

June 25, 1968

First Supplement to Memorandum 68-54

Subject: Program Budget for 1969-70 Fiscal Year

All state agencies are required to prepare "program budgets" for the 1969-70 fiscal year. Unlike the traditional budget which itemizes the various expenditures by categories such as personal services, communications, equipment, and the like, the program budget itemizes expenditures in terms of programs and measures production resulting from such expenditures in terms of units of work accomplished.

We have received a great deal of material from the Department of Finance and other sources relating to program budgeting. The concepts are difficult to grasp and more difficult to apply to a specific budget. We have concluded, however, that the Law Revision Commission can be considered as having only one significant program--preparation of recommended legislation for consideration by Legislature. A more difficult problem is to determine the work unit by which the Commission's production is to be measured. After discussing the matter with the experts in the Department of Finance, we have concluded that the number of statute sections affected by recommendations is probably the best measure of Commission production. Despite the fact that a bill containing conforming amendments to 40 or 50 statute sections may require far less work than a one-section bill making a significant change in the existing law, there appears to be no more satisfactory measure of Commission production.

We are required to submit our program budget material to the Department of Finance early enough in July so that it can be set in type and be available in printed form by August 1. Attached is a rough draft of the material we have prepared for submission to the Department of Finance.

The basic policy decision for Commission attention at this time is whether the Commission believes that the staff estimates for production for the 1969 legislative session and the 1970 legislative session are reasonably accurate. These estimates are somewhat speculative for 1970, and they are based on the assumption that we will hold a three-day meeting every other month, that we will meet for two full days on the other months, and that no meeting will be held in August (staff vacations). We assume that we will hold three meetings that will be three full days, three meetings that will be one evening and two full days, and five two-day meetings during the 1968-69 and 1969-70 fiscal years. This is about the level of Commission activity during the last four or five years (although the Commission has been relatively inactive since September 1967). The estimates also assume that the Commission members will study the meeting materials prior to the meeting so that matters can be expeditiously covered at meetings and informed policy decisions can be made by the Commission. If the Commission determines that these assumptions are unrealistic and too burdensome on Commission members, the staff estimates of production should be revised downward, the extent of the revision being determined by the extent to which the assumptions are revised.

There are other factors than number of days devoted to meetings and extent of preparation prior to meetings that determine Commission production. The ability of the Commission to consider matters and make decisions is essential if a reasonable standard of production is to be achieved. In addition, it is important to recognize that a point of diminishing returns is sometimes reached after which the extent of improvement that can be achieved in a particular recommendation does not justify the cost

in time that is required to make that additional improvement. In this connection, it should be recognized that it is usually possible to obtain enactment of recommendations to supplement or revise legislation previously enacted upon Commission recommendation. The cost to the State of California of the Law Revision Commission, if allocated according to the number of meetings held by the Commission, is approximately \$14,000 a meeting. Therefore, if we are to achieve the real benefits of the program budgeting concept, it might be well to ask ourselves after each meeting how much the amount produced at that meeting was worth to the state.

Respectfully submitted,

John H. DeMouilly
Executive Secretary

1st Supp.
MEMO 68-54

DEPARTMENT OF FINANCE

SACRAMENTO

EXHIBIT 1

June 11, 1968



Management Memo No. 68-24

TO: ALL STATE AGENCIES
SUBJECT: PROGRAM BUDGETS FOR 1969-70

The goal of the Administration is to prepare and submit to the Legislature a complete Program Budget. It is the responsibility of the head of each state department, through the Secretary where appropriate, to assure himself that the necessary steps are being taken to reach this goal for the 1969-70 Governor's Budget.

For all departmental budgets, it is proposed to print organizational detail without narrative immediately following the program presentation. When appropriate output-input measurements have been established and accepted, consideration will be given to discontinue the organizational presentation in the Governor's Budget.

It is mandatory that all preparatory work be completed prior to the rush period associated with final budget preparation. To accomplish this, all departments will complete Program Budget narratives of existing programs for preprints by August 1, 1968. These preprints will be reviewed with you by the personnel of the Budget Division, and the galleys should be revised as required.

Casper W. Weinberger
CASPER W. WEINBERGER
Director of Finance

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