards of
performance and attendance have been necessary. This may result in the dismissal of employees for what seems to the outsider as minor procedural violations.

Among problems outside the department's control is the requirement that the Self-Assessment Division, the largest employer in the department, hire its personnel from Employment Development Department referrals. Many of these referrals lack employment experience. This hiring requirement creates difficulties for the Division in filling positions which require specialized abilities such as clerical auditing or taxpayer assistance.

The current Governor's stringent union bargaining stance has created union pressures for the FTB. This has not yet caused major disruptions, but the FTB has experienced a sustained drive for greater union participation by FTB employees.

The FTB motivates its employees through providing many opportunities to advance to higher levels within the department. Where special training is needed, employees are provided with training materials. For persons wishing to advance to an auditor position, for example, management will help identify college course requirements, and often holds courses on the premises in conjunction with a local community college. The FTB also makes extensive use of the various merit award programs administered by the Department of Personnel Administration, and it is further attractive to auditors by encouraging and offering training opportunities for CPA certification.

An important change which has been prominent in the FTB is the use of technology. For many years, the Information Services Division has played a central role in researching, developing and implementing new technological improvements within the FTB in order to reduce the reliance on labor intensive processes, an acknowledged subgoal of the FTB. This role is
reflected in the Division's ambitious Information Technology Plan, setting the Division's technology implementation goals for the next five years, and displayed in the many improvements which have taken place in the way of online capabilities, micro-computer installation, and other areas. The expanding use of technology is cited in each budget with the elimination of many positions through labor saving improvements. Such improvements played a major role in the Self-Assessment cuts mentioned. The FTB takes noticeable pride in its expanding use of computer capabilities, and is generally supported in these cost saving efforts by policy-makers.
Bibliography

Beeding, Bob, Director, Planning and Communications Bureau, FTB. Interview, April 6, 1987.

Bonnici, Robert, Assistant Executive Officer, Compliance Division, FTB. Interview, April 6, 1987.


IRS/FTB Cooperative Programs. Sacramento: Franchise Tax Board internal memorandum, no date.


Draffin, Richard, Manager, Fiscal Management Bureau, FTB. Interview, April 6, 1987.

Governor of California, Governor's Budget (and supplements), Sacramento: Governor's Office, various years 1975 - 1986.

Hernandez, Cesareo, Director, Taxpayer Services Bureau, FTB. Interview, April 6, 1987.

Hunter, G. Alan, Senior Assistant Executive Officer, FTB. Telephone interview, April 16, 1987.


McKinzie, Karen, Budget Officer, Fiscal Management Bureau, FTB. Interview April 6, 1987.
<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>$18,599</td>
<td>0</td>
</tr>
<tr>
<td>1970/71</td>
<td>20,226</td>
<td>0</td>
</tr>
<tr>
<td>1971/72</td>
<td>26,017</td>
<td>0</td>
</tr>
<tr>
<td>1972/73</td>
<td>33,744</td>
<td>0</td>
</tr>
<tr>
<td>1973/74</td>
<td>36,997</td>
<td>0</td>
</tr>
<tr>
<td>1974/75</td>
<td>40,974</td>
<td>$10</td>
</tr>
<tr>
<td>1975/76</td>
<td>50,032</td>
<td>13</td>
</tr>
<tr>
<td>1976/77</td>
<td>55,352</td>
<td>10</td>
</tr>
<tr>
<td>1977/78</td>
<td>59,218</td>
<td>7</td>
</tr>
<tr>
<td>1978/79</td>
<td>63,499</td>
<td>10</td>
</tr>
<tr>
<td>1979/80</td>
<td>74,540</td>
<td>9</td>
</tr>
<tr>
<td>1980/81</td>
<td>87,350</td>
<td>0</td>
</tr>
<tr>
<td>1981/82</td>
<td>82,536</td>
<td>3</td>
</tr>
<tr>
<td>1982/83</td>
<td>83,818</td>
<td>5</td>
</tr>
<tr>
<td>1983/84</td>
<td>92,436</td>
<td>0</td>
</tr>
<tr>
<td>1984/85</td>
<td>108,913</td>
<td>0</td>
</tr>
<tr>
<td>1985/86</td>
<td>123,932</td>
<td>0</td>
</tr>
</tbody>
</table>


* See note in Preface.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>Authorized Permanent</th>
<th>Authorized Temporary</th>
<th>Filled Permanent</th>
<th>Filled Temporary</th>
<th>Authorized Total</th>
<th>Filled Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>1,594</td>
<td>*</td>
<td>1,591</td>
<td>*</td>
<td>1,594</td>
<td>1,591</td>
</tr>
<tr>
<td>1970/71</td>
<td>1,626</td>
<td>*</td>
<td>1,603</td>
<td>*</td>
<td>1,626</td>
<td>1,603</td>
</tr>
<tr>
<td>1971/72</td>
<td>1,720</td>
<td>*</td>
<td>1,787</td>
<td>*</td>
<td>1,720</td>
<td>1,787</td>
</tr>
<tr>
<td>1972/73</td>
<td>1,765</td>
<td>*</td>
<td>2,292</td>
<td>*</td>
<td>2,165</td>
<td>2,229</td>
</tr>
<tr>
<td>1973/74</td>
<td>1,725</td>
<td>*</td>
<td>2,178</td>
<td>*</td>
<td>2,253</td>
<td>2,178</td>
</tr>
<tr>
<td>1974/75</td>
<td>1,710</td>
<td>*</td>
<td>2,191</td>
<td>*</td>
<td>2,390</td>
<td>2,219</td>
</tr>
<tr>
<td>1975/76</td>
<td>2,553</td>
<td>*</td>
<td>2,508</td>
<td>*</td>
<td>2,553</td>
<td>2,508</td>
</tr>
<tr>
<td>1976/77</td>
<td>2,555</td>
<td>*</td>
<td>2,586</td>
<td>*</td>
<td>2,551</td>
<td>2,586</td>
</tr>
<tr>
<td>1977/78</td>
<td>2,654</td>
<td>*</td>
<td>2,720</td>
<td>*</td>
<td>2,652</td>
<td>2,720</td>
</tr>
<tr>
<td>1978/79</td>
<td>2,632</td>
<td>*</td>
<td>2,028</td>
<td>633</td>
<td>2,875</td>
<td>2,661</td>
</tr>
<tr>
<td>1979/80</td>
<td>2,621</td>
<td>600</td>
<td>2,117</td>
<td>719</td>
<td>2,821</td>
<td>2,836</td>
</tr>
<tr>
<td>1980/81</td>
<td>2,428</td>
<td>621</td>
<td>2,195</td>
<td>602</td>
<td>2,909</td>
<td>2,797</td>
</tr>
<tr>
<td>1981/82</td>
<td>2,447</td>
<td>617</td>
<td>2,339</td>
<td>507</td>
<td>3,064</td>
<td>2,846</td>
</tr>
<tr>
<td>1982/83</td>
<td>2,507</td>
<td>565</td>
<td>2,399</td>
<td>496</td>
<td>3,072</td>
<td>2,895</td>
</tr>
<tr>
<td>1983/84</td>
<td>2,557</td>
<td>521</td>
<td>2,366</td>
<td>469</td>
<td>3,078</td>
<td>2,855</td>
</tr>
<tr>
<td>1984/85</td>
<td>2,643</td>
<td>514</td>
<td>2,439</td>
<td>637</td>
<td>3,057</td>
<td>3,076</td>
</tr>
<tr>
<td>1985/86</td>
<td>2,595</td>
<td>481</td>
<td>2,496</td>
<td>522</td>
<td>3,076</td>
<td>3,018</td>
</tr>
<tr>
<td>1986/87</td>
<td>2,738</td>
<td>524</td>
<td>NA</td>
<td>NA</td>
<td>3,262</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: Governor's Proposed State Budget of California
Supplement for Salaries and Wages, 1969 - 1987

* Temporary personnel-years have been included with permanent.
Franchise Tax Board
Personnel-Years

Authorized
Filled

Budget Year

Personnel-Years

69/70 70/71 71/72 72/73 73/74 74/75 75/76 76/77 77/78 78/79 79/80 80/81 81/82 82/83 83/84 84/85 85/86 86/87

1500 2000 2500 3000 3500
DEPARTMENT OF INDUSTRIAL RELATIONS*

Original Report by Eric Riley

1987 Update by David T. Burke

Summary

The California Department of Industrial Relations (DIR) was created in 1927 to "foster, promote, and develop the welfare of the wage earners of California." To accomplish this, the DIR focuses on six general areas of responsibility: (1) apprenticeship--promoting worksite job training through the apprenticeship system; (2) occupation safety and health--enforcing job safety and health standards; (3) worker's compensation--administering laws concerning benefits for job-related injury and illness; (4) labor law--enforcing labor standards; (5) mediation and conciliation--promoting harmony in labor/management relations, wages, collective bargaining provisions, and working conditions. Thus the DIR is primarily an oversight and enforcement agency of state labor laws, protecting the work rights of wage earners in the state and private sectors of California. Federal employees and enforcement

* The following report on the Department of Industrial Relations was written in 1984 and presents an account of the Department to that time. A postscript to this paper discusses several changes in the Department of Industrial Relations since that time.
of the work rules affecting them is under the jurisdiction of the federal government.

The State of California funds most of the DIR's activities with the federal government supplying approximately 17 percent of the Department's budget. Most of the federal funds are applied to California's Occupational Safety and Health Administration (CAL/OSHA), supporting up to one half of this program.

Between fiscal year 1972-73 and fiscal year 1976-77 DIR expenditures more than doubled in real dollar amounts, rising from 23 to 55 million dollars in just 5 years. Much of this increase was due to the adoption of CAL/OSHA in 1973 and to the increased emphasis on health and safety issues. In the years following 1978 DIR expenditures stabilized and even declined slightly when adjusted for inflation.

With the large budget increases of the seventies the DIR pursued an innovative and progressive program to protect the rights of those wage earners under its jurisdiction. CAL/OSHA, for example, pioneered the Hazard Evaluation System and Information Service (HESIS) in 1978 to notify employees and employers of hazardous substances in the workplace. Cal/OSHA has continued this and other innovative programs in subsequent years.

During the period of budget stabilization and reduction, the DIR had to select among innovative ideas to make the best use of funds available. DIR staff shrunk by almost ten percent during this time. The Department attempted to minimize the effects of these reductions on enforcement activities by cutting administrative and support staff. While the Department's goals remained the same, the loss of resources caused the several divisions to reassess program priorities.
Overview of the Department's Development

The Department of Industrial Relations was created in 1927 to foster, promote, and develop the welfare of the wage-earners of California. Since 1968 the DIR has adapted to increasing worker awareness of health and safety issues, balanced by a concern of the prosperity of regulated businesses.

Between fiscal years 1971-72 and 1976-77 the DIR expenditures, adjusted for inflation, grew from $23 million to over $55 million, or about 139%. From fiscal years 1976-77 to 1981-82, however, expenditures remained constant in real dollars, and in the following two years decreased. Federal funding during the same time period increased until fiscal year 1979-80 and since has begun to fall.

The biggest portion of the early budget increases went to fund California's Occupational Safety and Health Act (CAL/OSHA). With the CAL/OSHA Act of 1973, California became one of several states to administer its own OSHA plan according to the provisions of OSHA (the federal Occupational Safety and Health Act of 1970). In operating its own OSHA, California was required to enforce standards which were at least as effective as the federal standards. In fact California adopted much higher standards than the federal government.

Under CAL/OSHA, the federal government provided funding for up to fifty percent of the program. In CAL/OSHA's early years the funding needs were uncertain and the federal government tended to be generous in its allocation of matching funds, but in recent years the CAL/OSHA budget has been scrutinized by OSHA. Although OSHA often made program reduction recommendations, it normally allowed the state to choose where the reductions should be made.
In 1978 CAL/OSHA, in conjunction with the Department of Health Services, initiated the Hazard Evaluation System and Information Service (HESIS). HESIS, operated in Berkeley, is a computer data-base of toxilogical and epidemiologic information. This information was developed as an early-warning system to alert employees and employers of potentially hazardous substances that may occur in the workplace. HESIS became a part of CAL/OSHA's increased emphasis on occupational health issues. Recent technical developments in this field have been used for guidance in determining new health standards and increased support for compliance actions.

The CAL/OSHA program was reorganized in 1978 when all occupational safety and health functions were merged into a single division within the DIR. The new division was named the Division of Occupational Safety and Health (DOSH). It replaced the Division of Industrial Safety within the DIR and the Occupational Health Branch within the Department of Health. The purpose of this consolidation was to provide a stronger occupational health program and to strengthen research and development efforts.

The merging dramatically increased the responsibilities and the workload of the CAL/OSHA standards board. Compounding this workload problem was the passage of AB 1111 in the State Legislature, designed to confront the concerns expressed about the regulatory process and about the growth and complexity of administrative regulations. It called for a review of all existing regulations and the elimination of those considered excessive or redundant, resulting in a rule-making process which closely resembles that of the federal government. To handle this responsibility the standards board was increased by three immediately following the bill's passage, and by another seven in the 1983-84 budget. In the 1985-86 budget four of these
positions were lost, hampering the board's development and adoption of standards.

In passing AB 1111, the state was attempting to clarify its regulatory process. Requests for additional assistance and resources from the federal OSHA program been complicated by a lack of regulatory coordination between the state and federal levels. Federal authorities had denied further assistance on the grounds that certain state statutes were "not solely directed at improving the worker's protection program administered by CAL/OSHA," and that others created an "unnecessary duplication of the federal regulatory process in California." The lack of coordination between the two levels meant unnecessary frustration for the program.

CAL/OSHA also required payment to counties for administering OSHA regulations. The cost of these legislative mandates were significant. From fiscal years 1974-75 to 1981-82 they averaged 21 percent of the DIR budget. Moreover, the counties brought suit against the State of California over the amount of these mandates, arguing that the funds should be adjusted for inflation. The suit has threatened to bankrupt the CAL/OSHA program.

The Division of Labor Standards Enforcement (DLSE) has also faced fiscal and political change. Under the Brown administration, which encouraged innovation in the Department, the DLSE in 1978 launched the Concentrated Enforcement Program (CEP). The CEP was developed as a "seek and disable" program attempting to "remove the economic incentive for employing undocumented workers by vigorous field enforcement of labor standards." The problems that the CEP addressed were especially prevalent in the garment and restaurant industry. The federal government funded CEP in its first year (1977-78), but eliminated its support in the next year. The state, nevertheless, continued to fund CEP. Following its initial year of activity,
CEP enforcement activities were reduced due to reorganization in the Department, resulting in an over 20 percent reduction in the number of enforcement citations issued. Citation issuances climbed again to reach initial year levels of activity by 1984. Beginning in the 1984-85 budget year, however, the CEP functions were taken over by a similar program in the federal Bureau of Field Enforcement, and the CEP was discontinued.

Another aid to enforcement activity also came in 1978 with the implementation of the "Berman procedure" (AB 1522) under which the Labor Commissioner has legal authority on wage claims. Previously such claims might have required a court ruling. This greatly increased the efficiency of the agency and thus led to a large increase in collections.

The Division of Apprenticeship promotes increased employment by stimulating job training programs which are jointly administered by labor and management. Because the training is on-the-job, the output of these programs is close to the needs of the economy. Whereas in college or vocational schools there is a lengthy delay in the coordination of supply and demand for certain occupations, the on-the-job training allows industry to train needed personnel quickly. This closeness to the demands of industry has increased in recent years as the trend has been to move away from classroom training and for industry to develop its own training centers with cooperation from the state.

The only federal support that the DAS receives is the reimbursement of consulting costs for war veterans. Because there have been fewer veterans in need of DAS assistance in recent years, federal funds to these program have declined.

Personnel is by far the DIR's greatest single category of expense. After falling to 1,386 personnel-years in fiscal year 1972-73, staffing
increased to 2,309 by fiscal year 1978-79. It then stabilized in the post-
proposition 13 hiring and wage freeze and was cut in the first two years of
the Deukmejian administration. The one area which had seen significant
increases in the years preceding the current administration was the legal
staff. This increase can be attributed to the greater complexity of
administrative and regulatory procedures. The legal staff of 33 in 1983 had
been increased to 40 by 1985.

Overall, the years 1968 to 1984 have seen the DIR grow tremendously in
reaction to a national trend of health and safety consciousness. The growth
was also spurred by an increased awareness of potentially harmful substances
which occur in the workplace, and by an administration which prioritized the
welfare of the wage-earner. More recently, by contrast, the DIR has
stabilized and has contracted to meet the fiscal constraints and a political
conservatism which appears to stress deregulation.

Sources of Change and Organizational Response

In the years from 1968 to 1984 the Department of Industrial Relations
evolved from an innovative organization supported by generous state funding,
to an agency which in later years had been put under strain to maintain an
effective functioning level in the face of fiscal constraints. As an
oversight and enforcement agency, the basic goals of the DIR are clear and do
not change formally, but what does change is the resources which the DIR
possesses to achieve these goals, and its ability to meet target measures of
departmental effectiveness. Budget reductions following 1978 forced the DIR
to set new priorities and to try to do more with less. The DIR confronted
not only funding reductions, but a political atmosphere of deregulation, and
the concurrent formation of a state-employees union.
The climate first began to change with the taxpayer revolt and the passage of Proposition 13 in 1978. While the DIR was affected by the impact of Proposition 13, it apparently survived without significant losses. Recent cuts by the Deukmejian administration forced the DIR to reduce further.

In reaction to Proposition 13, the State of California enacted a wage and hiring freeze for state employees. To the DIR, whose major expense is personnel, this meant that many new positions went unfilled. In the DLSE, for example, thirty-two positions were left open. Cuts in the DLSE were in clerical and administrative positions, however, with enforcement positions kept intact.

The wage freeze created some "work standard" problem among employees who resented sacrificing their pay increases and facing larger workloads while teachers, police officers, and firefighters received pay increases as scheduled. From a long-term perspective, this problem is likely to result in a loss of the State's best employees to the private sector, and, perhaps more importantly, will discourage many qualified people from seeking public sector employment.

While the DIR managed to escape severe damage from Proposition 13 - due largely to Governor Brown making the DIR a high priority - it has not been so fortunate under the current administration. For example, the Deukmejian Administration in the 1983-84 budget year cut fifty to sixty positions from DLSE, twenty administrative positions from DAS, and seventy out of the 500 positions in DOSH.

The personnel cutbacks have been achieved through attrition and by creating incentives to encourage early retirement. Layoffs are avoided until necessary because of the complication of the layoff process, and the hardship that it can bring to employees. Position cutbacks were made mostly in the
clerical and administrative staff. The DIR has attempted to maintain its inspection and enforcement activities at a high level, and thus no enforcement staff were cut. Position reductions have been spread elsewhere throughout the Department, preventing the disabling of any single unit.

Relations with the Governor and Federal Government

The Department of Industrial Relations has been affected by the current Governor not only by Governor Deukmejian's attempt to reduce state spending on a state-wide basis, but by the lower priority given to DIR programs under his administration as compared to Governor Brown. Governor Deukmejian has attempted to move California towards decreased regulation of business and more emphasis on voluntary compliance. Like the Reagan administration, Deukmejian believes that preserving the interests of business is the best way to economic success, and the Governor's support of legislation favorable to business has been important to its success in recent years. The Passage of AB 1111 is an indication of the trend toward deregulation.

Budget cuts have hampered the DIR's ability to deregulate. Like many state agencies, the DIR has been told, in effect, "work with what you have because you won't get any more. Budget reductions have forced CAL/OSHA to shift its focus from working on its own to eliminate all hazards in the workplace to a strategy of worker education and worker involvement in identifying hazards. This resulted in an increased emphasis on educating workers on what risks may exist and on improved information about potential dangers in the workplace.

Voluntary compliance has been the primary means for regulation by the federal OSHA. CAL/OSHA began to follow the national trend by setting up workshops for employers to encourage them to comply with regulations.
CAL/OSHA also sought and received in the mid-1980s guidelines from OSHA which allowed certain large firms with comprehensive safety programs to be exempt from routine inspections.

Another major development of recent years is the formation of the state employee union as a part of the Governor's formation of the Department of Personnel Administration to handle contract negotiations. DIR administrators characterize the union as "neither good nor bad," but agree that working with the union has created one more step through which many actions travel. Before any major decision is made, its impact on the employees and on their union is considered.

The DIR has experienced a period of declining budgets, changing priorities, and uncertain employee relations. In battling these external forces, it is forced to choose the best course given shrinking resources. The DIR has had to balance the forces of regulation and deregulation while maintaining its overall goal of protecting the workplace and employee interests.

*Postscript*

Since 1983 the Department of Industrial Relations has again received real budget increases for its state operations. In both the 1984-85 and the 1985-86 budget years, the Department increased its current state operations expenditures by over 10 percent. At the same time, personnel-year positions for continuing programs have increased, though not as rapidly as in the 1970s, and still short of the peak level of 1978-79. Recent efforts to improve automation at the Department have meant fewer necessary hirings.

The major event which has occurred since 1984 has been the elimination of the CAL/OSHA program, with its private sector functions now carried on by
the federal OSHA program within the U.S. Department of Labor. The DIR continues its authority to enforce workplace safety in the state public sector. Toward the end of its program life, CAL/OSHA struggled with federal officials over the scope of the program. Federal financial support for CAL/OSHA declined. CAL/OSHA's final removal was the product of Governor Deukmejian's policies. The elimination of CAL/OSHA has resulted in the first extensive layoffs in the Department under Governor Deukmejian. By July 1987, the official ending date of the CAL/OSHA program, 378 layoff notices had been issued. In the ensuing controversy between the Legislature and Governor, the courts ruled that the Governor's power of item veto does not include the ability to remove entire programs which were approved in separate legislation.

Notes

1. Letter from Gabriel Gillotti, regional OSHA administrator, to Donald Vial, Director, DIR, dated 2/20/81.

Bibliography


--------. Letter from Gabriel Gillotti, regional OSHA administrator, to Donald Vial, Director, DIR, dated 2/20/81.

California. Governor's Budget (and supplements), various years, 1967 - 1985.


Fowler, Dorothy, CAL/OSHA Officer, DIR. Interview, 28 November 1984.

Janvier, Gene, Chief, Division of Apprenticeship Standards, DIR. Interview, 9 November 1984.

Mulligan, Danny, Chief, Administration Division, DIR. Interview, 2 November 1984.


Simpson, Robert, Deputy Director, DIR. Interview, summer 1987.
Department of Industrial Relations
Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>$ 22,634</td>
<td>0</td>
</tr>
<tr>
<td>1970/71</td>
<td>22,265</td>
<td>0</td>
</tr>
<tr>
<td>1971/72</td>
<td>21,587</td>
<td>0</td>
</tr>
<tr>
<td>1972/73</td>
<td>24,032</td>
<td>$ 105</td>
</tr>
<tr>
<td>1973/74</td>
<td>28,353</td>
<td>2,788</td>
</tr>
<tr>
<td>1974/75</td>
<td>33,206</td>
<td>0</td>
</tr>
<tr>
<td>1975/76</td>
<td>38,205</td>
<td>0</td>
</tr>
<tr>
<td>1976/77</td>
<td>49,928</td>
<td>21,492</td>
</tr>
<tr>
<td>1977/78</td>
<td>48,168</td>
<td>20,708</td>
</tr>
<tr>
<td>1978/79</td>
<td>52,190</td>
<td>19,545</td>
</tr>
<tr>
<td>1979/80</td>
<td>61,932</td>
<td>12,622</td>
</tr>
<tr>
<td>1980/81</td>
<td>73,803</td>
<td>14,367</td>
</tr>
<tr>
<td>1981/82</td>
<td>74,062</td>
<td>19,999</td>
</tr>
<tr>
<td>1982/83</td>
<td>77,370</td>
<td>0</td>
</tr>
<tr>
<td>1983/84</td>
<td>81,895</td>
<td>0</td>
</tr>
<tr>
<td>1984/85</td>
<td>93,929</td>
<td>0</td>
</tr>
<tr>
<td>1985/86</td>
<td>106,775</td>
<td>0</td>
</tr>
</tbody>
</table>


* See note in Preface.
Dept. of Industrial Relations
State Fund Expenditures

Thousands of Dollars

budget Year

Federal Funds

Thousands of Dollars

Budget Year
Temporary personnel-years have been included with permanent.

Source: Governor's Proposed State Budget of California, 1969-1970

<table>
<thead>
<tr>
<th>Year</th>
<th>Authorized</th>
<th>Filled</th>
<th>Permanent</th>
<th>Temporary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>1,671</td>
<td>1,646*</td>
<td>1,403</td>
<td>1,506*</td>
</tr>
<tr>
<td>1970</td>
<td>2,035*</td>
<td>2,152*</td>
<td>2,512*</td>
<td>1,714*</td>
</tr>
<tr>
<td>1971</td>
<td>2,345</td>
<td>2,211</td>
<td>2,191</td>
<td>2,197</td>
</tr>
<tr>
<td>1972</td>
<td>2,169</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1973</td>
<td>2,169</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1974</td>
<td>2,169</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1975</td>
<td>2,169</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1976</td>
<td>2,169</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Department of Industrial Relations
Dept. of Industrial Relations
Personnel-Years

- Authorized
- Filled

<table>
<thead>
<tr>
<th>Budget Year</th>
<th>69/70</th>
<th>70/71</th>
<th>71/72</th>
<th>72/73</th>
<th>73/74</th>
<th>74/75</th>
<th>75/76</th>
<th>76/77</th>
<th>77/78</th>
<th>78/79</th>
<th>79/80</th>
<th>80/81</th>
<th>81/82</th>
<th>82/83</th>
<th>83/84</th>
<th>84/85</th>
<th>85/86</th>
<th>86/87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel-Years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Filled</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Summary

The California Office of Emergency Services (OES) is the organization responsible for the coordination of disaster planning and response between local, state, and federal agencies. In addition, it supervises disaster relief aid to local communities, most of which is provided by the federal government. Disaster operations are conducted through the state mutual aid system, which pools local resources in various regions of the state to assist in relief and recovery. It has recently added a regulatory function as a result of the recent hazardous materials legislation.

OES was reorganized several times during the scope of this study, due in part to changes in federal management procedures and also to major revisions of state policy following significant disasters and gubernatorial succession. The most influential factor in OES budgets has been the support (or lack of support) of the former governor. Under Brown, OES was forced to deal with increasing responsibilities with a roughly constant budget and declining staffing levels. Deukmejian's administration has been much more favorable to
OES, and budgets and programs have increased significantly in each of the past five budget years. The latest reorganization, completed in 1983, provides OES with a base from which to build in coming years.

Introduction

The California Office of Emergency Services is part of the Office of the Governor and is responsible for the statewide coordination of planning and emergency response activities with regard to a wide variety of natural and human-caused hazards. This involves close cooperation with municipal, county, state, and federal agencies as well as a number of professional, volunteer and industry groups. Founded in 1950 as the Disaster Office, the organization has been involved with both "civil defense" and disaster relief programs in recent years. In 1970, the Emergency Services Act gave the office its present name. OES has its headquarters in Sacramento and six regional operating offices across the state.

Goals, Activities, and Organization

Formal Goals

The official goals of OES, as reported in annual budget documents, have been fairly constant and noncontroversial over the past fifteen years. There has been some intermittent rewording, but the basic intent remains essentially consistent. In condensed form, they are:

1) The principle objective is the coordination of emergency activities to save lives and minimize property losses during disasters, and to expedite recovery.

2) OES seeks to provide leadership, assistance, and support to state and local agencies in planning and preparing for the most effective use of federal, state, local, and private resources in emergencies, relying on the principle of mutual aid.
3) OES serves as the Governor's immediate staff and coordinating organization in the event of a disaster, providing communications, information, equipment, and expertise for response efforts.

4) OES is the administrative supervisor for state and Federal aid programs to state and local authorities in both pre-disaster planning and post-disaster relief operations.

These goals are carried out through the operation of eight major programs.

1) Provision and coordination of mutual aid. Local authorities are primarily responsible for the provision of emergency services within their jurisdictions. In the event of emergencies exceeding their response capabilities, the state mutual aid system provides for the "borrowing" of manpower, equipment, or other resources from neighboring areas, such as the assistance received from neighboring communities, counties, and states during the San Luis Obispo fire of 1985. In addition, OES maintains stores of state-owned equipment for fire, law enforcement, and other emergency operations, which are distributed around the state and made available for mutual aid activities. This program also administers Federal aid programs for preparedness and disaster relief, providing assistance and advice to local and state agencies in obtaining such funds while serving as the primary conduit for associated paperwork.

2) Development and use of communications systems. OES operates a state-wide emergency services network using state-owned microwave facilities. In 1982-83 a data communications system linking the OES headquarters and regional offices was inaugurated. Also supported are common communications procedures and frequencies for fire services and law enforcement use. Direct lines are maintained to each of California's nuclear power generating plants. An outgrowth of the "Humphrey the Whale" incident was the introduction of smaller communication vans (called Humphreys) to increase the mobility of the communication system. In addition, a program has been developed in recent years whereby volunteer ham radio operators are trained to be of assistance during an emergency situation.

3) Development and implementation of emergency plans. OES is responsible for the maintenance, evaluation, and testing of the state Emergency Plan and a number of collateral plans, as well as the encouragement and guidance of local planning efforts. Current state supporting plans include:

- Radioactive Materials Incident Plan
- Law Enforcement Plan
- Medical Plan
- Utilities Plan
- Oil Spills Plan
- Nuclear Power Plant Response Plan

Other contingencies are also planned for, ranging from volcanic eruptions to dam failures to hazardous materials spills.
4) **Fixed Nuclear Power Plant Planning.** Established in 1979, this special program involves the evaluation of the consequences of accidents which might occur at major reactor sites, and planning for response. Review, updating, and testing are funded through a special assessment on utilities owning plants.

5) **Oversight of the Natural Disaster Assistance Fund.** In 1974 this fund was set aside to provide funds for assisting localities in reconstruction of public real property damaged or destroyed in emergencies. NDAF constitutes a resource for dealing with damages which are a burden on the local government but are not covered under existing Federal or state programs due to financial or other restrictions. The NDAF has three component accounts, one for street and highway repairs, one for other public facilities, and the third a dedicated account for claims arising from the 1983 Coalinga earthquake. (The last has also been used for the 1984 Morgan Hill earthquake.)

6) **Earthquake Disaster Planning.** The Earthquake Task Force has been disbanded, although many sub-units still exist within the OES. Earthquake planning took a new tack with the birth of the Southern California Earthquake Preparedness Project (SCEPP) and its sister project, the Bay Area Regional Earthquake Preparedness Project (BAREPP) in the early 1980s. These project incorporate research in the area of seismic safety and earthquake prediction with traditional emergency response training. These projects provide funding, technical and planning assistance, and training to local jurisdictions in these high-risk areas. Although both projects were started independently of the OES, they have been incorporated into the office.

7) **Hazardous Materials Response Program.** The passage of the federal SARA Title III legislation has produced some major changes in the program area of the OES. First, this legislation mandated the formation of the Chemical Emergency Planning and Response Commission, chaired in California by the Director of the Office of Emergency Services, currently Mr. William M. Medigovich. The Commission consists of representatives of all the major state departments which could possibly be involved with hazardous materials (Business, Transportation and Housing; Environmental Affairs; Health Services; Food and Agriculture; State Fire Marshal; California Highway Patrol; Fish and Game; Water Resources Control Board) and a local government representative. This legislation also calls for the establishment of a series of local response committees with representatives from all areas concerned with emergency response (fire, law enforcement, hospitals, etc.) A second part of this legislation requires that the states provide citizens with information about the chemicals used in their area within 45 days of the state's receipt of the citizen request. This will require the establishment of a large data base and more data operator positions (approximately 25 positions in 1987). This operation will be conducted out of the OES. Also, the OES has received FEMA Superfund funds for training personnel in the handling of hazardous materials. This program will be coordinated through the California Specialized Training Institute. Funding will be approximately $1 million in 1987, to be doubled in 1988, and tripled in 1989. Finally, this change in federal
tried to capture more responsibility for themselves although relations have improved in recent years. One attempt to increase communication among state agencies and coordination among emergency response activities is the creation of the Governor's Emergency Operations Executive Council. This council was established in September 1984 to advise the Governor on the coordination and application of state resources in response to emergencies and civil disorders. It was convened several times during the 1986 floods and has also discussed such topics as prison overcrowding, state response to a nuclear power plant accident and the flood and mudslide potential in fire damaged areas of the state. The council meets regularly to drill in emergency decision-making. This type of system is not thought to exist anywhere else and has already shown its practicality during the floods and fires of 1985-1986.

Relations between state planners and local agencies has also been periodically tendentious, as comprehensive planning has been perceived to intrude on the traditionally locally-controlled emergency response function. However, the current director has emphasized the neutrality of the OES. It exists to aid the local agencies in their efforts to alleviate the crisis. OES puts a lot of effort into its relations with local agencies and has become more involved through the mutual award system whereby local agency personnel are recognized not just by the state, but also by the FEMA direction. All this has contributed to building a greater trust between the local agencies and OES which has paid off in crises.

A former director of OES once gave this evaluation:

I have to tell you that plans in and of themselves aren't worth a damn once a disaster occurs. However, it's the planning that went into the development of the plans and the SOP's and the checklists and the procedures that come out of the fact that you've developed plans that really save your bacon.
This is not to imply that the coordination of disaster response is without its problems or free from controversy. Limited budgets into the late 1970s hindered the development of effective coordination in communications, for instance. In addition, the tightening of fiscal belts following the passage of Proposition 13 has caused local agencies to become less willing to extend mutual aid, forcing increased reliance on state resources. OES has tried to compensate by expanding its mutual aid programs and reopening the regional offices which had been unstaffed. OES had become quite adept in the early 1980s at dealing with small and moderate emergencies, earning praise from most observers and is now able to handle even more serious disasters due to the recent additions cited in the programs section.

Both planning and response activities suffer the effects of uneven attention from the public and from lawmakers. Major disasters trigger intense scrutiny of programs, and often are followed by funding increases, but political attention is frequently fleeting. Through an emphasis on continuity in both aspects, OES has been fairly successful in being able to function well from a "standing start" so to speak, under crisis conditions. This continuous process has also helped OES deal with the new demands periodically placed on it as public perceptions of hazards and acceptable risks change (the advent of toxic waste issues is an example).

Federal Programs: Mixing Disaster Relief and Nuclear Attack Planning

The bulk of the money OES handles each year comes from the federal government. In preparedness and especially disaster assistance, the relevant federal agencies have had enormous influence with regard to state
and local activities. Since 1958, the U.S. government has spent large sums of money to support "civil defense" efforts, in both attack preparedness and disaster response programs. A persistent debate over the feasibility or desirability of managing the two functions jointly has led to federal emergency management responsibilities to be passed along through "(...) a patchwork of agencies, departments, and councils which were established and then abolished by executive orders, acts of Congress, administrative delegations, and reorganization plans."9 The organization of state emergency programs has responded to the availability of federal funding and has accordingly been disrupted with each federal policy change.

In 1978, federal disaster and war planning programs were scattered across a diverse collection of agencies when President Carter ordered their consolidation in a single new independent agency (the first time the functions had been consolidated since 1961). The Federal Emergency Management Agency (FEMA), has been the focus of intense controversy, especially following the change of administrations in 1981. Although FEMA is not the only federal agency with disaster assistance programs, it serves as the lead agency and coordinator of federal policy in the area.

FEMA's comprehensive approach to civil defense necessitated organizational changes at the state level to mesh with new federal funding and information procedures. In addition, states were urged to give a high priority and organizational visibility to the nuclear attack planning function. In 1981, attack preparedness was given formal precedence over disaster planning and response as the prime function of civil defense aid to states, and civil defense was explicitly described as part of national security policy.10 But perhaps the most controversial of FEMA's policy positions was its avid support of crisis relocation planning as both a
response to nuclear threats and a bridge between attack planning and disaster response activities in state and local programs. Through attaching conditions to civil defense assistance funds, FEMA attempted to induce states and cities to make evacuation plans for nuclear war contingencies, on the premise that full-scale nuclear warfare was "survivable." The political outcry against this program was immediate, sharp, and effective. FEMA, a newly-formed conglomeration, was unable to impose its will against such opposition.

In federal fiscal year 1983, FEMA introduced a new approach to civil defense known as "Integrated Emergency Management Systems." In this scheme, nuclear attack planning becomes one of a number of functions jointly supervised, rather than a separate and high-profile special program. The emphasis on relocation planning was considerably reduced. In addition, the IEMS concept included a substantial change in the relationships among federal and state programs. The previous division of labor generally found the state serving as a distributor of some specific federal allocation, for a designated purposed, to local authorities. Under IEMS, as in many of the Reagan Administration's financial dealings with states, the strings attached to the federal money became fewer, but states were asked to assume a greater administrative burden in return.

California has responded well to this new task. OES now conducts regular meetings with FEMA personnel and recently hosted the regional meeting. This has also allowed increased contact with similar agencies in other states. The improved relations with the federal government may have been aided by the fact that the FEMA regional director is a former OES director himself.
Executive Support

The single most persuasive explanation of the sudden changes in OES over the past two budget years involves the shift in its support from the former and current governors. The period under Jerry Brown was largely one of stagnation for the OES. While Brown was concerned with seismic safety and other planning issues, he favored other organizational forms for his policy initiatives. When Brown did attempt to use OES for major new programs, it was not very successful. The most outstanding example is the 1981 proposal for an Earthquake Preparedness and Response program, a $4.5 million attempt to provide the Governor's Emergency Task Force on Earthquakes with a structure overlapping and even contradicting OES and SSC programs. The legislature gave the program a little less than one ninth of the requested budget in the 1981-2 year, then dropped it the next year and transferred its functions to the Seismic Safety Commission. In a 1980 report, the Assembly Subcommittee on Emergency Planning and Disaster Relief found that a lack of executive support was the primary reason for the poor coordination among state agencies in emergency preparedness and response, as well as continuing incoherence in the emergency management field generally.11

Since the Deukmejian Administration assumed office, OES has enjoyed a much more favorable climate in the Governor's office and greater support at budget time. The sharp increases in funding levels and personnel figures in the last five budget years reflect a new set of priorities. Events like the 1983 Coalinga earthquake and the rainy winter of 1983, when over three quarters of California's counties were declared disaster areas, as well as the fires of 1985 and the flood of 1986, have lent considerable urgency and appeal to OES' attempts to improve disaster planning and response capabilities.
The current director has placed much emphasis on "professionalization". That is, he has tried to bring in the best people possible, those who are professional, eager, and more generalized than previously. The OES personnel must be able to go from an ordinary task to a crisis situation without hesitation. Both individual effort and teamwork are required. Training has been increased for current OES employees, both in technical aspects and in management skills. The use of technological advances has also increased. The teletypes have been replaced with computers; satellite telephones are now used for emergency communications; and a goal has been set to have a computer on every desk.

The relationship with the Legislature has also improved. OES personnel are now more generalized in their training and thus better able to communicate with elected officials. Also, emphasis has been placed upon communication skills and knowledge of the political system so that these two parties can meet on a more informed basis.

Volunteers

One important outgrowth of the Mexico City Earthquake was the recognition of the importance of volunteers in crisis situations. The OES now has a volunteer coordinator who works with all types of volunteers from the Red Cross, local Search and Rescues, diving teams, the California Rescue Dog Association (who worked in Mexico City), to the individual ham operators who volunteer for emergency training and monitoring and the religious groups who donate their time, material goods, and expertise.

The current governor's emphasis on the importance of private industry has affected the operations of the OES as well. OES has received approximately $500,000 in industry donations for support of earthquake
projects. More importantly, OES has managed to keep business continuously involved in its activities. The lines of communication remain open and OES regularly calls upon industry expertise by requesting industry representatives to sit on various committees. This positive relationship has been very helpful, particularly as OES has become a regulatory agency as well as a coordinator of emergency response activities. The high credibility OES had with industry has smoothed the transition from coordinator to regulator.

Conclusion

The California State Office of Emergency Services has experienced both stagnation and expansion during the fifteen year period of this study. The 1970s were a time of stagnation as the OES received little gubernatorial support. With the support of the current Governor, the OES of the 1980s has become a leader in the area of crisis response and management. Innovative programs have been introduced and are experiencing success. Representatives from Puerto Rico, Mexico, and Fiji all visited the OES within two months to study the planning and management of this well-respected agency. Regular requests are received by OES facilities for the training of personnel from other states and countries, a tribute to the level of services the California State Office of Emergency Services has attained.
Notes

1. The mutual aid system is described in: California Legislature, Joint Committee on Fire, Police, Emergency, and Disaster Services, Winter Storms of 1983: California's Natural Disaster (Sacramento: April 1983).


5. California State Office of Emergency Services, California Specialized Training Institute 1987-88 Course Catalog (Sacramento, 1987).


7. Alex Cunningham, Testimony before Joint Committee listed in previous note, p. 95.

8. For further information regarding the procedures for obtaining federal assistance, see "Winter Storms" listed above, particularly pages 12-14.


11. Joint Committee, "Preliminary Study" (see above), XIX-XX.
Bibliography


California. Governor's Budget (and supplements), various years, 1967 - 1985.


Gerber, Robert B. III, Special Assistant to the Director, OES. Interview, Fall 1984.

Kloske, John, Administration, OES. Interview, Fall 1984.

Medigovich, William, Director, OES. Interview, 1987.

Mullins, Tom, Public Information Officer, OES. Interview, 1987.


Passerello, John, Administration, OES. Interview, 1987.


Office of Emergency Services  
Department Expenditures  
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Operations</th>
<th>Local Assistance</th>
<th>Capital Outlay</th>
<th>% of Total</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>$1,031</td>
<td>0</td>
<td>0</td>
<td>0.06%</td>
<td>$17,493</td>
</tr>
<tr>
<td>1970/71</td>
<td>890</td>
<td>0</td>
<td>0</td>
<td>0.05</td>
<td>5,655</td>
</tr>
<tr>
<td>1971/72</td>
<td>948</td>
<td>0</td>
<td>0</td>
<td>0.05</td>
<td>1,769</td>
</tr>
<tr>
<td>1972/73</td>
<td>1,046</td>
<td>0</td>
<td>0</td>
<td>0.05</td>
<td>22,052</td>
</tr>
<tr>
<td>1973/74</td>
<td>1,491</td>
<td>0</td>
<td>0</td>
<td>0.07</td>
<td>13,142</td>
</tr>
<tr>
<td>1974/75</td>
<td>1,953</td>
<td>0</td>
<td>0</td>
<td>0.08</td>
<td>15,027</td>
</tr>
<tr>
<td>1975/76</td>
<td>1,914</td>
<td>0</td>
<td>0</td>
<td>0.06</td>
<td>65,903</td>
</tr>
<tr>
<td>1976/77</td>
<td>2,321</td>
<td>0</td>
<td>0</td>
<td>0.07</td>
<td>16,983</td>
</tr>
<tr>
<td>1977/78</td>
<td>2,077</td>
<td>0</td>
<td>0</td>
<td>0.06</td>
<td>40,540</td>
</tr>
<tr>
<td>1978/79</td>
<td>2,156</td>
<td>0</td>
<td>0</td>
<td>0.06</td>
<td>43,229</td>
</tr>
<tr>
<td>1979/80</td>
<td>3,054</td>
<td>0</td>
<td>0</td>
<td>0.06</td>
<td>28,580</td>
</tr>
<tr>
<td>1980/81</td>
<td>4,311</td>
<td>$182</td>
<td>0</td>
<td>0.08</td>
<td>91,828</td>
</tr>
<tr>
<td>1981/82</td>
<td>4,774</td>
<td>608</td>
<td>0</td>
<td>0.08</td>
<td>32,321</td>
</tr>
<tr>
<td>1982/83</td>
<td>3,938</td>
<td>10,757</td>
<td>0</td>
<td>0.06</td>
<td>29,666</td>
</tr>
<tr>
<td>1983/84</td>
<td>4,737</td>
<td>6,062</td>
<td>0</td>
<td>0.07</td>
<td>82,923</td>
</tr>
<tr>
<td>1984/85</td>
<td>7,788</td>
<td>12,910</td>
<td>0</td>
<td>0.10</td>
<td>56,522</td>
</tr>
<tr>
<td>1985/86</td>
<td>9,062</td>
<td>5,667</td>
<td>0</td>
<td>0.10</td>
<td>26,767</td>
</tr>
</tbody>
</table>


* See note in Preface.
Office of Emergency Services

Expenditures for State Operations - State Funds

Thousands of Dollars

Budget Year

Federal Funds

Thousands of Dollars

Budget Year
<table>
<thead>
<tr>
<th></th>
<th>Authorized Permanent</th>
<th>Authorized Temporary</th>
<th>Filled Permanent</th>
<th>Filled Temporary</th>
<th>Total Permanent</th>
<th>Total Temporary</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>196</td>
<td></td>
<td>185</td>
<td></td>
<td>374</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970/71</td>
<td>197</td>
<td></td>
<td>206</td>
<td></td>
<td>393</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1971/72</td>
<td>198</td>
<td></td>
<td>207</td>
<td></td>
<td>405</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1972/73</td>
<td>199</td>
<td></td>
<td>208</td>
<td></td>
<td>407</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1973/74</td>
<td>200</td>
<td></td>
<td>209</td>
<td></td>
<td>409</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1974/75</td>
<td>201</td>
<td></td>
<td>210</td>
<td></td>
<td>411</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975/76</td>
<td>202</td>
<td></td>
<td>211</td>
<td></td>
<td>413</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1976/77</td>
<td>203</td>
<td></td>
<td>212</td>
<td></td>
<td>415</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977/78</td>
<td>204</td>
<td></td>
<td>213</td>
<td></td>
<td>417</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1978/79</td>
<td>205</td>
<td></td>
<td>214</td>
<td></td>
<td>419</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1979/80</td>
<td>206</td>
<td></td>
<td>215</td>
<td></td>
<td>421</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980/81</td>
<td>207</td>
<td></td>
<td>216</td>
<td></td>
<td>423</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Temporary personnel-years have been included with permanent.

Office of Emergency Services
Personnel-Years

Authorized
Filled

Personnel-Years

Budget Year

69/70  70/71  71/72  72/73  73/74  74/75  75/76  76/77  77/78  78/79  79/80  80/81  81/82  82/83  83/84  84/85  85/86  86/87

12-22
Introduction

Due to the importance of its functions and to its size among state agencies in California, the Department of Health Services has been the subject of two separate CARP reports. The CARP of spring 1987 builds on research done by past students from 1984, as well as examining new organizational trends in the Department of Health Services. The Department of Health Services is situated in the Health and Welfare Agency along with 10 other health related departments in California.

Overview

The Department of Health Services developed out of a persistent desire for improved medical attention in California. The modern period began in 1965 with the establishment of the California Medical Assistance Program (Medi-Cal), hastily enacted to take advantage of federal funds made available by the 1965 Title XIX amendments to the Social Security Act. The program’s purpose was to provide "basic and extended health care and related remedial
or preventive services to recipients of public assistance and to medically needy aged and other persons, including such related social services as necessary." Another expressed intent of the program was that medical care should be mainstream. Mainstream is defined as comparable to care purchased privately. Certain basic services were to be made available to all beneficiaries. Federal regulations placed restraints and set general goals for the improvements in the amount and quality of care provided for beneficiaries, in medical social services, and in the organization and delivery of medical care to eligible beneficiaries.

The Office of Health Care Services of the Health and Welfare Agency was originally designated as the agency to coordinate and supervise the activities of the various state departments involved in the Medi-Cal program. The Office was also concerned with policy determination, fiscal and management control, program planning and review, training assistance, and federal program relations. Four state departments were directly involved in the Medi-Cal program: Social Welfare, Public Health, Mental Hygiene, and Rehabilitation. The first two had the major responsibilities for the program. The Department of Social Welfare's primary responsibility was supervision of county operations, especially the determination of eligibility for cash benefits and/or medical care. Public Health was responsible for certification of facilities and certain providers under the program. Mental Hygiene's relations with the Program had to do with eligibility of patients in mental hospitals, while Rehabilitation's concern was rehabilitation of those Medi-Cal beneficiaries who could benefit from training. The sum of $546,000 was appropriated by the Legislature to be used for developmental costs. Planning was centered in the Health and Welfare Agency Administrator's Office, with detail work assigned to the Departments of
Mental Hygiene, Public Health, and Social Welfare. Delay resulted at the state level because of the late receipt of materials from the federal government about Title XIX of the Social Security Act. Few authorized planning positions were filled because of this delay; consequently, substantial work was done by existing staff on an emergency basis. Only $267,500 of the planning money was spent. The Office of Health Care Services, a small and mainly a pass-through organization, administered the Medi-Cal program until September 14, 1968, when the Department of Health Care Services came into being. The Department was created during a reorganization of the executive branch of the state government. The new department was undoubtedly an acknowledgement of the magnitude of the Medi-Cal program. The bill paying feature of the program continued to be handled through fiscal intermediaries. In 1973, as part of a plan to centralize administration of programs dealing with health, the Department of Health Care Services was absorbed into the newly established Department of Health. The Medi-Cal program was immediately one of the major programs of the Department of Health. Subsequently, in July 1978, the Department of Health was reorganized into five separate departments, one of which is the Department of Health Services. Administration of the Medi-Cal program is one of the Department of Health Services' major responsibilities.

Major events have taken place since 1971. On July 1, 1973, the Department of Health was formed in an attempt to cut costs without reducing services. Previously the Medi-Cal program had been administered by the Department of Health Care Services, but now, the Departments of Health Care Services, Mental Hygiene, Public Health, and units of the Departments of Social Welfare and Rehabilitation were consolidated to form the Department of Health. This agglomerated department was a direct medical treatment program,
as well as administrator of private and federally funded programs. The total number of health care professionals employed by the state increased enormously, as did administrators, consultants, clerks, and staff. The number of clients and the size of the budget expanded also. The Medi-Cal program remained a separately identified program within the new department called the Medi-Cal Division. Under Governor Reagan, Dr. Earl Brian was appointed Director to implement this reorganization phase. The department experienced rapid growth. A new emphasis was placed on fiscal management and cost-benefit analysis. A new system was implemented by Dr. Brian to bring civil servants upward through the hierarchy quickly, a method known as "vertical jumping." Dr. Brian's vigor extended to the implementation of new programs. One of these was the Maximum Allowable Ingredient Cost (MAIC) Program for Pharmaceuticals of December 1973 which, after a Superior Court of the State of California decision in its favor, established a new procedure for establishing drug price ceilings.

Throughout the year 1977, Medi-Cal eligibility regulations were completely rewritten and restructured to become a comprehensive set of instructions for Medi-Cal determinations (Medi-Cal Eligibility Manual, January 1977). The Medi-Cal program implemented a state run system to curb fraud and abuse (Surveillance and Utilization Review System, March 1977). As a result of changes in federal financial participation, guidelines were issued for abortions and related services performed on or after October 1. There was to be no federal financial participation for abortions not specifically necessary to safeguard the life of the mother (1977 Medi-Cal Abortion Guidelines, October 1, 1977).

In 1978, funding problems arose due to a budget deficit, and by June 1978 Medi-Cal was bankrupt. Claim payments were interrupted until the
Legislature approved the 1978-79 budget bill in early July. The Department of Health Services was formed on July 1, 1978 as a result. The former responsibilities of the Department of Health were distributed among the existing Office of Statewide Health Planning and Development and five new departments. The new departments formed were Alcohol and Drug Abuse, Developmental Services, Health Services, Mental Health, and Social Services. One of the responsibilities of the new DHS is the administration of the Medi-Cal program including the audit, appeal, and recovery responsibilities for the Medi-Cal program.

Organizational changes since the reorganization of 1978-79 include the formation of two new divisions within DHS: Office of AIDS and Toxic Substance Control Division. The Office of AIDS is newly emerged due to a serious public outcry and concern surrounding the growing AIDS epidemic. The Toxic Substance Control Division was formed in 1983 and is continually expanding out of both public concern and strong gubernatorial support.

With each reorganization have come changes (mostly additions) in formal goals. The most central and enduring goals of the Medical Assistance Program existed already in FY 67-68, and are included below as a starting point. After these, are listed only the more salient and interesting changes.

FY 67-68: "The California Medical Assistance Program...has as its purpose the providing of health care and related remedial or preventative services to recipients of public assistance and to medically needy aged and other persons, including such relates social services as are necessary." Additionally, "...California's program has been designed administratively to correlate as nearly as possible with the patterns of service, vendor relationships, and fiscal arrangements planned for the federal (Medicaid) program."
FY 69-70: Early detection of health conditions and the soonest possible 'restoration to maximum physical capacity' to reduce costs to the public becomes a formal objective this year.

FY 73-74: With the formation of the Department of Health came three new formal goals: 1) "Promote an environment that will contribute to human health." 2) Coordinate activities of health agencies, "State and local, public and private, along with medical schools, hospitals, and private practitioners." 3) Develop new knowledge concerning the causes and cures of illness.

FY 76-77: Two new goals: 1) New attempt to care for traditionally undeserved groups, such as farm workers, American Indians, children of low-income families, and persons affected by unique genetic diseases. 2) Greater effort to prevent public health hazards, such as toxic wastes and pesticide related hazards.

FY 79-80: After the abolition of the Department of Health the formal goals of Health Services read like a simplified version of its parent agency, extremely general. The only additional goal stated this year is to "assure economic utilization of public funds to serve those persons with the greatest health care needs." It should be noted that this is the first mention in the fifteen year period viewed above that all citizens in need may not receive support.

Major Programs

California Medical Assistance Program

This section will deal with the California Medical Care Services (Medi-Cal), its policy changes over the last six years, and its current policy problems.
Over the last six years, Medi-Cal responded to significant changes imposed from outside. In 1979, Governor Jerry Brown was faced with a budget deficit. To relieve it, he looked to reductions in Medi-Cal. Under his administration, and now under Gov. Deukmejian’s administration, Medi-Cal has undergone changes and reorganizations to control the spiraling cost of health care.

Assembly Bill 799: There have been many pieces of legislation over the past six years affecting Medi-Cal policy, but Assembly Bill 799 has been the most significant. The bill was not the work of a particular person; it is the product of the cooperative effort of the legislature, the administration and to some extent interest groups.

AB 799 can be thought of in two parts. The first part is budget cuts without any restructuring of the organization. The second part, major restructuring of Medi-Cal, showing major changes in organizational tactics as well.

AB 799 used two principle methods to reduce payments without restructuring: reduce the number of people served and reduce the amount paid per beneficiary. Prior to AB 799, a person was eligible to receive Medi-Cal benefits if his/her income was 115% of the Aid for Families with Dependent Children (AFDC) level or below. AB 799 reduced that to just 100% of the AFDC level. (This has since been raised to 133 1/3%.) Federal law does not permit the states to lower eligibility to less than 100% of the AFDC level. AB 799 also reduced payments to providers (hospitals, doctors, etc.) by 10% across the board.

Medi-Cal also reduced the number of beneficiaries it served by transferring responsibility for the Medically Indigent Adult Program (MIA) to the counties. 250,000 people were affected by that decision. To aid the
counties, the state began giving the counties funds to help them pay for the MIA program. However, the state funds only represent 70% of what the program originally cost Medi-Cal. Thus, the state saved an amount equal to 30% of the original cost of the MIA program.

These cutbacks had the necessary short-term effects that Governor Brown needed to balance the budget. However, AB 799 also called for many long term changes in Medi-Cal. Most importantly, AB 799 authorizes the state to provide non-fee-for-service health plans. Before 1978, Medi-Cal patients would go to a private practitioner, who would submit a fee to Medi-Cal for his services. Under the new system, a flat fee is paid for services.

The new selective hospital contracts system also made organizational changes. The negotiating committee, the California Medical Assistance Committee (CMAC) is officially outside the Department of Health Services. Most of CMAC was appointed under Gov. Brown's Democratic administration. The California Medical Association (the physicians' lobby) is upset with CMAC because it does not contain any physicians in its membership.

The CMA has other concerns about the selective contracts system. First of all, doctors who were on staff at hospitals that did not receive Medi-Cal contracts would be losing some of their patient load and consequently some of their livelihood. The CMA also worried restrictions of hospitals that Medi-Cal patients could go to would result in over-crowding of these facilities.

The CMA was correct about their fear. When the system was first initiated, only 270 hospitals were awarded Medi-Cal contracts. Only five out of twenty hospitals in San Francisco were awarded contracts. The hospitals couldn't handle all of the patients. CMAC decided to solve this problem by granting more contracts. At the present, one-half of the 600 hospitals in California have Medi-Cal contracts. However, this has caused a problem for
the hospitals originally awarded contracts. These hospitals submitted bids based on very high patient loads, which lowers their per patient costs. By increasing the number of contracted hospitals, each hospital serves fewer patients, so per patient costs increases. However, Medi-Cal only pays a flat rate per inpatient-day. As a result, those hospitals that were originally awarded contracts are now losing money.

**Public Health**

The Public Health Program of DHS has been in a state of decline for the last twenty years. There are three reasons for this. First, the 1960s started a trend of county service delivery. As the counties have become more capable of maintaining statewide levels of public health, the state body has become increasingly a coordinating, training and overseeing body. Therefore, fewer state personnel are required. Second, since the 1960s Public Health has been the originator of several programs, which have in turn, spun-off and become departments in their own right. Public Health started with responsibilities for pesticide contamination, air pollution, water purity, and occupational health hazards. These areas of responsibility have since been usurped by the Department of Water Resources, the Water Resources Control Board, and the Department of Industrial Relations. Finally, and perhaps most importantly, the last few years have been ones of limited resources for many state agencies, due either to Proposition 13, the economic state of the early 1980s, or the Gann Limit. This has forced the state to prioritize its activities. Often this has meant the sacrifice of such preventative programs as those operated by Public Health in favor of the more immediate demands of others. This evolution of the Public Health unit has left it with a number of somewhat diverse responsibilities and a declining position of prominence in the state structure.
The condition of decline has accelerated since the 1973-74 reorganization of DHS. This can be attributed to several causes, the most convincing of which is the argument that prevention can almost always be deferred. The proximity of the Public Health unit to the Medi-Cal program makes it likely that the program for prevention would look less attractive to legislators than would the treatment program. This is so because in general preventative programs have few stable clientele groups to defend them before the legislature.

In addition, it is common within Public Health programs to believe that Public Health's ability to get funds is thwarted by the sheer size of Medi-Cal budgets. The fact that Public Health has steadily declined, and Medi-Cal has steadily grown may or may not attest to this. It is possible that Public Health might have been cut more extensively, had it not had Medi-Cal as its parent organization. Nonetheless, Public Health perceives the link to Medi-Cal as a liability.

In response to organizational decline, two interesting coping strategies should be noted. First, cooperation between the State and local governments has increased as the state budget for Public Health has declined. This cooperation has become necessary since state personnel are no longer abundant enough to insure compliance at the local level.

Additionally, Public Health has approached the problem of scarce resources with a policy of maintenance. This means using the most efficient combination of resources to effect the acceptable level of county compliance.

A second coping strategy that should be noted is a largely symbolic one. To deal with the problem of a low profile in the political arena, Public Health units have united to form an Environmental Health Task Force. The immediate goal of this task force was to study the interactions of the
various environmental health programs. One outcome of the project has been to raise the profile of Public Health to allow it to gain public support for its programs.

Staffing Patterns in the Department of Health Services

The most important changes in DHS personnel are an increase in the number of appointed positions within the department, an increase in the number of analysts used to negotiate contracts and as overseers to personnel procedure, the possible changing role of professionals in general, and the practice of contracting-out for services that DHS chooses not to do in-house. Each of these are addressed below.

Due to increasing technical complexities and the rising specialization of professionals in the last ten years, it has become most efficient for DHS to contract out to medical supply firms to obtain equipment and supplies. This means that DHS has begun to use private construction firms and pharmaceutical companies which may account for large budget figures and declining numbers of personnel.

Along with this increased use of contracted labor, there has been a rise in the use of analysts. The analysts are directly involved in the negotiations of contracts. They may meet with the private firms to write up legal contracts to insure agency needs are satisfied. Another type of analyst within the agency oversees the civil service exams, as well as monitoring the activities of some of the clerical personnel and temporary professional employees. Thus there are two types of analysts in the agency structure, one dealing with external forces, such as contracting with outside firms, and the other dealing with the internal personnel of the agency. Their only similarity seems to be that they reduce uncertainty caused by the increasing institutional complexity in their respective areas.
A final change is the changing role of professionals. As the skills of a professional become specialized in a certain program, they may not have the time to devote to program administration. One solution proposed to free the professional from administrative work is to install a general manager. This person will run the managerial portion of the program and act as an intermediary between the subordinates and higher technical officials. These general managers can increase the vertical flow of information through the agency, while not burdening the specialized professional with time-consuming paper-pushing.

The attempts of administrators to try to more effectively run the agency has resulted in some structural adjustments. One adjustment has been to build a more managerial-like structure in the organization, so that information and agency policy are more clearly understood. These analysts exemplify the organizational concern for efficiency, be they for use with external contracts or internal personnel matters. The last phase of this administrative change is the use of generalized managers in specialized programs, a trend we will probably see more of in the coming years.

Sources of Change and Organizational Response

Decision making in DHS seems to be centralized. Decisions are made from the top and consequently directed downward. At the head of the organization is the Director; he is a Governor's appointee and reports to him via the Secretary of the Health and Welfare Agency on all issues of major importance. In dealing with matters of routine, the Director of the DHS confers with the other department heads. Twice a year Dr. Kizer and the division chiefs meet to set goals and give guidance where needed. A classic example of internal planning can be demonstrated through a proposal by the DHS which is before
the Legislature at this time. It attempts to remove state mandates from local governments, representing the present Administration's desire for state disengagement. Administrators worked closely together to formulate the final proposal which was presented to the Legislature. The appointed administrative staff formulated these plans through the use of qualified civil servants. These civil servants offered assistance to the appointed officials. The appointed officials present the information to the Legislature for either acceptance or rejection. If the Legislature accepts it, the program is then to be implemented.

These policies are directly affected by lobbies and special interest groups. For example, the DHS uses informational data distributed by interest groups and then prepares proposals for bills with these members.

Twice a year, the Chief Deputy and Dr. Kizer meet with high level managers and advisors within the DHS to set future goals and evaluate their past performance. Evaluations are performed statewide for all upper-level managers annually. This Manager Appraisal System is only in its second year and includes a bonus system: grades are allocated and divisions can award $5,000 bonuses to 10% of their personnel or $2,500 to 20%. Another way of evaluating personnel is the "product reporting system" wherein communication between personnel involved is encouraged to correct problems. Concern was expressed because of the lack of financial incentives for middle managers. To reward managers with good performance records, a number of different incentives are used: additional training at the expense of the department, better assignments, and promotions within the division for advisory jobs.

Socialization methods within the DHS can be described as informal. Unassuming socialization occurs within staff meetings. Comeraderie is encouraged to keep personnel morale and loyalty high. The March of Dimes
Walk in April, 1987 for DHS personnel demonstrates an example of informal socialization encouraging comraderie.

There seems to be a high level of motivation among DHS members. Personnel work collectively in accomplishing the agency's goals. To avoid job burnout, the DHS transfers individuals to different positions within the department.

It is important to note that each organizational subunit of the DHS has the same goal and objective which is the general well-being of the public. Some disagreement exists between these subunits concerning the means in attaining their goals. Conflicts arise because of the department's broad range of responsibilities to the public. A competitive factor always exists between divisions within the organization because of the limited resources distributed by the legislature. Resources include such items as money, personnel, and technical hardware. An important aspect of this competition is the critical factor of public visibility. The reason for this is that an increase in public visibility is seen to be directly proportional to the allocation of resources. A current example of this is the Toxic Substance Control Division which, as one of Governor Deukmejian's priority programs, has enjoyed an increasing amount of public visibility. Consequently, this Division has grown tremendously in the past 3-4 years from approximately 20 personnel in 1983 to its current 600 plus. In fact, this division has side-stepped the chain of command within the Department, reporting directly to the DHS Director. This variation from regular decision making hierarchy can be interpreted as preferential treatment afforded the Toxic Substance Control Division.

The groups and actors with which the DHS comes into frequent contact are Congress, Medi-Cal providers, professional associations, such as California
Medical Association and California Pharmacists Association, and lobbying groups representing beneficiaries, such as The Gray Panthers. The DHS submits proposals to Legislature. Being responsible to the public, the DHS feels the need for cordial interaction with the public and private sector. The DHS is legally accountable to the people of California. It is regulated through statutes and is directly accountable to the Governor.

The DHS commands a great deal of constituent support for the programs which it oversees. The organization has found itself under increasing pressure from the public to perform. Such issues as AIDS and Toxic Waste place even greater strains, both financial and structural, upon the organization. While gaining in public visibility the DHS finds itself under increasing political pressure. While being pressured by the public for ever increasing services, the DHS must continually defend itself against proposed budgetary cutbacks.

In looking at the sources of external stress, we must confront the major instabilities of the organization, both past and present. In the past years the DHS has experienced overall smooth growth. In looking at graphs at the conclusion of the report, we can see a gradual increase in the budget, suggesting the public's desire for a reliable health care program. Although the DHS has not experienced a major change in its priority program Medi-Cal, there have been numerous changes in specific programs. In response to political pressures we see the counties taking on more health related responsibilities. This desire for counties to increase their responsibility is also promoted internally by the agency. A recent proposal would give 25% of sale tax monies directly to counties for their health related programs. This would encourage a decrease in state mandates and increase the local autonomy. Such a change would signal a major change in the relationship
between the DHS and its client group. An increase in the local autonomy would, by its very nature, decrease the level of contact between the DHS and the providers of medical services as well as its beneficiaries.
Bibliography


California. Governor's Budget (and supplements), various years, 1967 - 1985.


Carr, Barbara, Director of Personnel, DHS. Interview, spring 1984.

Dandrige, Jim, Director, Financial Services, DHS. Interview, spring 1984.

Gardipee, Dr., Assistant Chief, Epidemiology and Toxicology Branch, DHS. Interview, spring 1984.


Martin, Chris, Chief, Medi-Cal Planning Unit, DHS. Interview, spring 1984.

McGurk, Jack, Environmental Health Specialist, Local Environmental Health Programs Unit, DHS. Interview, spring 1984.
## Department of Health Services
### Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1972/73</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1973/74</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1974/75</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1975/76</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1976/77</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1977/78</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1978/79</td>
<td>$54,165</td>
<td>$1,972,253</td>
</tr>
<tr>
<td>1979/80</td>
<td>69,037</td>
<td>2,342,572</td>
</tr>
<tr>
<td>1980/81</td>
<td>92,023</td>
<td>2,852,702</td>
</tr>
<tr>
<td>1981/82</td>
<td>104,649</td>
<td>3,067,840</td>
</tr>
<tr>
<td>1982/83</td>
<td>107,929</td>
<td>3,096,809</td>
</tr>
<tr>
<td>1983/84</td>
<td>111,571</td>
<td>2,891,790</td>
</tr>
<tr>
<td>1984/85</td>
<td>142,548</td>
<td>2,974,176</td>
</tr>
<tr>
<td>1985/86</td>
<td>169,021</td>
<td>3,449,634</td>
</tr>
</tbody>
</table>


* See note in Preface.
Department of Health Services
State Fund Expenditures

Budget Year

Billions of Dollars

Federal Funds

Budget Year

Billions of Dollars
<table>
<thead>
<tr>
<th>YEAR</th>
<th>Permanent</th>
<th>Temporary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>12,432</td>
<td>0</td>
<td>12,432</td>
</tr>
<tr>
<td>1970</td>
<td>16,874</td>
<td>0</td>
<td>16,874</td>
</tr>
<tr>
<td>1971</td>
<td>24,274</td>
<td>0</td>
<td>24,274</td>
</tr>
<tr>
<td>1972</td>
<td>25,874</td>
<td>0</td>
<td>25,874</td>
</tr>
<tr>
<td>1973</td>
<td>23,274</td>
<td>0</td>
<td>23,274</td>
</tr>
<tr>
<td>1974</td>
<td>26,874</td>
<td>0</td>
<td>26,874</td>
</tr>
<tr>
<td>1975</td>
<td>28,274</td>
<td>0</td>
<td>28,274</td>
</tr>
<tr>
<td>1976</td>
<td>30,874</td>
<td>0</td>
<td>30,874</td>
</tr>
<tr>
<td>1977</td>
<td>33,274</td>
<td>0</td>
<td>33,274</td>
</tr>
</tbody>
</table>

Temporary personnel-years have been included with permanent.

Source: Governor's Proposed State Budget of California, Supplement for Salaries and Wages, 1969-1987

Note: Permanent personnel-years have been included with permanent.
STATE LANDS COMMISSION

Original Report by Valerie Gayer
Update by C. David Hadwiger

Introduction

The State Lands Commission is one of a number of Boards, Commissions and Departments in California's state administrative structure. The Commission's membership includes the Lieutenant Governor, State Controller (both elected officials), and the Director of the Department of Finance (a gubernatorial appointee). A technical staff of 240 provides administrative support to the Commission in the management of State lands.

Department History

The SLC was created in 1938 under the State Lands Act (Chapter 5, Statutes of 1938, First Extraordinary Session) which was a response to the need for a more comprehensive law governing offshore oil development. One year later, an amendment placed submerged and tidelands under jurisdiction of the SLC. The Commission has received responsibility for two classes of lands: 1) submerged and tidelands extending from the mean high tide seaward three miles, swamp and overflow lands, beds of navigable rivers and lakes and
2) school lands received under the Act of 1853 to generate revenue for public schools. At present the SLC manages over four million acres of sovereign lands and 600,000 acres of school lands and 700,000 acres of reserved minerals.2

The SLC's most visible area of activity, offshore oil development, has broadened in scope since 1938. The Submerged Lands Act of 1953 confirmed State jurisdiction over tidelands. In California, this responsibility was delegated to the SLC. The Cunningham-Shell Tidelands Act of 1955 set up guidelines on the conditions and location of offshore oil development that the SLC could allow.3 The first offshore platform was built in state waters in 1958. The federal government began leasing their lands beyond the three-mile limit in 1963. By 1968, federal activity in off-shore oil leasing was extensive.

The 1969 blowout of Union Oil's Platform A on a federal lease in the Santa Barbara Channel sent hundreds of thousands of barrels of oil into the ocean, covering about 660 square miles of water and 150 miles of coastline. Both the federal government and the SLC placed moratoriums on new offshore leasing. Sanctuaries were set up in particularly sensitive areas off the coast where oil and gas development was banned. Drilling and production on previously leased lands were gradually allowed to continue on a case-by-case basis.

The early 1970s saw the emergence of two external forces which would significantly affect SLC operations in the years to come. The OPEC oil embargo in 1973 and resultant energy crisis put pressure on the holders of domestic oil reserves to accelerate development. The federal government held lease sales beginning in 1975. A new awareness of the environmental implications of oil leasing brought a second set of policies affecting the
SLC. The Santa Barbara Channel spill of 1969 and the concurrent precedence nationwide of environmental concerns on the public agenda gave birth to several laws which placed significant restrictions upon SLC operations. These laws complicated the SLC's tasks. The California Environmental Quality Act of 1970 added to SLC's workload by requiring environmental impact reports (EIR's) for major public projects including various stages of oil development. CEQA called for adjustment of plans "where feasible" in order to "mitigate" environmental effects. The Coastal Zone Management Act of 1972 encouraged states to develop coastal management plans. A California initiative election resulted in the creation of the California Coastal Commission (CCC) to regulate coastal development in California. Creation of the CCC brought new jurisdictional questions for the SLC.

Discoveries in the early 1980s of huge oil reserves off the California coast again intensified pressure to expand development. The SLC proposed to lease eight tracts off the Santa Barbara County coast in 1983. However, the county challenged the action in court. Leasing did not occur and the issue is unresolved. Plans for development of several old leases, for example the ARCO Coal Oil Point project, did continue. The 1986 drop in oil prices has reduced the SLC's share in revenues made on state lands.

In spite of the events just described, the SLC appears to be a stable organization. Its budget generally increased from 1972-73. The staff grew until 1977 and has levelled at 240 personnel years. There have been no major program additions, deletions or reorganizations in recent years.

**Internal Organization of SLC**

Present SLC operations are divided between two budgetary programs (Land Management and Conservation--LMC--and Extractive Development--ED). LMC is responsible for monitoring the surface activity on State lands through the
operations of four organizational subunits. The Forest Management Section manages school lands. Land Management carries out appraisals, leases and special projects to settle title disputes. Other sections include Land Location and Boundary, and Land Title. Approved uses for lands include timber harvesting, animal grazing, marinas, wharves, or retention of open space for boating or fishing.

ED deals with the mineral interests on state lands including oil, gas, geothermal and other mineral resources. The Division not only oversees the orderly exploration and development of mineral resources, but also maximizes the State's revenue from these operations and assures that they are consistent with public safety and environmental protection. ED leases lands for extraction and surveys operations and royalty payments. ED also maintains economic control over the plans and budget of the Long Beach Operations where oil development had been carried out on land granted to the City of Long Beach.

SLC's operations are often project-based and long-term. A few large projects progress through various stages and require SLC attention for a number of years. For example, ED leased offshore oil projects can last for ten years from leasing to exploration and development until the lessee is producing oil. ED monitors development and production to assure that they receive their share of the revenue. These projects require a great deal of long-term planning.

The internal operations of LMC and ED are quite distinct. Each operates generally independently of the other. Their respective levels of visibility and outside support also are not equal. Notably, there seems to be little internal conflict, although possible arenas for conflict are not few. For example, the two divisions' areas of responsibility -- managing surface use
as opposed to mineral interests -- are distinguishable, but development of one surely affects the possible development of the other. ED's relationship with oil companies is not one of regulation in the strict sense of the word; ED provides guidelines for development but also assists oil companies with its expertise and information so both may gain from efficient operations. LMC seems to prioritize service to the general public over the needs of developers or other interests. A final possible area of conflict would be struggle over distribution of budgetary and personnel resources. The budget was evenly divided between the two programs until 1979-80 when ED jumped well ahead of LMC. Possible explanations for this shift include ED's revenue producing function, its greater visibility and political sensitivity of its activities. Despite many opportunities for internal conflict, staff members of both divisions indicate that no tension has developed.

Geographically, SLC operations are centered in Sacramento and Long Beach with field offices at various locations across the state. LMC operations are based in Sacramento. Most of ED's staff, about one hundred people out of 240, are in Long Beach to locate them nearer to the activity they oversee. There are also field offices in Huntington Beach and Santa Barbara with six and eight petroleum production inspectors respectively. Support staff, in the form of the Executive, Research and Planning, Administrative and Technical Services units and the Legal Division are located in Sacramento. Administrative and Technical Services includes Personnel Services, Budget and Fiscal Services, Information Technology, Audits and Royalty Accounting. The Legal Division provides legal advice on a day-to-day basis and litigation support to the Attorney General's Office.

SLC personnel are unionized in authorized employee organizations. The SLC has eight bargaining units that correspond to their employee job
classifications. There have been no major labor relations problems in recent years, though the management/staff relationship may have suffered with unionization.

SLC operations have always required a wide variety of technical experts and professionals on its staff. To deal with the new complexities of their work, the level of necessary technical competence has risen. The staff includes lawyers, title specialists, boundary determination officers, appraisers, various types of oil and gas engineers and geologists. In the case of engineers, they have traditionally been difficult to recruit and retain. State salary limitations are sometimes too low to compete with private industry for talented professionals. The current oil slump has eased the situation substantially, as many experienced and quality engineers have been laid off by oil companies and have found SLC jobs attractive. This trend is demonstrated by the higher response rate and the greater level of experience of engineers hired in recent years. An upward realignment of salaries for engineers three years ago also made recruiting easier. Prior to this, engineers had a high turnover rate within the agency. Holding the best qualified engineers in the event of a turn-around of the petroleum industry could be difficult. One strong attraction of the SLC as an employer is that their engineers have a more stable life, while private industry moves them around a lot. SLC operations are limited to California, while an oil company may have nationwide or international operations. Working for state government provides better job security than the fluctuating oil industry. For some, the SLC can be a place to get experience before moving into the private sector.

Personnel trends for the rest of the staff are considerably different than for engineers. Their technical skill is just as high, but turnover is
very low, recruitment easier and dedication to their job is high. LMC has tested and hired only once in six years. Some positions are so unique to the agency, for example boundary determination officers, that they are trained in-house.

The internal organization with this type of staff is somewhat flat. The high level of professionalism in this organization results in a higher degree of delegation of responsibilities. Management relies upon the expertise of SLC specialists in making many decisions. Management's role has often been to coordinate experts to work together on projects. Even so, lower level employees are encouraged to deal with each other in horizontal relationships.

The ultimate responsibility for SLC decision making falls on the three-member commission. Meetings are usually once a month. Items are placed on the agenda and are heard in a standard calendar process. Several divisions may take part in a project, but one has the responsibility to see it through the decision process. The review process before an item gets to the Commission is lengthy and thorough. The technical complexity of many decisions forces the members of the Commission to rely heavily upon staff experts. The extensive research expended on preparing the proposal yields a high approval rate and a fast pace in commission meetings. Of course, delays, requests for more study and disapproval are possible and may occur on sensitive matters.

The SLC has responded to those budget cuts which have occurred by cutting expenditures across-the-board. Whole programs have not been eliminated, but all programs have suffered some reductions. The budget can be somewhat misrepresentative. Large one-time projects conceal variations in the operating budget. Growth in the operating budget has failed to match the rate of inflation.
Task Environment

The SLC's task environment is extensive, encompassing all levels of government, as well as industry and private interest groups. The number of agencies and groups which routinely take an interest in SLC affairs has grown in the past two decades.

Local governments are interested in SLC decisions when these decisions impact them. For example, an SLC-proposed lease of 8 tracts for oil drilling off the Santa Barbara Coast in 1983 was challenged by the county in court. The issue remains unresolved. An inverse example--SLC/local cooperation--is seen in the anti-trust case filed jointly by the SLC and City of Long Beach against seven oil companies. The suit accuses them of cooperating to fix low oil prices at a State-owned field. Some tidelands have also been granted to local governments. The SLC retains oversight power over these lands.

With one major exception, the SLC maintains cooperative relations with those agencies with which it interacts. Jurisdictional disputes have arisen between the SLC and California Coastal Commission since the latter's creation. A legal dispute between the two erupted over the need for the SLC to get permit approval from the Coastal Commission for oil leasing in State waters. The SLC claims exclusive jurisdiction in this area.

Passage of CEQA significantly altered the SLC's relations with those agencies responsible for pollution regulation (California Air Resources Board, State Water Resources Control Board, and U.S. Environmental Protection Agency). One effect of this legislation has been to slow the SLC permitting processes. The Research and Planning Division was created in 1975 to absorb SLC's new responsibilities for preparing EIR's. This staff has been responsible for preparation of more major EIR's than any other state or local agency in California.
SLC deals with many other state agencies: Fish and Game, Water Quality Control Board, Finance, and Justice. Cooperation in these relationships is good. For example, their involvement with the Land Law Section in the Attorney General's Office is so extensive that the latter is considered by some SLC staffers a de facto subunit of the SLC. The Section works almost exclusively with the SLC. Contact is direct. SLC staff usually work as part of team with the lawyers on projects. Extractive Development also works closely with the Attorney General's Office. Together they won a ruling on windfall profit taxation that netted the State $100 million in revenue.

SLC has extensive relations with the federal government. LMC deals with the federal Bureau of Land Management in a land exchange program. ED has an interest in federal offshore oil policies. The State is affected by federal development off its coast. Federal policies on safety and pollution standards are usually less strict than the ones the State enforces. The SLC has been active in urging the federal government to adopt standards consistent with the State. Because of their high standards and technical experience, the SLC has been sought out to be a source of information on offshore oil. They are also considered to be a leader in oil royalty auditing.

The SLC is in close and frequent contact with similar agencies in other states. They hold formal meetings. Through this association, some policy coordination on a national scale is possible.

Much space has been taken up describing change, but on the whole it seems the SLC is more characterized by stability. Key indicators are low turnover and high dedication to the agency. This may be linked to the project-orientation of agency work and the long period of time over which it is carried out. A staff wants to see through a project into which they
invest much effort and time. Some of the skills and knowledge of the California system that the staff accumulates are unique and not easily transferable to other jobs. A degree of internal tension between employees seems almost fixed and welcomed as a means to better decisions. The organization may be dealing with new complexities with a flexible management style rather than major reorganization.

Notes


Introduction

During the past fifteen years, state agencies have faced a unique challenge. Federal aid to states has been decreasing as economic recession has threatened locally derived tax resources. At the same time, state agencies have faced demands to provide a growing number of increasingly complex services. The growth of the national lottery industry demonstrates one means by which states have addressed these trends. Only one state had adopted a lottery in 1964. Now, there are lotteries in nearly half of the states. The Wall Street Journal has called the lottery industry "one of the growth industries of the decade." The California State Lottery (CSL) was created when the State Lottery Initiative passed with 58 percent of the vote in November, 1984. The CSL is a special revenue raising agency whose proceeds are allocated solely to the state's education system. The lottery was created to offset a drop in funding for education which resulted from the economic recession of the early 1980s as well as from the reduction of federal assistance and loss of funding due to Proposition 13 in 1978. At the
time, the lottery was described as the state's newest attempt at "taxes-
without-pain."²

This analysis studies the birth and development of the CSL. CSL is
notable for practices which vary from normal state operating procedures for
administrative agencies, due to the unusual circumstances marking its birth.
The Lottery Commission and CSL was faced with a tremendous challenge of
building a multi-billion dollar business from the ground up in an extremely
short period of time. Unlike other state agencies, every attempt was made to
insulate the process from political pressures. In May, 1985, M. Mark
Michalko was appointed Director of the CSL. Formerly Chief Legal Counsel for
the Ohio State Lottery, Michalko was selected partially on the ground that,
as an outsider, he owed no political favors in Sacramento. Commenting on the
unique position the CSL should have in the state bureaucracy, Michalko said:
"You can't expect the Lottery to be a success if it is constrained by
bureaucracy. The Legislature needs to exempt the Lottery from the standard
contracting process, from civil service requirements, and - even if they mess
up those first two, this is crucial - from the standard budget process." His
argument continues,"...because the Lottery is a big business, not an ordinary
arm of government, it has to be free to react quickly, not through some
centralized buying agency. An money must be readily available."³

The CSL has been given a great deal of independence from state
bureaucratic procedures in order to develop and implement its programs.
However, the CSL is still held accountable for its decisions. The Lottery
Commission meets in public to approve all of the CSL's budgets and programs.
Furthermore, the CSL is subjected to regular audits of its finances and
operations by independent firms and state audit agencies. The results of
these audits, as well as reports by the CSL itself, are submitted to the Governor, the Legislature, and other state agencies for review.

The CSL's goal is stated: "To maximize revenues for public education while administering the lottery in accordance with the highest standards of integrity." CSL operations concentrate, then, on the general tasks of marketing and fiscal management. The profit maximization goals makes the CSL more like a business than like a state agency. However, as the CSL has matured, it increasingly has followed the same bureaucratic procedures followed by other state departments. Nevertheless, the CSL remains fundamentally different from other state agencies. This fundamental difference was summarized by Lottery Director Michalko himself: "We're in the business of making money rather than spending it."

With ticket sales of over $2 billion for the first twelve months, the CSL is the nation's largest lottery and is the third largest lottery in the world. In its first year, CSL manufactured nearly 2.5 billion tickets, sold nearly 2.1 billion tickets, produced more than $30 million worth of advertising, built a network of more than 21,000 retail distributors, and acquired the largest computer system in the United States. Furthermore, by raising nearly $800 million for education in its first calendar year of operation, the CSL would have been ranked as the second most profitable retail business in America.

Overview of Agency Development

The CSL's short history (not even three years old at the writing of this paper) makes an historical review of its development of limited value. Here, we begin with an organizational description of CSL, then divide the period of CSL's start-up into three stages.
The CSL's goal is to maximize the amount of money it raises for public education. Its responsibilities are to run its operations as efficiently as possible, and to actively promote its games in order to increase sales revenues. The internal structure of the CSL has been designed to efficiently complete these responsibilities.

The CSL is comprised of six divisions and the Executive Office. The divisions are Electronic Data Processing, Finance and Administration, Security, Marketing, Field Operations, and Retail Support. The Lottery also has twelve district offices in order to service and administer its retail outlets throughout the state. (See organizational charts for detailed descriptions of the functions of CSL's subunits.)

Although the CSL has great operational autonomy, its control over dispersal of sales revenue is formally restricted by the Lottery Act. Accordingly, fifty percent of the total sales revenue is to be returned to the public in the form of prizes. A maximum 16 percent can be used to meet administrative expenses. (This is actually closer to 11 percent--a minimum of 5 percent must be paid to retailers as commissions). Finally, a minimum of 34 percent of the CSL's sales revenue is to be appropriated for public education. Essentially, the CSL can be seen as a business with a minimum profit level and a maximum efficiency level (34 percent and 11 percent of sales respectively) mandated by law.

The lottery has undergone three distinct stages in its development. This section describes the changes in the CSL's programs, personnel, and internal organization which occurred in each of these stages.

**Stage 1: January 1985 - October 1985**

Governor Deukmejian appointed the California State Lottery Commission on January 29, 1985, and he appointed the CSL's Executive Director and Chief
Deputy Director on May 13, 1985. Starting with 15 "loaned" employees from other state agencies and a $16.5 million temporary loan from the State's General Fund, their job was to get the lottery organized and under way.

The first priority was to hire a permanent staff. By the time the CSL's games started in October, 1985, the CSL had received 10,000 applications and hired 500 employees. The CSL negotiated with the Department of Personnel Administration (DPA) to exempt key executives from civil service restrictions. Furthermore, the CSL and DPA had to cooperate closely because more than half of the new positions required development of new classifications within the California Civil Service System.

The CSL also had to hire contractors and select retailers. To enable the CSL to quickly hire its contracted firms, the CSL was exempted from state agency competitive bidding procedures. During this first stage, the CSL hired a ticket supplier with marketing and data processing experience, an advertising and public relations agency, and a courier service. To establish its retailer network, the CSL sent over 200,000 applications in June, 1985. Nearly 35,000 were returned by the July 15 deadline. Using only the information supplied by the applicants, the Director and Chief Deputy Director (with input from the Attorney General and Lottery Commission) chose the original 21,000 retail outlets. The first step of this process was division of the state's population into zip code areas. Then, with the intention of allowing one outlet per every 1,200 people in each zip code, the CSL rated each applicant according to a formula based on hours of operation, floor traffic, and number of cash transactions per day. Those applicants with the highest ratings within their zip code were given provisional licenses to sell lottery tickets.
After the provisional licenses were given out, the Security Division conducted background checks on each retailer for previous felony convictions and tax delinquencies. Late in 1985, the task of reshuffling the CSL's retail outlets was given to the Retail Support Division. New licenses were granted to replace those outlets which had had their license revoked (either for failing to meet the CSL's minimum sales requirements of 500 instant tickets per week or for security reasons) or those which had voluntarily decided to stop selling lottery tickets. Additional licenses were granted to get a better ethnic mix of retail outlets and to increase the number of outlets in downtown areas where sales traffic was greater during the day but residential population was small (hence had been biased against in the original allocation). The standard selection procedure was tightened somewhat to include pre-licensing background checks and on-site inspections.

In addition to these tasks, the CSL had to build and furnish its headquarters and district offices. Finally, the CSL started a major advertising campaign to publicize the October kick-off of the lottery games during late September of 1985.

In general, CSL was given a great deal of independence from bureaucratic controls/procedures in order to get off to a quick start. However, the CSL was not yet fully developed, so it had to cooperate with other state agencies often. For example, because CSL's legal and accounting units were not completely staffed, the CSL worked closely with the Attorney General and the State Controller on legal and financial problems. The CSL's hierarchical structure was narrow and top-heavy during the first stage. The top managers and executives were hired first, and those divisions which were most crucial for starting the games were developed first. The CSL had only four divisions during Stage 1: Electronic Data Processing, Security, Finance and
Administration, and Game Operations. Furthermore, because of the many tasks which needed to be done in such a short time, the Finance and administration lacked complete internal controls during Stage 1.

Stage 2: October 1985 - October 1986

Stage 2 of the CSL's development was marked by the overwhelming success of the instant ticket games, the problems posed by this success, and the implementation of the LOTTO on-line computer gaming system. The CSL began selling instant tickets on October 3, 1985. During the first 24 hours, over 24 million tickets were sold--the most successful game launch in lottery history. After only six months, CSL ticket sales reached $1.4 billion--the level which had been optimistically projected for twelve-month sales. By October, 1986, $2.06 billion worth of lottery tickets had been sold.

This success caused some problems for the CSL. Most significantly, the lottery Prize Verification Unit could not handle the 4,000 to 6,000 high-tier prize claims which were received each day. More personnel had to be hired, not just for prize verification, but across the agency. By the end of Stage 2, CSL personnel had doubled to over 1,000 employees.

High volume also created problems in the area of ticket distribution/revenue collection. To attend to the lottery retailers and their problem, the Game Operations Division was split into Marketing, Field Operations, and Retail Support. The CSL also placed greater emphasis in its marketing efforts on point-of-sale advertising and increased retailer incentive programs. Toward the broader goal of improving sales, the CSL accelerated the rate of introduction of new instant ticket games to allow a new game every six to eight weeks (more than twice as many new games as other state lotteries).
Stage 2 saw increased activity from the Security Division. 37 persons were arrested in a well publicized sting to show ordinary players that lottery cheating would be prosecuted.

The Retail Support Division undertook the tasks of reshuffling the CSL's retail outlets and selecting the 5,000 Lotto retailers from the pool of 21,000 instant ticket retailers. Finally, the Finance and Administration Division developed Management and Fiscal Systems Analysis units to promote CSL's efficiency. Interestingly, these units functioned primarily to guarantee that CSL tasks were completed. Rapid organizational change and growth left insufficient time to probe organizational efficiency.

In March, 1986, the CSL signed a $121 million contract (the largest contract of its kind ever awarded by a California state agency) with GTECH Corporation for the provision of LOTTO's on-line computer system. With 5,000 terminals installed by October, 1986, the CSL assembled the largest LOTTO system in the nation. In July, the CSL started major promotional campaigns to try to teach people how to play the games. LOTTO itself kicked off in October, 1986.

During Stage 2, the CSL's hierarchical structure spread out and filled in. More divisions were aced and additional staff was hired to meet the demands caused by the success of the instant ticket games. Although parts of an internal control system were set up, they could not be fully implemented because of the rapid pace and high volume of ticket sales and by the efforts required to initiate the LOTTO games.

Stage 3: October 1986 - May 1987

Sales of LOTTO 6.49 tickets started on October 14, 1986. Sales were slow ($1 million in the first 24 hours) compared to the instant ticket sales at their onset ($24 million during the first 24 hours of sales in 1985).
LOTTO sales generally stayed in the range of $8 to $10 million per week. LOTTO sales grew slowly during this period as people figured out how to play the game. Simultaneously, as the novelty wore off, the sale of instant tickets declined slowly.

CSL has used this opportunity to retrench its operations. No major reorganizations occurred during Stage 3. Furthermore, CSL personnel seem to have levelled between 1,000 and 1,100 employees. The Management and Fiscal Analysis units have been able to focus on efficiency. Administration also started documenting requests for and procurement of supplies, requiring that requests be submitted further in advance. In general, Stage 3 was notable for its increased concern with details.

In many ways, CSL has begun to operate more like other state agencies during Stage 3. For example, most supplies are purchased through the Department of General Services. Important differences continue to remain, however, and CSL officials assert that this permits departmental flexibility and productivity. In some ways, growth has allowed the CSL more independence. For example, the CSL has a fully staffed legal unit, hence does not need to rely on the Attorney General for these services.

Sources of Change and Organizational Responses

This section analyzes the adjustments made by the CSL due to changes in its internal, task and external environments to better understand the organizational dynamics of the CSL. Recall that the CSL's goal is clear and stable. This suggests that the CSL has adjusted its means to accommodate changes in its organizational environment.
Internal Environment

Because the CSL is protected from many sources of political pressure and manipulation, its internal changes are driven by economic considerations. In general, the CSL identifies organizational problems then moves to correct them.

Early in the CSL's development, there was general agreement on goals and means. Top managers pooled information on the operations of lotteries in other locations to determine how the CSL would be organized and operated. There was no time for lengthy disagreements. The hierarchical structure was tall and narrow—the units necessary to get the games started having been developed first. The department managers had considerably centralized power due to this situation and also due to the centralization of lottery expertise and knowledge. (Only the top managers had had lottery experience.)

As the CSL developed, its tasks grew and became more complex. The hierarchical structure flattened out and filled in as more units and personnel were added. Top managers lost some of their control.

Their priority on good information and rapid implementation led the CSL to rely on contractors for information and to hire more professionals in key areas. An Internal Audits unit was created to insure unbiased review of departmental practices. The Management and Fiscal Systems Analysis units were created also to promote this goal. Internal evaluations are preemptive efforts to solve problems before they occur. As such, especially early in the CSL's evolution, admission of mistakes was not penalized.

Early in the CSL's development, it worked closely with the DPA to receive civil service exemptions and to accelerate the job classification process. However, because union negotiations are mediated only by the DPA, the CSL seems likely to lose much independence in this area. This could
become problematic should salary schedules decline to weaken CSL's ability to compete for personnel with private enterprise.

Morale and employee enthusiasm for the CSL is very high. This is not surprising given the excitement of the process whereby a new agency is born. Also, the new department offers an unusual opportunity for career advancement. Some CSL employees feel that there is something intrinsic to the agency mission which contributes to good morale. Since the CSL sells a product in the marketplace, the dynamic of agency operations is presumably more interesting than most bureaucratic jobs.

Task Environment

CSL's task environment includes those actors which work closely with the CSL yet are not included in its organizational structure. These actors may influence departmental policy. The CSL may also have limited control over their activities. The actors in CSL's task environment might be described either as partners, clients, or oversight agencies.

Cooperative partners include the retailers, contracting firms, and at certain times other state agencies. Retailers are very important to the CSL, owing to their important role in promoting the sale of tickets. The original rush to select retailers and subsequent reevaluation of retailers has only recently been superceded by a realization of the importance of strengthening of CSL-retailer relations. This recognition led to the development of the Field Operations and Retail Support Divisions, whose job was the integration of retailers' concerns into CSL policies. The CSL also strengthened retailer relations by rewarding retailers with bonuses and special "retailer-of-the-week" recognition.

State agencies have been strong CSL partners. As the lottery activity levelled, the Department of General Services provided more and better support
in supply provision. The State Controller has worked closely with CSL to arrange prize payments, write checks for CSL expenses, and make quarterly payments to the state schools. DPA, of course, negotiates contracts for most of CSL's employees.

CSL reliance upon its partners has diminished somewhat over time. We have already discussed the diminished role of the Attorney General's Office in response to increased legal capabilities of the CSL. The CSL has also reduced its reliance upon its ticket producer and lottery consultant, Scientific Games, Inc. as its own expertise in this area improved.

The CSL's two clients are the general public and the schools. For the general public, CSL tries to accelerate the prize payment process and guarantees that tickets are always available. Furthermore, the CSL continually introduces new games to stimulate public interest. It has restructured some of its games to offer more small and mid-range prizes in response to public demand. Finally, an emphasis on financial integrity and game security is a service provided to prevent public disapproval of CSL activities.

Because the schools receive funds from the lottery, they constitute CSL's other client group. A minor conflict arose in this area when CSL aired an advertisement praising the lottery for the money it had raised for state schools. Educators complained that the ad presented the misleading impression that the lottery funds could solve all of the schools' problems. In response to this pressure, CSL quickly pulled the advertisement.

State agencies and the Lottery Commission provide oversight for the CSL's activities. Of these, the Commission is the most important actor because it must approve all aspects of the CSL's operations. Every contract, program, and policy must be approved by the Commission before
implementation. This relationship, though exhibiting periodic conflicts, has not generally been adversarial.

The Attorney General, State Controller, State Treasurer, and other state agencies oversee some CSL activities by preparing reports and conducting audits on CSL finances and operations. The focus of these evaluations is different from the focus of CSL's internal evaluations. These agencies are interested in enforcing state regulations as they apply to the CSL. Rather than trying to evaluate operations to solve potential problems, these external evaluations look for evidence that mistakes have already occurred.

External Environment

The most prominent actor in the CSL's external environment is the California State Legislature. This is an organization with which CSL need not interact on a daily basis, yet whose activities could significantly alter CSL operations at any time. The Lottery Act specifically limits the power of the Legislature to affect the daily decisions of the CSL. As long as its administrative costs remain below the 11 percent benchmark, the Legislature has no role in CSL operations. CSL is, however, held accountable for its operations. It submits the results of independent audits and its own reports to the Legislature. Here the Legislature focuses on the enforcement of state regulations and on the post-hoc identification of errors.

The Legislature is a continual source of external stress for the CSL. For example, the Commission on California State Government Organization and Economy recently proposed that the CSL be required to buy all its supplies through DGS and the CSL budgets be subjected to annual legislative review and approval. CSL officials argue that these proposals would cripple the agency by severely restricting its ability to react to rapidly changing market conditions. To counteract these proposals, the CSL's legislative liaison
presents the CSL's arguments and lobbies against the legislation. In the end, however, it will be up to the Legislature to make this decision.

Notes


5. Dave Von Drehle, op.cit., p. 4.
Bibliography


California State Lottery Act. Sacramento: California Government Code, Title 2, Division 1, Chapter 12.5; revised October 1986.


--------. California Lottery News, August 26, 1986.


--------. General Background Information. Sacramento: January 1987.


Eberhart, Patricia, Accounting Administrator, California State Lottery. Interview, April 6, 1987.


Richardson, Theresa. Chief - Administration Department, California State Lottery. Interview, April 6, 1987.


Troas, Beverly (Reporter for GSR). News Conference of Governor George Deukmejian Concerning the Appointment of a Director of the California State Lottery. March 22, 1985.


### Statistical Analysis and the Lottery's Development

**I. Budgetary Data - Expenditures**


<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lottery ticket sales</td>
<td>$1,765,571,588</td>
</tr>
<tr>
<td>Less commissions to retailers</td>
<td>89,914,255</td>
</tr>
<tr>
<td>Net sales</td>
<td>$1,675,657,303</td>
</tr>
<tr>
<td>Less direct costs:</td>
<td></td>
</tr>
<tr>
<td>Prizes, less unclaimed prizes of $2,125,023</td>
<td>886,333,761</td>
</tr>
<tr>
<td>Ticket costs</td>
<td>44,333,798</td>
</tr>
<tr>
<td>Total direct costs</td>
<td>930,667,559</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
</tr>
<tr>
<td>Salaries, wages and benefits</td>
<td>20,179,127</td>
</tr>
<tr>
<td>Professional services</td>
<td>4,450,891</td>
</tr>
<tr>
<td>Advertising</td>
<td>23,788,087</td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>2,670,249</td>
</tr>
<tr>
<td>Amortization of development costs</td>
<td>6,946,116</td>
</tr>
<tr>
<td>Other general and administrative expenses</td>
<td>10,569,058</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>68,603,216</td>
</tr>
<tr>
<td>Operating income</td>
<td>676,386,216</td>
</tr>
<tr>
<td>Interest income</td>
<td>16,309,460</td>
</tr>
<tr>
<td>Net income, due to Education Fund</td>
<td>$692,695,676</td>
</tr>
</tbody>
</table>

I. Budgetary Data - Expenditures (cont.)

California State Lottery Fund
Statement of Operations
(July 1, 1985 - Dec. 31, 1986)

Lottery ticket sales
Less commissions to retailers
Net sales

Less direct costs:
Prizes, less unclaimed prizes of $1,298,583 for instant games
Instant game ticket costs, net of $2,630,473
Sales tax adjustment
On-line direct costs
Total direct costs

Operating expenses:
Salaries, wages and benefits
Contracted and professional services
Advertising, promotion and public relations
Provision for doubtful accounts
Amortization and depreciation
Interest expense
Other general and administrative expenses
Total operating expenses

Operating income

Interest income
Gain on equipment disposal

Net income, due to Education Fund

I. Budgetary Data - Expenditures

California State Lottery Fund
Projected Revenues and Expenditures
Fiscal Year 1986/87
(revised Dec. 4, 1986)

Sources of Funds
Revenues

On-line games
Instant ticket games (net of return) $ 514,936,000

Revenues 875,416,000

1,390,352,000

Uses of Funds
Prizes

Returned winnings 695,176,000

Expenses

Game costs:
Retailer commissions 69,518,000
Instant ticket games costs 21,229,000
On-line game costs 10,661,000
On-line telecommunications 5,934,000
Advertising, promotion, and public relations 37,585,000
Courier services 2,600,000
Bad debt 1,000,000

Total game costs 148,527,000

Administrative and other costs:
Personnel services 31,385,000
Professional services 5,692,000
Amortized development costs 4,501,000
Depreciation 11,388,000
Other expenses 15,240,000

Total administrative and other costs 68,306,000

Total expenses 216,833,000

Lottery Education Funds
Minimum required transfer to education 472,720,000
Excess administrative funds 5,642,000
Interest income 10,428,000

Proposed funds to education $ 488,722,000

II. Personnel Data

Number of employees

The Lottery started, in the early summer of 1985, with 15 to 30 employees. By the time the instant ticket games started in October of 1985, the Lottery employed almost 500 people. At the time, it was thought that a little more than 500 employees would be enough. However, the overwhelming success of the instant ticket games made hiring more people a necessity. In October of 1986, the Lottery petitioned the Department of Personnel Administration in order to have 1,068 positions classified and authorized. These positions were approved, and now the Lottery employs between 1,000 and 1,100 people.

Authorized Positions by Division
As of October, 1986

<table>
<thead>
<tr>
<th>Division</th>
<th>Permanent Positions</th>
<th>Temporary Positions</th>
<th>Total Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Division</td>
<td>40.8</td>
<td>1.0</td>
<td>41.8</td>
</tr>
<tr>
<td>Finance and Administrative Division</td>
<td>296.5</td>
<td>36.7</td>
<td>333.2</td>
</tr>
<tr>
<td>EDP Operations Division</td>
<td>131.2</td>
<td>0.0</td>
<td>131.2</td>
</tr>
<tr>
<td>Retail Support Division</td>
<td>143.6</td>
<td>8.0</td>
<td>151.6</td>
</tr>
<tr>
<td>Marketing Division</td>
<td>22.0</td>
<td>0.8</td>
<td>22.8</td>
</tr>
<tr>
<td>Security Division</td>
<td>77.0</td>
<td>13.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Field Operations Division</td>
<td>297.0</td>
<td>1.0</td>
<td>298.0</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>1,008.1</strong></td>
<td><strong>60.5</strong></td>
<td><strong>1,068.6</strong></td>
</tr>
</tbody>
</table>

Introduction

The Department of Mental Health (DMH) along with 9 other departments (Depts. of Aging, Social Services, Health Services, Developmental Services, Alcohol and Drug Programs, Rehabilitation, Health Planning and Development, Employment Development and Health and Welfare Data Center) serves the citizens of California under the oversight of the Secretary of Health and Welfare.

Since its first reform in 1941, the Department has undergone significant changes that have altered both the treatment of patients and the administration of Department programs. Its primary goals are to promote a comprehensive system of resources, programs, and activities fostering mental health, reducing the incident and prevalence of mental illness, and rehabilitating the mentally ill. This report describes the DMH by providing a general presentation of the DMH's organization and dynamics, and a discussion of its responses to developments which have impacted the Department.
Development of the Department of Mental Health

Attention was first given to the mental health needs of California residents when failure in the mining fields of the gold rush reached epidemic proportions. Financial woes are a great instigator of what was then seen as mental health programs. California's tremendous economic growth set the stage for the disillusionment and depression that occurred when fortunes were not made. In response, the State Legislature convened the Commission on Lunacy. Commissioners looked into the problem and decided that the solution would be a haven, or asylum, in which persons could rest and collect themselves. The first state hospital was Stockton State Hospital. Patients were admitted for a variety of odd reasons, reflecting the crude nature of the mental treatment at the time.

Asylums were looked upon as a satisfactory solution to mental health problems, with patients given a refuge from the hardships of society, and the visible problem of many destitute people eliminated. After Stockton, a growing number of state hospitals were built to accommodate California's mentally destitute population. Until World War I state hospitals were largely caretaking operations. Two developments brought dramatic changes in the way patients were treated in state hospitals—the thinking of Dorothy Addix, who advocated more humane treatment in hospitals in order to help the residents more (rather than chaining them up); and the advent of psychotropic medicine. Before medication, the "snakepit" situation existed in which people were not restrained and behavior was uncontrolled. Rooms were built with catwalks so that staff could observe patients. This insured safety for the employees and contained the patients while providing for their basic life needs.
The Department of Mental Hygiene was created in 1947 to assume responsibility for the mentally ill. Patients were not differentiated in Departmental programs. The Department of Mental Hygiene treated all patients (mentally ill, mentally retarded, alcoholics, drug addicts, etc.) as a single group.

The Department of Health was formed in 1973, and was given the task of caring for California's mentally ill. It became apparent that interest groups were emerging on the California political scene which supported special programs for each group of patients. These groups scrambled for the Health Department Director's attention. These diverse demands were difficult to accommodate within the framework of a single department. It was argued that these clients deserved and needed attention, and that their needs were eclipsed by the Medi-Cal program due to its great budgetary dominance.

A second debate emerged as the programs for alcoholics, drug addicts, mentally retarded, etc. did not want to identified with the mentally ill. It was argued especially that the connection between mental retardation and mental illness implied that both programs involved medically treatable "illnesses." Other interventions for the retarded were considered more successful than the medical model. Finally it was argued that administrative resources tended to be unfairly tilted towards the mentally ill programs at the expense of the programs for the mentally retarded. While all programs were combined into the giant Department of Health, internal program specialization became more common. In 1978, the Department was split to break off the Department of Developmental Services for the mentally retarded and the Department of Mental Health for the mentally ill.

With the Department's split, the state hospitals were divided into those which were clearly for the mentally ill, and those which were for the
mentally retarded. Two hospitals had programs for both: Camarillo and Napa. The advocates for the mentally retarded lobbied the Legislature to declare that as long as one program exists for the developmentally disabled in a state hospital, then that hospital will be administered by the DDS. Napa's population was 1/5 mentally retarded and 4/5 mentally ill, but would be administered by DDS. Jurisdiction for Napa was transferred to the Department of Mental Health in 1986.

Since 1959, the mental health system has experienced a significant reduction in the client populations in the state hospitals. State hospital patients fell from 37,500 in 1959 to about 5,000 in 1984. This decline was the result of efforts to decentralize care to the community level and to more carefully define involuntary treatment criteria. Beginning in the 1959-60 fiscal year, patients were released from state hospitals into community programs. Deinstitutionalization was also pursued at that time through a program (used then in several states) to release patients who, utilizing specialized medications, were able to live outside state hospitals.

The general trend toward deinstitutionalization was greatly affected by two major pieces of legislation: the Short-Doyle Act of 1957 and the Lanterman-Petris-Short Act in 1969. The Short-Doyle Act originally provided counties, on a voluntary basis, the opportunity to apply for state funding for community mental health programs, which required a 50 percent county match. In 1969, the law was amended to require counties to develop community programs and to require only a 10 percent match. The Lanterman-Petris-Short Act outlined criteria for involuntary treatment in state hospitals or, more commonly, in community programs. This eliminated the possibility for declaring undesirable homeless people mentally ill and sending them to state mental institutions.
The community-based mental health systems have found it difficult to accommodate all of the people leaving the state hospitals. The communities are still trying to play "catch-up".

Since 1984, the administration of mental health services has undergone drastic change in the direction of community based treatment. At that time, Governor Deukmejian proposed a Mental Health Initiative which has now been implemented. The Initiative attempted to minimize State regulatory and bureaucratic involvement in mental health service provision and to give counties new flexibility in the use state funds. Assembly Bill 2381, 1984 removed a lot of "strings" attached to the money that counties were receiving from the State. It allows counties more autonomy to tailor their programs to meet local needs. This has reduced the role of DMH in determining the emphasis of community programs.

There are two basic reasons for the shift from predominantly state-operated mental health programs (state hospitals) to locally-operated mental health systems (community-based): cost and effectiveness. It was determined that the costs for a patient in a state hospital were astronomically higher than in a community-based mental health system. It was also felt that patient treatment was more effective in a community-based system, where family, friends and familiar surroundings aid in the rehabilitation process.

At the administrative level, the Governor's Mental Health Initiative greatly reduced the number of DMH employees. Mental Health has since undergone a process of consolidation. In 1982 the DMH had five major divisions, whereas now only three exist. Many offices, sections, and branches were either eliminated or consolidated. Some functions of the Department were eliminated, consolidated or redefined.
The organization of the DMH currently consists of three main divisions serving administrative functions, community services and state hospitals. The Administration Division oversees and provides administrative support to the Community Services and State Hospitals Programs. A separate Director's Office works with outside groups and provides overall departmental direction. The current Director is a psychiatrist. The Director's Office also includes specific support functions such as planning and policy development, legal services, patients' rights, public affairs, legislative liaison, affirmative action, and intergovernmental relations.

The Division of Administration is responsible for financial and personnel management, labor relations, data processing, the collection and analysis of statistical data, contracts and business services. Their auditing practices are currently in transition. In 1984 the Federal Single Audit Act was passed requiring counties to do their own audits for the General Fund. This legislation set certain standards and requires that the State review the counties' audits. This function for DMH will diminish once the counties become accustomed to the audits and can do them correctly. The counties contract out for the audits, and Administration acts as overseer. A $16 million federal block grant to the counties has been tied to the Single Audit Act.

The state enters into agreements with twenty bargaining units. Labor Relations assists Personnel in bargaining and reviewing employee grievances. The Business Services Section deals with DMH contracts including the leasing of space with counties. The Information Systems Branch deals with data processing of information including data collection for the Condition Release Program (to be discussed later) and aiding the counties in data collection and office automation.
The Division of State Hospitals employs by far the largest percentage of the DMH's employees. Of 7,300, all but 350 are state hospitals employees. This Division administers Atascadero, Patton, Metropolitan, and Napa State Hospitals. This Division also manages programs for 600 mentally ill patients at Camarillo State Hospital. Camarillo is, however, under DDS jurisdiction. The various sections and branches within the Division of State Hospitals work very closely with each of the five hospitals serving the mentally ill. In particular, over the past four years, the Department has increased treatment staff in the hospitals by over 700 positions, part of a major program to achieve national accreditation for the hospitals.

Another relatively new addition to the Division is the Forensics Services Branch. It began as a pilot program in 1975 (AB 1229--Chapter 1274, Statutes of 1975) to treat some penal code offenders through the mental health system. Legislation in 1984 (AB 2381--Chapter 1419, Statutes of 1985) made the program a permanent responsibility of DMH. The Department has designed a program called the Conditional Release Program to deal with penal code offenders. It allows a patient's release from a state institution into the community. As a condition of their parole, the patients must continue with local treatment. The program deals with penal code commitments in the following categories: Not Guilty by Reason of Insanity, Incompetent to Stand Trial, Mentally Disordered Sex Offenders, and Mentally Disordered Offenders (MDO - SB 1296, to be discussed further). The program, although administered by the Division of State Hospitals, is carried out by contract with counties or private providers. In some smaller Northern California areas where counties are unable to supply the program, state-operated programs are substituted.
The Department now follows a set procedure in determining the level of service provision. If for some reason a county cannot fulfill a need, the State contracts out for services through a private provider. If the service is mandated by legislation and the State is unable to contract out either to the counties or the private sector, the State will administer and staff a program or service directly through the Department of Mental Health.

California is basically a community-treatment oriented state. People who are still in state hospitals represent a group of people that current community hospital resources cannot help. Many are in state hospitals because there is no recognizable treatment for whatever they have and their difficulties are better treated in a state hospital.

Sources of Change and Organizational Responses

The shift of administrative and program responsibilities to the counties has changed the DMH role in many areas from direct service provider to funding and oversight functions. State hospitals continue to provide services directly to clients, but roughly 60 percent of the budget is administered in a pass-through/oversight function by the Division of Community Programs. This shift in organization has had profound implications for the internal and external environments of the DMH.

The process of decentralization resulted internally in the transfer of many DMH field employees to county mental health programs. In transferring responsibility for community programs, the DMH negotiated to ensure that an overwhelming majority of former State employees were hired by the county agencies. Thus the hazard to employee morale of massive layoffs was avoided.

The shift in function and accompanying staff reductions may have strained the capacity of remaining staff members. Staffers in the Community
Programs Division had responsibilities expanded, hampering their ability to visit local care providers. Demands on the audit unit limited program review to once every 2-3 years.

The internal environment in the Division of State Hospitals has been significantly affected by the current emphasis on accreditation. The DMH's primary concern here is quality of care. Certification of programs by the federal government does enable the DMH to secure additional funding from federal health care programs, such as Medicaid. Accreditation is, however, strictly voluntary and is conducted by the Joint Commission on the Accreditation of Hospitals, a private, non-profit organization.

Accreditation is being pursued in two ways. First, hospital staff has been increased by about 700 positions. Second, plant facilities are slated for improvement. New staff positions, it is hoped, will increase patient-staff time. New staff permit more involvement of staff in treatment programs and expands ability to track services provided. Large capital outlays have been appropriated for the accreditation push in the area of plant facilities for state hospital reconstruction. The Facilities Planning Branch has recently transferred form the Department of Developmental Services to deal with planning of capital outlays. The Capital Outlay Program began as a five-year plan, but has been extended to a 7-8 year plan, because it proved to be more difficult than originally anticipated.

Decentralization has affected DMH's external environment. With additional responsibilities accompanied by increased dependency upon state funds, county governments have taken a keener interest in mental health funding. In 1987-88, the budget to the counties will probably remain even. Yet county contracts are written to include a cost of living increase,
suggesting the potential for increased county activity in DMH budgeting matters.

DMH's relations with counties seems cordial, but marked by periodic policy conflicts. A unit in DMH, the County Operations Branch serves as the link between DMH and local mental health advisory boards and the California Conference of Local Mental Health Directors. Personnel from all three DMH divisions are involved with county as well as other constituent organizations.

Policy conflict between local and state officials may be demonstrated in the difference of opinion over Assembly Bill 2541 (passed into law in 1985), which was proposed by Assemblyman Bruce Bronson. This bill was an attempt to deal with the problems of the state's homeless mentally ill and other special populations. The DMH opposed the bill because it provided categorical grants of funds, limiting county flexibility in implementation. Paradoxically, the counties supported the legislation, fearing that lack thereof would result in loss of all funding for these programs, categorical or otherwise.

The federal government seems to have limited involvement in DMH activities. It is certainly a major source of funding for Medi-Cal and a $16 million block grant. Yet federal interference in daily operations seems limited.

The California Legislature is a major source of external uncertainty for DMH. Though not always able to forestall DMH-opposed legislation, DMH has been able to work with the Legislature to ensure that this legislation would be passed in such a form as to be easily implementable. For example, DMH opposed SB 1296 (Chapter 1419, Statutes of 1985) which created a new mental health commitment classification to treat specific mentally ill prisoners who are approaching the end of their determinate sentence. This new commitment
applies to those individuals who committed a crime of force or violence and who continue to be a danger to the public because of a severe mental disorder which, in some measure, contributed to the commission of the crime. The law creates circumstance whereby mentally disordered offenders (MDOs) might receive inpatient or outpatient care. The DMH opposed SB 1296, accepting the program only after negotiating tight criteria for its application. For example, DMH refused to accept persons with personality disorders. These persons present a threat to other patients and to hospital staff and do not respond well to treatment. The Department also insisted upon additional resources, for example, to provide security at Patton State Hospital.

Other members of DMH's task environments include the 22 government unions with which contracts are negotiated. This study did not determine the nature of these relationships.

Also, DMH works extensively with other State departments and agencies. Close cooperation marks a program with the Department of Corrections in which mentally ill persons may be housed in correctional facilities. DMH also works with the Department of Rehabilitation (where there is a major program for rehabilitation of mentally ill persons), the Department of Alcohol and Drug Programs, the Department of Youth Authority, and Department of Health Services. There is potentially a great degree of connection between DMH programs and programs in these departments. This study did not determine the cordialness of those relationships.

Finally, there are a great number of constituent groups and interest groups, which maintain a close watch on DMH activities and mental health-related legislation.
Bibliography


Arnold, Doug, Director, State Hospitals Division, DMH. Interview, spring 1987.


California Statutes and Amendments to the Codes, 1970, Regular Session, Volume 2.


Directory, Department of Mental Hygiene, State of California, 1968.

Gilberg, Richard, Chief, County Operations Branch, Community Programs Division, DMH. Interview, spring 1987.

Governor's Budget (and supplements), various years 1968 - 1988.

Harper, Charles, Chief Deputy Director, DMH. Interview, spring 1987.

Mandella, Vince, Assistant Director, DMH. Interview, 1984.

Murray, Clyde, Assistant Deputy Director, State Hospitals Division, DMH. Interview, spring 1987.

Whetstone, Lynn, Chief, Administration Division, DMH. Interview, spring 1987.
### Department of Mental Health
#### Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1972/73</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1973/74</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1974/75</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1975/76</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1976/77</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1977/78</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1978/79</td>
<td>$ 52,026</td>
<td>$ 356,929</td>
</tr>
<tr>
<td>1979/80</td>
<td>64,833</td>
<td>417,336</td>
</tr>
<tr>
<td>1980/81</td>
<td>85,356</td>
<td>481,546</td>
</tr>
<tr>
<td>1981/82</td>
<td>96,977</td>
<td>498,619</td>
</tr>
<tr>
<td>1982/83</td>
<td>95,904</td>
<td>467,894</td>
</tr>
<tr>
<td>1983/84</td>
<td>105,729</td>
<td>445,446</td>
</tr>
<tr>
<td>1984/85</td>
<td>265,865</td>
<td>364,042</td>
</tr>
<tr>
<td>1985/86</td>
<td>292,174</td>
<td>459,695</td>
</tr>
</tbody>
</table>


* See note in Preface.
Department of Mental Health
Expenditures for State Operations - State Funds

Budget Year

Federal Funds

Budget Year
Department of Mental Health
Personnel-Years

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Authorized</th>
<th>Filled</th>
<th>Authorized</th>
<th>Filled</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Permanent</td>
<td>Temporary</td>
<td>Permanent</td>
<td>Temporary</td>
</tr>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1972/73</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1973/74</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1974/75</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1975/76</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1976/77</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1977/78</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1978/79</td>
<td>3,653</td>
<td>*</td>
<td>3,130</td>
<td>86</td>
</tr>
<tr>
<td>1979/80</td>
<td>3,618</td>
<td>3</td>
<td>3,083</td>
<td>71</td>
</tr>
<tr>
<td>1980/81</td>
<td>3,518</td>
<td>3</td>
<td>3,142</td>
<td>123</td>
</tr>
<tr>
<td>1981/82</td>
<td>3,606</td>
<td>13</td>
<td>3,184</td>
<td>123</td>
</tr>
<tr>
<td>1982/83</td>
<td>4,189</td>
<td>21</td>
<td>4,203</td>
<td>96</td>
</tr>
<tr>
<td>1983/84</td>
<td>5,075</td>
<td>21</td>
<td>4,165</td>
<td>82</td>
</tr>
<tr>
<td>1984/85</td>
<td>4,033</td>
<td>21</td>
<td>4,131</td>
<td>62</td>
</tr>
<tr>
<td>1985/86</td>
<td>4,632</td>
<td>21</td>
<td>4,145</td>
<td>68</td>
</tr>
<tr>
<td>1986/87</td>
<td>7,438</td>
<td>21</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: Governor's Proposed State Budget of California
        Supplement for Salaries and Wages, 1969 - 1987

* Temporary personnel-years have been included with permanent.
Department of Mental Health
Personnel-Years

Authorized
Filled
Introduction

The California State Military Department (CSMD) is a broad-based, wide-ranging organization which encompasses both state and federal government activities and military operations. Comprised primarily of the California Army and Air National Guard, the CSMD is responsible for statewide operations which have considerable economic impact on most of California's counties. The CSMD is a highly visible, service-oriented agency which deals directly with the public and answers to the orders of the state Governor. Many other agencies may be described in this way but the major difference is the relationship with the Governor. In the same way that the President of the United States is the Commander in Chief of the U.S. Armed Forces, the Governor is the Commander in Chief of the CSMD.

Department Development

In 1970, the CSMD had five major programs included in its state budget: Army National Guard, Air National Guard, Office of the Commanding General, Military Retirement, and the California Cadet Corps (CCC). After being inactive for fifty-six years, in 1976 the California Naval Militia was reactivated but it drew no funds from the CSMD budget. During the target period, the CSMD picked up several additional programs such as the California
The CAL GUARD Farm and Home Loan Program became effective on January 1, 1979 but was discontinued June 30, 1986 when the interest rates of the bonds sold by this program were no longer competitive. This program may be reactivated without additional legislation should interest rates again become competitive. In 1984, the temporary Task Force GRIZZLY was created to support the security requirements of the Los Angeles Police Department during the 1984 Olympics. The Military Support to Civil Authority Program became a separate program in 1984. The State Military Reserve Program began drawing funds from the budget in 1984. The California Specialized Training Institute (CSTI), established in 1971, was transferred to the State Office of Emergency Services (OES) on July 1, 1985. This transfer was implemented in order to centralize the State's emergency management and training activities under OES. It should be noted that in 1982, funds for the CCC were deleted from the budget and then later reinstated in 1985.

Budget fluctuations for CSMD are not unusual. These can generally be accounted for by shifts in California's emergency requirements in a given year.

In the early 1970s, implementation of the "Total Force Policy" gave all National Guard units greater responsibility in national defense by making them a functional part of the active armed forces during wartime situations. With this responsibility came more federal resources and the need for a much higher state of readiness.

TOTAL FORCE POLICY:

A federally-implemented program called the Total Force Policy was one of the major changes that affected the CSMD during the 1970s. This policy was
an attempt to save money at the federal level. There was a realization that the nation could not meet all contingencies with the existing active forces nor could it afford the cost of increasing the forces to the required level.

To remedy this, the active federal forces, the reserve forces, and the National Guard forces would be deployed together in the event of a wartime situation. Extra funds were required to upgrade the reserves and National Guard to meet federal standards but in the long run, it would be less expensive alternative for providing for national defense.

With implementation of Total Force Policy, the CSMD had to increase its battle readiness to equal that of the active federal forces. They needed to be prepared twenty-four hours a day for deployment to any location in the world as an integral part of the total force for national defense. To achieve this high degree of readiness, the CSMD was provided with more men, money, and material from the federal government. Although the quality of the equipment the CSMD uses is not equal to that of the active services, it is much better than the equipment used before implementation of the Total Force Policy. The net effect of this policy is an increase in federalization of the CSMD. This is seen in the fact that more than ninety percent of the budget is federally funded. Also it should be noted that more than eighty percent of the full-time personnel are federally employed.

Funds for the CCC were cut from the state budget in 1932. In an attempt for the CSMD as a whole to save money, the CCC struggled to survive without support. Once it was determined that the CCC could not survive on its own, the funds were revitalized in 1935.
Characteristics of the Internal Environment

The Adjutant General, the Assistant Adjutant General, the Chief of Staff, and three Deputy Adjutants General are involved in the overall decision making and planning processes. In the lower echelons, the decision-making processes are determined primarily according to military rank. Most employees have decision-making capability of one form or another but decisions made by higher level employees tend to have more global effects on the organization, as they should.

Programs and plans within the CSMD are evaluated by a special aide to the Adjutant General called the Inspector General. His mission is to examine the state of economy, efficiency, discipline, morale, esprit de corps, and readiness throughout the CSMD. Inspections are conducted to identify problems, assign responsibilities, and develop solutions. Programs and plans are also evaluated when conducting exercises under simulated conditions. At the state level, exercises such as the Earthquake Response Alert Test are executed in conjunction with civilian authority at least once a year. On the federal level, there are continuous training programs such as the Army Training and Evaluation Program in which National Guard forces participate with active forces in simulated wartime exercises throughout the world.

The subunits within the organization inherently have different goals and objectives. There is little conflict between them since their goals are aligned with the overall goals of the agency. The only real conflict which occurs is the natural conflict between programs when competing for funding and resources.

Members of the CSMD tend to have a high level of motivation which is reinforced by their visible promotions. Promotion offers additional status, salary, and in some instances privileges within the organization.
Additionally, failure to get promoted in some cases may result in an officer being relieved. This is especially true in the upper echelons.

There is a high level of cohesion in the CSMD since the personnel are trained from the start to tackle problems as a team rather than individually.

Incentives used to ensure reliable and loyal members vary from the military aspects of service to awards, cash, and other bonuses. Training programs to improve member compliance are utilized continuously in order to assure a high state of readiness. Socialization procedures, normally imposed during initial training periods, are utilized to improve member compliance also. The main source of junior California Army National Guard officers is the California Military Academy. It also provides the major training for noncommissioned officers, training approximately 900 soldiers annually. The CCC provides the California National Guard with a constant source of potential new recruits as well as providing junior and senior high school youths the chance to develop qualities of leadership, patriotism and citizenship. The California IMPACT Program prepares youths, seventeen to twenty-one years of age, to enter unsubsidized employment and to use the military services as an employment option. Of those who graduate, twenty-five percent are scheduled to enter the California National Guard or other military services.

Leadership change of the Adjutant General occurs normally every four years with the election of a new state Governor. After such a change in high leadership, there are changes in the administrative means to achieve the organization's goals since the personal philosophy of the leader naturally differs. The direction of achieving goals can also change when high leadership changes.
Characteristics of the Task Environment

The CSMD comes in frequent contact with many political actors. CSMD deals with frequently: state legislators, Governor's Office, almost all other state agencies, other countries, state and federal court systems, federal government, unions, Red Cross, county agencies, cities, Corps of Engineers, Department of Defense, Rotary Clubs, etc...

The CSMD is legally accountable to both the state and federal governments for all the men, money, and material that it uses to accomplish its goals. For individual cases, the agency has a Judge Advocate General who serves as a legal advisor to unit commanders and their staffs and to members of the National Guard in connection with their military status.

In general, constituent support for the CSMD tends to follow the same trends as the United States Armed Forces. Therefore, its image was tarnished due to the Vietnamese War in the early to mid-70s. Yet the CSMD tends to enjoy more support due to its highly visible state mission. For example, the National Guard is highly visible in their efforts to save lives and property and to give aid to flood or other disaster victims.

The CSMD is susceptible to political pressure from the State Legislature and Congress through budget constraints and from the Governor and President through direct orders. Budget constraints and direct orders can be imposed due to a variety of political reasons. The Governor might exert his power by directing National Guard units to preserve peace during a violent rally on a college campus. The President could order mobilization of National Guard units during a time of national crisis.

As mentioned before, the CSMD is dependent upon the federal government for most of its fiscal and staffing resources. This support has reached an historical peak in recent years.
Sources of External Stress

One source of instability that has confronted the CSMD is the lack of political support for capital outlay. For example, National Guard armories cannot be repaired or new armories constructed because needed capital funds are tied to the dwindling gasoline tax. Congress is willing to pay seventy-five percent of the costs if the State Legislature pays twenty-five percent. The legislature may be reluctant to risk another Proposition 13-type situation, and hence may be unwilling to spend money on a long-term solution. To date, some CSMD functions are housed in rented buildings.

A technical change that is presently confronting the CSMD is computerization. The Management Information Systems Office (MISO) was established in 1984 to manage software, equipment, manpower, and facilities pertaining to automation. It created a three-year plan to automate and generate decision support systems for a department accustomed to working in a 1950s-era automation environment. This has created some instability as the employees learn about the new type of automation. But the system will assist all levels of management in making timely, cost-effective decisions by the end of fiscal year 1987.

Some problematic political relationships exist with state and federal legislative committees, but they usually involve factual differences of opinion. The state legislative relation-ship is slightly better since they are closer to the CSMD field of operations and can see the need for the CSMD in the state. Federal relations are not as good due to their relative distance and since they must deal with other states as well. Problems occur
with counterparts at the federal level especially regarding programs inappropriate for California.

Conflict with the California State Finance Department naturally occurs due to their watchdog function. They tend to disagree about CSMD state funding. The CSMD attempts to reduce uncertainty in these relationships by providing accurate and timely information that fully justifies their position. This increases their credibility.

The image of the CSMD among its peers in other states appears excellent. It is the second largest in the nation and tends to set the example for departments in other states. The Information Management Plan mentioned previously has become a model for other states to emulate.
BIBLIOGRAPHY

Barrow, Col., Air National Guard, Interview, April 6, 1987

Brennan, Col. Dan, Deputy for Budget Affairs, Interview, April 6, 1987


Zysk, Col. Edmund, Government Affairs Officer, Interview, April 6, 1987
<table>
<thead>
<tr>
<th>Year</th>
<th>State Operations</th>
<th>Local Assistance</th>
<th>Capital Outlay</th>
<th>% of Total State Oper.</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>$ 4,663</td>
<td>0</td>
<td>0</td>
<td>.28%</td>
<td>$ 57,145</td>
</tr>
<tr>
<td>1970/71</td>
<td>4,571</td>
<td>0</td>
<td>0</td>
<td>.26</td>
<td>59,905</td>
</tr>
<tr>
<td>1971/72</td>
<td>4,454</td>
<td>0</td>
<td>$ 165</td>
<td>.25</td>
<td>65,481</td>
</tr>
<tr>
<td>1972/73</td>
<td>5,431</td>
<td>0</td>
<td>0</td>
<td>.26</td>
<td>83,935</td>
</tr>
<tr>
<td>1973/74</td>
<td>3,936</td>
<td>0</td>
<td>0</td>
<td>.15</td>
<td>101,046</td>
</tr>
<tr>
<td>1974/75</td>
<td>7,241</td>
<td>0</td>
<td>114</td>
<td>.25</td>
<td>108,333</td>
</tr>
<tr>
<td>1975/76</td>
<td>7,736</td>
<td>0</td>
<td>209</td>
<td>.23</td>
<td>116,929</td>
</tr>
<tr>
<td>1976/77</td>
<td>8,828</td>
<td>0</td>
<td>52</td>
<td>.23</td>
<td>115,010</td>
</tr>
<tr>
<td>1977/78</td>
<td>9,280</td>
<td>0</td>
<td>221</td>
<td>.24</td>
<td>128,924</td>
</tr>
<tr>
<td>1978/79</td>
<td>10,752</td>
<td>0</td>
<td>167</td>
<td>.22</td>
<td>130,587</td>
</tr>
<tr>
<td>1979/80</td>
<td>12,966</td>
<td>0</td>
<td>113</td>
<td>.23</td>
<td>146,329</td>
</tr>
<tr>
<td>1980/81</td>
<td>16,409</td>
<td>0</td>
<td>0</td>
<td>.28</td>
<td>171,291</td>
</tr>
<tr>
<td>1981/82</td>
<td>14,493</td>
<td>0</td>
<td>295</td>
<td>.24</td>
<td>170,817</td>
</tr>
<tr>
<td>1982/83</td>
<td>15,969</td>
<td>0</td>
<td>212</td>
<td>.25</td>
<td>222,818</td>
</tr>
<tr>
<td>1983/84</td>
<td>17,201</td>
<td>0</td>
<td>1,364</td>
<td>.21</td>
<td>255,835</td>
</tr>
<tr>
<td>1984/85</td>
<td>19,257</td>
<td>0</td>
<td>696</td>
<td>.21</td>
<td>267,238</td>
</tr>
<tr>
<td>1985/86</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>279,452</td>
</tr>
</tbody>
</table>


* See note in Preface.
Military Department
State Fund Expenditures

Thousands of Dollars

Budget Year

Federal Funds

Thousands of Dollars

Budget Year
<table>
<thead>
<tr>
<th>YEAR</th>
<th>Temporary Personnel-Years</th>
<th>Permanent Personnel-Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>1970/71</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>1973/74</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>1974/75</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>1975/76</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>1976/77</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>1977/78</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>1978/79</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>1979/80</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>1980/81</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>1981/82</td>
<td>14</td>
<td>12</td>
</tr>
</tbody>
</table>

Temporary personnel-years have been included with permanent.

DEPUTY ADJUTANT GENERAL
ARMY DIVISION

CHIEF OF STAFF
PERSONAL SPECIAL STAFF

ASSISTANT ADJUTANT GENERAL

THE ADJUTANT GENERAL

DEPUTY ADJUTANT GENERAL
AIR DIVISION

DEPUTY ADJUTANT GENERAL
RESOURCE MANAGEMENT DIVISION

Military Department
California National Guard
Personal/Staff and Command Section
Air Division

Director Personnel and Administration

Director Logistics

Director Operations and Training

Director Resources

Civil Engineer

Chief of Staff

Deputy Adjutant General

Air Division
Introduction

The Department of Parks and Recreation is housed within the Resources Agency of the Executive Branch of the State of California. The first state park was established in 1891 in the Santa Cruz Mountains (Big Basin Redwood State Park). Jurisdiction over this park was given to the Division of Natural Resources. This Division was succeeded by the Division of Parks in 1927. The modern Department of Parks and Recreation was established in 1961.

In 1974, there existed four major divisions within the Department of Parks and Recreation. The Director's Office was responsible for general administration, public relations and administration of local grants. Field Operations maintained system parks. Design and Construction was given oversight of the construction of new facilities. Finally, Grants and Statewide Studies was charged with the acquisition, planning and creative development of new facilities. The tasks carried out by these divisions have remained much the same as in 1974, although former division subunits have now been granted division status. For example, Divisions of Development,
Planning, Grants Administration, and Acquisition have been broken from the former superordinate structures. Major functions of the Director's Office (now Executive Office) have been passed to a new Division of Administration. This unit is responsible for fiscal and personnel administration. A copy of the department organizational chart is included at the end of this text.

Characteristics of Internal Environment

The degree of centralization of decision making in the Department of Parks and Recreation depends to a great degree upon the nature of the decision to be made. Most park and/or field related problems are handled at the district or region offices. More far-reaching decisions are made by the Office of Field Services and the Deputy Director for Field Operations. Field operations policy is entirely coordinated by the district and regional managers with supervision from the Deputy Director. Special or technical difficulties are dealt with by the Field Services, Interpretive Services, and Resource Protection Divisions.

Decisions of a fiscal or personnel related nature are handled by the Administration Division under the Deputy Director of Administration. Project planning and development are the responsibility of the Chief Deputy Director over the Development, Planning, Grants Administration, Acquisition, Economic and Fiscal Affairs and Legislative/legal divisions. Division chiefs occupy key positions in the operations of the agency. Extensive contact with operations staff is translated into policy recommendations to the Director by these individuals. The process through which operational decisions are made rests primarily on the shoulders of the eleven Sacramento-based division chiefs.
In field operations, district autonomy is encouraged, because of the uniqueness of each district and of each park unit within the district. In addition to responsibility for carrying out district operations, the district chief may initiate requests for funds or other resources which will be reviewed and decided at higher echelons within the government--even by the Legislature. District managers are constantly in communication with one another over various issues. Horizontal communication outside the formal channels is encouraged by department managers.

Departmental planning is done jointly by the Planning Division under the Chief Deputy Director. Normally ideas are prompted by field workers or managers who notice room for improvement or an opportunity for new acquisition. The Planning Division reviews the political, and financial feasibility of the project. If it is agreed that the project is feasible, then it will be taken to the legislature for consideration. Recommendations of the Legislative Analyst's Office may hold considerable sway in legislative acceptance. The Resources Agency, the Executive Office and the Legislature oversee the Department of Parks and Recreation from the outside with the power to limit autonomy as well as limit funding.

Training programs are carried on for many low to mid-level positions including those in the management ranks. All training for both the field workers and Sacramento-based employees is done through the Administrative Services Division. A training center near Monterey is a state of the art ranger training center, a model for programs in many other states.

Parks and Recreation experiences some differentiation of subunit goals. This may be demonstrated by means of an example. Since the early 1970s, the divisions of Planning, Development, Acquisition, and Local Grants have found themselves competing in the political arena for the same dollars. The growth
of the Local Grants Division has forced Planning, Acquisition, and Development to settle for a smaller portion of the budget and hope to get subsidized by a decreasing amount of funding coming from the federal government.

As in many other state departments, Parks and Recreation has begun to contract out some of its workload. For many years it offered contracts to concessionaires for customer services at specified park units, including the sale of food and souvenirs and rental of equipment. It has also given control of some entire units to counties and regional park districts, e.g. beaches at Lake Del Valle, and Lake Chabot.

The department has recently undertaken a program whereby universities provide parks with "general plans." These plans describe potential park uses, setting forth why it is needed by both the community of today and those of the future. One such program is in progress at the Brannan Island State Recreational Area by University of California-Davis students and faculty.

Beyond the normal benefits given to state employees who are unionized and civil servants, only one procedure or practice is maintained to help ensure reliability and loyalty. That is a very high rate of promotion. Many of the top level executives have field experience. One such example is Curt Mitchell, now serving as interim Co-Director of the Department. Curt was once a district supervisor. The knowledge that service will be rewarded both financially and by means of promotion offers a strong incentive for good work performance. Morale is also built through the creation of informal organizational support networks through such traditional tools as potluck dinners for all employees of a particular park or field operation. This creates almost a family environment in some operational areas.
Professional socialization of P&R staff members is provided through professional organizations such as the California State Park Rangers Association (CSPRA). These organizations help to provide input on new practices and acquisition strategies. The role served by professional associations is reinforced through several "in-house" publications which model additions and stress organizational goals and standards.

The high visibility of some P&R tasks make it potentially susceptible to outside political pressures. For example, some conflicts have arisen when conservationists and environmentalists compete with recreational enthusiasts for program support. One good example is in Pismo Dunes on the central coast where Off Highway Vehicles are destroying rare and beautiful types of plants. However, these problems are normally isolated, limited by the geographic considerations of a particular controversy. The Legislature (state and on a smaller scale federal) the provides probably the main political pressure faced by the Parks and Recreation Department. The legislative publications given to each legislator detail P&R programs and other recreational programs and dollars spent in his/her district.

The overall agency morale is exceptional considering the economic hardships of the past few years. Financial complications along with many directors changes have been counterbalanced by a feeling of departmental success and broad support from the state's residents. Turnover is low in all but the political positions. A few of the political position changes have led to some adjustments in the upper level civil service positions. Even this minor instability is seen as only temporary.
Characteristics of the Task Environment

The Department of Parks and Recreation serves several different constituencies. The expectations of what a park is and its proper uses varies from group to group. For example, perspectives regarding proper park use and development would vary significantly for users of off-highway vehicle groups versus conservationists. One sees the park as a place to be used actively (in this case, motorcycling or four-wheeling) while the other envisions parks as places for preservation and maintenance of the state's natural beauty. Even those who agree that conservation is of primary value in state parks might disagree over the degree to which areas should be developed to facilitate park accessibility. Where do we want roads? Where camping facilities? Do we allow hotels or shops?

This situation often leads to the development of interest-specific parks, such as Pismo State Beach where off-road enthusiasts can ride vehicles on the beach and the neighboring sand dunes.

Growth of the urban population in California and the attendant need for green space in urban areas has placed additional stress upon the Department of Park and Recreation to develop parks with greater local accessibility. Currently, grants have been given (since 1964) to city and county governments to develop parks to serve this local constituency. This program has produced such popular recreational facilities as Lake Chabot and Tilden Park. As these funds have decreased in recent years, various local governments find themselves competing against one another for park grants. This process has resulted in increased state local cooperation e.g. sharing training units and other expenses. On an operating basis, city and county governments also assist in maintenance of state parks. Many state park properties are maintained and managed by county or city park departments (e.g. Los Angeles
beaches and Lake Del Valle). As former Director of Ventura County parks, the current director seems a likely force to promote greater state-local park cooperation.

Public support for the Park and Recreation Department is also demonstrated by active volunteer groups and private funding agencies. The Semperiren's Fund, for example, helps to provide volunteers to build trails and lead orientations for visitors to parks like Big Basin Redwood State Park in the Santa Cruz Mountains. Activity in the parks themselves is often matched by activity in the Legislature. Groups such as the National Audubon Society or the Sierra Club maintain active interests in the development of policies affecting state as well as federal parks in California.

The popularity of state park facilities is such that a 40 percent fee increase in January 1987 had minimal impact on campsite use during the summer months. User rates, according to the Department, have grown faster than budget allocations.

While not the recipient of overwhelming support, the Department of Parks and Recreation feels that it maintains stable positive relations with both the Governor's Office and the Legislature. Stable budgets, with weak fluctuations, support this conclusion. Neither branch interferes significantly in daily departmental operations. The Department approaches the Resource Agency with new ideas to add to their programs and the Legislature is usually quite receptive. Among strategies for improving legislative relations, the Parks and Recreation Department produces a list of ongoing projects in each legislator's district. The legislator can use this list to demonstrate the uses of constituents' tax dollars at home. The Department sponsors both a legislative office and a legal office to facilitate relations with the state and federal governments. These offices
are under the direction of a Chief Deputy Director, also responsible for agency planning functions. Departmental staff seem optimistic that funding and departmental program support are likely to grow significantly in coming years.

In addition to park development grants, there is broad cooperation between the federal and state park programs. A Ranger Exchange program swaps park rangers between state and national parks so that each might experience some new methods for performing park tasks. Conflict might emerge over issues of park development (e.g. who should have claim for a particular piece of land). These questions have generally been resolved by passing the property to the lowest level of government willing to devote resources to its development.

Parks and Recreation has minimal contact with other state agencies. Jurisdictional disputes are reportedly rare. Contacts with departments such as Fish and Game tend to based upon mutual cooperation.

Sources of External Stress

Several external sources of stress have combined to restrain growth of the Department of Parks and Recreation. The recent causes of budgetary decline can best be understood in light of the preceding period of growth.

During the late 1970s, Governor Edmund G. Brown, Jr. prioritized a program to promote the needs of new and expanding urban and suburban areas with and emphasis on urban recreational facilities and municipal/local autonomy over state control. As a consequence, the Grants Administration Division grew in federal and state funding for several years. Federal subsidies have since declined substantially such that the past four years have provided less than the previous two years alone. As this was primarily
pass-through money, the result has been stagnation of programs to aide city and county park development.

The passage of Proposition 13 had little immediate impact on Parks and Recreation Department operations; however, the Gann expenditure limit has had substantially greater effect. Departmental expenditures from 1980-1984 in constant dollars decreased. The departmental response has been to redouble efforts to prioritize their programs in the Governor's future budgetary proposals.

In addition to the influence of governors' policies upon departmental operations, outside interest groups have proven sufficiently influential to effect one major change in the departmental program. Off-road vehicle enthusiasts lobbied that Department and Legislature for greater availability of recreational opportunities for their members. As a result, there emerged a new Off-Highway Vehicle Recreation Division with its own Deputy Director. Between 1983 and 1985, a third of the new 122 departmental positions were added to this division.

Technical change in Parks and Recreation is demonstrated in the routinization of maintenance activities. Rather than responding to system emergencies, the maintenance units monitor maintenance of facilities on a cyclical basis. For example, it has been determined that beach buildings exhibit deterioration when not painted annually. This program allows for regularized execution of these functions. Automation of staff functions and of field offices—though a long time in coming—are beginning to take root now. Departmental plans call for complete automation by 1990.

The Department's image among its peers in other states and at the federal level is very positive. The California Department of Parks and Recreation is recognized as a world leader in resource management and
preservation. Many states have patterned programs after a system which was first devised here. Recently, the federal government adopted a cyclical maintenance program much like that initiated in the State of California in 1980. The ranger training facility at Asilomar State Park in Monterey is one of the most extensive and modern in the United States. Visitors from several other states and from the federal park system have come to Monterey to observe this training process.

The size of the department and the diversity of the parks which it must administer makes its task challenging and open to considerable creativity. This situation makes for a very difficult job, performed with pride by the Department of Parks and Recreation—the envy among the ranks of its peers.
Bibliography


California. Governor's Budget (and supplements), various years, 1967 - 1985.

Domich, Tom, Office of Fiscal Administration, CDPR. Interview, spring 1987.


Kennedy, Bruce, Statewide Planning Section, CDPR. Interview, spring 1987.

Mitchell, Curt, Assistant Deputy Director, External Affairs (Interim Chief Deputy Director for Operations), CDPR. Interview, spring 1987.

Torkelson, Frank, Deputy Director, Administration Division, CDPR. Interview, spring 1987.

Vann, Elaine, Office of Personnel Administration, CDPR. Interview, spring 1987.
Department of Parks and Recreation
Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
<td>Capital Outlay</td>
</tr>
<tr>
<td>1969/70</td>
<td>$18,979</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1970/71</td>
<td>19,867</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1971/72</td>
<td>20,048</td>
<td>0</td>
<td>$476</td>
</tr>
<tr>
<td>1972/73</td>
<td>23,651</td>
<td>0</td>
<td>5,173</td>
</tr>
<tr>
<td>1973/74</td>
<td>28,639</td>
<td>0</td>
<td>32,645</td>
</tr>
<tr>
<td>1974/75</td>
<td>34,064</td>
<td>$523</td>
<td>33,194</td>
</tr>
<tr>
<td>1975/76</td>
<td>39,855</td>
<td>314</td>
<td>15,496</td>
</tr>
<tr>
<td>1976/77</td>
<td>46,785</td>
<td>10,158</td>
<td>10,063</td>
</tr>
<tr>
<td>1977/78</td>
<td>53,348</td>
<td>23,353</td>
<td>16,408</td>
</tr>
<tr>
<td>1978/79</td>
<td>54,234</td>
<td>27,515</td>
<td>22,785</td>
</tr>
<tr>
<td>1979/80</td>
<td>60,501</td>
<td>21,185</td>
<td>38,743</td>
</tr>
<tr>
<td>1980/81</td>
<td>73,588</td>
<td>15,304</td>
<td>27,457</td>
</tr>
<tr>
<td>1981/82</td>
<td>80,031</td>
<td>15,719</td>
<td>20,911</td>
</tr>
<tr>
<td>1982/83</td>
<td>79,268</td>
<td>9,504</td>
<td>25,121</td>
</tr>
<tr>
<td>1983/84</td>
<td>90,037</td>
<td>8,090</td>
<td>6,067</td>
</tr>
<tr>
<td>1984/85</td>
<td>104,260</td>
<td>4,053</td>
<td>11,891</td>
</tr>
<tr>
<td>1985/86</td>
<td>116,664</td>
<td>9,347</td>
<td>10,657</td>
</tr>
</tbody>
</table>


* See note in Preface.
Dept. of Parks and Recreation
State Fund Expenditures

Budget Year

Federal Funds

Budget Year
<table>
<thead>
<tr>
<th>YEAR</th>
<th>Temporary Personnel-Years</th>
<th>Permanent Personnel-Years</th>
<th>Total Personnel-Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>2,110</td>
<td>2,296</td>
<td>2,590</td>
</tr>
<tr>
<td>1970</td>
<td>2,110</td>
<td>2,296</td>
<td>2,590</td>
</tr>
<tr>
<td>1971</td>
<td>2,110</td>
<td>2,296</td>
<td>2,590</td>
</tr>
<tr>
<td>1972</td>
<td>2,110</td>
<td>2,296</td>
<td>2,590</td>
</tr>
<tr>
<td>1973</td>
<td>2,110</td>
<td>2,296</td>
<td>2,590</td>
</tr>
<tr>
<td>1974</td>
<td>2,110</td>
<td>2,296</td>
<td>2,590</td>
</tr>
<tr>
<td>1975</td>
<td>2,110</td>
<td>2,296</td>
<td>2,590</td>
</tr>
<tr>
<td>1976</td>
<td>2,110</td>
<td>2,296</td>
<td>2,590</td>
</tr>
</tbody>
</table>

*Temporary personnel-years have been included with permanent.

Source: Governor's Proposed State Budget of California, Supplement for Salaries and Wages, 1969 - 1987
Dept. of Parks and Recreation
Personnel-Years

Authorized
Filled

Budget Year

Personnel-Years

69/70 70/71 71/72 72/73 73/74 74/75 75/76 76/77 77/78 78/79 79/80 80/81 81/82 82/83 83/84 84/85 85/86 86/87

1600 2100 2600 3100
Summary

The Public Utilities Commission (PUC) is a regulatory agency whose activities directly affect nearly every resident of the state. The PUC regulates several aspects of both the public utilities and transportation industries within the state, including regulation of rates and market share. Its authority and powers are written into the Constitution of California. Its decision may be reviewed only by the California Supreme Court, and any changes in its mandated powers and goals require an amendment to the State Code. Hence the Commission is, in the formal sense, insulated from the political activities of the State.

Several major changes have occurred over the study period of this report. These changes may be viewed as the Commission's response to perceived changes in the needs of the regulated companies and the consuming public.
During the past two decades, the Commission showed a continuous rise in expenditures. From budget years 1967-68 to 1983-84, expenditures increased by more than 30% (constant 1972 dollars). This increase included three major jumps starting in the mid-1970s, resulting from infusions of money into the Commission's budget by the State Legislature to assist in reorganization efforts. These efforts can be traced to the recommendations of the Legislative Analyst and the Executive Office. Much of the reorganizing was done in the Utilities Division and the Financial and Accounting Division in order to facilitate the rate-determining process.

During the late 1970s, the budget allocated to the Utilities Division for rate regulation increased steadily indicating the increasing priority of this function. At the same time, a definite shift in task focus from the regulation of transportation towards the regulation of utilities took place, attributable mainly to the energy shortages which took place in the 1970s. Dramatic electricity rate increases during that time period moved the PUC to develop innovative and more aggressive approaches to utility regulation. More recently, the divestiture of AT&T into several competing phone companies within the state has caused an adjustment in task perception, as the PUC must now regulate these companies while at the same time promoting competition among them.

In the mid-1980s, expenditures for the PUC began rising at much faster pace. The increased funding is attributable to a combination of factors including an effort to step-up office automation at the PUC, a change in the funding of management services costs, and program work load increases.

Another changing aspect has been the PUC's relationship with other federal and state agencies. Until the early 1970s, the Commission was relatively autonomous. It was professional and apolitical, and was mainly a
reactive agency, responding to the requests of the companies it regulated. In succeeding the PUC changed in its approach to regulatory needs. Also new authorities have taken an interest in areas traditionally reserved for PUC regulation. These include the Federal Communications Commission (FCC), Federal Energy Regulatory Commission (FERC) and the Interstate Commerce Commission (ICC) at the federal level and the Energy Resources Conservation and Development Commission (Energy Commission) at the state level. The PUC has experienced some competition—often fought on political fronts—with other agencies attempting to influence the PUC's jurisdictional decisions. In some instances, legal jurisdictional overlap forces confrontation and compromise. The increased interaction of these regulatory authorities has not affected the PUC's overall functions, but has increased the tension between these different authorities.

Another significant development is the recent formation of the employee collective bargaining units to negotiate wages and benefits for the state employees of California. Since this is a relatively new situation, its effects are difficult to gauge. There has been some structural reorganization in the Public Utilities Commission. Reorganization which took place up to 1980 was mainly a response to the demands of the utility companies for a quicker rate-making process. During the 1970s the Communications Branch was elevated to division status, and the Operations Branch of the Utilities Division was combined with Finance to form the Revenue Requirement Division. Within the Utilities Division, the Alternative Energy and Conservation Branch was formed. The Policy and Planning Unit, formed in 1976, was elevated to division status in 1980.

In 1985, the PUC again made organizational changes which expanded the Commission's role. With the creation of the Public Staff Division, the PUC
now has a consumer advocate body to provide a balanced argument to proposals for regulatory and rate change. This followed the creation of the Policy and Planning Section, serving as a "think tank" to allow new and innovative ideas to be researched and developed. These changes are indicative of the PUC's long-term shift from more passive regulation of transportation and utilities to providing active and sophisticated direction for entire markets to the greatest benefit of the state's consumers.

Introduction

The Public Utilities Commission differs significantly from most other state agencies in that it is a regulatory agency whose activities directly affect nearly every resident of the State, and whose powers are written into the Constitution of California. Since its decisions may be reviewed only by the California Supreme Court and since changes in its mandated powers and goals require an amendment to State Code, the Commission is structurally insulated from much of the political activity faced by other state agencies.

Overview of the PUC's Development

During the time period from 1968 to 1983 expenditures of the Public Utilities Commission increased by about thirty percent, after adjustments for inflation, and staffing levels increased by about twenty percent. Fiscal years 1983-84 and 1985-86 showed additional rapidly increased expenditures. These aggregate statistics for the entire time period do not adequately describe the developments which have. The most important observable changes were (1) the internal shift in budgetary emphasis towards regulation of utilities and away from regulation of transportation during the 1970s, (2) the significant fluctuations in the total annual budgets for the Commission
beginning in the mid-1970s, (3) the greater interaction between the PUC and other state and federal agencies, and (4) the more recent changes in the overall approach to regulation which the PUC has undergone. In examining these changes, one should keep in mind the relative independence of the Commission as a regulatory body, allowing the PUC to respond to its changing perceptions of the needs of the regulated companies and the consuming public which it developed through direct contacts with these groups.

A major development during the time period under observation was the steady increase in the proportion of the Commission budget allocated to the Utilities Division, specifically for the regulation of rates, and the concurrent reduction in the proportion allocated to the Transportation Division. In 1969, the total spent on regulation of utilities (in 1972 dollars) was equal to about sixty percent of the total spent on regulation of transportation. In 1982 that figure was about one hundred fifty percent. Within the Utilities Division, more monetary resources are being channelled into utility regulation and particularly into the "rate-making" process, rather than into licensing or safety.

While the proportion of the budget allocated to the regulation of transportation has steadily declined, in absolute figures it has remained fairly constant, after adjustments for inflation. Thus, the change in program proportion has resulted from a steady increase over the years in the absolute amount of money spent on regulation of utilities. The shift in emphasis reflects the increased activity in utility regulation, rather than a reduction in transportation activities.

A second important development in the Commission has been the greater fluctuation in the total budget which become apparent when looking at constant dollars. Until 1975, the budget remained fairly constant. In that
year, however, there was a ten percent increase followed the year after by an
eight percent cut and then a year of stability. Again in 1981, there was a
ten percent increase, followed by two years of slight cuts.

One might suspect that the fluctuations might be the natural part of
estimation uncertainty in the budget process. This is not so. The
fluctuations were caused by three major infusions of money into the
Commission budget by the legislature to assist in reorganization efforts.
These efforts can be traced to recommendations by the Legislative Analyst and
the Executive office made in the middle and late 1970s. The increases of
1978 and 1981 were primarily channelled into the regulation of utilities,
while that of 1975 was directed more towards regulation of transportation.

In the late 1970s the State Legislature became involved in efforts to
speed up the rate-determining process at the request of the utility
companies. The Commission decided to follow some of the recommendations of
the Legislative Analyst and reorganize the Utilities and Financial and
Accounting Divisions. It requested and was granted the funds necessary to
implement this major reorganization. The legislature provided the monetary
incentives to encourage reorganization, but did not issue directives
concerning the Commission's behavior.

The increased expenditures of 1983-84 and 1984-85 were of a different
nature than previous increases, attributable to a combination of factors. An
important one is an accounting change for contracted central administration
costs. Contracts with other state agencies were previously funded from the
state's General Fund and not reflected in the PUC budget. These costs are
now funded by special funds collected as assessments on regulated industries,
and now are reflected in the budgets of both the PUC and the contracting
agency. Another factor has been a stepped up effort at office automation at
the PUC which began in these years. Other smaller factors have contributed. Personnel-years in these years have not followed the pace of budget expenditure figures.

A third important development during this time period was the change in the relationship between the PUC and federal and other state agencies. Several factors have led to increased interaction and conflict between the PUC and federal agencies. A new trend toward deregulation of interstate transportation by the Interstate Commerce Commission (ICC), the break-up of AT&T which now requires increased coordination with the Federal Communications Commission (FCC), and the growth of the Federal Energy Regulatory Commission (FERC), have all meant greater jurisdictional interaction. In some cases the conflict has resulted from philosophical differences between agencies regarding appropriate regulatory strategies. Overlapping legal jurisdictions, be they in minor regulatory areas such as accounting rules for an industry, or in other areas, require the relevant bodies to hammer out their differences. In some cases the federal government has the authority to overrule decisions by the PUC, as happened during the move towards deregulation by the Interstate Commerce Commission. PUC officials stress that the increased tension caused by the necessity of greater interaction has not resulted in major complications in the PUC's primary activities.

The Commission also faces some conflict with another state agency that is attempting to influence areas of PUC jurisdiction. The Energy Resources Conservation and Development Commission (Energy Commission) was created by the legislature in the mid-1970s as an attempt to assert more executive and legislative authority in matters of energy policy. The Energy Commission has jurisdiction over five areas: power plant siting, electrical appliance
standards, energy forecasting, technology development support and maintenance of an energy shortage contingency plan for the state. The Energy Commission has provided an outlet to influence energy policy and PUC authority for the governor, who appoints the Energy Commission's members. While the Energy Commission has no legal jurisdictional conflict with the PUC, PUC actions and decisions impact other areas of Energy Commission concern. The PUC has continued its efforts to maintain independence from excessive oversight by elected officials.

A final significant development in the PUC was the formation of employee collective bargaining units to negotiate wages and benefits with the Executive. This arose out of the legislation of 1982 which established collective bargaining for state employees. The immediate result was the formation of several different bargaining units by the employees which reached different agreements. The effects have not fully materialized. It will be interesting to see the effect of unionization in an organization marked by its high proportion of supervisory and professional staff.

Organizational Dynamics

Until the early 1970s, the Public Utilities Commission performed its functions in a relatively stable and predictable environment. This allowed it to pursue its goals and objectives in a fairly professional and apolitical manner. Its jurisdiction was clear and not challenged by other state or federal agencies and its procedures for regulating those companies within it were long-established and not vigorously challenged in the political sphere. In the 1970s, however, a number of significant changes occurred in the environment which pushed the Commission's activities higher on the political agenda, resulting in considerable organizational adaptation.
In the past the PUC was primarily a "reactive" agency which responded to the requests of the companies it regulated, whether favorably or negatively. For example, if a utility wanted to raise the price it charged for the energy it produced, it would file a petition with the Commission requesting a hearing, set the regulatory process in motion. The PUC did not anticipate the needs of the utilities and the public so as to develop a proactive program binding to all regulatees. The process depended upon the ability of the regulated companies to identify their needs and then present a case to the Commission for review. The PUC role was primarily judicial in nature.

The first major development which clouded the traditionally predictable environment in which the PUC operated was the sharp rise in the cost of oil in 1973. This triggered a wave of inflation in the markets in which the utility companies obtained the inputs for the power generation process. Rising costs of petroleum and plant construction ended the expectation that the unit cost of energy would continue to decrease in the future. In order to support continued activities, the utilities filed for rate increases in droves, severely taxing the ability of the Commission process cases quickly.

Concurrent with the radically different economic situation, the utilities faced a consuming public with a heightened awareness of the impact of the regulatory process upon their lives. The public sought to have more input into the regulatory process. In addition the U.S. Congress was pushing utility regulators nationwide to play an active role in stimulating alternative sources of energy, to reduce dependency on oil. The resulting legislation and the creation of new agencies at both the state and federal levels of government created a host of new challenges and uncertainties for the PUC.
The PUC responded to the predicament face by the utilities due to rising fuel prices by directing more of its resources into the Utilities Division. Most of the Commission's growth during the 1970s is in the area of regulation of utility rates. By the mid-Seventies it was clear that this function was taking precedence over others. With the appropriation of greater funds by the State Legislature in 1978 and 1981, a major reorganization of the Utilities and Finance Divisions was carried out to accommodate demands of the utilities companies for a quicker rate-making process. First, the Communications branch was removed from Utilities and elevated to division status. Second, the Operations Branch of the Utilities Division was combined with the Finance Division to form the Revenue Requirements Division. These two units had been duplicating some functions and activities in the rate-making process and thus were thought to be best controlled by the same unit. According to PUC officials, their actions were well received by the utilities, the Legislature and the staff and have accelerated the process of setting rates.

The PUC has adjusted its organization dramatically to accommodate the dynamic task environment of the 1970s and 1980s. Special units were created within the Commission which are responsible for monitoring the environment and developing policies and programs which will give the PUC some role in shaping the direction in which it evolves in the future. Within the Utilities Division, for example, an Alternative Energy and Conservation Branch was formed. Looking more broadly into the future is the Policy and Planning Division, created as a unit in 1976 and elevated in 1980 to division status. The Commission has demonstrated its desire to monitor its legislative relations more rigorously than it has in the past. In order to be better prepared to deal with the changing environment, the Commission has
become more aggressive in hiring non-engineering professionals such as economists, statisticians and policy analysts which are quickly playing a larger part in the PUC's activities.

A most notable change occurred in 1985 with the most recent PUC reorganization. The PUC's major line functions are now separated into three divisions: Evaluation and Compliance; Public Staff; and Transportation. The establishment of the Public Staff Division is reflective of a new role assumed by the Commission in its regulation efforts— that of public advocate. In previous years, the Commission attempted to maintain a role of non-partiality in reviewing requests for rate changes by utilities or other regulatory changes. The utility companies would present their case for the change and, while the PUC would critically review the justification for the change, any real opposition would be left to private groups acting in the public interest. The PUC has gradually recognized a need for acting more directly in the public interest. In 1983, it established a public advisor position and provided for the repayment of attorney's fees incurred by groups acting legitimately in the public interest. The establishment of the Public Staff Division as an in-house public interest advocate has meant a more balanced approach to utility regulation. This has had positive, if indirect, consequences for the morale of PUC employees, who often had fallen victim to complaints of unfairness in Commission activities.

The federal government has influenced the behavior of the Commission primarily through legislation which removed certain items from its jurisdiction. This form of federal policy influence on state administration is distinctive from the more common strategy of manipulating federal subsidies to states. In fact, the amounts of federal money received by the Commission are trivial in comparison to the total budget. Effects of federal
legislation, however, have been significant. For example, the National Energy Act of 1978 contained a provision which removed gas utilities from the PUC's jurisdiction and allowed greater influence of the federal government in the regulation of electric rates. Transportation legislation in the 1970s removed certain aspects of railroad and gas pipeline safety out of PUC jurisdiction and placed them under the authority of competing federal agencies. The growing overlap of jurisdictions due to industry structure and technology has created a need for the Commission to keep follow closely the behavior of the federal government. A unit exists within the Legal Services Division which specifically deals with monitoring federal actions, but there is no special unit within the Commission with formal powers to coordinate the activities of the various divisions in their relations with the federal government.

In its relationships with its employees, the Commission has experienced a series of changes beginning with the more aggressive recruiting of non-engineers already mentioned. The relationship between supervisors and subordinates is somewhat unusual in that there is a fairly large proportion of supervisory positions. Moreover, subordinates are usually highly trained professionals, less accustomed to following rigid directives and rules of conduct.

Difficulties have arisen in employee relations with the establishment of collective bargaining procedures mandated by the Legislature in 1982. Employees are now grouped into several different associations following different interests and demands. The dynamics of the regulated marketplace, exemplified by new concerns for balanced energy supplies and by divestiture of the telephone industry, has challenged the PUC to match the staffing levels and composition of the Commission with the needs of a
changing regulatory posture. For example, deregulation of trucking and aviation carriers in the early 1980s led to a flood of applications by those companies asking to lower their prices to what are now considered market prices. Determination of new base rates has required much more work by staff economists in the Transportation Division in addition to the work it was performing prior to this time.

Despite the many changes that the PUC has had to face, it has always been proud of its ability to adjust on its own grounds and under its own guidelines. The PUC fervently attempts to maintain its independence from any oversight role by elected officials, working each year to eliminate legislative provisions which might encroach upon its authority. PUC officials feel that by maintaining an independent status, the Commission is allowed the most flexibility in responding to changes in needs of the regulatory environment.
**Bibliography**


California. Governor's Budget (and supplements), various years, 1967-88.


California. Secretary of State. Roster. 1974-75.


Cavanero, Walter, Deputy Director, Utilities Division, PUC. Interview, spring 1984.


Cooper, Dallas, Management Services Section, PUC. Interview (telephone), summer 1987.

Davis, Bruno, Director, Revenue Requirements Division, PUC. Interview, Spring 1984.

Gibbons, Jack, Assistant Director, Revenue Requirements Division, PUC. Interview, Spring 1984.


Malcolm, Kim, Program Specialist, Policy and Planning Section, PUC. Interview, summer 1987.

Trahan, Paul, Assistant Director, Transportation Division, PUC. Interview, Spring 1984.
Public Utilities Commission  
Department Expenditures  
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>12,053</td>
<td>0</td>
</tr>
<tr>
<td>1970/71</td>
<td>12,280</td>
<td>0</td>
</tr>
<tr>
<td>1971/72</td>
<td>12,175</td>
<td>0</td>
</tr>
<tr>
<td>1972/73</td>
<td>13,346</td>
<td>0</td>
</tr>
<tr>
<td>1973/74</td>
<td>14,724</td>
<td>0</td>
</tr>
<tr>
<td>1974/75</td>
<td>16,986</td>
<td>0</td>
</tr>
<tr>
<td>1975/76</td>
<td>18,998</td>
<td>0</td>
</tr>
<tr>
<td>1976/77</td>
<td>20,438</td>
<td>0</td>
</tr>
<tr>
<td>1977/78</td>
<td>24,560</td>
<td>0</td>
</tr>
<tr>
<td>1978/79</td>
<td>24,558</td>
<td>0</td>
</tr>
<tr>
<td>1979/80</td>
<td>27,741</td>
<td>0</td>
</tr>
<tr>
<td>1980/81</td>
<td>33,080</td>
<td>0</td>
</tr>
<tr>
<td>1981/82</td>
<td>35,110</td>
<td>0</td>
</tr>
<tr>
<td>1982/83</td>
<td>35,001</td>
<td>0</td>
</tr>
<tr>
<td>1983/84</td>
<td>39,902</td>
<td>0</td>
</tr>
<tr>
<td>1984/85</td>
<td>46,717</td>
<td>0</td>
</tr>
<tr>
<td>1985/86</td>
<td>55,638</td>
<td>0</td>
</tr>
</tbody>
</table>

* See note in Preface.
Temporary personnel-years have been included with permanent.

Source: Governor's Proposed State Budget of California
Supplement for Salaries and Wages, 1969 - 1987

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Authorized</th>
<th>Total</th>
<th>Authorized</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>76</td>
<td>1,619</td>
<td>1,628</td>
<td>1,063</td>
<td>1,072</td>
</tr>
<tr>
<td>77</td>
<td>1,348</td>
<td>1,357</td>
<td>783</td>
<td>787</td>
</tr>
<tr>
<td>78</td>
<td>1,172</td>
<td>1,182</td>
<td>645</td>
<td>650</td>
</tr>
<tr>
<td>79</td>
<td>1,127</td>
<td>1,137</td>
<td>594</td>
<td>598</td>
</tr>
<tr>
<td>80</td>
<td>1,071</td>
<td>1,081</td>
<td>566</td>
<td>571</td>
</tr>
<tr>
<td>81</td>
<td>1,029</td>
<td>1,039</td>
<td>541</td>
<td>545</td>
</tr>
<tr>
<td>82</td>
<td>983</td>
<td>993</td>
<td>516</td>
<td>521</td>
</tr>
<tr>
<td>83</td>
<td>939</td>
<td>949</td>
<td>488</td>
<td>493</td>
</tr>
<tr>
<td>84</td>
<td>892</td>
<td>897</td>
<td>462</td>
<td>467</td>
</tr>
<tr>
<td>85</td>
<td>849</td>
<td>854</td>
<td>435</td>
<td>440</td>
</tr>
<tr>
<td>86</td>
<td>808</td>
<td>813</td>
<td>416</td>
<td>421</td>
</tr>
<tr>
<td>87</td>
<td>772</td>
<td>777</td>
<td>393</td>
<td>398</td>
</tr>
</tbody>
</table>

Permanenl-Tears
Public Utilities Commission
Public Utilities Commission
Personnel-Years

Authorized
Filled

Budget Year
DEPARTMENT OF REAL ESTATE

Original report by Thomas J. Koch

1987 update by Lynette J. Poulton

Budgetary Data

The budget of the DRE is derived solely from the Real Estate Fund, that is, it is a special fund agency. However, it is important to be aware that the DRE, like any other agency, must obtain the approval of the Legislature when either new employees are hired or when a major change in its program takes place. Yet, as the funds for operation come from fees for subdivision approvals, fees for the administration of Real Estate Broker License exams as well as Real Estate Salesperson License exams, and from the fees required when a license is granted and renewed, the DRE is more autonomous than most other state departments.

The budgetary information sheds some light upon the very nature of the DRE itself. As the entire funding for its operations comes from the outside real estate business community, so does a good deal of direction for the Department's aims. The DRE functions as a service and regulatory agency specifically for the real estate community although protecting the public in its real estate dealings is also an important department goal. It may also
be noted that, because of the very fluid nature of the real estate business in the state (i.e. the industry has been on something of a roller coaster ride over recent years as interest rates determine whether realtors flourish or go bankrupt), the Department is also subject to many budgetary and program fluctuations. The number of people who apply for, take, and pass the licensing exams varies as the condition of the real estate industry varies. When prices for real property in the state are rapidly escalating, as they did in the periods from 1974-1976 and 1979-1980, a great many people will enter the business trying to take their own "piece of the pie." Also, when prices appreciate, the number of applications for subdivisions increases and this too affects the amount of revenue received and demands placed on the DRE. However, it should be noted that the budget process occurs over a period of several years and, as yet, there is no reliable way of predicting economic booms or recessions. Therefore, the changes in revenues collected is not reflected in the authorized expenditure amounts listed in the budget. Thus, there are years when the revenues are higher than predicted, but this does not automatically allow the DRE to "staff up" for the increase in the workload. However, there are also times when revenues are less than planned and the department must cut expenses in order to not exceed revenues. Therefore, the department is in a very real way subject to the outside market conditions which significantly affect the real estate profession itself. This makes for a situation where the DRE must be able to position itself so that it is capable of accommodating the frequently changing condition of the industry which determines its work.

The tables at the end of the report graph the personnel year expenditures from fiscal 1969 through 1986. As the data indicates, the department has experienced a gradual overall increase in the size of its
staff since 1969. Remembering that the DRE is solely funding through special funds, the reason why this can take place is because the size and significance of the real estate business itself has grown so dramatically in California during this period. Given its responsibilities, the department has had to grow in order to accommodate its increase in workload and the occasional addition of task such as the 1978 addition of the requirement for continuing education for licensees who seek to renew their licenses.

Determining the types of people who work for the department was difficult. Job title changes and the introduction of the process of cross training created a confusing maze of what type of people actually work in the department. However, major professions represented in the staff of the DRE include attorneys who investigate and prosecute charges against licensees, clerical workers who are given the onerous job of processing the vast amount of paperwork with which the department deals, and administrators who oversee the activities of the department and make decisions regarding alterations in the department's direction. Many of the employees have been given the title Deputy Real Estate Commissioner, a name which says little about their actual activity.

There are four unions whose members are part of the DRE staff. The largest of these is the CSEA (California State Employee's Association) which, as its name would imply, represents a great many employees of other agencies throughout California state government. The morale of the agency is less than ideal, possibly a result of a problem with one or all of the unions. The immense workload of the employees and the pay scale of state government which is hardly extravagant couple to produce some dissatisfied workers. While a strike or walkout is not imminent or probable, conditions in the department make for potential employee relations difficulties. Another
worker problem is the trouble with turnover. The DRE apparently is not considered to be one of the most desirable departments within the state government apparatus at which to work in and many of the very best people who come to work for the DRE leave fairly soon thereafter. But it should be noted that this problem is certainly not unique to the DRE as most government agencies at all levels find it hard to compete with outside employers for the top quality people as the outside pay scale is far too appealing for many.

Organizational Age and Structure

The Department of Real Estate was established by the provisions of parts 1 and 2 of Division 4 of the Business and Professions Code. Originally known as the Division of Real Estate, the name was changed to the current one in 1969 under the Ronald Reagan Administration. The organization itself was founded in 1917, a period when the continued growth of the state required the creation of a regulatory agency to monitor the booming state, and its land business.

The organization of the DRE is laid out in supplemental materials in this report. The organizational chart really only serves as a guideline. The strict hierarchical pattern laid out is not reflective of the nature of interpersonal cooperation and of the newly created concept of cross-training of employees. This involves the use of people in either subdivisions or regulation and recovery as the demands the DRE is obliged to attend to frequently change viz. whether more work will be in subdivisions vs. regulation or vice versa. Given the ponderous nature of receiving legislative approval for changes within the department's workforce levels, the DRE decided that it would have to have employees who could selectively work in either capacity. This allows the department far more flexibility,
vital to their successful completion of their responsibilities. Other organizational changes have included the imposition of continuing education requirements, demonstrated by the creation of an entire new set of responsibilities as well as the Administrative Assistance Section created under Commissioner Edmonds which serves to aide him in the oversight of the organization. Finally, a significant organizational change is that of greater computerization of the DRE's work. Commissioner Edmonds is a strong proponent of this approach toward task efficiency.

Organizational Goals, Outputs, and Responsibilities

The formal goals of the DRE are stated in their statement of purpose. The statement of purpose in 1969 was as follows:

The primary objective of the Division of Real Estate is to protect the general public in all matters relating to the sale, purchase or lease, through agents, of real estate, business opportunities, mineral, oil, and gas rights on lands and securities. A further objective is to encourage professional orientation for the real estate business by assisting in the advancement of education and research in the field of real estate.

This statement had undergone a significant change by the time that the following 1981-82 statement had been written:

The Department of Real Estate's objective is to protect the public in offerings of subdivided property, real property securities, and in real estate transactions handled by agents. To accomplish this, a minimum level of competence is established for the licensing of real estate agents, and disclosure and affirmative standards are set for subdivision offerings.

Prevention of fraud, deceit, and misrepresentation in the real estate marketplace is a departmental responsibility. The Department of Real Estate takes disciplinary, civil, and criminal action against licensees and others who have violated the Real Estate Law and Subdivided Lands Act.
In addition, the Department assists in the advancement of education . . . All activities of the Department are supported by fees from licensees, subdividers and applicants for license or permit.

The key point here is that the second statement of purpose is far more concerned with the protection of the public because of malfeasance within the real estate business. It should be considered that three developments outside of the department itself led to the change in the statement of purpose. First, the value of real property in the state escalated dramatically during this period. When other economic conditions are less than favorable and people turn to real estate as a means of making a living, the temptation for these inexperienced people is to cut corners, be less than forthright, and out and out cheat and defraud their clients as they represent them in real estate transactions. The department's concern for this is reflected in its statement.

Second, the atmosphere of public-governmental relations changed over this period. Consumer protection became much more of a concern with the public and it was demanded that government respond by heightening its awareness that deceit was being practiced within the marketplace and then work to stop it. Consider the fact that the now popular publication Consumer Reports came into being in this period as did other "watchdog" organizations whose intent it was to protect the public and maintain surveillance over industries which seemed to have a penchant for problems in their dealings with the public.

Third, the political climate within California was altered significantly during this time. In 1968, a very pro-business governor was in office whose concern was that the regulatory functions of the DRE be made less bulky and cumbersome and that focus be placed upon efficiency of administration. In 1975, a new governor took control who had an outlook which was quite
different. Governor Brown felt that the business community should be looked upon with suspicion and mistrust. He was more concerned that the public be protected in its transactions rather than making the DRE an "efficient" organization. The differences between these two administrations were significant and they contributed to the change that the DRE's statement of purpose underwent.

As alluded to earlier, the specific tasks that the department undertakes include the following. The DRE prepares examinations for those who wish to practice as agents in the business of real estate. While it constantly reviews the condition of its examinations, the department prepares over 2,000 different questions annually of which 150 are found on the Salesperson Exam. A score of 105 correct or 70% is required for passage. In the fiscal year which ended June 1984, an even 50% of those who took the Salesperson Exam were successful while slightly less, 42% were deemed adequate enough in their knowledge to be licensed as Brokers.

There is a constant backlog of applications for review and paperwork to be done. The staff was constantly busy and that because of the huge amount of work that needed to be done, the morale within the section was not quite as good as it could otherwise be. Because of the amount of work, a necessary drop-off in the quality of work follows which further serves to lower the level of office morale. However, it was made clear that the department is fulfilling its job and that the atmosphere was not too gloomy to be workable.

As mentioned, the DRE also plays a role in the education of real estate professionals. While the DRE does not offer any educational courses itself, the Continuing Education unit reviews courses whose sponsors wish to have them approved as meeting the CE requirements. The laws and regulations specify that only certain types of courses may be approved as qualifying for
meeting these requirements. Licensees are required to complete 45 hours of continuing education in order to renew their licenses which expire every four years. Of these 45 hours, specific courses are required in professional ethics and agency relationships which underscores the importance the department places upon these aspects of real estate.

A major responsibility of the department is the investigation of consumer complaints against licensees and, if a violation of the Real Estate Law is established, taking subsequent disciplinary action. When a complaint is received at the department, a formal investigation takes place. Should sufficient ground for a hearing be discovered, it usually take place under the auspices of the Office of Administrative Hearings. Licensees who are called to a hearing have the full rights to an attorney and to subpoena witnesses and other evidence. A former Chief Counsel said that the aforementioned is the case because "the Real Estate License is considered real property in itself and can not be taken away without due process." If the hearing establishes a violation, the hearing officer can take various punitive steps against a licensee. He has the options of suspending the license, revoking the license, or public reprimanding the licensee. Furthermore, in some cases, the department can assist the District Attorney of the county where the wrongdoing took place in providing information for a criminal prosecution of the licensee.

The other major program that the department administers is assuring compliance with the Subdivided Lands Law. Subdividers who intend to offer for sale 5 or more condominiums, or 5 or more single family dwelling units outside city limits must apply for and obtain a Subdivision Public Report from the department. Although ostensibly a consumer oriented disclosure document, the Public Report functions as a permit to sell. It cannot be
issued until the subdivider has complied with a variety of requirements concerning the proper handling of deposit moneys, escrow instructions, title, assurances of completion of common facilities, set up of homeowners associations, etc.

The new administration is striving to ease the "red tape" burdens that have been imposed in the past concerning the creation of subdivisions. Efforts toward this end include the creation of the CBIA (California Building Industry Association), DRE Task Force which is a committee which meets twice a year in order to discuss the improvement of the processing of application for subdivision permits.

The California Association of Realtors is one of the most powerful lobbies in the state. CAR (California Association of Realtors) sponsored a bill which would require managers of condominiums to be licensed real estate brokers. The business of real estate is a major one in this state and the association is the single speaker for it. Licensees are under no obligation to join the CAR. However, the term "Realtor" is a copyrighted term that only members of CAR can use. All brokers have access to the Multiple Listing Service which documents nearly all of the property on the market at a given time. Realtors when they join their local Board of Realtors are required to pay dues into CAR and the amount of funds collected is quite substantial. Along with other funding sources, this gives the CAR great weight and commensurate influence with the department. The Deukmejian Administration has taken a cooperative stance with CAR and the strength of the organization and that of Realtors as a profession during this administration seems to be growing.

The department in its investigations serves as prosecutor during the hearings conducted by the Office of Administrative Hearings. This takes
place only if the DRE investigation indicates a violation of law. It is important to note that the DRE investigators and attorneys must comply with the rules of evidence just as any other regulatory agency must. If anything, the law in this area is more restrictive than in civil cases. It is the hearing officer who makes the determination of guilt or innocence. The exams that the department administers are of the department's own creation which also attests to the DRE's power. Changes in the regulations which concern the development of subdivisions are often initiated by the DRE. So, in all of its principle functions, the department is granted a fairly free hand in the execution of its tasks. However, it should not be overlooked that the Commissioner and some of his staff serve at the pleasure of a politically chosen executive, the governor. Also, budgetary appropriations are still controlled by the Legislature which further curtails the DRE's autonomy.
Bibliography


California. Governor’s Budget (and supplements), various years, 1967 - 1985.


Dingman, Martin, Assistant Commissioner, DRE. Interview, Fall 1984.

Edmonds, James Jr., Commissioner, DRE. Interview, Fall 1984.

Smith, Larry, Licensing and Education, DRE. Interview, Fall 1984.


Thomas, W. Jerome, Assistant Commissioner and head of the Legal Section, DRE. Interview, Fall 1984.
Department of Real Estate
Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Operations</th>
<th>Local Assistance</th>
<th>Capital Outlay</th>
<th>% of Total State Oper.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>$3,420</td>
<td>0</td>
<td>0</td>
<td>0.21%</td>
</tr>
<tr>
<td>1970/71</td>
<td>3,377</td>
<td>0</td>
<td>0</td>
<td>0.19</td>
</tr>
<tr>
<td>1971/72</td>
<td>3,769</td>
<td>0</td>
<td>0</td>
<td>0.21</td>
</tr>
<tr>
<td>1972/73</td>
<td>4,671</td>
<td>0</td>
<td>0</td>
<td>0.23</td>
</tr>
<tr>
<td>1973/74</td>
<td>5,878</td>
<td>0</td>
<td>0</td>
<td>0.26</td>
</tr>
<tr>
<td>1974/75</td>
<td>7,769</td>
<td>0</td>
<td>0</td>
<td>0.30</td>
</tr>
<tr>
<td>1975/76</td>
<td>6,227</td>
<td>0</td>
<td>0</td>
<td>0.21</td>
</tr>
<tr>
<td>1976/77</td>
<td>7,661</td>
<td>0</td>
<td>0</td>
<td>0.23</td>
</tr>
<tr>
<td>1977/78</td>
<td>9,067</td>
<td>0</td>
<td>0</td>
<td>0.24</td>
</tr>
<tr>
<td>1978/79</td>
<td>9,356</td>
<td>0</td>
<td>0</td>
<td>0.24</td>
</tr>
<tr>
<td>1979/80</td>
<td>11,954</td>
<td>0</td>
<td>0</td>
<td>0.25</td>
</tr>
<tr>
<td>1980/81</td>
<td>14,473</td>
<td>0</td>
<td>0</td>
<td>0.26</td>
</tr>
<tr>
<td>1981/82</td>
<td>14,698</td>
<td>0</td>
<td>0</td>
<td>0.25</td>
</tr>
<tr>
<td>1982/83</td>
<td>13,608</td>
<td>0</td>
<td>0</td>
<td>0.22</td>
</tr>
<tr>
<td>1983/84</td>
<td>15,901</td>
<td>0</td>
<td>0</td>
<td>0.25</td>
</tr>
<tr>
<td>1984/85</td>
<td>18,928</td>
<td>0</td>
<td>0</td>
<td>0.23</td>
</tr>
<tr>
<td>1985/86</td>
<td>20,009</td>
<td>0</td>
<td>0</td>
<td>0.21</td>
</tr>
</tbody>
</table>


* See note in Preface.
Department of Real Estate
State Fund Expenditures

Thousands of Dollars

C.O.
Local Ex.

Budget Year
69/70  70/71  71/72  72/73  73/74  74/75  75/76  76/77  77/78  78/79  79/80  80/81  81/82  82/83  83/84  84/85  85/86
<table>
<thead>
<tr>
<th>YEAR</th>
<th>Permanent Authorized</th>
<th>Permanent Filled</th>
<th>Temporary Authorized</th>
<th>Temporary Filled</th>
<th>Total Authorized</th>
<th>Total Filled</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>376</td>
<td>376</td>
<td>10</td>
<td>10</td>
<td>386</td>
<td>386</td>
</tr>
<tr>
<td>1970/71</td>
<td>270</td>
<td>270</td>
<td>7</td>
<td>7</td>
<td>277</td>
<td>277</td>
</tr>
<tr>
<td>1971/72</td>
<td>228</td>
<td>228</td>
<td>5</td>
<td>5</td>
<td>233</td>
<td>233</td>
</tr>
<tr>
<td>1972/73</td>
<td>269</td>
<td>269</td>
<td>6</td>
<td>6</td>
<td>275</td>
<td>275</td>
</tr>
<tr>
<td>1973/74</td>
<td>269</td>
<td>269</td>
<td>2</td>
<td>2</td>
<td>271</td>
<td>271</td>
</tr>
<tr>
<td>1974/75</td>
<td>330</td>
<td>330</td>
<td>3</td>
<td>3</td>
<td>333</td>
<td>333</td>
</tr>
</tbody>
</table>

Source: Governor's Proposed State Budget of California Supplement for Salaries and Wages, 1969-1987

Temporarily personnel-years have been included with permanent.
Department of Real Estate
Personnel-Years

Authorized
Filled

Personnel-Years

69/70
70/71
71/72
72/73
73/74
74/75
75/76
76/77
77/78
78/79
79/80
80/81
81/82
82/83
83/84
84/85
85/86
86/87

Budget Year
Introduction

The salience of earthquake-related issues on the agenda of California policy-makers has varied according to the proximity and intensity of memorable disasters. Following earthquakes which for some reason captured widespread attention, there has typically been a period of intense examination and criticism of public policy in seismic matters. Major events in this regard include the 1906 San Francisco, 1933 Long Beach, 1964 Alaska, 1971 San Fernando, 1983 Coalinga, and 1987 Los Angeles earthquakes. Each quake was followed by a period of intense public interest in seismic policy which gradually faded. The sporadic nature of this policy has decreased coherence of planning and hazard reduction efforts. In recent years, this pattern has shifted. The Seismic Safety Commission has developed a legislative program which hopes to continually reduce the hazard posed by earthquakes.

The 1971 earthquake left a general consensus that some agency should be
created with a mandate to oversee seismic safety matters at the state level. In 1974, the Seismic Safety Commission (SSC) was formed for this purpose.

The SSC is a 17-member board, composed of representatives of designated professions and interests relevant to seismic policy, as specified in SSC's legislative mandate. Fifteen members are appointed by the Governor based on recommendations from the professional associations in each designated field. The two other positions are reserved for legislative representatives--one each from the Assembly and Senate. The SSC is served by only a small staff, and meets only periodically.

The SSC's formal goals have been fairly consistent during its short history. Their primary focus is on the improvement of public policy. Responsibilities include:

"setting goals and priorities; requesting State agencies to devise criteria to promote seismic safety; recommending program changes to State agencies, local agencies, and the private sector where such changes would reduce the earthquake hazards; reviewing reconstruction efforts after damaging earthquakes; gathering, analyzing, and disseminating information; encouraging research; sponsoring training; and coordinating the seismic safety activities of government."¹

The Commission reviews current policy and makes recommendations in such fields as disaster response planning, emergency simulations and testing, building standards, education, hazardous buildings, critical facilities and "lifelines" (water, electricity, etc.), earthquake prediction, land use planning, and private sector seismic planning.²

Almost upon birth, SSC was under fire from a hostile Governor. The 1974 law establishing the SSC included a sunset provision. The SSC has since been renewed twice, leading to final legislation which made the SSC's mandate permanent. Attitudes have changed in the 1980s to create a political environment much more favorable to SSC operations.
In 1977, Congress acknowledged the need to reduce risks to life and property from earthquakes by passing the National Earthquake Hazards Reduction Act. This act called for a comprehensive federal program (National Earthquake Hazards Reduction Program), developed through cooperation between the U.S. Geological Survey, National Science Foundation, National Bureau of Standards, and Federal Emergency Management Agency.

The SSC has administered two educational programs in seismic safety. These programs are targeted at a diverse audience--local disaster planners, school children, and the general public. These programs are designed to generate procedures, materials, and expertise to promote public awareness of seismic issues. The first of these programs focuses on regional planning coordination. The Southern California Earthquake Preparedness Project (SCEPP), initiated in 1981, has been notably successful in assembling decision-makers and planners to ensure cooperation in local and regional disaster planning. The SCEPP has helped develop prototype plans for counties, large cities, and private corporations.

The second educational program, California Earthquake Education Project (CALEEP) is conducted on a contractual basis by the staff of the Lawrence Hall of Science at the University of California - Berkeley. This effort has concentrated on the development and testing of a curriculum and supporting materials for seismic safety education in California's schools and communities. The initial phase of the program, beginning in 1982, has been successfully completed. SB 1893, the California Earthquake Education Act of 1984, provided authority and funding to extend the project for three years and to apply the results of CALEEP statewide.

Chapter 250, Statutes of 1986, requires local governments to identify the unreinforced masonry buildings within their jurisdictions. These
buildings are subject to extraordinary risk in earthquakes. By 1990, a
damage mitigation plan must be developed by local governments. Other 1986
earthquake-related legislation required that essential services buildings
meet highest seismic safety standards. This act built onto previous laws
applying only to hospitals (Hospital Seismic Safety Act). A third piece of
legislation, SB 548 (California Earthquake Hazards Reduction Act of 1986),
required the SSC to prepare a hazard reduction five-year program to be
revised annually. The report establishes priorities, monitors progress,
coordinates efforts, and assures accountability in pursuit of seismic
safety.4

Sources of Environmental Change

As an independent commission, the SSC exercises some degree of
independence from regular gubernatorial oversight. SSC is insulated somewhat
from the Governor's intervention through their ability to pursue legislation
without prior gubernatorial approval.

This independence has created difficulties for SSC. Both Edmund G.
Brown, Jr. and George Deukmejian have expressed criticism of SSC. The 1979
Governor's budget proposed to eliminate SSC funding and to transfer its
functions to a special executive-level agency. This was part of a broader
effort to eliminate or consolidate several small commissions. Toward this
end, Governor Brown proposed a $4.5 million program to combine functions of
SSC and the Office of Emergency Services in a new unit under the direction of
the Governor's Emergency Task Force on Earthquakes. This "Earthquake
Preparedness and Response Program" met with stiff legislative opposition and
was only minimally funded, then finally dropped. Deukmejian has not attacked
the SSC directly, but there were initially some signs of potential conflict.
The SSC has relied heavily upon the support of the Legislature for its survival. In particular, Senator Alfred Alquist has continually sponsored legislation favorable to continuation of SSC. Senator Alquist’s efforts were critical to passage of SB 1732 which gave permanence to the SSC mandate.

One of the major sources of support in SSC’s task environment has been the perceptions of seismic risk among the business and local governmental communities. Certainly, the occurrence of major quakes has stimulated interest in risk levels and mitigation policy. Developments in the financial and electronic data processing industries have also affected perceptions of seismic risk. Since the late 1970s and early 1980s, technologies have become increasingly complex and increasingly vulnerable to loss of power and communications. As their support technologies are vulnerable to interruption from earthquakes, private companies are more sensitive to questions of seismic safety. IBM, Levi-Strauss, and ARCO are among corporations which have developed disaster planning programs. The SSC cooperates with private efforts such as these.

An important external source of change is the evolving nature of seismological knowledge. In the 1970s, it was considered likely that science would be able to predict earthquakes in the near future. By the early 1980s, this optimism was replaced by disappointment. Planning for these contingencies has been impossible.

The SSC interacts with several other state agencies. Cooperation is emphasized with the Office of Emergency Services, but this relationship has sometimes taken on a competitive aspect to the degree that the Governor has proposed to shuffle responsibilities between the two. The California Department of Conservation, Division of Mines and Geology "maintains the
Strong Motion Instrumentation Program (SMIP), produces fault maps, studies seismicity throughout the state, and disseminates information.

The SSC divides earthquake-related activities into three categories: 1) state activities directed specifically toward reduction of earthquake hazards, 2) disaster-related state activities (can apply to any disaster), and 3) state activities that contribute indirectly to seismic safety. SSC activities focus on the first of these categories. They are joined in their efforts by the Department of Conservation, Office of Emergency Services, California Energy Commission, Department of General Services, Office of Statewide Health Planning and Development, Department of Housing and Community Development, Department of Insurance, Public Utilities Commission, San Francisco Bay Conservation and Development Commission, Department of Transportation, Department of Water Resources, and University of California.

Notes


Bibliography

Andrews, Richard, Executive Director, SSC. Interview, fall 1984.


--------. Seismic Safety Commission (brochure). Sacramento: SSC.


Scott, Stanley, Member, SSC. Interview, fall 1983.


Tobin, L. Thomas, Executive Director, SSC. Interview, summer 1987.
Seismic Safety Commission
Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1972/73</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1973/74</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1974/75</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1975/76</td>
<td>$116</td>
<td>0</td>
</tr>
<tr>
<td>1976/77</td>
<td>192</td>
<td>0</td>
</tr>
<tr>
<td>1977/78</td>
<td>227</td>
<td>0</td>
</tr>
<tr>
<td>1978/79</td>
<td>441</td>
<td>0</td>
</tr>
<tr>
<td>1979/80</td>
<td>377</td>
<td>0</td>
</tr>
<tr>
<td>1980/81</td>
<td>505</td>
<td>0</td>
</tr>
<tr>
<td>1981/82</td>
<td>661</td>
<td>0</td>
</tr>
<tr>
<td>1982/83</td>
<td>1,039</td>
<td>0</td>
</tr>
<tr>
<td>1983/84</td>
<td>1,024</td>
<td>0</td>
</tr>
<tr>
<td>1984/85</td>
<td>978</td>
<td>0</td>
</tr>
<tr>
<td>1985/86</td>
<td>1,150</td>
<td>0</td>
</tr>
</tbody>
</table>


* See note in Preface.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>Permanent</th>
<th>Temporary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>1970/71</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>1971/72</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>1972/73</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>1973/74</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>1974/75</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>1975/76</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>1976/77</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>1977/78</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>1978/79</td>
<td>7</td>
<td>0</td>
<td>7</td>
</tr>
</tbody>
</table>

Note: Temporary years have been included with permanent.

Source: Governor's Proposed State Budget of California

Supplement for Salaries and Wages, 1969 - 1987
Seismic Safety Commission
Personnel-Years

Authorized
Filled

Budget Year

Personnel-Years

69/70 70/71 71/72 72/73 73/74 74/75 75/76 76/77 77/78 78/79 79/80 80/81 81/82 82/83 83/84 84/85 85/86 86/87
Introduction

The California State Department of Social Services (SDSS) is one of fifteen agencies under the Secretary of Health and Welfare. Others include the State Council on Developmental Disabilities, the Health and Welfare Agency Data Center, the Department of Health Services, the Department of Developmental Services, the Department of Mental Health, the Employment Development Department, the Department of Rehabilitation, and the California Health Facilities Commission. These agencies do have ties to one another as quite often their spheres of responsibility overlap. Transfers of both programs and personnel from one agency are not uncommon, thus strengthening the ties among them. However, each agency is a separate entity with a distinct personality and method of operation.

Agency Development

The California SDSS was established in 1927 as the Department of Social Welfare. It was designed to provide centralization of responsibility and
power as well as standardization where possible in order to make social
services programs comparable and to provide central coordination, planning
and development on a national level. While much information appears to be
available for the period from the late 1950s through the early 1960s, very
little is written about the early 1970s. Both personnel and funding appear
relatively stable, with perhaps a slight decline during 1970 and 1971.

The first major change in the Department of Social Services (SDSS) since
1970 was the reorganization of the entire Health and Welfare system which
occurred in 1972-73. A distinction was made between social functions and
payments. The social functions became the responsibility of the Department
of Health and three branches of the Department of Social Welfare were
transferred to it: (1) Federal Services which includes Interstate Placement
of Children, Child Abuse Prevention, and Family and Child Care Services
Policy; (2) Adoption; and (3) Adult Services and Operations. The Department
of Social Welfare was itself changed into the Department of Benefits Payments
and was given the responsibility of developing and implementing efficient
payment systems. Both personnel and funding dropped substantially in 1973,
although they both recovered in 1974 as more responsibility was transferred
to this "new" department.

On paper, the reorganization was impressive, as the entire system was
restructured along functional as opposed to programmatic lines. However, the
actual changes may not have been as extensive as they first appeared.
Departmental staffers downplay the impact of this reorganization upon service
delivery. It appears that operations continued along programmatic lines
although the organizational accountability was organized along functional
lines. In many instances job titles changed, yet the people and the actual
work being done remained the same.
By 1977 funding had leveled off and personnel had started into a light downturn as the agency became more familiar with the "new" system. However, many complaints were raised due to the complexity of a system in which eligibility was determined by one department while payments came from another. Thus, in July 1978, a second major reorganization was started. On paper, this appears as a major jump in funding followed by an increase in personnel. In addition, the name was changed to the Department of Social Services.

On January 1, 1979 several major programs "re-entered" the Department of Social Services under the authority of the Social Services Redesign Plan. This plan prioritized services and accountability, both of which had been criticized under the former organization. A lesser emphasis was placed on accounting efficiency although this remained important as an element of accountability. This will be discussed further in the section entitled "Sources of Change and Organizational Response."

Since 1979, funding has continued to increase, due primarily to caseload increases. Little of the increased funding has been used for administrative and support functions. In fact, personnel at the state level declined in both 1982 and 1983. A new program, GAIN, is now in the implementation stage. Already the effects can be seen on personnel (+157.9 in 1985) and on administration (+$17,326,000 in 1985). The rapid growth of this program has resulted in a minor reorganization, with GAIN's oversight being assigned to a SDSS Deputy Director. Initially, other functions of this division were transferred to supervision by a CEA II level position, but were since redistributed to other divisions. This action formalizes the way in which GAIN has always operated. The action is a minor reorganization - not approximating the scope of 1972 and 1978 changes. New major functions, such
as GAIN, are often first assumed on a special project basis and once fully implemented folded back into the ongoing organization. Such a process is anticipated for the GAIN program.

Sources of Change and Organizational Response

To gain insight into the sources of changes and the organizational responses to them, this study will consider the characteristics of the internal and task environments and the sources of external stress experienced by the agency.

The Internal Environment

The first factor of the internal environment to be considered is the planning and decision-making processes. In the SDSS, these two processes are closely related. In some cases, planning is done on a programmatic basis as with the GAIN program. In others, it is done at the divisional level focusing upon increased interprogram efficiency. In both cases, most decisions as to major programmatic or internal organizational changes appear to be made at the Directorate level based upon recommendations from Deputy Directors. Input from other Deputy Directors is requested in the planning process, particularly when a second division will be greatly affected by the proposed changes. The approval of the Health and Welfare Agency and the Governor's Office is sometimes required on specific issues, and the overall direction of the Administration as a whole, emanating from the Governor, is always considered when decisions are made by the Director.

The Deputy Director of each division appears to have considerable control over the implementation, if not the policy-making, of the programs he administers. Also, it is important to remember that many programs
administered by this agency are created by state and/or federal mandates, determining significant boundaries for both planning and decision-making possibilities.

Divisions are organized according to specific functional or programmatic area. For example, Welfare Programs Operations is responsible for the AFDC, Food Stamp and other payment-type programs, while Management Systems and Evaluation deals with the automation and evaluation of the county offices, regardless of the program concerned.

Due to the dual system of divisional responsibilities, several areas could logically be assigned to more than one division. Conflict may occur when opinions diverge with regard to these rather indistinct areas. Also, each divisional head has a certain responsibility and loyalty to the programs under his direction. Thus, there is a possibility for conflict to arise between directors with differing programmatic goals, especially given the limited resources available within the agency. Under normal circumstances, conflicts among Deputy Directors are rare. If they do occur, they are resolved through discussion at the Directorate level. The level of conflict has varied with different administrations. Distinctive executive management styles are credited with affecting the level of rivalry or cooperation among departmental subunits.

A second part of the internal environment is that of program evaluation. Most is done through the Division of Management Systems and Evaluation which sends teams of evaluators to the county agencies to review both the organization and implementation of state policy at the local level. Deputy Directors serve as continuing sources of program evaluation and recommendations to the Directorate. Evaluations and programmatic adjustments appear quite common.
Still another characteristic of the internal environment is the personnel system and the morale level. The personnel system for SDSS is for the most part under the authority of the state civil service regulations which are administered by the Department of Personnel Administration and State Personnel Board. Promotion is a function of written exams, tenure, as well as other job qualifications. As is true of all most state agencies, appointments to positions through the Staff Services Manager III level are based upon the individual meeting State civil service eligibility requirements and possessing those skills and qualifications required by the hiring authority. At the upper level of management are the Career Executive Assignments (CEA). These appointments serve at the pleasure of the appointing authority. Incumbents in these positions must have civil service status, but may be selected as much or more on the basis of political and ideological viewpoints as on professional qualifications. Quite often, Deputy Directors are changed along with the Director. CEAs do have return rights, of various types, to previous civil service jobs. The truly "political" positions are civil service "exempt" positions, reserved only for the very few Directorate level jobs.

A rather special case arose with the development and implementation of the GAIN program. Many of the needed analysts were recruited from within the agency ranks. This left the other divisions, particularly those with similar functions, without some of their experienced personnel -- a possible source of intra-agency conflict. The GAIN program requires that these analysts spend long hours on rather high-pressure tasks. The compensation offered to employees was an opportunity for faster promotion in a developing program and a certain prestige was attached to being chosen to work on the Legislature's pet project.
The amount of work performed by non-departmental contractors varies with programs and functions. Many of these "contracting" relationships are in fact determined by statute. Many of the actual providers of refugee services are subcontractors to the agency while almost all AFDC funds are delivered through state-supervised county agencies. It should be noted that the SDSS provides very few services itself. It is mainly a policy-making and administrative body. Direct services are provided by city and county agencies throughout the State. Consultants might also be employed to assist with implementation of new programs. For example, GAIN's design was the product of review of many alternative models of service provision--the models evaluated by a single research group - MDRC. This same group has also been selected to conduct the evaluation of GAIN.

Task Environment

To understand properly the task environment of the SDSS, it is important to learn with whom the agency interacts and the nature of these interactions. First of all, the agency is headed by a Director who is a gubernatorial appointee and who may be removed from office at any time. The Director's orientation appears to follow that of the Governor himself. Reagan's appointee was very concerned with fiscal responsibility, while Brown's appointee, Woods, was an advocate for the rights of the needy. Deukmejian's appointee, Linda McMahon, is seen as a down-to-earth person experienced in dealing with hard-to-handle issues such as social problems. Relations with the Governor appear to be formal, often taking place through the medium of gubernatorial aides. Since the Director is chosen to reflect the Governor's views, conflict between the two is not substantial, although it does occur. The Governor is certainly influential in the SDSS.
The next group with whom the agency has a large amount of contact is the Legislature. The California State Legislature is very active in the area of social services. It is not unusual for legislators to contact with Deputy Directors regarding policies or programs of concern to their constituents.

County administrators make up a third group with whom the state agency regularly interacts. Almost all services are provided at the county level. In addition, counties provide matching funds for several of the state-directed programs. While some programs are standardized statewide, others allow considerable leeway to county administrators in the area of implementation. Because of the large amount of contact between the state agency and various county administrators, and also the diversity of county administrations which exists in California, it is not possible to designate the relationships as formal or informal, cordial or adversarial. This appears to be a function both of the amount of contact between the state and county administrations and the personalities involved.

Finally, the state agency has contact with its clients. The agency tries to foster cordial relationships with clients. These must remain formal, both to guarantee equity among cases and to protect the caseworkers from some of the emotional strain involved in working with the needy.

It is difficult to tell whether the agency enjoys a large amount of constituent support. Its clientele often includes the economically and socially disadvantaged who do not know how to make their opinions known. However, in the past few years, some client groups have formed in an attempt to organize these people so as to be heard. Groups of the homeless or of refugees are increasing in numbers and strength. It will be interesting to see whether or not they have an effect over the next few years.
Sources of External Stress

The major source of external stress upon the agency appears to be changes in gubernatorial priorities, with changing federal policies as a secondary source. Agency personnel claim that the reorganization of 1978-79 was not related to the passage of Proposition 13. Rather, the reorganization corresponded to the change in governors, with a corresponding change in policy and in directors.

Very little information is available on the 1972-73 reorganization; however, agency personnel appear to have been quite active in the planning processes of both the 1978-79 redesign and the current GAIN program. In both cases, agency officials were called upon to make professional comments and recommendations as to the final result of the changes.

The second source of external stress is changing federal policies. For example, the federal agency in charge of refugee programs, the ORR, has very strict regulations over the funds and conflict offers over administrative discretion. This problem is compounded by the divergent timespans of the state and federal agencies. The State sees the program as being necessary for at least the next three to four years. However, the federal agency is attempting to eliminate the program. The latest federal budget requests include about 50 percent of the funding needed to operate the programs, with employment programs receiving priority funding. The state agency and others like it in various states have managed to cultivate enough congressional support to continue the program.

Economic conditions in individual counties affect SDSS policies indirectly. High local unemployment and slumping local economies (especially in areas dependent upon extractive industries) produce declining budgets at the county level. County officials, pressured by declining revenues and
increasing demands for state-mandated social services, pressure the state administration for additional relief.

Finally, technological change has had some effect at the state level. Increased automation has allowed more work to be done by approximately the same number of people. (Note: This is not necessarily reflected in personnel figures which monitor aggregate changes and do not take into account the increasing number of programs.) However, efforts to automate county facilities are progressing more slowly. This is due both to funding restrictions and to the large amount of training which is quite often necessary in order to use the equipment efficiently. Thus, technological change is making slow but steady progress throughout the agency.
Bibliography

Barnes, Walter, Director, Refugee Services. Interview, April 6, 1987.


California. Governor's Budget (and supplements), various years, 1967 - 1985.


--------. Roster. 1981-82.


Skillman, Del, Director, Tehama County Department of Social Services. Interview, April 1987.

Suter, Loren, Deputy Director, Adult and Family Services. Interview, April 6, 1987.


Williams, Carl, Deputy Director, GAIN. Interview, April 6, 1987
### Department of Social Services
#### Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1972/73</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1973/74</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1974/75</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1975/76</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1976/77</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1977/78</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1978/79</td>
<td>$25,659</td>
<td>$2,159,559</td>
</tr>
<tr>
<td>1979/80</td>
<td>40,165</td>
<td>2,309,997</td>
</tr>
<tr>
<td>1980/81</td>
<td>47,238</td>
<td>2,818,581</td>
</tr>
<tr>
<td>1981/82</td>
<td>51,540</td>
<td>2,859,220</td>
</tr>
<tr>
<td>1982/83</td>
<td>41,456</td>
<td>2,772,227</td>
</tr>
<tr>
<td>1983/84</td>
<td>47,615</td>
<td>2,877,467</td>
</tr>
<tr>
<td>1984/85</td>
<td>53,799</td>
<td>3,205,603</td>
</tr>
<tr>
<td>1985/86</td>
<td>63,138</td>
<td>3,639,977</td>
</tr>
</tbody>
</table>


* See note in Preface.
Department of Social Services
Expenditures for State Operations - State Funds

Budget Year

Federal Funds

Budget Year
Temporary personnel-years have been included with permanent.

**Source:** Governor's Proposed State Budget of California, Supplement for Salaries and Wages, 1969 - 1987

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Authorized Permanent</th>
<th>Filled Permanent</th>
<th>Authorized Temporary</th>
<th>Filled Temporary</th>
<th>Total Filled</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>3,184</td>
<td>3,112</td>
<td>12,488</td>
<td>12,069</td>
<td>15,252</td>
</tr>
<tr>
<td>1973/75</td>
<td>2,833</td>
<td>2,793</td>
<td>10,360</td>
<td>10,090</td>
<td>13,033</td>
</tr>
<tr>
<td>1975/76</td>
<td>1,728</td>
<td>1,694</td>
<td>1,880</td>
<td>1,874</td>
<td>1,958</td>
</tr>
<tr>
<td>1976/77</td>
<td>1,901</td>
<td>1,878</td>
<td>1,880</td>
<td>1,874</td>
<td>1,958</td>
</tr>
<tr>
<td>1977/78</td>
<td>2,000</td>
<td>1,977</td>
<td>2,000</td>
<td>1,977</td>
<td>1,977</td>
</tr>
<tr>
<td>1978/79</td>
<td>2,000</td>
<td>1,977</td>
<td>2,000</td>
<td>1,977</td>
<td>1,977</td>
</tr>
<tr>
<td>1979/80</td>
<td>2,000</td>
<td>1,977</td>
<td>2,000</td>
<td>1,977</td>
<td>1,977</td>
</tr>
<tr>
<td>1980/81</td>
<td>2,000</td>
<td>1,977</td>
<td>2,000</td>
<td>1,977</td>
<td>1,977</td>
</tr>
<tr>
<td>1981/82</td>
<td>2,000</td>
<td>1,977</td>
<td>2,000</td>
<td>1,977</td>
<td>1,977</td>
</tr>
<tr>
<td>1982/83</td>
<td>2,000</td>
<td>1,977</td>
<td>2,000</td>
<td>1,977</td>
<td>1,977</td>
</tr>
<tr>
<td>1983/84</td>
<td>2,000</td>
<td>1,977</td>
<td>2,000</td>
<td>1,977</td>
<td>1,977</td>
</tr>
<tr>
<td>1984/85</td>
<td>2,000</td>
<td>1,977</td>
<td>2,000</td>
<td>1,977</td>
<td>1,977</td>
</tr>
<tr>
<td>1985/86</td>
<td>2,000</td>
<td>1,977</td>
<td>2,000</td>
<td>1,977</td>
<td>1,977</td>
</tr>
<tr>
<td>1986/87</td>
<td>2,000</td>
<td>1,977</td>
<td>2,000</td>
<td>1,977</td>
<td>1,977</td>
</tr>
</tbody>
</table>

**Department of Social Services**
Dept. of Social Services
Personnel-Years

Authorized
Filled

Budget Year

Personnel-Years

69/70 70/71 71/72 72/73 73/74 74/75 75/76 76/77 77/78 78/79 79/80 80/81 81/82 82/83 83/84 84/85 85/86 86/87
Introduction

The Stephen P. Teale Data Center is a part of the Business, Transportation and Housing Agency. In 1971, the state Legislature recognized the importance of electronic data processing (EDP) in the state government. In 1972, legislation mandating the centralization of state computer facilities established four consolidated data centers within the state government at the agency level. One of these facilities was the Teale Data Center. The other three were in the Department of Justice, the Agriculture and Services Agency, and in the Human Relations Agency. Consolidation of these centers was proposed in the hope that it would yield savings in reduced personnel required for the operation of equipment, elimination of duplication in the procurement of data processing equipment, optimum utilization of
equipment, and insure availability of data processing software packages not normally available to smaller users.

No private companies or county agencies may use the Center's services; only state agencies are eligible for the use of the Teale Data Center's EDP services. The Director of Finance determines which agency programs are to receive service from the Center.

Chapter 787 of the 1972 Statutes states that the Director of the Data Center has control over and is responsible for all data processing operations and procedures. His actions, however, are subject to the review and approval of the Department of Finance. Therefore, although the Director has much discretion in making plans for the organization and deciding how the Center will operate, the Department of Finance exercises its authority in deciding who shall receive the services and in its capacity to review the Center's activities.

In operating two large-scale computing facilities in a responsive and cost-effective manner, the Teale Data Center emphasizes improving the average level of resource utilization, making managers and non-technical staff of client agencies aware of available EDP products, and the security and confidentiality of data and facilities.

Agency Development

Since the Teale Data Center's beginnings its main objective has been to make available to all state users that portion of a large-scale central computing facility which is required to process effectively data necessary in support of that organization and its programs. The largest, most efficient computers are thus made available to any user for a price which is consistent with the cost and usage.
The three major programs in the original Teale Data Center operations were the Conversion, Facilities Operations, and Administration Programs. The Conversion Program was created to convert or transfer the users' existing data processing files to those of the Teale Data Center. Activities involved in this unit included: acquisition and installation of equipment; program and data-base conversion; physical movement of personnel; release of no-longer required equipment; project management; administration; management staffing; personnel evaluations; office equipment acquisition; security installation; and all other one-time costs needed for consolidation.

The goals of this program were substantially accomplished in the first three years of the Center's operation, and the program was phased out in 1974. Though the Teale Data Center still engages in several, if not all, of the activities that were included in the Conversion Program, these activities are no longer so dominant as they first were. They no longer merit a separate program and are now included in the Facilities Operations Program. The primary concern of the Facilities Operations Program is the operation and support of the computing facilities in a way that will ensure efficient utilization of the Center resources, effectively process the data and applications, and expand the service level to increase the accessibility of EDP products to the managers and non-technical staff of the user agencies. These goals are achieved through three subunits of this program.

Machine Operations ensures the timely and efficient accomplishment of work twenty-four hours a day, five days a week.

The Technical Services element of the Facilities Operations Program is responsible for maintenance of the software operating system for the computers, the telecommunications system, and the on-line inquiry systems.
and with the installation and implementation of vendor-supplied proprietary software packages.

The third element, Customer Services, represents the Teale Data Center to its users and represents the users' needs to the Center. It also schedules workflow and is responsible for miscellaneous user-support functions which include keeping the Teale Data Center's management aware of the clients' needs, problems, and financial status.

The Administration Program's provides executive and administrative support to the programs administered by the Teale Data Center, such as providing staff support to line functions, including personnel, fiscal, billing, budget, contract administration, and general administrative services.

Over the course of the Center's history, an increasing amount of money has been spent on the Administration Program and a decreasing percentage of the budget spent on the Facilities Operations Program. This may be attributable to the improvement of available technologies which allow the Center to operate with less money in this area. Administrative responsibilities have also increased as the number of clients served grew. When the Teale Data Center was first established, it received $1,310,000 in legislative appropriations to start operations. The Center's budget has always been based on known costs and excludes provisions for future growth or program expansion. This facilitates the charging of regular rates for services rendered.

In 1976, legislation was enacted creating the Stephen P. Teale Consolidated Data Center Revolving Fund (TDC Fund) in the State Treasury. This fund is continuously available and utilized for the payment of expenses incurred by the Teale Data Center. The TDC Fund consists in the following:
(a) all monies appropriated by the Legislature for such fund in accordance with the law; (b) all monies received into the Treasury from any source whatever in payment of EDP services rendered by the Teale Data Center; (c) all monies from outstanding balances of prior fiscal years which have not reverted to the General Fund; and (d) the balance remaining in the TDC Fund at the end of any fiscal year whether the monies are received from an appropriation or from payment of services rendered. In the case where the balance remaining in the TDC Fund at the end of any fiscal year exceeds two million dollars, the billing rates for services rendered shall be adjusted downward for the following year.

The Center may adjust its rates upward for a particular service during the fiscal year with prior notice to its customers if it finds that it has been undercharging for that service. However, the Teale Data Center will usually wait until the end of the year, absorbing the cost of undercharging in the TDC Fund. In doing this, the Center takes into consideration that the user agencies are operating on a restricted budget that might not allow for a mid-year increase of their expenses.

The Teale Data Center's budget is constrained by the budgets of its clients who receive legislative appropriations. The Center tries to anticipate growth in service demands by working with departments to estimate needs and by monitoring user budget requests.

Sources of Change and Organizational Responses

The Teale Data Center operates more like a private company than a public agency. Not limited to a strict annual budget, the TDC operates on a fee for service basis. The Center provides EDP services and receives payment for those services. Most state agencies receive money from the government and
then provide services. This fact in and of itself sets the Teale Data Center apart from most other California state agencies.

A source of change inherent to the Center's operation is the technology with which it deals. Technological advancements in the computer industry do not go unnoticed. In fact, the agency is quite capable financially to keep fairly current on emerging technologies. Experimental technologies are rarely tried in TDC. It is not the purpose of the Center's existence to test new equipment but merely to provide its clients with efficient, economic, and reliable EDP services. The Teale Data Center prefers to purchase equipment that is already proven capable of meeting the agency needs.

To determine that the equipment is reliable for desired functions, the Center, in considering a company's hardware, requires that the company must have sold three of the same pieces of hardware and those three pieces must have been in operation for six months. In considering the purchase of software, the same conditions apply, but software must have been in operation for a year.

The Teale Data Center is kept abreast of technological advances by twenty-five major vendors who continually provide information in the form of solicitations. Employees are also sent to technical seminars and encouraged to follow trade journals.

The equipment procurement process has become somewhat politicized. Because the technical specifications of desired equipment are so complex, the contract goes to the lowest bidder. There is no ostensible reason for negotiations or compromises. The Center requires that the equipment function in a certain way and there is no deviation from this requirement. Because these bids are often worth millions of dollars, it is worthwhile for the losing vendor to protest the Teale Data Center's decision. This protest may
take place in the form of a letter to the vendor's legislative representative. The ambiguity of technical specifications opens many doors to bid protests. If the Governorship and Legislature are controlled by opposing parties, these debates may even assume party overtones.

Although the Teale Data Center is run like a private company, as a state agency it cannot pay its employees very competitive salaries. Therefore, private companies are able to entice the more qualified employees with better offers, and there is a high turnover rate. This trend may be partially affected by the extension of the Silicon Valley into the Sacramento area. In 1984, a large portion of those in the computer industry in the Sacramento area had worked for the Teale Data Center at one time. Because of this high turnover rate, the Center boast of having high upward mobility and affirmative action. With the average age of the employees being around thirty-five years of age, there have been only a dozen or so retirements since the beginning of the agency.

Another change regarding personnel came with the introduction of collective bargaining in 1983. The agency went from being non-union civil service to having several major unions representing the employees. One problem comes with having more than one union representing the workers. For example, in working out the contracts, the unions bargained away the workers' sick leave at different rates, which created difficulties for management. Another problem is the reduced flexibility from more specific rules regarding the employees' contracts. Work assignments are specified, and using personnel out of class is no longer allowed. An example of the Center's reduced flexibility is that it cannot have an operator on standby at home on the weekends without pay.
Bibliography

California. Governor's Budget (and supplements), various years, 1967 - 1985.


Lema, David, Director, Teale Data Center. Interview, November 1984.

Wilson, Jim, Chief Deputy Director, Teale Data Center. Interview, November 1984.
### Stephen P. Teale Data Center
#### Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Program Expenditures by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1972/73</td>
<td>$3,504</td>
<td>0</td>
</tr>
<tr>
<td>1973/74</td>
<td>11,588</td>
<td>0</td>
</tr>
<tr>
<td>1974/75</td>
<td>13,606</td>
<td>0</td>
</tr>
<tr>
<td>1975/76</td>
<td>9,612</td>
<td>0</td>
</tr>
<tr>
<td>1976/77</td>
<td>10,585</td>
<td>0</td>
</tr>
<tr>
<td>1977/78</td>
<td>11,061</td>
<td>0</td>
</tr>
<tr>
<td>1978/79</td>
<td>13,533</td>
<td>0</td>
</tr>
<tr>
<td>1979/80</td>
<td>16,642</td>
<td>0</td>
</tr>
<tr>
<td>1980/81</td>
<td>23,454</td>
<td>0</td>
</tr>
<tr>
<td>1981/82</td>
<td>30,831</td>
<td>0</td>
</tr>
<tr>
<td>1982/83</td>
<td>33,338</td>
<td>0</td>
</tr>
<tr>
<td>1983/84</td>
<td>39,149</td>
<td>0</td>
</tr>
<tr>
<td>1984/85</td>
<td>44,926</td>
<td>0</td>
</tr>
<tr>
<td>1985/86</td>
<td>50,981</td>
<td>0</td>
</tr>
</tbody>
</table>


* Because the Teale Data Center is designed to operate primarily through cost reimbursements from user agencies, the Center normally receives no supplementary state funding. Program expenditure figures are therefore substituted in this table for the fund expenditure amounts used for the other state agencies in this series. See note in preface for additional information on tables and graphs.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>Authorized Permanent</th>
<th>Temporary Personnel-Years</th>
<th>Filled Permanent</th>
<th>Temporary Personnel-Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1970</td>
<td>160</td>
<td>196</td>
<td>206</td>
<td>200</td>
</tr>
<tr>
<td>1971</td>
<td>198</td>
<td>206</td>
<td>308</td>
<td>331</td>
</tr>
<tr>
<td>1972</td>
<td>206</td>
<td>308</td>
<td>273</td>
<td>331</td>
</tr>
<tr>
<td>1973</td>
<td>198</td>
<td>206</td>
<td>308</td>
<td>331</td>
</tr>
<tr>
<td>1974</td>
<td>206</td>
<td>308</td>
<td>273</td>
<td>331</td>
</tr>
<tr>
<td>1975</td>
<td>198</td>
<td>206</td>
<td>308</td>
<td>331</td>
</tr>
<tr>
<td>1976</td>
<td>206</td>
<td>308</td>
<td>273</td>
<td>331</td>
</tr>
<tr>
<td>1977</td>
<td>198</td>
<td>206</td>
<td>308</td>
<td>331</td>
</tr>
<tr>
<td>1978</td>
<td>206</td>
<td>308</td>
<td>273</td>
<td>331</td>
</tr>
</tbody>
</table>

Source: Governor's Proposed State Budget of California Supplement for Salaries and Wages, 1969 - 1987

Temporary personnel-years have been included with permanent.

Teale Data Center
Teale Data Center
Personnel-Years

Authorized
Filled

Personnel-Years

Budget Year

0 100 200 300 400
69/70 70/71 71/72 72/73 73/74 74/75 75/76 76/77 77/78 78/79 79/80 80/81 81/82 82/83 83/84 84/85 85/86 86/87
Introduction

The California Department of Transportation (DOT, Caltrans) is located within the Business, Transportation and Housing Agency of the state's executive branch. The Department is headed by a director, who is appointed by the Governor with approval of the state Senate. The Secretary of Business, Transportation and Housing provides direction to the agency as a whole. The Department of Transportation works in conjunction with the California Transportation Commission, created in 1978, which is responsible for the planning and budgeting of projects on the state highway system.

The Department of Transportation is responsible for improving the quality of transportation in California by bringing together all levels of government and the private sector for the purpose of developing safe and balanced transportation systems. The Department also coordinates and encourages research into all modes of transportation technology and planning. In order to efficiently and effectively meet the great demands place upon it, the Department of Transportation is divided into four major programs:
Transportation and Planning - Through the State Highway Improvement Program (STIP), the DOT cooperates with local and regional transportation planning agencies to assist and coordinate local plans and the DOT's own State highway System Plan, a scenario of highway improvement activities at various optional funding levels. Department activities include the development of transportation plans, corridor studies, and ongoing policy evaluation.

Mass Transportation - The DOT administers the state's Transportation Development Act of 1971 and the federal Urban Mass Transportation Administration (UMTA) programs. Working cooperatively with federal, regional and local entities, the Department is responsible for formulating mass transportation policy for the state. The Department provides technical assistance to local entities in the development of transit guideways and aids them in obtaining grants, subventions, and other financial assistance.

Aeronautics - The Department studies the environmental and community impacts of airport development and airport land use zoning; approves airport and helicopter sites; issues permits; reviews and evaluates requests for funds from the California Airport Aid Program; provides an aviation advisory service; coordinates and assists the Federal Aviation Administration in allocating federal aid to airports; and cooperates with federal, regional and local entities on aviation related issues.
Highway Program - The Department provides for the development of the state's highway system including design, land acquisition, construction, operation and maintenance. These efforts include toll bridges, busways, bikeways, pedestrian ways and roadside rests related to the state highway system.

Department Development, Goals and Structure

Highway regulation by the State of California originated with the establishment of the Bureau of Highways in 1895. In 1921 the Department of Public Works was established and given responsibility for the state's highways. The Department of Public Works continued until the 1972 California Legislature passed Assembly Bill 69. This bill created the California Department of Transportation in July, 1973. The new department was vested with all the duties, powers, purposes, and responsibilities of the preceding Departments of Aeronautics and Public Works and Office of Transportation Planning and Research.1

The Department, at its inception, was to be concerned with the viability of all forms of transportation in California and the establishment of a comprehensive multimodal transportation planning process which has become the STIP. While the DOT is responsible for encouraging and assuring that adequate transportation planning takes place in all realms, implementation of transportation plans by the DOT remains limited to state highways. Oversight of state highway improvements and services is assigned to twelve district offices operating under the direction of the DOT headquarters in Sacramento.

The Department of Transportation's personnel may be grouped roughly into three types--maintenance, support, and other. Maintenance and support
personnel make up roughly 40 percent each of the Department. New highway construction is not performed by the Department itself, but is contracted out to private companies, with support personnel to oversee the construction and insure that required specifications are met. The Department does the project design portion and performs required environmental impact studies prior to construction. Unlike construction, maintenance of existing systems is primarily performed by Department personnel. In addition, local or regional transportation authorities may at times contract for the DOT to perform maintenance of roadway outside of the DOT's regular jurisdiction. Current state law limits the DOT's ability to contract out for the performance of certain aspects of highway work. The DOT believes that a change in the law would benefit it by increasing its program flexibility.

The main source of state funding for the DOT comes from the state gas excise tax, 9 cents per gallon through 1987, which helps fund the maintenance and construction of the state highway system. This tax was raised from 7 cents in 1982. About half of the revenues from this tax are distributed to local governments. The Department also receives a substantial amount—about half its budget expenditures—from the federal government through a matching 9 cent per gallon federal gasoline excise tax. Of the total taxpayer contribution collected from California by the federal government and placed in a federal highway trust fund, roughly 85% is returned to the state for highway uses. The federal gas tax was last raised in 1982 from 4 cents with passage of the federal Surface Transportation Act in the previous year. Highway funds must be raised and proportionately matched by the state to obtain federal funds.

Although the DOT's state budget has been rising fairly steadily over the years, these budget increases have not been enough to offset the inflationary
increases in construction and highway maintenance costs. This has been a primary concern of the Department. Deficient funding does not result in a restructuring of the Department's programs, but will result in fewer projects. The DOT acknowledges funding difficulties through the "funding level option" format of the State Highway System Plan, in which several possible highway improvement program scenarios over the next decade are given at optional hypothetical funding levels. Another revenue concern has been the increased gas mileage of automobiles over the years, resulting in greater road use with no proportional increase in tax revenue for road upkeep. This change, partially a product of the oil crisis of 1974, required unexpected adjustments in the Department's original revenue projection.

Federal funding rose steadily in early years, but fluctuated in the early 1980s as the federal government attempted to address the nation's budget deficit. In recent years, with the newly acquired Surface Transportation Act revenues, federal funds have increased substantially. The DOT is now concerned about the state's future ability to meet federal matching requirements and take advantage of those funds.

**Goals and Policies**

After the inception of the Department of Transportation in 1973, the State Transportation Board published a report outlining the Statewide Transportation Goals and Policies. The report stated:

The Transportation Goal of the State is the development, coordination and maintenance of a transportation system that provides the optimum capability for the movement of people and goods, in the most efficient, convenient, timely, safe, reliable and cost-effective manner consistent with social, economic and environmental interests of the state.²
Within the context of this goal, the State Transportation Board outlined the following three policy areas:

Policy Area I: Adopt a comprehensive approach to the planning context so that statements of transportation needs are deductions resulting from a comprehensive socioeconomic-environmental analysis of the various sets of conditions in California.

Policy Area II: Develop and effectively use transportation facilities and services to meet California's needs for such facilities and services.

Policy Area III: Develop and implement the California transportation System based on a continuous, comprehensive multimodal transportation planning process that involves the public, the private sector and all levels of government.

These original goals are embodied each year in the Department's published proposed State Transportation Improvement Program (STIP), covering a five year planning period. The adopted California Transportation Commission's annual STIP is one of the most important tools that the Department and Commission use to coordinate State transportation improvements with regional programs, to control and schedule future expenditures, and for the Department to plan engineering support for future projects and activities. The STIP serves to implement state and national transportation policy into tangible program goals.

The DOT is now concentrating its efforts on maximizing the operational efficiency of the existing highway system and reducing traffic congestion in urban areas. The options to this are either to increase operating capacity, requiring funding increases, or to reduce highway use, requiring the comprehensive cooperation and coordination of many sectors of society. The potential of concentrating on operational efficiency was shown with the success of the 1984 Los Angeles Olympics. A high-level of planning prior and
during the Olympic games avoided major transportation problems to a point of fewer congestive occurrences than is normal in the area (a reduction of potential highway use was part of this).  

Beyond the concern with congestion and operation, the DOT remains concerned with maintaining environmental standards and assuring highway safety. DOT policy requires that maximum safety standards be included in highway designs regardless of construction cost.

The Department of Transportation has adopted the following policies for determining its present and future direction of activity:

The Department of Transportation will:

--promote statewide economic development through support of improved access to existing and planned commercial and residential development, in full cooperation with local and regional agencies and the private sector. However it is a Department policy that those who share in the benefits of such improvements should also participate in the costs.

--recommend to the CTC that privately funded improvement projects receive a high priority in statewide programming if, in the professional judgement of Department staff, such projects are valid. The higher the ratio of private to public funds, the higher the priority should be, if all other conditions are met.

--help prevent the decline of current economic centers.

--recognize that comprehensive transportation system plans developed in cooperation with local communities can serve as catalysts for economic development.

--reduce the adverse economic impact of transportation improvements on nearly commercial activities through coordinated and cooperative discussions with local agencies and the private sector.

--consider environmental consequences in selecting particular services or facilities to solve transportation problems.

--select, within these constraints and other factors which also must be considered, that alternative which causes the least environmental damage and yet serves the essential transportation need.

--conserve state generated revenue to match all federal funds apportioned to California and to meet those state priorities that depend upon state-only funds.
--focus on maximizing total system benefits rather than individual project benefits.

--strive not necessarily for an "ideal" system to be completed sometime in the distant future, but instead will strive to develop a "practical" system. However, such a "practical" system should include opportunities for future improvements whenever this flexibility is technically and financially feasible.

--value engineering and other appropriate methods to provide cost-effective projects and facilities plus efficient operations and procedures. The Department will emphasize the need for adequate analysis of proposed changes and solutions to transportation problems prior to programming in the State Transportation Improvement Program (STIP). In order to strive and secure public and private support for public transportation as it strives to keep up with the changing demands, the Department will strive to ensure that California qualifies for its full share of federal transit funding.

As these principles show, the DOT strives to develop a close cooperative working relationship with all involved and affected parties—the California Transportation Commission; the Legislature; federal, state, regional and local agencies; the public, community based groups, and the private sector—in order to best respond to both internal and external changes.

Decision-making at the Department of Transportation takes place in a very decentralized manner. This has been emphasized under the current director. As long as an individual division or manager keeps within the general philosophy and policies of the Department as a whole, decisions are left to the individual. By giving the middle level and lower level bureaucrats the power of decision and implementation, upper management is relieved of unnecessary and time-consuming involvement. The DOT encourages a team approach to the Department management—that is, communications should be frank, open, participative and cooperative. The following guidelines regarding its decision-making procedures have been adopted:

--Management decisions will be made by the district directors and division chief. If conflicts occur, they will be resolved by the deputy directors, or when necessary, by the director.
--To the extent feasible and practical, implementation decisions will be delegated to and within districts, and to the lowest practical level.

--Leadership will be stressed within the Department.

--The professional expertise of the staff is the Department’s greatest resource, and full advantage must be taken of these capabilities. Management will set an example by demonstrating its professional confidence in its staff and in one another. Quality circles and other forms of participative management will be implemented when appropriate.

--Using the model district guidelines as a base, district directors may modify the organization of their districts where necessary to meet individual district objectives and individual management needs.

Responses to Change

Among the dozens of contemporary changes found to effect the Department of Transportation, a few stand out as major sources which demand organizational response. As within most large (and many small) organizations, computers are a major source of change in the 1980s. The Department of Transportation is no exception to this trend. C.A.D. (Computer Aided Drafting or Design) have been implemented to aid the Department in its design. Word processors and personal computers are finding greater use in the DOT. The Legal Division has purchased a system of Weslow computer terminals in order to help with legal research. Caltrans has also installed TRAMS (Transportation Accounting and Management System), a system which will place financial operations and accounting at the cutting edge of today’s technology. These computers will be needed to assimilate all of the new and incoming data of tomorrow.

The Department of Transportation is also looking into areas which might affect its function and programs in the future. The DOT is supporting research in futuristic automated highway systems, including magnetic steering
and radar controlled collision prevention, and has recently contracted for a
new test-run to expand research and testing in this area.

Through the Strategic Management Group, which includes transportation
experts from around the state, the DOT considers future long-run trends in
California which will affect it. Current concerns are the changing ethnicity
and economic base of California, which will effect transportation needs by
its citizens, and the more recent trend of counties passing individual
initiatives for transportation spending within the county only. This latest
trend (by mid-1987 Alameda, Fresno and Santa Clara County had implemented
taxes) raises the problem of richer counties having better transportation
systems while poorer counties go without, despite cross-use by all
Californians.

A final area of uncertainty for the DOT is the future of the highway
system in the coming "post-interstate" years. Federal legislation providing
funding for the interstate system anticipated completion of that system in
1993, and funding is set to expire in that year. The DOT is unsure whether
federal funding will continue for the interstate system, or in what form if
it does. If it does not, maintenance of the interstate system and all
further construction will fall to the state.
Notes


3. Ibid.


Bibliography


Borden, James, Transportation Operations, CALTRANS. Interview, spring 1984.


-------. Overview of the Proposed 1982 STIP. Sacramento: the Department, 1982.


--------. Statutes Relating to the California Department of Transportation, issued by Robert F. Carleson, Chief Counsel. Sacramento: Legal Division, Department of Transportation, 1983.


Carleson, Robert F., Chief Counsel, Legal Division, CALTRANS. Interview, spring 1984.

Hoffart, Larry, Budget Director, CALTRANS. Interview, spring 1984.


Wieman, Larry, Chief, Division of Transportation Planning, CALTRANS. Interview, summer 1987.
### Department of Transportation

Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Operations</th>
<th>Local Assistance</th>
<th>Capital Outlay</th>
<th>% of Total State Oper.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00%</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00</td>
</tr>
<tr>
<td>1972/73</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>.00</td>
</tr>
<tr>
<td>1973/74</td>
<td>$175,430</td>
<td>$34,019</td>
<td>$246,899</td>
<td>7.78</td>
</tr>
<tr>
<td>1974/75</td>
<td>187,335</td>
<td>48,739</td>
<td>139,396</td>
<td>7.22</td>
</tr>
<tr>
<td>1975/76</td>
<td>197,121</td>
<td>28,915</td>
<td>98,452</td>
<td>6.67</td>
</tr>
<tr>
<td>1976/77</td>
<td>218,893</td>
<td>50,695</td>
<td>246,273</td>
<td>6.62</td>
</tr>
<tr>
<td>1977/78</td>
<td>264,030</td>
<td>39,658</td>
<td>198,050</td>
<td>7.03</td>
</tr>
<tr>
<td>1978/79</td>
<td>301,180</td>
<td>59,454</td>
<td>176,864</td>
<td>7.71</td>
</tr>
<tr>
<td>1979/80</td>
<td>509,347</td>
<td>83,377</td>
<td>178,052</td>
<td>10.64</td>
</tr>
<tr>
<td>1980/81</td>
<td>555,419</td>
<td>150,655</td>
<td>96,711</td>
<td>9.84</td>
</tr>
<tr>
<td>1981/82</td>
<td>591,308</td>
<td>180,786</td>
<td>81,940</td>
<td>9.93</td>
</tr>
<tr>
<td>1982/83</td>
<td>634,102</td>
<td>140,149</td>
<td>112,017</td>
<td>10.34</td>
</tr>
<tr>
<td>1983/84</td>
<td>686,955</td>
<td>132,646</td>
<td>118,254</td>
<td>10.61</td>
</tr>
<tr>
<td>1984/85</td>
<td>741,799</td>
<td>115,867</td>
<td>127,883</td>
<td>9.09</td>
</tr>
<tr>
<td>1985/86</td>
<td>796,014</td>
<td>90,478</td>
<td>150,261</td>
<td>8.48</td>
</tr>
</tbody>
</table>


* See note in Preface.
Department of Transportation
State Fund Expenditures

Budget Year

Federal Funds

Budget Year
Temporary personnel-years have been included with permanent.

**Supplement for Salaries and Wages, 1969-1987**

Source: Governor's Proposed State Budget of California

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Authorized Permanent</th>
<th>Filled Permanent</th>
<th>Total Permanent</th>
<th>Authorized Temporary</th>
<th>Filled Temporary</th>
<th>Total Temporary</th>
<th>Approved Temporary</th>
<th>Total Approved</th>
<th>Approved Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
</tr>
<tr>
<td>1970</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
</tr>
<tr>
<td>1971</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
</tr>
<tr>
<td>1972</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
</tr>
<tr>
<td>1973</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
</tr>
<tr>
<td>1974</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
</tr>
<tr>
<td>1975</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
</tr>
<tr>
<td>1976</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
<td>11,438</td>
</tr>
</tbody>
</table>

Temporary personnel-years have been included with permanent.
Department of Transportation
Personnel-Years

Authorized
Filled

Budget Year

Personnel-Years
SOLID WASTE MANAGEMENT BOARD

Original Report by Brent Stewart
1987 Update by David T. Burke

Summary

The California State Solid Waste Management Board (WMB) was established in 1972 to formulate and implement a comprehensive state policy for solid waste management, including minimum standards for solid waste handling and disposal for the protection of public health and safety, as well as air, water, and land. The Board is also charged with reviewing and evaluating county solid waste management systems.

During its first year the Board, consisting of seven members (increased to nine in 1978) and three ex-officio members, fulfilled its legislated mandates through two activities: development of minimum standards for the management of solid wastes and provision of technical assistance to local governments to aid them in formulating state-mandated waste management plans. In establishing the Board, the Legislature hoped to encourage local communities to plan ahead for their future waste disposal needs, more generally to protect the public and the environment from the improper disposal of wastes. The WMB was the first agency of its kind in the United
States. As a result, its programs have served as a model for similar programs in other states.

The federal government passed the Resource Conservation and Recovery Act (RCRA) in 1976, adopting its own minimum standards and giving monies to the states to inspect all landfill sites for compliance with these health and safety standards. As a result, the California Waste Management Board expanded their staff. The ensuing RCRA inspections concluded that 85% of the landfill sites in California were out of compliance with the minimum health and safety standards.

These findings motivated the California Legislature to take a closer look at waste management policy. The State Legislature gave the Board was given more enforcement authority over local and county landfill authorities by the state Legislature. These same laws also gave the Board responsibility for forecasting the state's waste disposal needs, overseeing the development of County Solid Waste Disposal Plans, and designating sites for the conversion of wastes into energy and synthetic fuels (waste-to-energy plants).

A recycling and resource recovery grant program was initiated in 1978 with funds from taxes on large corporations and banks. The grants program was one of the most effective programs undertaken by the Board. Until 1979-80, the State Solid Waste Management Board experienced increases in both its budget appropriations and in the scope of the program and activities. The Board's programs included by 1980-81 disposal management, resource recovery and recycling, litter management, waste reduction and hazardous waste management. The WMB worked in conjunction with the Department of Health Services on the hazardous waste question, and regularly works with the State Air Resources and Water Resources Control Board.
Since 1979-80, the funds appropriated to the Board have decreased steadily forcing cutbacks in agency personnel and programs. The most drastic cutbacks were initiated following Proposition 13, occurring primarily in the litter grant program. The Board has reacted to these cutbacks by streamlining its personnel and programs while searching for alternative sources of funding. Appropriations by 1983 were about a third of their 1979-80 peak.

In recent years the WMB's efforts have concentrated on improving compliance with state waste disposal laws and standards in two areas: encouragement of the completion of the 57 County Solid Waste Management Plan updates by the individual counties, and greater communication and coordination with the designated Local Enforcement Authorities which work in conjunction with the WMB. In addition, the WMB is increasing its efforts to find waste disposal alternatives to landfills operations.

Introduction

The California Waste Management Board (WMB) is part of the Environmental Affairs Agency of the State of California. The other two independent boards in this agency are the Air Resources Board and the State Water Resources Control Board. These three boards oversee major portions of the monitoring and enforcement efforts against air, water and solid waste pollution.

The goal of the California Waste Management Board is to provide policy direction for California and for its local governments in the state's efforts to assure adequate planning and oversight of solid waste disposal. Oversight functions included assuring that the environment and public health are protected from the potential harmful effects of inadequate waste disposal, and assuring that such sights are operated in a safe manner for those in the
operating environment. Planning means assuring that the needs of the state in terms of disposing increasing amounts of waste are adequately provided for in the future.

In pursuance of this goal the WMB has been involved in a number of activities prompted both by state legislation and from its own initiative. Activities include or have included the development of safe waste disposal criteria, inspection of waste disposal facilities, the promotion of litter reduction, and of waste reduction through recycling. The WMB also promotes landfill alternatives such as waste-to-energy plants, forecasts future waste disposal needs, and coordinates the County Solid Waste Management Plans (CoSWMP's)—the primary tool for assuring adequate planning for the future. The WMB works in conjunction with Local Enforcement Agencies (LEA's) in its oversight of disposal sights.

Overview of the Board's Development

In 1972, the California State Legislature passed the Nejedly/Z'Berg/Dills Solid Waste Management and Resource Recovery Act to establish and maintain comprehensive state solid waste management and resource recovery policies and programs. A seven-member board was appointed in March 1973 with the Board's first Executive Officer appointed in June of that year. This initial "start-up" period was characterized by some confusion. The Board originally met once every four weeks with members working only part-time. The Executive Officer's immediate duty was recruiting a staff so that the Board could operate. Staffing, apparently, was difficult to accomplish because few people other than refuse haulers had experience in the waste management field.
During its first year the WMB fulfilled its legal mandate of developing minimum standards for the management of solid wastes and by giving technical assistance to local governments to aid in the formulation of CoSWMPs. At the time, the California Solid Waste Management Board was the first of its kind in the United States, and its programs subsequently served as models for many other states addressing disposal concerns. In 1976 the U.S. Environmental Protection Agency developed its own minimum standards regarding open dumps. Following the passage of the federal Resource Conservation and Recovery Act (RCRA), the federal government provided monies to the states to inspect sights for compliance with their standards. Because the federal standards chiefly responded to high ground-water problems in eastern and southern states, and because their standards differed significantly from California's, the California WMB was reluctant to participate. But to fulfill RCRA obligations, the WMB did accept federal funds and hire additional staff for inspections. Results from these inspections showed that 85% of California's landfill sights were out of compliance with federal minimum health and safety standards. These results were similar throughout the United States.

These findings "woke up" the California Legislature to the realities of waste management in California, and the Board was given more enforcement power over local and county landfill authorities by the State Legislature. These same laws also gave the Board the responsibility for designating sites for the conversion of wastes into energy and synthetic fuels (waste-to-energy plants).

In 1977 the California State Legislature passed the Litter, Control, Recycling and Resource Recovery Act (LCRRRA) which: (1) gave money to local governments to reduce litter; (2) funded the Board for recycling grant programs; and (3) gave money to the Board for resource recovery. An initial
$18 million loan was provided from the state's General Fund for these programs, with regular funding for the program originally to be generated from an assessment against every retailer, wholesaler and manufacturer in the state based on the firm's sales tax revenue, number of employees and type of product manufactured if applicable. The funding mechanism was later changed to provide one-half of one percent of the Bank and Corporation Tax to the Solid Waste Management Fund. The impetus for this bill was apparently a push by industries opposing "bottle bills" (bills that would require a deposit on beverage containers), such as the container industry. The logic was that if the litter problem was alleviated through this program, a bottle bill would not be needed. Various forces (see next section) combined to end the LCRRRA program in 1981.

In 1978 two more public members were added to the Board, bringing its total to nine. The Board now includes a full-time Chairman appointed by the Governor and, as before, an Executive Officer. The Chairman acts as the principle spokesman for the Board and its policies, while the Executive Officer and his staff work to implement effectively those policies and Board programs.

Until 1979-80, the WMB was growing in both its budgeted appropriations and in the scope of its programs and activities. By 1980-81, the Board's programs grew to include disposal management, resource recovery and recycling, litter management, waste reduction. Since 1979-80 the funds appropriated to the Board have been decreasing steadily, forcing cutbacks in personnel and programs. Cutbacks have been primarily due to the elimination of the litter grant and recycling grant programs already mentioned. The Waste Management Board's budget expenditures by 1983-84 were reduced to approximately $4 million, less than one-third of the 1979-80 expenditures
from the State Solid Waste Management Fund alone. The Board has reacted to these cutbacks by streamlining its personnel and programs while searching for alternative sources of funding (through legislation, lobbying, etc.). Appropriations since 1983-84 have remained at about $4 million, with an additional $1 million in federal Petroleum Violation Escrow Account (PVEA) funds expected for the 1987-88 fiscal year.

Following the elimination of LCRRRA funds in 1981, the WMB's programs focused on forecasting the state's future waste disposal needs and capacity, monitoring the state's landfill sites, enforcing the minimum standards for health and safety, finding and promoting alternatives to landfills and encouraging the completion of CoSWMP revisions.

In 1983 the WMB began promoting the California Litter Education and Action Network (CLEAN). This effort was conceived in response to the success generated from the LCRRRA. CLEAN brought together local governments, private groups and other state agencies in cooperation to reduce litter in the state through public awareness campaigns and other activities. Unlike the LCRRRA, state government funds were not provided for participation in CLEAN. In the 1985-86 legislative session, the WMB sponsored legislation which would have provided matching state funds for locally generated funds for CLEAN projects. The success of a "bottle bill" in the same session, however, mitigated much of the CLEAN bill's support since activities were duplicated in both bills. Thus The WMB legislation was not passed. Despite the lack of additional state support, the WMB has reaffirmed its conservation efforts with CLEAN.

Actors in the Task Environment

The WMB works with numerous other organizations, public and private in its daily operations. There is regulatory contact with the EPA at the
federal level and with cities, counties and Local Enforcement Agencies at the local level. The WMB also spends much time coordinating oversight activities with other state agencies such as the Air Resources Board, the Water Resources Control Board, the Department of Health Services. Litter control activities also require the cooperation of many other state agencies. Due to the passage of AB 2020 (Margolin) in 1986, the "bottle bill", the WMB will likely work more closely with the Department of Conservation, which will administer that program. Many concerns, such as underground gas leakage and ground water contamination from landfill sights, require coordinated oversight and regulation from these different bodies. At a higher level, the WMB has been works with the Canadian, Swedish and the U.S. federal governments, and other states to investigate waste-to-energy emission hazards. The WMB is also actively involved in the Association of State and Territorial Solid Waste Management Officials (ASTSWMO) and meets with many private industry groups and representatives to discuss solid waste issues. The WMB's work with private groups has been most notable in its efforts to promote waste-to-energy disposal plant construction. The WMB has convened an advisory counsel to assist in its disposal operation enforcement efforts. The WMB also contracts with private groups or public universities for studies relating to waste disposal.

The WMB's contact with local agencies is most extensive in its coordination of the County Solid Waste Management Plans and with the Local Enforcement Agencies. The enabling legislation that established the WMB in 1972 contained provisions requiring each county in California to develop a CoSWMP by 1976 and to update that plan every three years. The CoSWMP designates sites in each county to be reserved for forecasted future disposal.
needs given forecasts of those needs. The CoSWMP must be approved by the county, the cities within the county and the WMB.

Local Enforcement Agencies are the main monitoring and enforcement bodies of landfill sites. These agencies are not a part of the WMB, but are designated by the local governments and work in conjunction with them. Originally, LEAs conducted all inspections of landfills within the state and provided inspection reports to the WMB for review. The WMB now conducts a complementary statewide inspection program.

Sources of Change and Organizational Response

When the Solid Waste Management Board was created in 1972, its mission was to develop a comprehensive plan for solid waste management and resource recovery in California. Since its initiation in 1973, the Board has undergone several changes in its funding bases and activities.

The passage of the federal Resource Conservation and Recovery Act (RCRA) in 1976 allocated funds to the WMB to conduct an inspection and inventory of all dumps in California to determine if they complied with federal minimum standards for health and safety. The WMB hired staff to conduct the Open Dump Inventory (ODI), thus a new program was born. RCRA was passed because the federal government recognized that waste management was not subject to comprehensive planning, and that the importance of such activities had increased due to public concern over hazardous waste disposal.

The Litter Control, Recycling and Resource Recovery Act, passed in 1976-77, brought a major increase of funding to the WMB. The grant program worked very well, but it required monitoring, administrative review and support. This placed a great paperwork burden on the Board, and led to the creation of a separate Administrative Services Division in 1978. A complication also
occurred with the fund allocation formula to local areas. Because the grants were awarded on a per capita basis in combination with area road mileage, awards did not properly provide for areas with high tourism.

During 1979-80, the WMB became involved in researching the hazardous waste management issue in conjunction with the State Department of Health. This joint venture was terminated in 1981.

Following the passage of Proposition 13 in late 1978, the Legislature began reducing the WMB budget dramatically by eliminating LCRRRA funding. Although the LCRRRA had a sunset clause of July 1, 1983, the Legislature cut litter grants from the WMB's budget after only three years, and recycling grants after four years. The 1981-82 budget year also witnessed a dramatic cutback of federal funding, requiring a staff reduction for the Board's programs. This cutback was anticipated, yet the loss of personnel was a shock to the organization. The impact of the cutbacks was the loss of some employees and the shifting of others to different programs that were given a higher priority. In 1979 a reorganization occurred which consolidated the Resource Conservation Recovery Division, the Enforcement Division and the Technical Assistance Division into one, leaving Planning and Administrative Services in a separate division. In 1981 another reorganization was prompted by additional cutbacks. The combination of these cuts reduced the WMB budget to roughly a third of its budget peak, leaving the WMB to focus on other areas of concern. The 1983 introduction of CLEAN has shown the WMB's determination to continue activities in litter conservation.

In 1984 a new Board concern was the delinquency in CoSWMP revisions by many of the state's counties. Although all 57 counties had had their original plans approved by 1979, only 25 3-year revisions had been approved by the WMB by January of 1985. Complicating the process was a new law
requiring the CoSWMPs to be integrated with the individual general plans of each city. Los Angeles County, for example, had designated disposal sites on its CoSWMP which the City of Los Angeles refused to recognize on its own general plan. This forced the WMB to withhold approval until consensus was reached.

In response to the widespread delinquency, the WMB adopted a new policy. Counter to its past leniency on the revision timetable, the Board began recommending to the Attorney General prosecution under the law of any county which failed to heed the three year requirement and WMB warnings. This, together with augmented revision assistance efforts by the WMB, reduced the number of delinquent counties to three by late 1986.

The WMB has had difficulty in assuring proper enforcement of minimum standards at landfill sites. Much of the problem may be attributed to the lack of enforcement authority given to the WMB under original legislation. Unlike an authority such as the Water Resources Control Board, which has the power to delay urban growth if insufficient sewage capacity for an area is foreseen, the WMB was made to rely completely on the LEAs to enforce standards. If an LEA is slow in enforcing regulations or in sanctioning repeat violators, the WMB has no legal authority to force action but can only encourage LEAs to act. The only recourse is to de-designate an LEA and hope for a more cooperative replacement by the local government. In addition, the WMB had problems in maintaining consistency in inspections among the LEAs. What may constitute a violation in one district may not be perceived as such in another. The WMB, in using the reports submitted by the LEAs for analysis, could not guarantee that results reflected the true nature of the waste disposal situation in California.
Several changes made since the early 1980s have attempted to address these problems. In 1982 legislation was passed which permitted the WMB to conduct its own periodic inspections in addition to LEA inspections. State inspections, while far fewer at each site than LEA inspections, provide a standard by which the WMB can judge the adequacy and consistency of LEA inspection reports. Early analysis showed that LEA report findings were not consistent, with different conclusions between the different LEAs and the state as to what constituted a violation, and that the LEAs tended to note violations far less than the state. In response, the WMB developed a more thorough set of guidelines and training programs on inspection procedures, increased the LEA oversight staff, and also reactivated the Local Enforcement Advisory Council in 1985, which increased dialogue between LEA representatives and the WMB.

The 1982 legislation also directed that a "List of Noncomplying Facilities" be established by the WMB. Landfill sites exhibiting repeat violations in the state inspection program are placed on the list. Any site which remains on the list for longer than a year is to have its operating permit revoked by the LEA.

Despite this change, the WMB remains without enforcement authority of its own, and must continue to rely on the cooperation of the LEAs for enforcement. Indications are that such cooperation has been difficult at times. In 1984 the WMB notified four LEAs of its intention to de-designate them in order to prompt some cooperation. In this case, at least one county had to redesignate LEA authority to a different local body. While the Local Enforcement Advisory Council recommended that enforcement authority be given to the WMB, as of early 1987 this had not been done. The WMB's strategy of working to improve relations with the LEAs is, for now, its best recourse.
In some form WMB may suffer in its attempt to gain more support because of the lack of outside interest groups to push its cause regarding enforcement of minimum standards. While environmental groups exist which show much concern about toxic waste sites, the regulation of active landfill sites does not appear generate much political support. Perhaps improved contact with environmental groups might improve support for its cause. For now, the only groups with which the WMB interacts on landfill regulation are the landfills, the counties, and the LEA's designated by the counties. It is not in the interest of these groups to advocate increased enforcement power for the WMB.

The past few years have been relatively stable for the WMB. Efforts have intensified to promote the introduction of waste-to-energy plants as an alternative form of disposal by encouraging state assistance in construction financing and attempting to alleviate environmental concerns. The addition of federal PVEA funds in the next budget and possibly beyond, which are generally designated for energy concerns, will likely mean greater activity in this area.
Bibliography


California. Governor's Budget (and supplements), various years, 1967 - 1985.


Marino, Al, former Executive Officer, WMB. Interview, spring 1984.

Siebal, Val, Chief, Administrative Services Division, WMB. Interview, spring 1984.


Trumbull, Terry, former Chairman, WMB. Interview, spring 1984.
<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1970/71</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1971/72</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1972/73</td>
<td>$ 45</td>
<td>0</td>
</tr>
<tr>
<td>1973/74</td>
<td>221</td>
<td>0</td>
</tr>
<tr>
<td>1974/75</td>
<td>717</td>
<td>0</td>
</tr>
<tr>
<td>1975/76</td>
<td>946</td>
<td>0</td>
</tr>
<tr>
<td>1976/77</td>
<td>1,490</td>
<td>0</td>
</tr>
<tr>
<td>1977/78</td>
<td>3,026</td>
<td>0</td>
</tr>
<tr>
<td>1978/79</td>
<td>9,552</td>
<td>0</td>
</tr>
<tr>
<td>1979/80</td>
<td>12,387</td>
<td>0</td>
</tr>
<tr>
<td>1980/81</td>
<td>12,937</td>
<td>0</td>
</tr>
<tr>
<td>1981/82</td>
<td>8,161</td>
<td>0</td>
</tr>
<tr>
<td>1982/83</td>
<td>6,300</td>
<td>0</td>
</tr>
<tr>
<td>1983/84</td>
<td>3,743</td>
<td>0</td>
</tr>
<tr>
<td>1984/85</td>
<td>3,674</td>
<td>0</td>
</tr>
<tr>
<td>1985/86</td>
<td>3,985</td>
<td>0</td>
</tr>
</tbody>
</table>


* See note in Preface.
Waste Management Board
State Fund Expenditures

Thousands of Dollars

Budget Year

Federal Funds

Thousands of Dollars

Budget Year
<table>
<thead>
<tr>
<th>YEAR</th>
<th>Authorized Permanent</th>
<th>Authorized Temporary</th>
<th>Authorized Total</th>
<th>Filled Permanent</th>
<th>Filled Temporary</th>
<th>Filled Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1970/71</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1971/72</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1972/73</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1973/74</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1974/75</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1975/76</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1976/77</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1977/78</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1978/79</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1979/80</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1980/81</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1981/82</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1982/83</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1983/84</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1984/85</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1985/86</td>
<td>10a</td>
<td>10a</td>
<td>20a</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: Governor's Proposed State Budget of California Supplement for Salaries and Wages, 1969-1987

* Temporary personnel-years have been included with permanent.
Waste Management Board
Personnel-Years

Authorized
Filled

Budget Year

Personnel-Years
Introduction

The California Water Resources Control Board is a regulatory agency which works to preserve and enhance the quality of California's water resources, ensure that adequate supplies of clean water are available and promote the effective allocation of those resources. A relatively young agency, the WRCB was given its regulatory authority and responsibilities to preserve and maintain water quality in California with the passage of the Porter-Cologne Water Quality Control Act of 1967. The federal Water Pollution Control Act of 1972 also gave authority to the WRCB to enforce new federal water quality regulations, with attendant federal funding for this function. Today the WRCB is critically important to the people of California. Many other public agencies rely on the state's water resources for their operations.

The main WRCB functions are regulation of individual waste discharges and issuance of appropriative water rights. The former task is broken into three functions: permitting, monitoring and surveillance, and enforcement. Through several bond issues, the WRCB also aids in the development and construction of municipal waste treatment facilities and improvement of existing facilities in the state.
Recently, a new threat to water quality has been acknowledged in public policy—toxic contamination from surface impoundments and leaking underground tanks storing hazardous materials. The WRCB's reaction and adjustment to this problem will be discussed here within the broader context of its operating environment, task environment, and sources of external stress.

**Agency Development**

The modern era of water quality management in California was initiated by the creation of nine Water Pollution Control Boards in 1949. These regions include North Coast, San Francisco Bay, Central Coast, Los Angeles, Central Valley, Lahontan, Colorado River Basin, Santa Ana, and San Diego. Each had specific problems and needs to be served. Each is similarly required to meet statewide goals of water quality. The State Water Resources Control Board was created in 1967 to centralize and coordinate the functions of the regional boards. Today, the State Board is directly accountable to the Legislature while the regional boards are accountable to the State Board and indirectly to the Legislature.

Since the early 1970s, the State Water Board has operated through two programs: Water Quality and Water Rights. The distribution of state bond funds and federal grants for construction of waste treatment facilities is a function of the Water Quality program—Clean Water Grants.

The Clean Water Grants Program began in 1970 when California voters overwhelmingly approved a $250 million bond issue to construct new waste treatment facilities. In the 1972 Federal Clean Water Act, a minimum standard of secondary treatment for municipalities was set nationally. The State of California quickly embarked upon one of the largest public works projects in the country. Even with funding from federal and state sources,
priority lists continually outstripped available funds. Competition for construction grants throughout the state was strong.

Since the early 1980s, the federal government has decreased support for water quality programs. The federal Clean Water Act of 1987 will terminate funding for the Clean Water Grants Program by 1994. In addition to restricted funding, the federal government has continued to place tighter restrictions around use of federal funds, creating some federal-state tensions in this area.

Since the early 1970s, the Division of Water Quality has grown. An increasing number of discharges combined with a multiplicity of new chemical pollutants used in California industries has offered new water quality challenges. The early 1980s marked the beginning of a new era in water quality regulation—that concerned with toxic pollution of underground water supplies. Contamination occurs mostly as a result of improperly stored hazardous chemicals and leaking underground tanks containing hazardous substances. While threats from biological pollutants have diminished, this new type of contamination has increased. The complications of treating groundwater contamination have forced the WRCB to develop new programs and techniques aimed specifically at solving these problems. Compared to surface water, groundwater is much more difficult to monitor and treat. The complexities introduced by the new underground water threats have added both responsibility and uncertainty to the operations of the Water Quality Division.

The central mission of the Water Rights Division is allocation of a finite amount of water resources to an increasing state population. The division confronted exceptional demands during a major drought in the mid-1970s. During this time, Governor Brown appointed a commission to review
water rights laws and practices as well as develop more efficient water
distribution in the state. Greater emphasis has been placed on efficient
distribution and water conservation. With the real possibility of a water
shortage in 1987 and drought conditions in the near future, the WRCB may face
another challenge on this front soon.

Changes in the operating divisions have affected the Division of
Administration. Resources allocated to this division as a percentage of the
departmental total have actually declined in recent years, although tasks
such as budgeting and internal accounting have become more complex. To some
degree this may be explained through expanded use of automation.

Task Environment

The WRCB might be considered a somewhat decentralized department, due to
the considerable independence of the regional boards. The State Board
develops statewide pollution standards, approves regional basin plans, hears
appeals on enforcement proceedings, and reviews complaints. Regional boards
may develop tighter enforcement standards. The regional boards perform the
following functions: Adoption of Waste Discharge Requirements specifying
limits on quantity and quality of an effluent and indicating the degree of
purity to be maintained in the receiving water (based upon regional water
quality control plans); surveillance through collecting, interpreting and
maintaining data on water quality and quantity through compliance inspections
and review of dischargers' self monitoring reports; and, 3) enforcement by
requesting voluntary compliance, followed where necessary by administrative
enforcement and in extreme cases judicial enforcement. The regional boards
are also responsible for issuance and enforcement of the National Pollution Discharge Elimination Permits.

The Water Resources Control Board is a high profile agency. It is accessible by its constituency. Its actions and decisions are often delicate, affecting interests in both the public and private sectors. The importance of pollution control on the public agenda in California presently is demonstrated by the 1986 toxics initiative.

There are benefits and drawbacks to public involvement in WRCB decision making. Public input has often contributed to sounder, more practical programs of water quality and distribution. At times, however, public excitement about a localized water quality problem distracts the agency from important and potentially more hazardous water quality concerns. By responding to these local crises, the WRCB diverted large amounts of resources to treatment of high visibility problems at the expense of equally or more important ongoing surveillance and enforcement efforts.

Increasing threats of water contamination from toxic pollution has been a major source of WRCB program change since 1980. Leaking underground tanks and improperly stored above-ground toxic materials have forced the agency to develop new programs and techniques for discovering and treating contaminated underground water supplies. The agency has expanded in response to these new problems in the early 1980s.

Responsibilities have grown faster than the WRCB's ability to carry them out, hence the WRCB has grown more on paper than in reality. To date, there are at least 100 unfilled positions in the organization which were created by state-mandated programs, but for which qualified employees have not yet been found.
Relations with the Legislature have been strained at times, when the Legislature has requested immediate response to pollution problems without considering limitations of agency staff and resources.

A by-product of rapid expansion and strained resource has been escalating conflict between technical and administrative concerns. The conflict has centered on desires of technical experts to solve problems in the most technically effective manner versus the concerns of administrators over the economic impact of a proposed solution. As program complexity and budget strains have increased, this conflict has also increased.

Since the State Board’s inception in 1967, there has been a tradition of competition between it and the regional boards as well as among the regional boards. What may be best described as a "state of healthy tension" has historically existed as each region pushed for autonomy to pursue local priorities against the State Board attempts to coordinate and control regional actions toward the achievement of statewide water quality objectives. At its worst, there is a feeling of "not understanding" between the two levels. It should be pointed out that many important programs are implemented which demonstrate the successful cooperation of state and regional authorities.

WRCB must also coordinate with other state agencies, especially in dealing with toxic waste control. Health Services, for example, helps to develop estimates of safe levels of pollutants. Food and Agriculture, Fish and Game, Industrial Relations, Air Resources, and Solid Waste Management may all be involved in toxic waste regulation. The Primary Water Quality Monitoring Network provides continuing assessment of statewide water quality. This network is the cooperative effort of many agencies measuring pollutants at different locations. Among these agencies are the California Department
of Health Services, Department of Water Resources, Fish and Game, and federal agencies such as the Bureau of Reclamation, USGS, and EPA. Investigation and clean-up of site contamination due to toxic wastes is monitored by the Regional Water Quality Control Boards with assistance form the Waste Management Branch of the Department of Health Services. Cooperation among many agencies and different levels of government improves the breadth of coverage of water pollution surveillance and enforcement efforts, but it also creates blurred lines of responsibility.

The considerable level of external uncertainty (e.g. the need to respond to significant although often localized crises) limits the ability of WRCB to develop long-term organizational development strategies.

For the most part, employee relations have changed little during the past 15 years. The WRCB is pursuing an Affirmative Action program. This has been particularly problematic due to the limited pool of minority technical specialists from which qualified employees can be recruited.

Despite recruiting hurdles, there seems to be a high level of morale and positive attitude about the agency at the management level. As members of a resource agency in one of the most environmentally conscious states in America, administrators in the WRCB feel a special importance to what they are doing. They are proud of the agency's accomplishments in its short history. Moreover, WRCB enjoys a degree of respect from their counterparts in other states and feel that they are on the leading edge of water quality technology and program development.
Bibliography


Scheuller, Harry M., Deputy Executive Director, WRCB. Interview. April 9, 1987.

Stafford, James B., Chief, Division of Administration Services, WRCB. Interview. April 9, 1987.
### Water Resources Control Board
#### Department Expenditures
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>State Funding by Purpose*</th>
<th>Federal Funding*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Operations</td>
<td>Local Assistance</td>
</tr>
<tr>
<td>1969/70</td>
<td>$3,162</td>
<td>0</td>
</tr>
<tr>
<td>1970/71</td>
<td>3,685</td>
<td>0</td>
</tr>
<tr>
<td>1971/72</td>
<td>4,050</td>
<td>0</td>
</tr>
<tr>
<td>1972/73</td>
<td>4,559</td>
<td>0</td>
</tr>
<tr>
<td>1973/74</td>
<td>5,486</td>
<td>0</td>
</tr>
<tr>
<td>1974/75</td>
<td>6,838</td>
<td>0</td>
</tr>
<tr>
<td>1975/76</td>
<td>7,275</td>
<td>0</td>
</tr>
<tr>
<td>1976/77</td>
<td>8,487</td>
<td>0</td>
</tr>
<tr>
<td>1977/78</td>
<td>9,651</td>
<td>0</td>
</tr>
<tr>
<td>1978/79</td>
<td>9,482</td>
<td>$370</td>
</tr>
<tr>
<td>1979/80</td>
<td>10,434</td>
<td>0</td>
</tr>
<tr>
<td>1980/81</td>
<td>13,978</td>
<td>0</td>
</tr>
<tr>
<td>1981/82</td>
<td>14,504</td>
<td>1,304</td>
</tr>
<tr>
<td>1982/83</td>
<td>13,289</td>
<td>155</td>
</tr>
<tr>
<td>1983/84</td>
<td>14,019</td>
<td>0</td>
</tr>
<tr>
<td>1984/85</td>
<td>20,564</td>
<td>5,500</td>
</tr>
<tr>
<td>1985/86</td>
<td>29,703</td>
<td>0</td>
</tr>
</tbody>
</table>


* See note in Preface.
Water Resources Control Board
State Fund Expenditures

Budget Year

Federal Funds

Budget Year
### Temporary Personnel-Years have been included with permanent.

#### Source: Governor's Proposed State Budget of California Supplement for Salaries and Wages, 1969 - 1987

Temporary personnel-years have been included with permanent.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Permanent Total</th>
<th>Authorized Permanent</th>
<th>Temporary Total</th>
<th>Authorized Temporary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969</td>
<td>727</td>
<td>727</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1970</td>
<td>824</td>
<td>824</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1971</td>
<td>682</td>
<td>682</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1972</td>
<td>408</td>
<td>408</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1973</td>
<td>682</td>
<td>682</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1974</td>
<td>722</td>
<td>722</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1975</td>
<td>999</td>
<td>999</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1976</td>
<td>822</td>
<td>822</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1977</td>
<td>152</td>
<td>152</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1978</td>
<td>682</td>
<td>682</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1979</td>
<td>108</td>
<td>108</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1980</td>
<td>172</td>
<td>172</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1981</td>
<td>460</td>
<td>460</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1982</td>
<td>768</td>
<td>768</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1983</td>
<td>961</td>
<td>961</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1984</td>
<td>871</td>
<td>871</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1985</td>
<td>180</td>
<td>180</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1986</td>
<td>789</td>
<td>789</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1987</td>
<td>722</td>
<td>722</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Total**

- Permanent Total: 7,588
- Authorized Permanent: 7,586
- Temporary Total: 0
- Authorized Temporary: 0

Water Resources Board
Water Resources Board
Personnel-Years

Authorized
Filled