

8/11/71

## Memorandum 71-55

Subject: Proposed Budget

SUMMARY

The staff presents for Commission consideration staff recommendations for a revision of the approved budget for 1971-72 and for a proposed budget for 1972-73. The staff recommendations are summarized below and are discussed in detail in the analysis which follows this summary.

	<u>Actual</u> <u>1970-71</u>	<u>Budgeted</u> <u>1971-72</u>	<u>Revised</u> <u>1971-72</u>	<u>Proposed</u> <u>1972-73</u>
<u>Personal Services</u>				
Authorized positions		\$118,681	\$118,681	\$121,069
Staff benefits		11,493	11,700	12,359
Estimated salary savings		- 7,371	- 7,578	- 4,595
<u>Totals, Personal</u> <u>Services</u>	\$112,617	\$122,803	\$122,803	\$128,833
<u>Operating Expenses and</u> <u>Equipment</u>				
General expenses	\$7,292	\$6,500	\$7,250	\$7,250
Printing	9,000	13,534	13,534	13,500
Communications	2,933	3,250	4,000	4,000
Traveling--in-state	8,002	5,450	7,750	7,500
Traveling--out-of-state	824	400	400	400
Accounting & personnel services	1,658	2,163	2,163	2,163
Rent--building space	4,000	5,000	5,250	5,250
Research and contractual services	21,950	9,900	5,850	7,750
Equipment	--	--	--	--
<u>Totals, Operating Ex-</u> <u>penditures &amp; Equipment</u>	55,659	46,197	46,197	47,813
<u>TOTALS, EXPENDITURES</u>	\$168,276	\$169,000	\$169,000	\$176,646

An examination of the revised 1971-72 budget and the proposed 1972-73 budget will indicate that funds to cover essential operating expense expenditures have been obtained partly by practically eliminating moneys for research contracts and that the major portion of the increase for 1972-73 is caused by increased personal services costs.

## ANALYSIS

### Personal Services

1971-72 fiscal year. The amount budgeted in the approved budget for 1971-72 is adequate to cover expenses for personal services during that year. (The amount budgeted is actually about \$300 less than that required, but we can cover this small deficiency out of the amount available for temporary help.) For detail, see Exhibit I (pink) attached.

1972-73 fiscal year. For the 1972-73 fiscal year, we will require approximately \$6,000 more than during 1971-72. For detail, see Exhibit II (yellow) attached. This amount is determined as follows:

- (1) Executive Secretary--no additional amount.
- (2) Assistant Executive Secretary--normal merit increase.
- (3) Legal Counsels (2 positions)--normal promotion to Associate Counsel in December 1972 (Associate Counsel is the normal level for an attorney who has satisfactorily completed two years of state service).
- (4) Administrative Assistant I--no additional amount.
- (5) Clerk-Typist II (2 positions)--normal merit increase for one position; no additional amount for other position.

The only way we can avoid the additional expense is staff turnover. In the event of staff turnover, it would be possible to fill the vacancy at the lowest possible level and use the salary savings for research and contractual services.

### Operating Expenses

Exhibit III (green) attached sets out a staff recommended revision of the operating expense categories of the 1971-72 budget and a proposed budget for

these expenses for 1972-73. An examination of Exhibit III and a consideration of the following discussion indicates that the only way we can meet essential expenditures during 1971-72 and 1972-73 is to substantially reduce research and contractual services during both fiscal years. A primary reason for the inadequacy of the amount available for operating expenses during 1971-72 is that the budget proposed by the Commission and approved by the Department of Finance was reduced by \$3,300. (The actual amount of the deficiency is \$4,150.) In addition, the effect of increased costs for communications (postage and telephone) and increased travel costs (with a full Commission meeting regularly) was not fully anticipated.

The following is a category by category analysis of the operating expense situation.

General expenses. General expense covers such items as supplies, equipment maintenance, library acquisitions (including supplements and California reports). The revised budget for 1971-72 and the proposed budget for 1972-73 provide slightly less than the actual expenditures during 1970-71. This category cannot be reduced. Inflation has increased costs (library acquisitions, for example, are up approximately 27 percent), and the major projects now under study will require production of considerable copies of substantial volumes of material and distribution of the same for comment.

Printing. Actual expenditure for printing during 1970-71 was \$9,000. However, the Commission was able to work out an arrangement with the Documents Section and the Continuing Education of the Bar (CEB) which resulted in CEB's contributing almost \$5,000 toward the cost of one of our major publications (inverse condemnation). Moreover, we anticipate that a substantial volume of material will be published during 1971-72 and 1972-73 relating to condemnation and attachment-garnishment. The amounts provided in the approved budget for

1971-72 and in the proposed budget for 1972-73 for printing will be barely adequate to cover essential printing if we can work out some arrangement whereby the Legislature pays the cost of setting the bill portion of our recommendations on condemnation. We believe that this can be accomplished. Even if this can be accomplished, we may need to find additional moneys to cover the printing costs during these fiscal years by further reducing research and contractual services or from staff turnover.

Past experience on printing is summarized below:

1961-62 . . .	\$ 6,410	
1962-63 . . .	24,271	(sovereign immunity recommendations)
1963-64 . . .	16,089	
1964-65 . . .	19,000	(Evidence Code)
1965-66 . . .	8,108	
1966-67 . . .	12,421	
1967-68 . . .	15,836	
1968-69 . . .	9,747	
1969-70 . . .	13,500	
1970-71 . . .	9,000	
1971-72 . . .	13,534	

Since 1968-69, the Commission has devoted a substantial amount of its time to the condemnation study, but the amount of material published to date is not great. The recommendations on this topic should be published during the current and next fiscal year.

Communications. The substantially increased amount for communications (postage and telephone) reflects not only the increased costs (postage up 28 percent; telephone up 13 percent), but also reflects the fact that we will be completing work on tentative proposals in condemnation and in attachment-garnishment and will be distributing them for comment before we determine the content of the recommendations we will make to the Legislature.

Traveling--in-state. The amounts in the revised budget for 1971-72 and proposed budget for 1972-73 are slightly less than the actual expenditures for 1970-71. If these amounts prove to be inadequate, the Commission will be

forced to choose whether to cancel a meeting that otherwise would be held or to further reduce research and contractual services. Further, it assumes that meetings will ordinarily be held in San Francisco or Los Angeles where costs are less than when meetings are held in other places in the state.

Traveling--out-of-state. We have budgeted for travel--out-of-state during 1972-73 because New York should be about ready to make its report on its revision of condemnation law and the National Conference of Commissioners should have substantially completed its work on the Model Condemnation Statute during this fiscal year. Unless the out-of-state trip budgeted will prove to be of great direct value, we would not take the trip and would use the amount so saved to cover deficiencies in other budget categories.

Accounting and personnel services. This is the charge for bookkeeping service and other fiscal services made by the Judicial Council which keeps our books. The amount budgeted is a bare minimum.

Rent--building space. The \$250 increase is the result of a new policy whereby the Department of General Services charges all agencies for leasing services (which we do not want and which are of no real value to us, but which we cannot avoid). This increase cannot be avoided.

Research and contractual services. No additional source of funds is available for the current fiscal year. We must cut somewhere to finance the other essential increases in various operating expense categories. As a practical matter, there are only two places where the amounts required are not fixed for all practical purposes. We have budgeted \$8,153 for temporary help. This amount should be retained without reduction. We use this money for temporary clerical help during vacation periods and to meet peak clerical loads. We cannot produce the work on any reasonable schedule without this temporary clerical help. Lack of temporary clerical help will significantly

delay production of recommendations for the Legislature. We have already expended quite a bit of money for a full-time temporary clerical position during the summer to cover summer vacations. We also use the temporary help money to pay student legal assistants who work on a part-time basis to cite check material before publication and to do spot research. Lack of this help will mean that the professional staff would have to devote time to these tasks and would result in a corresponding reduction in staff production. For example, we hired the President of the Stanford Law Review to produce a research study on one topic this summer and have another law review member checking out various recommendations that will be made to the Legislature. We will need all of the money budgeted for temporary help to meet the demands that will result from production and publication of recommendations on condemnation and attachment-garnishment.

This leaves only one category where funds might be obtained. We can defer making most research contracts for background studies. The budget for 1971-72 has only \$9,900 for this category, and we propose to cut this to \$5,850 for 1971-72 and to provide only \$7,750 for 1972-73. Compare these amounts with the past experience set out below.

1966-67 . . .	\$12,750
1967-68 . . .	6,650
1968-69 . . .	10,480
1969-70 . . .	22,600
1970-71 . . .	21,950

It should be noted that the Commission has found it necessary to increase the amount of compensation for the ordinary research study because of the difficulty of obtaining competent consultants to prepare studies. Yet, even with the increase, the amount paid for such studies is substantially less than it would be if the study were paid for at market value or produced by a state

employee. The amounts paid for studies do not purport to be adequate compensation for such studies and consultants prepare such studies partly as a public service.

We are reluctant to recommend that the amount available for research be so significantly reduced. Yet we must make such a reduction for at least the current fiscal year. In making this recommendation, the staff notes that we have some studies on hand--ready to be considered by the Commission--and others that are practically ready to consider. These studies are (1) liquidated damages, (2) right of nonresident aliens to inherit, (3) oral modification of a written contract, and (4) custody proceedings (unless this study is expanded). Also we have two research contracts to cover eminent domain matters: (1) procedural aspects and (2) problems arising out of divided interests. We have made a contract for an additional study of general means that might be adopted to reduce inverse condemnation liability. We have contracted for studies on attachment and garnishment. We have contracted for a study on problems concerning the disposition of property on abandonment of a lease (the Legislature may enact legislation on this). Our consultant on the arbitration study failed to produce the study within the time specified in the contract and the money reverted to the General Fund, but he has promised to produce the study without compensation (we doubt that we will ever receive the study). Finally, as the junior members of the staff gain more experience and become more productive, we anticipate a decrease in the need for consultants.

For the above reasons, we believe that it is not essential that the amount for research contracts be maintained at a high level during the current and following fiscal year. This will mean that work on various topics the Commission has been directed to study will be deferred. However, we anticipate that,

during the next two or three years, the Commission will be working primarily on condemnation and on attachment-garnishment, and we have already contracted for the studies on these topics.

It is apparent that the above proposal is a stopgap measure. Obviously, unless we make a significant number of research contracts in 1973-74, the Commission's production during the following years will be significantly reduced. However, that is a problem for the future.

Equipment. We propose no equipment purchases during the current or following fiscal year. We purchased no equipment during 1970-71.

Respectfully submitted,

John H. DeMouilly  
Executive Secretary



EXHIBIT I

PERSONAL SERVICES 1971-72

<u>Authorized Positions</u>	<u>Budgeted</u>	<u>Filled</u>	<u>Salary Range</u>	<u>Budgeted</u>	<u>Filled</u>	<u>Savings</u>
Commission members	--	--	\$20 day	\$3,500	\$3,500	--
Executive Secretary	1	1	1882-2288	27,456	27,456	--
Ass't Exec. Secretary	1	1	1708-2076	21,516	20,921	595
Senior Attorney	1	--	1475-1793	18,576	--	) 5292
Legal Counsel	1	2	959-1213	12,696	25,980	
Admin. Ass't I	1	1	863-1048	12,576	12,576	--
Sr. Legal Steno	1	--	599-728	7,536	--	) 1401
Clerk-Typist II	1	2	457-614	6,672	12,807	
Temporary Help	1	1		8,153	8,153	
<b>Total, Salaries</b>	<b>8</b>	<b>8</b>		<b>\$118,681</b>	<b>\$111,393*</b>	<b>\$7288</b>
<b>=====</b>						
<b>Staff Benefits</b>						
Retirement (PERS)				8,350	7,811*	539
Social Security (OASDI)				2,847	2,837*	10
Health and Welfare				804	952*	-148
Workmen's Compensation				100	100	--
<b>Total, Staff Benefits</b>				<b>12,101</b>	<b>11,700*</b>	<b>401</b>
<b>=====</b>						
<b>TOTAL, PERSONAL SERVICES</b>				<b>\$130,782</b>	<b>\$123,093*</b>	<b>\$7869**</b>

\* The actual amount appropriated for personal services for 1971-72 is \$122,803, \$290 less than the amount required. This difference is the result of minor changes in the salary range for the legal counsel position. The \$290 will be obtained from salary savings in the temporary help position.

\*\* This amount is somewhat larger than the salary savings anticipated when the budget for 1971-72 was prepared.

EXHIBIT II

PERSONAL SERVICES 1972-73

<u>Authorized Positions</u>	<u>Budgeted</u>	<u>Filled</u>	<u>Salary Range</u>	<u>Budgeted</u>	<u>Filled</u>	<u>Savings</u>
Commission members	--	--	\$20 day	\$3,500	\$3,500	--
Executive Secretary	1	1	1882-2288	27,456	27,456	--
Ass't Exec. Secretary	1	1	1708-2076	22,584	21,961	623
Senior Attorney	1	--	1475-1793	19,512	--	} 2490
Associate Counsel	--	1.2	1337-1626	--	18,718	
Legal Counsel	1	0.8	959-1213	12,696	11,000	
Admin. Ass't I	1	1	863-1048	12,576	12,576	--
Sr. Legal Steno	1	--	599-728	7,920	--	} 1482
Clerk-Typist II	1	2	457-614	6,672	13,110	
Temporary Help	1	1		8,153	8,153	
<b>Total, Salaries</b>	<b>8</b>	<b>8</b>		<b>\$121,069</b>	<b>\$116,474</b>	<b>\$4595</b>
<b>=====</b>						
<u>Staff Benefits</u>						
Retirement (PERS)				8,512	8,179	333
Social Security (OASDI)				3,209	3,128	81
Health and Welfare				952	952	--
Workmen's Compensation				100	100	--
<b>Total, Staff Benefits</b>				<b>12,773</b>	<b>12,359</b>	<b>414</b>
<b>=====</b>						
<b>TOTAL, PERSONAL SERVICES</b>				<b>\$133,842</b>	<b>\$128,833</b>	<b>\$5009</b>

## EXHIBIT III

## OPERATING EXPENSES

	<u>Actual 1970-71</u>	<u>Budgeted 1971-72</u>	<u>Revised 1971-72</u>	<u>Proposed 1972-73</u>
General expenses	\$7,292	\$6,500	\$7,250	\$7,250
Printing	9,000	13,534	13,534	13,500
Communications	2,933	3,250	4,000	4,000
Traveling--in-state	8,002	5,450	7,750	7,500
Traveling--out-of-state	824	400	400	400
Accounting & personnel services	1,658	2,163	2,163	2,163
Rent--building space	4,000	5,000	5,250	5,250
Research and contractual services	21,950	9,900	5,850	7,750
Equipment	--	--	--	--
<b>TOTAL, OPERATING EXPENSES AND EQUIPMENT</b>	<b>\$55,659</b>	<b>\$46,197</b>	<b>\$46,197</b>	<b>\$47,813</b>