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GOVERNMENT CODE SECTION 10500 et al

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November 18, 1980

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The Honorable Speaker of the Assembly
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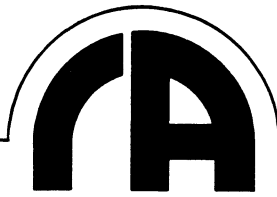
Your Joint Legislative Audit Committee respectfully submits Ralph Andersen and Associates' report detailing opportunities to improve the civil service selection process. The work was performed under contract with the Auditor General's Office.

Richard C. Mahan, Audit Manager, was the Auditor General's project coordinator.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "S. Floyd Mori".

S. FLOYD MORI
Chairman, Joint Legislative
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RALPH ANDERSEN AND ASSOCIATES

OPPORTUNITIES TO IMPROVE
THE EFFICIENCY AND EFFECTIVENESS
OF THE
CIVIL SERVICE SELECTION PROCESS

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SUMMARY

The California Constitution and statutes assign responsibility to the State Personnel Board (Board) to administer and enforce the selection process under the civil service system. The Board has legally been provided considerable flexibility in how the competitive selection process may operate. The Board has operated in the dual role of both controller and direct service provider of examination services in the selection process.

Beginning in 1947, selected exams began to be delegated to departments to administer, and this practice has grown over the years. Delegation of exams has largely been to enhance the effectiveness of recruitment, and more recently to meet critical workload or timing needs of departments which the Board could not accommodate or incorporate adequately into the centralized examination process.

The examination process is currently a mix of centralized and delegated exams. In 1979-80, approximately 70 percent of the number of exams completed were administered centrally by the Board. Exams typically take seven to nine months before a list of candidates eligible for hiring can be produced. The number of exams processed by the Board represents only approximately one-third the total examinations desired by departments.

The centralized examination process of the Board does not effectively meet the selection requirements of the State because:

- . The overall organization and systems of the exam process are not consistent with the nature (size, scope, etc.) of the examination workload. (See page 8)

- . The system design of the centralized examination system is efficient only for very large exams, which are a minority of the workload. Other exams take an excessively long processing time and there is a backlog of exams waiting to be processed. (See page 8)

- . Distribution of available resources has not been efficiently or effectively applied to exam workload, and the Board is further hampered by high turnover of staff. (See page 13)

- . There is a need for the Board to more effectively monitor the total selection process and develop more ongoing system improvements and training. (See page 16)

Accordingly, we recommend that the Board proceed immediately with a pilot decentralization program to verify findings of this study that significant improvements in the State examination process can be accomplished, with little or no increase (no more than 7 percent) in current resources, through increased delegation of exams to departments under a well planned and administered decentralization program. The Board should closely monitor the pilot decentralization program and report to the Legislature on specified measures of efficiency and effectiveness. Should the pilot project verify the anticipated benefits of decentralization, a complete decentralization program should be implemented subject to appropriate oversight and control by the Board. We also suggest that the Board place more emphasis on its control and oversight responsibilities and the development of effective monitoring systems, examination systems improvements and training.

INTRODUCTION

We have reviewed the efficiency and effectiveness of the State Personnel Board's management of the State civil service examination and placement process. Direction for the Office of the Auditor General to conduct this study was given by Item 13.1 of the 1979-80 California State Budget and Item 128 of the Supplemental Language.

The study was authorized to be conducted by an independent consultant. The management consulting firm of Ralph Andersen and Associates conducted the study under contract with the Office of the Auditor General. This review was conducted under the authority vested in the Auditor General under sections 10527 and 10528 of the Government Code.

BACKGROUND

The California State Constitution (Article VII) and various Sections of the Government Code (Title 2, Division 5, Part 2) outline objectives and general procedures for operation of the civil service system. The State Personnel Board (Board) has the responsibility to administer and enforce the selection process under the civil service system. The Board has been provided considerable flexibility in how the competitive selection process may operate. Section 18930 of the Government Code provides that a broad variety of examination methods "... which the Board deems appropriate, may be employed." By authority of Section 18701 of the Government Code, the State Personnel Board "... shall prescribe, amend, and repeal rules in accordance with law for the administration and enforcement of this part."

In carrying out its responsibilities, the Board has the dual role of (1) controlling the selection process to assure conformance with constitutional,

legislative and policy provisions of the civil service system, and (2) serving State agencies and applicants for employment in an efficient, effective manner. These responsibilities have been carried out through the Board's centralized examination process and, to an increasing extent, by delegating the administration of exams for certain classifications to departments. While the majority of examinations have been conducted centrally by the Board, beginning in 1947 selected exams were delegated to departments to administer, primarily for more effective recruitment. Delegation of exams has increased continuously over the years since. During fiscal year 1979-80, the Board completed 1,453 exams, and departments reported 612 delegated exams completed.*

Examination workload of the State Personnel Board is indicated by the following data for the last five years.

Table 1
Board Workload History

<u>Year</u>	<u>Exams Completed</u>	<u>Applications Received</u>	<u>Certifications</u>
1975-76	841	144,235	19,229
1976-77	1,075	186,418	21,255
1977-78	1,115	175,625	24,146
1978-79	1,053	104,331	29,003
1979-80	1,453	159,524	31,027

* Historical data on delegated exams completed is not available; 1979-80 data is a result of data gathered specifically by this study.

Exam Planning And Scheduling

A performance contract system to plan and schedule examination services to departments has been developed and partially implemented (first full implementation is fiscal year 1980-81). Under the performance contract system, departments identify and prioritize into three categories, examination needs in advance of the fiscal year. Available Board staff resources are allocated to meet department needs by applying time standards or "planning rates" to develop staff year equivalents required for the various types or components of exams needed for department priorities. Priorities are designated at three levels of "A", "B", and "C". In 1979-80 the Board estimated that they would be able to accomplish only the "A" priorities and approximately 38% of the "B" priorities.

Departments basically negotiate for their share of Board staff resources and exam needs of departments not initially in the contract are either met through delegation of the exam to the department or are postponed indefinitely. Those exams included in performance contracts are scheduled throughout the year primarily on the basis of equalizing workload over the year so that the number of exam candidates do not exceed the Board's funded capacity of staff hours available in a given time period to process a given number of applicants.

SCOPE OF THE REVIEW

Our review focused on an evaluation of the overall efficiency and effectiveness of the Board's examination process; and included the advantages and disadvantages of increased levels of delegation of examinations to departments, the Board's budget development process, responsiveness of the examination process to needs of new programs, the performance contract system for planning and providing services to departments, and a review of the examination system's compliance with federal uniform selection guidelines. The study methodology involved:

- . A review of the legal and policy framework within which the examination process functions.

- . A review of the Board's systems and practices for conducting examinations.

- . A comprehensive questionnaire on the examination process sent to all departments or agencies served by the Board.

- . In-depth interviews with a representative sample of fourteen departments served by the Board.

CHAPTER I

THE CENTRALIZED EXAMINATION SYSTEM DOES NOT SUFFICIENTLY MEET STATE EXAMINATION AND PLACEMENT REQUIREMENTS

Examination needs of the State are not being met on a timely or comprehensive basis. Adverse effects on State programs are resulting from lengthy processes and backlogs. Inherent in the overall organization and systems design of the current exam process are factors which cause inefficiencies; these factors include:

- . The present centralized exam system is not designed for the current exam workload.
- . Available departmental and Board resources have not been efficiently distributed and applied to the workload, and the Board is further hampered by high turnover.
- . System design and resource limitations for centralized exams cause a queuing of exams waiting to be administered.
- . There is a need for an ongoing internal systems improvement effort by the Board.

Total resources available for the examination process have not been effectively utilized, and as a result:

- . The time required for administering exams is excessive, causing delays in filling needed positions.

- . There are large backlogs of exams waiting to be administered by the Board.
- . Departments are incurring costs and inefficiencies because of delays in the exam process.
- . Implementation of new programs has been delayed by the exam process.

The centralized examination system fundamentally consists of two major activities: examination design and examination administration or processing. Examination design involves planning and determining the various testing features of the exam, requesting a filing date, determining the type of exam (open, promotional, etc.), determining publicity, estimating the number of applicants, and various instructions for exam administration or processing. Examination administration and processing involves completing a series of sequential steps or tasks that are the components of exams such as bulletin preparation and distribution, application reception, application review, applicant notification and scheduling, test administration, test scoring, notification and scheduling for interviews, and list certification. Many of these steps involve input data into the computerized applicant tracking system.

EXAM SYSTEM DESIGN DOES NOT MATCH WORKLOAD

The centralized examination system is designed to handle a high volume of applicants. The system utilizes division and specialization of tasks, as well as computerization, to take advantage of economies of scale. As a result, there is a high degree of specialization of tasks and division of labor, beginning with the analyst who is responsible for initiating and designing the

exam. Subsequent steps in exam administration and processing involve a sequential, linear flow from one work unit of specialists to another. For example, a typical exam would involve the following major steps and typical time frames:

Table 2
Typical Exam Processing Steps And Times

<u>Exam Step</u>	<u>Unit Involved</u>	<u>Minimum Time Required</u>
1. Rough draft of bulletin submitted to Analyst	Exam Scheduling Unit	1 Week
2. Exam planning by Analyst	Departmental Services Unit	3 Weeks
3. Review of bulletin rough and determination of test dates by exam coordinator	Exam Administration Section	3 Days
4. Bulletin preparation and distribution	Duplicating, Mail Room, Exam Administration, and Word Processing Center	3 Days
5. Publicity period		4 Weeks
6. Application clearance	Applications Review Section	7 Days
7. Application review, data processing arrangements, and written test arrangements	Application Review, Data Processing, and Test Arrangements Sections	15 Days
8. Test materials mailing, checking and processing	Test Arrangements Section	10 Days
9. Scoring instructions, set passing score	Data Processing, Test Arrangements, and Department Services Analyst	6 Days
10. Score papers and run tabulation	Data Processing Section	6 Days
11. Qualifications Appraisal Panel (QAP) interview arrangements	QAP Scheduling, and Test Arrangements Sections	15 Days
12. QAP interviews of candidates	Qualification Appraisal Panels (chaired by Board staff)	1½ Weeks/100 candidates
13. Run eligible lists, certification processing, duplication of lists	Data Processing Certification, and Duplicating Sections	5 Days

Through a series of improvements resulting from previous studies by the Board and outside reviews by others, a generally efficient system for high volume exams has evolved. However, the centralized exam system is not effective for small exams, or even large exams with special recruitment or outreach requirements. Under standard times established by the Board utilizing staff hourly planning rates, the centralized exam process takes between 26-33 weeks or 6½ to 9 months. This is substantiated by departments' responses to our questionnaire which indicate an average of 7 to 8 months during the year 1979-80. This length of time is essentially the same for very small exams as well as very large exams. In other words, an exam with as few as 30 or less applicants can take the same 7 to 9 months to process as do very large exams, such as the State Traffic Officer exam with over 10,000 applicants. The average size of exams processed centrally by the Board in 1979-80 was approximately 100 candidates.

This is even more problematic when it is recognized that in 1980-81, 40 percent of the exams administered by the Board will have 30 or less candidates, and approximately 25 percent are estimated at less than 10 candidates. The current centralized exam system will process these exams in the same manner and take approximately the same time as very large exams. This is due primarily to an exam system that is overly specialized and cumbersome to handle small exams effectively.

Even some large exams are not administered effectively by the Board's centralized system. While some classifications may have a very large number of candidates Statewide, it has not been effective to administer the exam centrally when there are recruitment difficulties due to a highly competitive or localized labor market. For example, departments interviewed universally complained of slow response and insufficient candidates for clerical positions,

particularly where departments have offices or facilities throughout the State. The clerical labor market is currently very competitive and localized, and as a result, a timely and localized process is needed for effective recruitment. Consequently, just as this report was being prepared, the Board decided to decentralize clerical recruitments for more effective recruitment, even though a centralized approach might be perceived as more efficient due to the large number of candidates Statewide.

A different, more effective process is needed to process the large number of smaller exams. As recently as 1978, the Board had a Small Exam Processing Unit (SEPU) which processed exams manually using a generalist approach. Small exams processed separately through the SEPU took approximately one-half the time of exams processed through the normal process. The SEPU approach was discontinued however, primarily on the basis that the cost per candidate was higher than processing through the main exam administration process. All exams are now processed through the same central system.

A focus on cost per candidate fails to recognize the total scope of examination process costs. Costs of a position remaining vacant for twice as long as is necessary, need to be recognized. Department operations become less efficient and effective when impacted by a lengthy examination process to fill needed positions. For example:

- . Fifteen auditor positions were vacant in the Department of Corporations for which a list of 25 candidates was provided. Only three were still interested in employment when contacted.

- . The San Jose Office of the State Compensation Insurance Fund has no employees to staff a word processing unit. Further, Board of Control claims have been paid by the Fund as a result of employees working out of classification when assigned to do the work of higher classifications which are vacant, waiting for a list to fill the vacancies.

- . The Department of Development Services has had to have professional level employees do the work of vacant clerical positions, thereby reducing services to patients.

- . A program estimated to save \$7 million per year in the Department of Education has not been implemented, waiting to fill the position to administer the program.

The costs of unnecessarily long exam processing can be significant. A large portion of the Board's examination workload can be processed more quickly using alternative systems or approaches. The abandoned approach of processing small exams through a Small Exam Processing Unit averaged approximately one-half the current average time for the central exam process. Delegation of exams to departments has resulted in processing exams in 2-3 months, or one-third the time of centralized exams.* Yet, the entire exam workload of the Board is processed using a single system designed to be most effective for large, multi-department exams.

* Full decentralization of exams to departments as explained in the following chapter would include exam planning by departments and the Board estimates that decentralized exams would require approximately one-half the current time for centralized exams.

RESOURCE DISTRIBUTION AND TURNOVER ARE A PROBLEM

Workload is not effectively distributed between department resources and Board resources. The staff resources of both the Board and other departments need to be taken into consideration when considering the total amount of resources allocated to the examination process. Department responses to our questionnaire (Appendix A) indicated a total of 217 position equivalents were allocated by departments to the exam process in 1979-80. For the same year, the total staff resources of the Board allocated to the exam process was 215.4 position equivalents. During the same period, the Board completed 1,050 exams while the departments completed 612 delegated exams while working with the Board's staff on completing centralized exams.

A total of 413 position equivalents were therefore available to the exam process in 1979-80, and were essentially equally distributed between the Board and departments. There is an inevitable overlap of work and functions between the Board and departments. Review and approval processes by the Board required under the current process for delegated exams, as well as communication and coordination efforts on centralized exams result in a layering or overlap of effort.

The level of expertise for most department staff is at least on a par with the Board's staff. The Board has experienced a 45 percent turnover rate in analysts assigned to work with departments on the exam process and other Departmental services. This very high turnover is contrasted with a rate of 18-20 percent for supervisors and managers, which is also a relatively high rate for government service. A majority of this turnover has resulted from Board staff moving to departmental personnel positions.

Turnover has been an ongoing problem for the Board and has been noted by previous studies such as those conducted by the U. S. Civil Service Commission and the Commission on California State Government (Little Hoover Commission). The result has been a reduction in efficiency and effectiveness in understanding and dealing with departments. One department reported having seven Board analysts assigned to them over a two year period. Board staff have been considering reclassification of their analysts to a higher level in order to reduce turnover, but this approach appears weakly justified without a significant change in role and responsibilities.

BACKLOGS AND QUEUING PROBLEMS CAUSE DELAYS IN PROCESSING

The limited capacity of the centralized examination system has created backlogs and queuing of exams waiting to be administered. The centralized exam process is essentially a linear or sequential process through which all exams must flow. Only a given number of exams can be processed at a time and additional exams must wait or be delayed.

In order to provide better order and planning to the process, the Board has implemented staff planning rates together with performance contracts with departments and a sophisticated computerized exam scheduling system to plan and schedule exams consistent with the Board's available resources. These have been effective in communicating realistic expectations of what can be accomplished over a year, with the Board's staff resources being allocated to meet only the highest priority exam needs of departments. The system also equalizes workload over the year by scheduling only the number of exams at any point in time that the central exam system can process based on planning rates.

However, the system is designed to accommodate the Board's exam processing capacity, not the departments' needs. The primary consideration is equalizing Board workload by spreading exam workload throughout the year. The result can be inappropriate timing for departments. For example, the Board has scheduled Department of Forestry promotional exams during fire season when all their staff are needed in the field. Department of Transportation exams for field maintenance staff have been scheduled during snow season when all are needed in the field. The automated system reviews requested exam dates, and the number of candidates and lists projected workload by week throughout the year. When departments' requested dates cannot be met within the system capacity, alternative dates are negotiated through the contract process. With a 45% turnover rate, many analysts are not aware of departments needs, which can further hamper effective scheduling.

Only the highest of three categories of exam priorities have been included in performance contracts with departments due to the limited capacity of the Board. Departments report that this amounts to only 35 percent of their examination needs being accommodated by the Board. It should be noted that this includes some exams that departments did not even submit requests for, knowing that the Board would not be able to process on a priority basis. Departments must anticipate and prioritize their exam needs at least a year in advance. For some, this has worked effectively, but many departments have changing programs and smaller staffs where turnover is critical. Where examination needs are not easily predicted, unanticipated exam needs are either not met, substituted for a previous priority, or delegated to departments.

The Board has developed a system that plans effectively to equalize workload to meet the limitations of the central exam system. However, the effect has been to create a dam to hold back exams and meter them out to flow

through the defined limits of the central exam pipeline or funnel. The central exam system is inherently a lengthy process (especially for small exams) and its limited capacity causes a department's exam needs to be backlogged or be scheduled at undesirable times to adjust to statewide workload demands on the Board's central system.

INTERNAL SYSTEMS IMPROVEMENT EFFORT NEEDED

Increasing staff resources would enable the board to process more exams and reduce the backlog of exams. However, without significant changes in the system design and approaches used, the time required for exam processing will not be appreciably reduced. This too would require an addition or shift of resources to develop and implement alternative systems for exam processing.

There has been no ongoing systems improvement effort at the Board. Ad hoc efforts have implemented improvements, many of which have been in response to previous outside studies of the Board. Recently, at the Board's initiative, the Department of General Services conducted a review of the examination system which primarily resulted in integrating the Board's centralized exam planning performance contracts with planning rate standards to develop the computerized exam scheduling process referenced earlier which schedules exams throughout the year to equalize workload to meet the Board's processing capacity.

Such efforts have improved the current centralized exam processing system so that it is generally efficient at accomplishing the original intent and design - to process large, high volume examinations. However, as has been indicated, the Board's workload consists of only a relatively small amount of large, system-wide or multi-department exams, and the average exam size is much

smaller than the current system can handle on a timely basis. Further, a majority of the exams are for one department only and a large amount (40 percent) of the exams are very small, having only 30 candidates or less.

Major changes or redesign of the exam system are needed to maintain the capacity for efficient processing of large, service-wide exams, and at the same time, effectively process the large amount of small exams on a timely basis. There is a need to develop a separate or different method of processing small exams. Also, staff planning rates need to be further developed and verified to assure they reflect the most efficient methods. An ongoing systems review and improvement effort is needed to assure optimum efficiency and effectiveness of Board examination processing systems.

The Board has begun to implement a reorganization of resources allocated to exam processing. This reorganization creates a new Selection Programs and Services Division within the Board. This Division consolidates internal centralized exam administration and processing functions and is responsible for "... the development of examination systems improvements, and the provision of examination support, field office, recruitment and test validation and construction services." The Department Services Division will retain the responsibility for direct communications with departments and design of exams. The new organization will enable the Board to better focus responsibility for exam processing. Within the new Programs and Services Division will be the creation of an Exam Systems Development Unit which will have three technical staff with responsibility for developing systems improvements for the examination process.

CHAPTER II

DECENTRALIZATION OF THE EXAM PROCESS WOULD IMPROVE EFFICIENCY AND EFFECTIVENESS WITHIN EXISTING RESOURCES

Significant improvements in the centralized exam process would require additional resources to expand the capacity of the current system and achieve significant system improvements. Delegation of a majority of exams to departments under a well planned and administered decentralization program can increase the efficiency and effectiveness of the exam process with no increase in total staff resources. This is supported by the following:

- . Experience with delegation has indicated significant improvement in timeliness and effectiveness of exams with no adverse effect on the merit system.
- . A combination of current staff resources of the Board and departments is sufficient to implement decentralization with little or no increases.
- . A decentralization implementation program has been developed by the Board which provides for effective administration and oversight consistent with protection of the merit system.

Unlike the centralized examination process outlined in Chapter I, delegated exams do not have to wait in line to be processed by the centralized system. Delegated exams can be scheduled simultaneously in the many departments to meet their timing needs. A delegated exam is typically processed by one or two generalist staff who complete all of the steps in the examination

process, as contrasted with the highly specialized step by step linear flow through the centralized examination process. Beginning the administration of a delegated exam can take days instead of the weeks needed for centralized exams, and subsequent steps in the process are also expedited because of the candidate size and generalist approach of delegated exams.

EXPERIENCE WITH DELEGATION INDICATES SUCCESS

As noted in the Introduction of this report, the exam process is currently a mix of delegated and centralized exams. Delegation began over 20 years ago on a limited basis for more effective recruitment, but has grown more recently as a means to better meet critical priorities and workload demands. Most departments have centralized personnel resources within their department who have been responsible for liaison with the Board, dealing with a variety of departmental personnel issues, and conducting some delegated exams. The Board is in reality a superstructure on the examination process that forms an additional layer above department resources. While this may be appropriate for the Board in providing effective oversight and control of the merit system, this layering has not been effective or efficient for the direct delivery of examination services. An exception would be where there are particular advantages to a large scale centralized operation, which is not the case for most of the state-wide examination workload.

The experience with delegation to date has revealed significant advantages from delegation; among these are:

- . Timeliness. Departments have reported that delegated exams have averaged 2-3 months to complete as opposed to 7-9 months for centralized exams. Some of the difference may

be attributable to the type of exams delegated. However, a task group of Board staff has conservatively estimated that further delegation of exams that are currently centralized would reduce the average time by 2-3 months.

. Effective Scheduling. Departments have been able to schedule delegated exams when and where they are needed rather than accommodate the Board's scheduling to level their workload, or meet Statewide priorities.

. Effective Recruitment. Departments have been better able to schedule delegated exams where the potential candidates are located. Departments with outlying offices or facilities have located exams in those areas and recruited from the surrounding communities. Departments having particular technical needs have been able to locate and communicate directly with potential applicants in their field.

. Effective Affirmative Action. Departments have reported more effective affirmative action efforts through delegated exams. Advantages noted above in recruitment and more effective outreach opportunities in minority communities have helped to enhance the affirmative action efforts of delegated exams.

. Flexible Allocation Of Resources. Departments have been able to temporarily shift resources to expedite high priority exams and subsequently return those resources to

operating programs. Since departments' main priority involves their operating programs, there is less tendency to build permanent, large personnel operations.

While the preceding advantages have resulted from delegation, potential disadvantages have been identified and methods for minimizing or eliminating those concerns should be noted. Departments and the Board have identified the following concerns and counter measures:

- . Limited Department Resources. As explained below, 45 percent of the departments surveyed indicated they could assume increased delegation of exams under a decentralization program without additional resources. For those who indicated a need for increases in staff resources, a total of 95 additional positions were listed. At the same time, staff resources of the Board can be shifted to departments to offset departmental needs under a decentralized examination program. This is explained further in a following section of this Chapter.
- . Potential Duplication Of Effort. If departments conduct many separate recruitments for the same class, duplication of effort could occur. The Board has suggested a consortium of departments in geographic areas throughout the State to join together for recruitments of the same class. Exams for very large system-wide classes would continue to be conducted by the Board under the proposed decentralization plan. Some duplication of effort could be justified to achieve more effective outreach and solve recruitment difficulties.

. Potential Misuse Of Authority. An effective oversight and audit function by the Board would be needed as a prerequisite to decentralization. An increase in audit staff at the Board would be needed as delegation increases. The Board currently conducts specific audits of delegated exams in addition to regular larger scale departmental audits. It should be noted that after the many years of delegation, Board delegation audits have not revealed any significant concerns; only minor procedural problems have been noted by such audits. The larger scale departmental audits have revealed some improprieties and illegal appointments. At the same time, several centralized exams have also had significant irregularities. The proposed decentralization plan would not permit delegation to departments where there has been a history of problems, and would remove delegation from departments should audits reveal problems.

. Departments May Lack Expertise. Nearly all departments have experienced personnel staff, and the smallest of departments may continue to utilize centralized exam services. Specialized services such as test writing and validation can and should continue to be provided by the Board.

A MINIMAL INCREASE IN RESOURCES WOULD BE REQUIRED

Departmental resources allocated to the examination process have not been adequately recognized or utilized. As noted earlier, departments identified a total of 217 position equivalents allocated to the exam process in 1979-80, and the Board had allocated 215.4 positions for a total of approximately 413 position equivalents. In responding to our questionnaire (Appendix

A) 45 percent of the departments indicated that in 1979-80 they could have accommodated all their departments' examination needs on a delegated basis without any additional resources (excluding system-wide or multi-department class exams). Those departments who did indicate a need for additional resources to take on full delegation in 1979-80, listed a total of 95 additional positions, or an average of three per department.

In a separate study by Board staff (November, 1979) and assisted by departmental personnel staff, it was estimated that departments would need only an additional 61 position equivalents to administer exams delegated under the decentralization plan. The Board's staff further estimated that 63 position equivalents could be released by the Board for reassignment to meet department requirements. This amount does not include supervisory, management, or overhead positions of the Board that could also be released, nor does it include positions that would be reassigned internally at the Board for a strengthened audit and monitoring of delegated exams (7.2 position equivalents). Therefore, it can be seen that if supervisory and overhead positions are included in the reassignment of Board positions, little or no increase in resources would be required to achieve the significant advantages of increased delegation. Even if the maximum amount of 95 positions is needed and is offset by transferring the minimum amount of 63 Board positions, a total increase of only 32 positions would be needed statewide. This represents a maximum increase of approximately 7 percent above the current total of 413 positions applied to examinations.

AN IMPLEMENTATION PLAN IS NEARLY COMPLETE

A decentralization task group of Board staff has been developing a detailed plan for delegation under a decentralization program. The task group is currently disbanded in response to direction from the Legislature for a

moratorium on delegation pending the results of this study. Remaining preparatory work could be completed within three to four months in order to begin a pilot implementation program for decentralization.

The Board's task group has developed a thorough and detailed plan for implementing a decentralized examination process. Key elements of the plan which are complete or near completion include:

. Policy and standards for decentralization which cover such items as:

- Policy resources
- Multi-departmental exams
- Written and oral exams
- Certification
- Transfer of eligibility

. Training for departments which includes:

- Work plans
- Needs assessment
- Curriculum development
- Pilot department training
- Bulletin preparation manual

. Management control systems and procedures for Board oversight of delegated exams which cover:

- "Modified selection reviews", which establishes one of four levels of delegation, or no delegation for each classification in a department

- Pre-examination review procedures
- Post-examination review procedures
- Audit procedures and objectives which focus on such areas as:
 - .. management satisfaction
 - .. employee acceptance
 - .. affirmative action
 - .. selection staff expertise
 - .. selection program organization
 - .. exam security
 - .. program resources
 - .. costs/benefits (particularly during pilot project)
 - .. technical adequacy of exam planning and documentation

. Pilot evaluation methodology to be applied to a pilot implementation program in four departments which will result in:

- Determining if departments can effectively administer their own selection programs consistent with merit system rules and principles
- Establishing cost effective methods for departments to utilize the Board's computerized data processing services
- Determining the cost, efficiency and benefit of decentralization compared to the centralized exam process

- Determining if the Board can adequately control a decentralized examining program through pre-review and audit procedures
- Identifying opportunities for policy options for greater flexibility in meeting departments' needs

The experience with delegated exams to date has revealed significant advantages in making the State's examination process more timely and effective without adversely affecting the integrity of the merit system. Our review, as well as studies by the Board, indicate that a redistribution of existing staff resources can result in implementing a more appropriate mix of delegated exams and centralized exams under a decentralization program, with no increase in total resources. A pilot implementation program is needed to verify the cost effectiveness of decentralization in order to be assured that the desired results can be achieved Statewide.

Under full implementation of decentralization of examination services, the Board would find itself in less of a conflicting dual role of service provider and controller. Greater emphasis could be placed on a new role for the Board; one which emphasizes their monitoring and control responsibilities.

CHAPTER III

THE BOARD NEEDS TO ASSUME GREATER LEADERSHIP IN OVERSIGHT OF THE MERIT SYSTEM AND INCREASE SYSTEMS IMPROVEMENT AND TRAINING

The Board currently monitors and periodically reviews various elements of the State civil service system, particularly audits in the areas of departmental affirmative action efforts and delegated classification by departments. Data gathering on examinations has been somewhat fragmented and focused on exams conducted centrally by the Board. Training and statewide exam system improvements have fallen short of the needs of departments.

A more aggressive leadership role by the Board is needed in the areas of training, examination systems improvement and oversight of the merit system. Indicative of these needs are:

- . Deficiencies in particular, types of examinations, especially the Employee Development Appraisal (EDA).
- . Specialized service needs of departments which are most effectively centralized with the Board.
- . A need for increased oversight by the Board to assure the continuing integrity of the merit system and conformance with Federal selection guidelines, particularly if decentralization of the examination system occurs.

Current needs are for the Board to assume more of a control and leadership role in merit system oversight and development of ongoing improvements in examination systems and procedures. An ongoing monitoring effort is needed to identify problem areas and develop effective controls or system improvements

and training in a proactive manner. The need for evolution of a stronger oversight and control role by the Board becomes even more apparent should decentralization of the examination process occur.

DEFICIENCIES IN TESTING

There has not been sufficient ongoing monitoring and improvement of examination systems at the Board. Both centralized and delegated examinations utilize various testing features designed to select candidates competitively in an effective manner. Promotional exams have increasingly utilized the Employee Development Appraisal (EDA) process as a significant feature of examinations. The EDA is currently one of the most frequently used features of promotional exams, and is therefore, a very important examination process. The EDA process calls for the candidate to nominate his or her current supervisor and two others to evaluate current performance and potential for performance in the classification being examined. Those nominated prepare written EDA's that are then reviewed, and evaluated by a committee that may also interview the employee. Sometimes, for very large or multi-department exams, a Preliminary Review Committee (PRC) reviews and evaluates the written EDA's at the department level to equalize the appraisals prepared by different supervisors.

Employees and management generally accept or support the concept inherent in the EDA process that an employee's current performance can be a valuable indicator of potential performance in a promotional position. However, the EDA in practice is a time consuming process that has been sharply criticized by employees, employee representatives, and management. Interviews with a cross section of supervisory and management staff in a sampling of 14 departments reveal that the EDA in its current form is universally felt to be of doubtful reliability and generally not worth the great deal of time involved in the process. Examples of criticism of the EDA include:

- . Lack of training for supervisors on performance evaluation and preparation of EDA's.
- . EDA's duplicate much of the information in employee performance reviews.
- . Instructions and criteria vary greatly from one exam to another and are generally vague.
- . Since only the nominated supervisors write the EDA, it is the supervisor who competes rather than the employee. The employee's success with the EDA is largely dependent on the writing skills of the supervisor.
- . Supervisors typically rate all employees high so as not to alienate the employee who receives a copy of the completed EDA.
- . The review committee and/or preliminary review committee is consistently placed in a position of second-guessing the supervisors.
- . The EDA is time consuming and results in a great deal of duplication of effort with annual performance reviews and the need for an EDA each time an employee competes for a promotion.

Departments generally agree that the EDA is a potentially effective concept and, with better structure, training, and efficiency, it can be a valuable part of the examination process. The EDA is an example of the need for the Board to better monitor the examination process and develop proactive improvements and training. During the course of this study, weaknesses of the EDA

process were brought to the Board's attention as a result of complaints and appeals. The Board is now conducting two separate, and unrelated studies involving the EDA; one in reaction to an appeal before the Board, and the other as an addition to a federally funded study to improve performance evaluations in State service.

SPECIALIZED SERVICE NEEDS

There are a number of functions in the examination process that are most efficiently performed centrally at the Board. Departments surveyed indicated a need for additional support from the Board in these areas and a concern that delegation of exams to departments not require a duplication of certain specialized services in each department. These include:

- . Test design and preparation as carried out in the Selection Program and Services Division.
- . Test validation studies to assure job relatedness of exams in conformance with Federal Uniform Guidelines or Employee Selection Procedures (See Appendix B).
- . Computerized processing of large exams.

Most departments, and the California State Employees' Association, indicated a desire to use more written tests, as a timely and effective means of examining. Written tests, however, require a great deal of expertise to prepare as well as careful validation studies because of their historical adverse effect on minorities and protected groups. Such expertise has been available at the Board, but not sufficiently to meet department needs. One department has retained a personnel expert to prepare written tests for their examinations

which are subsequently reviewed for approval by the Board. This represents an unnecessary duplication of cost and specialized resources that could effectively be centralized at the Board.

Test validation is an important element of the State Examination system since it provides the vehicle for assuring the job-relatedness and validity of selection procedures. Test validation assumes an important role in assuring conformance with the Federal Uniform Guidelines on Employee Selection Procedures (see Appendix B) because it is the vehicle with which to retain valid job-related tests notwithstanding the presence of adverse impact.

Although the Board has separately identified test construction units over the last 25 years, the current test validation and construction program was established in 1973. To date, validation studies have primarily been conducted in response to operational needs of examination programs. The studies have focused primarily on written examinations, and physical and medical requirements. Most validation studies are for only portions of the total examination. No comprehensive validation studies have been conducted for Qualifications Appraisal Panels (QAP) or Employee Development Appraisals (EDA) examination which are among the most frequently used features of exams.

MERIT SYSTEM OVERSIGHT AND AUDIT

Whether the examination process remains primarily centralized, or if it is decentralized, the responsibility for assuring the integrity of the examination system remains primarily with the Board. Included in this responsibility is assuring conformance of the exam process with laws and rules of the merit system as well as compliance with Federal selection guidelines.

The Federal Government has issued Uniform Guidelines on Employee Selection Procedures. The guidelines provide a uniform government position, in conformance with the Federal law, to prohibit employment practices that discriminate against any race, sex, or ethnic group. The guidelines apply to public employees covered under Title VII of the 1964 Civil Rights Act and to State government which employ 15 or more employees, or which receive revenue sharing funds, grants or other Federal assistance.

The guidelines apply to employee selection procedures used in making employment decisions. They provide a framework for determining the proper use of tests and other selection procedures based on the principle that the use of a selection procedure which has an adverse impact on any racial, ethnic or sex group, is unlawfully discriminatory unless the procedure is validated as job related. Adverse impact and the validation procedures are defined in the guidelines. Additionally, the guidelines require that records or other information be available to show the impact of the selection procedures on employment.

The essential means for determining compliance with the guidelines, is to gather and monitor data on the number of minorities or protected groups that progress through the exam process and are eventually hired. This is referred to as "bottom-line" data on adverse impact. (See Appendix B). There is currently no operating data monitoring and reporting system that provides easy access to "bottom-line" data on adverse impact which is one of the key means to determine full compliance with Federal Uniform Guidelines on Employee Selection Procedures (UGESP). As indicated above and in Appendix B, the State's selection procedures need to be documented to provide "bottom-line" data in accordance with the Federal Guidelines.

Enforcement agencies have, in some cases, been given the power to deny payment of federal funds to jurisdictions that have not complied with UGESP. For example, the Office of Revenue Sharing withheld \$180 million from the City of Chicago because the City's examination program had demonstrated adverse impact and did not comply with the UGESP. Because the State is mandated to comply with the Federal UGESP, non-compliance could result in loss of all or portions of Federal aid granted to the State which amount to over \$9 billion or 23 percent of total spending of all State funds for 1980-81, excluding Federal Revenue Sharing Funds (detailed in Appendix B).

While departments report that they have not yet had any funds lost or threatened due to lack of compliance with UGESP, there are, however, a number of litigation cases pending that, if decided against the State, could subsequently affect the compliance issue.

A centralized record-keeping system is needed that provides easy access to the required "bottom-line" data. The State currently maintains a variety of data, both manually and by computer, to track the selection process and results for each examination. However, a review and analysis of the selection processes for evidence of adverse impact for all examinations given over any designated period of time is not readily accomplished within the present documentation systems.

The Board is in the process of implementing a new computer system that will include "bottom-line" data for centralized examinations (appointments made from eligible lists, and computation of data to demonstrate the presence or absence of adverse impact). However, this system will not include "bottomline" data for delegated examinations unless a department chooses to tie in with the centralized computer exam process. The Board has instructed departments to

departments to maintain the required data manually, however the Board has not established a monitoring program to assure these records are adequately maintained.

The Board currently has an audit program staffed by 14 technical positions and one clerical position organized into two audit Control Sections of the Policy and Standards Division of the Board. The regular "departmental audits" examine a variety of personnel functions delegated to departments with emphasis on delegated classification work conducted by departments. These audits occur on an average cycle of 5-6 years, with more frequent audits where problems have been identified. Separate audits are conducted of delegated exams and these occur on an average cycle of every two years. No audit is conducted by these Sections of "one-time" delegations to departments which are non-recurring. These are reviewed by the Board's Departmental Services Division.

Board audit staff indicate that in the last eight years, the separate delegated exam audits have revealed no significant problems identified with delegated exams; only process or documentation problems. The larger scale "department audits" have revealed some more serious problems including some illegal appointments, but not of such number as to be disproportionate to what might be expected of any exam process - centralized or decentralized. There have also been such instances of improprieties for centralized exams. Should there be decentralization, the Board's current audit staff resources would not be sufficient to adequately audit the increased level of delegated exams. As noted earlier, there would be sufficient staff equivalents released elsewhere in the Board as a result of decentralization to adequately staff the audit program.

CHAPTER IV

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

The centralized examination process of the State Personnel Board does not sufficiently meet the examination requirements of the State. There are large backlogs of exams waiting to be administered by the Board. Processing time is excessive, causing delays in filling needed positions with resulting costs and inefficiencies being incurred by departments. Implementation of new programs has been delayed by the examination process.

There have been recent improvements in the Board's centralized examination process, but it is generally only efficient in handling very large exams. The Board's examination workload consists of relatively few large multi-department exams. A majority of exams are for only one department, and 40% of the Board's examination workload in 1980-81 will have only 30 or less candidates to process. The design of the centralized system is such that these small exams typically require the same 7-9 month process as for the large exams.

The scheduling of exams is primarily influenced by the limited capacity and inherent linear or sequential process of the centralized examination system. Exam scheduling is designed to equalize workload over the year to meet the resources of the Board, and not to meet the scheduling needs of departments. Service level problems are compounded by a high turnover rate (45%) in the Board's analyst staff that directly serve departments.

Delegation of exams to departments has resulted in significant reductions in the time required for examination processing (less than one-half the average time for centralized exams) with no adverse effect on the merit system. However, delegation has generally occurred only in response to critical workload or timing constraints, and has not been based on an overall plan with important evaluation and audit criteria.

The Board has been developing a plan, which is nearly complete, to test and implement increased delegation under a decentralization program. This program would include training, criteria for delegation, manuals, and important oversight and audit provisions. Work on this program has been halted short of beginning a pilot implementation program to test the decentralization program in four departments.

A decentralization program can achieve the significant advantages of delegation without increasing total resources. Our study found that between 61 and 95 positions would have been needed by departments in 1979-80 to take on the increased delegation under the decentralization program. A minimum of 61 positions (not including supervisory and overhead) of Board staff resources could be reassigned to departments under decentralization. The maximum increase would amount to approximately seven percent of current statewide resources applied to examinations. This amount would be significantly reduced if overhead and supervisory positions at the Board are also reassigned.

Whether or not decentralization occurs, the Board needs to assume a more aggressive leadership role in developing system improvements and training programs, as well as increase monitoring and oversight of the merit system to assure the continuing integrity of the merit system and compliance with Federal

Uniform Guidelines on Employee Selection Procedures. There are currently significant deficiencies in certain features of the examination process, particularly the Employee Development Appraisal system. Especially if decentralization occurs, there is a need for the Board to focus its role more on oversight of the merit system and provision of specialized services that would be inefficient for departments to duplicate or supplement. To date, the Board has attempted to maintain the difficult dual role of direct service provider and controller for the examination process, resulting in a dilution of the effectiveness of both.

RECOMMENDATIONS

More effective use of existing resources and significant improvements in the examination process can be achieved through a decentralization of the examination process which would delegate the majority of exams to departments. The Board should retain the administration of those very large exams where centralized processing would be more efficient and effective. Similarly, the Board should continue to provide highly specialized and technical support services to the examination process, and strengthen oversight and monitoring of the examination process. Specifically, the following recommendations should be implemented:

1. The Board's Decentralization Project should be reinstated, and the Board should proceed immediately with implementation of a pilot decentralization project in four departments that would provide highly representative data for evaluating the efficiency and effectiveness of proceeding further with decentralization. The Board should closely monitor and evaluate pilot decentralization project

experience and report to the Legislature on the results, which should include as a minimum:

- a. A determination of departmental effectiveness in administering exams consistent with merit system rules and principles, affirmative action goals, and conformance with Federal Uniform Guidelines on Employee Selection Procedures.
- b. An identification of positive and adverse effects of decentralization on improving the timeliness and effectiveness of the examination process, including a determination of:
 - . time required for delegated vs. centralized exams
 - . management satisfaction
 - . employee acceptance
 - . affirmative action results
 - . department staff expertise
 - . technical adequacy of exam planning and documentation
 - . on-going and non-recurring costs incurred by departments and the Board
 - . benefits, comparing centralized vs. decentralized

- c. An identification of opportunities to provide flexible policy options to meet different department needs in the selection process.
- d. Development of a cost-effective and timely means for departments to utilize the Board's computerized data processing services for exam processing and evaluation.
- e. A determination of the Board's ability to effectively control a decentralized examining program through planned pre-review and audit systems.

2. If the pilot decentralization project confirms anticipated benefits, full implementation of decentralization should proceed on the basis of:

- a. An analysis of each classification in a department based on specific criteria to determine whether examination for that class should be delegated and to what degree delegation should occur.
- b. Criteria for delegation should include those developed by the Board's Decentralization Task Force with the understanding that delegation should not occur:

- . for servicewide or multi-departmental open classes, unless there are recruitment difficulties that would be aided by delegation
- . when exams have been "sanctioned" to meet affirmative action needs, or exams are under a court order for quota appointments
- . for those very large exams which can be processed centrally on a more cost effective basis
- . when audits of a department's exam administration has revealed significant irregularities and/or illegal appointments
- . where there is a new or experimental exam process developed by the Board's Test Validation and Construction Unit
- . where a very small department has inadequate staff resources to handle delegated testing

3. Staff resources of the Board should be reallocated to departments commensurate with delegation of exams, and no less than seven position equivalents should be reassigned within the Board to audit delegated exams. In the event that delegation is withdrawn from a department, commensurate staff resources should be reassigned back to the Board.

The total number of staff resources assigned to examining (Board and departments) should not have to be increased on the basis of delegation.

4. The Board's role in the examination process should be re-defined to providing oversight and audit for compliance with merit system principles and rules, and providing specialized exam services not practical or cost effective for departments to assume. The Board should conduct a classification study of staff positions remaining at the Board with the objective of establishing appropriate levels commensurate with strengthening oversight and audit responsibilities.
5. The Board should maintain a leadership role and make a more focused effort in improving examination methods and processes whether centralized or delegated. Particular focus should be placed on improving the Employee Development Appraisal (EDA) form of examination to make it more efficient and objective.
6. The Board should expand and strengthen the use of performance contracts with departments to include specifying classes designated for delegation and the level of delegation. Performance evaluations of Board staff should include a consideration of their accomplishing the terms of the performance contracts, and incentives should be developed for exceeding performance contract and planning rate standards.

7. The Board should develop and implement a centralized management information system that standardizes all selection related records (whether centralized or delegated) demonstrating the impact of the selection procedures on protected groups. With centralized and standardized data collection and reporting, decisions on prioritization of examination validation, or the use of other selection methods, should be based on the entire State selection program.

RESPONSE TO THE AUDITOR GENERAL'S REPORT

Memorandum

To : Thomas W. Hayes
Auditor General
Office of the Auditor General

Date : November 10, 1980

From : **State Personnel Board**

Subject :

I would like to thank you for the opportunity to review the draft copy of the Ralph Andersen and Associates' report entitled "Opportunities to Improve the Efficiency and Effectiveness of the Civil Service Selection Process". We are, of course, very pleased that the consultant's review of the selection system has led to the same conclusion that we at the State Personnel Board previously reached: that a decentralization program which delegates increased selection responsibilities to departments appears to be one of the best ways to increase the timeliness of the examination process. We are also gratified to note the consultant's endorsement of the specific approach toward decentralization developed earlier this year by the Board's Decentralization Task Force. In addition, we note that the consultant has identified a number of specific examination methods and processes (such as Employee Development Appraisal) which need to be improved. We welcome his suggestions; in fact we have already taken steps to reexamine our current practices in some of the areas identified.

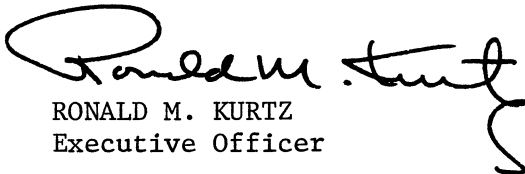
While we are in accord with the thrust of most of the consultant's recommendations, we are concerned that his comments on the existing system include little recognition of the extent to which resource limitations have dictated the current examining program. We also believe that a similar qualifier should be added to his endorsement of the decentralization concept, i.e., while it will increase timeliness, decentralization, without additional resources, will not allow for an increase in the number of examinations completed on a statewide basis.

Our comments would be incomplete if we did not point out the difficulties inherent in this or any attempt to complete an objective and up-to-date review of a dynamic organization. Much of the data was obtained from a departmental questionnaire, and questionnaires, by their very nature, have a strong subjective element. In addition, while we realize there was a need to freeze the data at a point in time, since the report is

based on statistics for the entire 1979-80 Fiscal Year it does not acknowledge improvements which occurred either toward the end of that year or subsequently. The more significant improvements include the following:

1. The typical time to produce an eligible list has been averaging five-to-seven months since May 1980 rather than the seven-to-nine months cited in the report. This is a significant decrease which we attribute in large measure to the systems improvements embodied in the computerized examination scheduling system.
2. The "bottom line" data system referenced in the report has recently been completed and hiring data have been added to examination data for centralized examinations given since September 1977.

In closing, the consultant's analysis has confirmed many of our own long standing concerns and we welcome many of his recommendations. Our additional comments are made in order to ensure both operating departments and the Legislature are aware of the constraints we face and the extent of our efforts to provide the highest possible overall level of service given these constraints.



RONALD M. KURTZ
Executive Officer

Attach.

APPENDIX A
SUMMARY OF QUESTIONNAIRE RESPONSES

SUMMARY OF QUESTIONNAIRE RESPONSES

State Civil Service Examination and Placement Process

Questionnaire Profile and Methodology

- . The Questionnaire was developed to obtain information from operating departments or agencies which utilize State Personnel Board examination and placement services. Questions were designed to identify cumulative, Statewide trends, concerns and priorities. The questions also identified examination workload, issues and concerns which became the basis for in-depth, follow-up interviews with a representative sample of departments. Most of the questions focused on fiscal year 1979-80 data in order to obtain the most recent and accurate information.
- . Distribution of the questionnaires was to the individual in each department or agency (in some cases, major division in large departments) who has direct responsibility for working with the State Personnel Board in meeting the agency's personnel recruitment and placement needs. Typically, this was the department's personnel officer. A total of 102 questionnaires were sent.
- . The number of completed questionnaires received totaled 87 out of the 102 sent. This represents an 85% response. Many of the departments or agencies that did not complete the questionnaire were very small and indicated they had very little, or no experience during the last year to provide a basis for responding. Responses to the questionnaire are summarized by the following which highlights the more significant data.

Summary of Responses

1. Regarding timeliness of the examination process:

- . Twenty-nine departments (50%) of the 58 answering the questions indicated they had experienced delays in exam processing beyond time schedules established under State Personnel Board performance contracts with departments. (73% indicated their answer was based on established data, 26% were based on estimates).
- . Fifty-one departments (77% of those answering the question) had used temporary authorizations (TAU's) to fill vacancies, pending the establishment of a list. This amounted to a total of 945 TAU's indicated for 1979-80. Of that number, 49 (5%) expired before a permanent appointment could be made (nine months).*

2. Evaluating timeliness of steps in the examination process:

- . Departments indicated average actual time for centralized exams (conducted by SPB) was seven to eight months, while delegated exams averaged two to three months. Departments indicated average actual times for each of the eight major steps in the examination process for both centralized and delegated exams. From this data, weighted averages were developed for each step and the total process.
- . The most lengthy steps indicated for centralized exams involved (1) preparation and distribution of exam announcements, test construction

* This amount may include TAU's for which no examination was given and TAU's which failed examinations.

and acceptances of applications; (2) establishing the list and certifying names; and (3) administering the test, handling protests, and scoring of written tests. Shorter times were indicated for these steps when delegated.

- . For delegated exams, departments indicated the greatest degree of time delay problems with getting lists established and names certified; and the assembly of materials, obtaining the approved of exam planning documents (282), and scheduling of the final filing data.

3. Department suggestions for improving the timeliness of the exam process:

- . When asked to suggest improvements to the exam process to make it more timely, the most frequently suggested changes were:

- More delegation
- Increased staff resources
- More advance notice of final filing date
- More accurate reviews of applications
- Improve computer processing so that it doesn't hold up process.

4. Frequency of errors occurring in centralized exams:

- . Departments were asked to indicate, for each of the eight major steps in the examination process, the frequency of errors occurring. Responses were structured into 0 - 25%, 35 - 50%, and over 50% of the time. For all steps in the exam process, approximately 90% of the departments indicated errors occurred only 0 - 25% of the time; only one department indicated errors occurred over 50% of the time.

5. Use of an examination plan by departments to predict examination needs.

. Fifty-four (65%) of the departments said they used an examination plan in 1979-80 to predict examination needs in advance. The amount of time in advance that exam plans are prepared varies and are as follows:

- Semi-annual: 8 departments
- Annual: 37 departments
- Multi-year: 6 departments

. The methods most frequently used by departments to identify examination needs are:

- Average turnover rate (16 departments)
- Anticipated new positions or vacancies (15)
- Expiration date of existing eligible lists (13)
- Review of existing eligible lists (12)

. Most departments use examination cycles for their main classification series (69% of the 68 answering the question). Duration of exam cycles vary and were indicated as follows:

- 12 months: 29 departments
- 18 months: 13 departments
- 24 months: 16 departments
- 36 months: 2 departments
- 48 months: 0 departments

6. Responsiveness to unanticipated exams:

- . Thirty-one departments said they had unanticipated exams (not in exam plan or SPB performance contract) in fiscal year 1979-80, averaging three unanticipated exams per department.
- . The majority of departments (63%) said the SPB responded to unanticipated exams on a timely basis. A breakdown of department answers is as follows:

<u>SPB Was Responsive:</u>	<u>Number Departments</u>
In all cases	16 (57%)
In many cases	3 (10%)
In a few cases	7 (23%)
In no cases	4 (13%)

7. Departments administering delegated exams:

- . Sixty-eight departments (89% of those answering the question) administered exams delegated by the SPB in 1979-80.
- . Departments compared a representative delegated exam (the one most recently completed) with typical centralized exams. Seventy-seven percent felt the representative delegated exam was typical of their department's overall experience.
- . In comparing delegated exams to centralized exams, the majority of departments felt:

- The amount of time for delegated exams decreased (indicated by 93% departments)
- There is no change in the quality of applicants with delegated exams (75%)
- Department costs increased for delegated exams (64%)
- There was no change in the accuracy of exam processing (59%)
- Department staff resources are adequate to administer delegated exams (64% indicated adequate; 36% indicated insufficient)
- SPB guidance (manuals, instructions, etc.) is adequate for delegated exams (86%).
- SPB assistance (monitoring, answering questions, etc.) is adequate (80%).

. The most frequently cited advantages of delegated exams were:

- Better timeliness and flexibility in the process (listed by 33 departments)
- Lists are produced more promptly (30 departments)
- Exams are conducted when and where they are needed (21 departments)
- Better control of the process by departments (16 departments).

- Position vacancies are filled as soon as possible (12 departments)
- More responsive to department needs (11 departments)
- Candidates are pleased with the process (6 departments)
- Better quality of applicants (5 departments)
- Reduction in errors (5 departments)
- Increased affirmative action (5 departments)

. The most frequently cited disadvantages of delegated exams were:

- Limited department staff resources (listed by 31 departments)
- Expensive to administer (11 departments)
- No computerization to expedite the process (6 departments)
- Additional workload for SPB (5 departments)
- Lack of flexibility by SPB (3 departments)
- Misuse of exams by departments (3 departments)
- Lack of assistance from SPB (3 departments)

8. Departments evaluated the various types of exams.

. Exams were ranked from 1 to 10 in four evaluative categories. The overall ranking for each type of exam is presented in the table on the following page.

9. Sufficiency of centralized examination referrals in meeting departments' affirmative action goals:

. A majority of departments (75%) indicated that referrals from centralized exams were sufficient to meet affirmative action goals some of the time. Twenty-two percent of the responses were that referrals were not at all sufficient, and three percent indicated referrals were sufficient most of the time.

10. Departmental workload and resources allocated to the selection process:

. A total of 620 departmental positions are assigned at least a portion of their time to the selection process. Time actually spent amounts to a total of 217 position equivalents for all departments.

11. Departmental examination workload:

. Fifty-one departments provided examination workload data for the period of fiscal year 1979-80. Forty-three departments listed 612 delegated exams for an average of 14 per department. For the same period, 264 centralized exams were listed that were specifically for a department (excludes system-wide and multi-department centralized exams).

DEPARTMENT EVALUATION OF TYPES OF EXAMS BY RANKING

<u>Type of Exam</u>	<u>Timeliness</u> (1 = Shortest) (10 = Longest)	<u>Selecting the Best Candidate for:</u> (1 = Most Effective) (10 = Least Effective)			<u>Adverse Impact on Protected Groups</u> (1 = Least Adverse) (10 = Most Adverse)	<u>Most Frequently Used Exam</u> (1 = Use Most) (10 = Use Least)
		<u>Management/ Professional</u>	<u>Clerical Para-Prof.</u>	<u>Field Maintenance</u>		
a. EDA Only	5	1	6	7	2	3
b. QAP Only	2	7	5	7	1	1
c. Written Only	3	10	8	7	10	6
d. Written & Performance	8	8	3	3	8	9
e. Written & QAP	7	2	1	5	6	2
f. Written, QAP & Performance	10	6	7	1	7	7
g. Written & EDA	9	3	2	6	5	4
h. Performance only	3	9	9	4	4	10
i. Education & Experience	1	5	10	10	9	5
j. QAP & Performance	6	4	3	2	3	8

The greatest number of delegated exams were conducted by the departments of Youth Authority (103), Developmental Services (98), and the Employment Development Department (95). Together these three conducted nearly one-half of the total number reported.

- . Of the total number of exams listed, (delegated and centralized) approximately 40% were open, 44% promotional, and 7% were open and promotional.
- . The average time required for all exams listed (delegated and centralized) was four months - from the date the exam was requested to the date the list was established.
- . The median number of total candidates for departments in 1979-80 was 172 for all the exams listed.
- . Sixty-eight percent of the exams were conducted to fill vacancies due to turnover or replacement; 25% were for promotions in place (e.g. trainee to journey level); and 7% were to staff new programs.

12. Effect of different levels of delegation on departments' staff resources.

- . If all exams listed by departments for 1979-80 had been delegated, 27 departments (45%) indicated they would have sufficient staff resources, and 33 departments (55%) indicated they would not have sufficient staff resources.

- . Thirty-three departments indicated a need for a total of 95.2 additional position equivalents (an average of 3 per department), if all exams had been delegated.
- . If none of the exams listed were delegated, and all were centralized, 21 departments indicated 75 positions equivalents would not be needed and could be released for reassignment, or an average of 3.6 per department.

13. State Personnel Board performance contracts with departments:

- . Eighty-nine percent of those departments responding had performance contracts with SPB during 1979-80.
- . Examinations included in SPB performance contracts represented 35% of the total examination needs identified by departments. Responding departments listed 574 exams that were included in performance contracts, and a total number of exams needed of 1,614. In addition, departments listed 1,671 exams that were provided outside of the contracts (service-wide and others).
- . Sixty-nine percent of the performance contracts met the departments' needs to some extent, and 12% of the contracts met departments' needs completely. Eight percent of the departments indicated needs were not met at all.
- . Of the unmet exam needs, departments listed only 7 or 5.5% as having a higher priority than those included in the contract.

- . In comparing the performance contracting system to other previous methods, departments' ratings were as follows:

	Number Departments Indicating:		
	<u>Better</u>	<u>Worse</u>	<u>No Change</u>
- Compared to previous methods, contracts are:	30 (54%)	11 (20%)	16 (29%)
- Planning for recruitment needs under contracts is	23 (40%)	4 (11%)	30 (53%)
- SPB service levels under contracts are:	22 (40%)	12 (22%)	21 (38%)
- SPB budget for department needs: 18 (38%)	7 (15%)	22 (47%)	
- Communications between SPB and departments are:	26 (46%)	3 (5%)	27 (49%)

- . Departments' most frequently listed the following suggestions for improving the contracting system:

- More staff resources
- Complete contracts on schedule
- Stop changing SPB analysts assigned to departments
- Department personnel training
- Allow flexibility to meet priorities, or unexpected exam needs
- SPB needs to work with departments more.

14. Departments' willingness to provide budget support for SPB.

- . When asked if they would be willing to provide funds from their budget for supplemental SPB resources to meet departments new program exam needs, 62% said no, and 38% said yes. To meet ongoing exam needs, 74% said no, and 26% said yes.

15. Conformance with Federal Selection Guidelines and its effect on Federal funds.

- . No department indicated they have had funds refused or threatened due to lack of conformance with Federal Selection Guidelines.

16. Additional comments and concerns regarding the examination and placement process:

- . Additional concerns and comments most frequently listed by departments were:

- Poor communications with SPB (listed by 10 departments)
- Timing too slow by SPB (10 departments)
- Large workload (7 departments)
- Staff resources are inadequate (5 departments)
- Departments can do exams quicker (5 departments)
- Changes are needed in SPB policies and procedures (5 departments)
- Inadequately trained SPB staff (3 departments)
- Errors in screening process by SPB (3 departments)
- Recruitment by SPB lacking (3 departments)
- Hesitance to grant TAU's (3 departments)

APPENDIX B
INFORMATION ON COMPLIANCE WITH
FEDERAL UNIFORM SELECTION GUIDELINES

APPENDIX B

Compliance With The Uniform Guidelines On Employee Selection Procedures And Standards For A Merit System Of Personnel Administration

This Appendix to the report addresses the need to determine and evaluate the current levels of compliance and the consequences of full or non-compliance with the Federal Uniform Guidelines on Employee Selection Procedures and standards for a Merit System of Personnel Administration.

Uniform Guidelines On Employee Selection Procedures (UGESP) - General Practices

The intent of the UGESP was to produce a unified government position, in conformance with Federal law, prohibiting employment practices which discriminate against any race, sex or other ethnic group for conformance with Federal law (including the use of tests and other selection procedures).

The Guidelines exclude issues involving discrimination on the basis of age or handicap (covered under other Federal laws), bonafide seniority system, Indian preferences, Verteran's preferance and employment of foreign nationals.

The Guidelines apply to employee selection procedures used in making employment decisions, i.e. decisions which affect an employee's work status. These may include, but are not limited to: hiring, promotions, demotions, referral, retention, salary adjustment, training, transfers, merit pay and performance appraisals.

The basic principles or key elements of the Guidelines, simplistically stated here, are that: "The use of any selection procedure which has an adverse impact on the hiring, promotion, or other employment opportunities of any race, sex or ethnic group is discrimination unless it can be shown to be valid."

Adverse impact is defined as: "A substantially different rate of selection in hiring, promotion or other employment decision which works to the disadvantage of a member of any race, sex or ethnic group which comprises at least 2% of the relevant labor market. The selection rate for any race, sex or ethnic group which is less than four-fifths (or 80 percent) of the rate of the group with the highest rate, will generally be regarded by the federal enforcement agencies as evidence of adverse impact."

The Guidelines include a "bottom line" concept: that if the overall selection process for a job does not have adverse impact, validity evidence is not required (The "bottom line" refers to the actual appointment of applicants to a job, not eligibility list attainment). However, if adverse impact is shown, each selection procedure should be analyzed, and validation procedures should be applied to each component having adverse impact. A selection process that has adverse impact, but has been validated in accordance with the Guidelines, generally is in conformance with the law.

The Guidelines require that records and other information be maintained to demonstrate the impact of the selection procedures on specified racial, ethnic and sex groups. If no such data are maintained, the inference is that adverse impact exists.

Standards for conducting validity studies are outlined in the Guidelines. Validity is defined as "the demonstration of a relationship between a selection procedure and actual job performance using accepted professional standards."

Three types of validity studies following the technical standards described in the Guidelines may be used. These include:

- . Criterion-related validity: Demonstrated by empirical data showing that the selection procedure is predictive of or significantly correlated with important elements of work behavior.

- . Content validity: Demonstrated by data obtained through job analysis showing that the content of a selection procedure is representative of important aspects of performance on the job.

- . Construct validity: Demonstrated by data showing that the selection procedure measures the degree to which candidates have identifiable characteristics which have been determined to be important for successful job performance.

The Guidelines further stipulate that when two or more selection procedures for a job are available that serve the interests of the employer and which are substantially equally valid, the user should use that procedure having the least adverse impact.

The Guidelines, by implication, indicate that a selection procedure which results in adverse impact must either be validated in accordance with the UGESP or replaced by another selection procedure which eliminates the adverse impact. It is intended, however, that the selection procedure utilized is lawful and job related.

Because of the interrelationship of the UGESP and Affirmative Action programs, it is important to describe basic differences in the thrust of each program. The State's Affirmative Action program aims at achieving a balanced civil service work force in all job classifications that is representative of the relevant labor market with regard to ethnic, race, and other protected group composition. The UGESP aims at achieving selection procedures that have no adverse impact on any race, sex or ethnic group. While adherence to the UGESP will generally support the affirmative action goals, it is technically possible for conflicts to occur, i.e. such as in cases involving "reverse discrimination".

Standards For A Merit System Of Personnel Administration - General Principles

The Office of Personnel Management, through the Intergovernmental Personnel Act of 1970, issued these standards which apply to those jurisdictions which have designated federal grant-in-aid programs. The standards require the establishment and maintenance of a "system of personnel administration on a merit basis in the grant-in-aid programs." The State of California is a participant of many of these programs including: Employment Security (Unemployment Insurance and Employment Service); Old-age Assistance, and AFDC, just to name a few. The Standards incorporate the information provisions of the UGESP, including collection of data. Key elements in the Standards are quoted below:

- . "To assure open competition and place special emphasis on attracting minorities, women, or other groups that are substantially under-represented in accordance with the Equal Employment Opportunity Commission's Affirmative Action policy statement for State and local governments."

- . "Competition may be limited to facilitate the employment of handicapped and economically disadvantaged persons and participants in congressionally and related State authorized employment or rehabilitation programs."

- . "Provision is made for the exemption of handicapped persons as defined in the Rehabilitation Act of 1973, as amended from the merit system in order to facilitate their employment."

Because requirements in these standards are generally consistent with the UGESP, the following focuses only on the impact of the UGESP on the State selection system.

Effects Of Full Compliance With The UGESP

Full compliance with the UGESP implies that the State's selection procedures:

- . Are documented to provide "bottom-line" data in accordance with the Guidelines.

- . Result in no adverse impact on any race, sex, or ethnic group.

- . Are validated in accordance with the Guidelines if adverse impact results.

Full compliance could affect the State's selection system in a number of ways, including:

- . The use of selection instruments that have no adverse impact on any protected group. This result implies the use of job related selection procedures that also selects qualified employees. However, there is the potential problem of using selection procedures that do not adequately measure necessary job skills as an alternative to validating the procedures when adverse impact occurs.
- . Acceleration of the examination validation program to assure that the selection procedures utilized are job related. This approach could result in increased resources and costs for program implementation, but also with improved selection methods.
- . Improved recordkeeping systems of the examination and selection process to aid in evaluating the program and planning for appropriate resources and modified selection methods.

Effects Of Non-Compliance With The UGESP

The State is mandated to comply with the UGESP irrespective of the receipt of federal funds. However, non-compliance with the UGESP could result not only in legal action against the State (with cost and mandated program implications), but in the loss of federal funds received by the State.

Outlined below is a statement of estimated expenditures of federal aid granted to the State of California for 1980-81, derived from the 1980-81 Governor's Budget, and indicating those departments that are the heaviest users of such funds. Non-compliance with the UGESP could result in the loss of any portion of the amounts listed.

State Operations	\$3,804,854,193
Capital Outlay	399,230,788
Local Assistance	<u>5,053,301,203</u>
Total	\$9,257,386,184

(or 23% of total spending of all funds for 1980-81)

Dept. of Transportation	\$ 673,089,000 (7% of total <u>federal</u> expenditures)
Employment Development Dept.	1,817,449,000 (20% of total <u>federal</u> expenditures)
Dept. of Health Services	2,022,982,000 (22% of total <u>federal</u> expenditures)
Dept. of Social Services	2,045,334,000 (22% of total <u>federal</u> expenditures)
Dept. of Education	<u>2,075,035,000 (22% of total federal expenditures)</u>
Total	\$8,633,889,000 (93% of total <u>federal</u> expenditures)

The above amounts do not include federal revenue sharing funds. For 1980-81, the State's proposed revenue sharing fund expenditures is \$276,200,000 allocated in total to the State Supplementary Aid Program for Adults administered by the Department of Social Services.

Current Level Of Compliance

A determination of full compliance is first based upon a review of the selection process documents for evidence of adverse impact. The State maintains a variety of data, both manually and by computer entry, to track the selection process and results for each examination, but there is no recordkeeping system presently operating that provides easy access to the required "bottom-line" data. This statement does not suggest that the State could not retrieve and compute such data for individual examinations upon request. It does suggest, however, that a review and analysis of the selection processes for evidence of adverse impact for all examinations given over any designated period of time is not feasible within the present documentation systems.

Notwithstanding the above statement, several inferences may be made with respect to the State's current level of compliance:

- Documentation Of The Selection Procedures

The absence of a data system that readily identifies "bottom-line" data could be interpreted as non-compliance with the UGESP.

- 1980 Annual Census Of State Employees

Summarizing the results of the State selection system for all examinations completed from April 1, 1979 to March 31, 1979 infers rather than confirms the existence of adverse impact. This data, provided in Table 1, provides no "bottom-line" data (appointments made) nor identifies individual examinations and, therefore, cannot be used as a

measuring device. However, the group distribution on eligible lists infers the existence of adverse impact in the State system.

As a counter balance, however, are data describing the ethnic distribution of State employees and changes from the previous year indicating that the State is progressing towards its affirmative action goals. (Table 2)

. Litigation Regarding Non-Compliance With UGESP

The Attorney General's Office indicates that there are no "non-compliance" cases in court at the present time. Departments responding to our questionnaire have indicated no threats or refusal of federal funds due to lack of conformance with the Guidelines. However, there is a number of pending litigation cases where an unfavorable ruling against the State could directly relate to the compliance issue. Additionally, some departments have entered into conciliation agreements or court consent decrees, or settlement out of court resulting from non-compliance issues. While there appear to be no major legal problems regarding compliance with the UGESP, the isolated incidents may suggest the potential existence of adverse impact. As noted earlier, there is currently no comprehensive data management system that provides readily accessible "bottom-line" data needed for a determination of adverse impact.

TABLE 1

Results Of State Selection System For Examinations Completed,
By Ethnic Group And Sex, For The Period Of April, 1979-March 31, 1980

(Percent of Candidates Who Completed Process And Attained List Eligibility)

	<u>White</u>	<u>Black</u>	<u>SS/S</u>	<u>Asian</u>	<u>Filipino</u>	<u>Nat. Am.</u>	<u>Male</u>	<u>Female</u>
All Exams	49.3	7.0	8.1	3.9	1.9	1.1	30.9	42.7
Promotional	50.2	5.6	7.3	4.2	1.5	1.1	26.2	45.4
Open/Promotional	48.0	6.6	6.0	4.5	3.1	1.1	47.8	24.4
Open/Non-Prom.	54.6	8.0	8.8	3.3	1.0	0.5	53.9	24.9
Open	47.7	9.6	10.0	3.2	2.6	1.2	35.7	41.8

TABLE 2

Total Full Time State Civil Service Work Force For March, 1980
 (% Change in Work Force From March, 1979 to March, 1980)

(+ = Increase from prior year)

(- = Decrease from prior year)

<u>Occup. Group</u>	<u>Total</u>	<u>White</u>	<u>Black</u>	<u>SS/S</u>	<u>Asian</u>	<u>Filipino</u>	<u>Nat. Am.</u>	<u>Other</u>	<u>Female</u>	<u>Male</u>
	117,621	74%	9.2%	8.8%	4.9%	1.6%	0.5%	1.1%	43.3%	56.7%
	(+2.2)	(-0.2)	(+0.7)	(+0.9)	(+0.3)	(+3)	(+1)	(+2)	(+1.9)	(+3)
Office Support	23%	69.5%	9.7%	9.7%	6.8%	2.7%	0.5%	1.1%	88.6%	11.4%
	(-0.2)	(-2.7)	(+0.9)	(+1.1)	(0)	(+3)	(+1)	(0)	(-1)	(-1)
Crafts & Trades	14%	71.7%	13.2%	11.0%	1.2%	1.3%	0.9%	0.7%	12.7%	87.3%
	(+0.2)	(-1.4)	(+5)	(+8)	(+1)	(+1)	(+1)	(+1)	(+7)	(-4)
Prof. & Tech.	57%	76.3%	7.0%	7.7%	5.1%	1.3%	0.4%	1.3%	34.0%	66.0%
	(+3.3)	(+0.8)	(+7)	(+8)	(+5)	(+3)	(+1)	(+2)	(+2.8)	(+6)
Administrative	5%	81.8%	6.2%	6.3%	4.3%	0.2%	0.4%	0.7%	22.9%	77.1%
	(+10.0)	(-3.7)	(+1.7)	(+1.6)	(+6)	(0)	(+2)	(+2)	(+7.3)	(+2.7)
COO Classes	1%	46.6%	22.9%	23.4%	2.3%	1.8%	1.8%	1.3%	64.0%	36.0%
	(-3.9)	(-3.7)	(-1.0)	(+0.7)	(0)	(+6)	(-2)	(-2)	(-1.0)	(-3)
1970 U.S. Census		76.3%	6.3%	13.7%	2.3%	0.77%	0.4%	0.3%	38.1%	61.9%

APPENDIX C
DEPARTMENTAL LISTING OF STAFF RESOURCES
NEEDED TO ASSUME FULL DELEGATION OF EXAM WORKLOAD
IN 1979-80

DEPARTMENTAL STAFF RESOURCES NEEDED TO
ADMINISTER DELEGATION OF ALL EXAMS IN 1979-80

In the questionnaire to all departments served by the Board, each department was asked to list additional staff resources that would have been required to process, on a delegated basis, all examinations for their department in 1979-80 (with the exception of service-wide or multi-department exams). The following lists the responses by department. It should be noted that some departments did not respond.

DEPARTMENTS INDICATING ADDITIONAL STAFF NEEDED (33)

<u>Department</u>	<u>Positions Needed</u>
Developmental Services	12
Transportation	9
Employment Development Department	7
Parks and Recreation	4
California Conservation Corps	4
California Highway Patrol	4
Fish and Game	4
State Board of Equalization	4
Veterans Affairs	4
Youth Authority	4
Education	3.5
Rehabilitation	3
Forestry	3
Department of Motor Vehicles	3
Franchise Tax Board	3
State Compensation Insurance Fund	2
Department of Water Resources	2

<u>Department</u>	<u>Positions Needed</u>
Consumer Affairs	2
Social Services	2
Office of Statewide Health Planning & Development	2
Industrial Relations	1.5
Water Resources Control Board	1.5
Health and Welfare Agency Data Center	1
Economic and Business Development	1
Museum of Science and Industry	1
California Post Secondary Education Commission	1
Office of Criminal Justice Planning	1
Mental Health	1
Public Utilities Commission	1
Public Employee Retirement System	1
Office of State Fire Marshal	1
Housing and Community Development	1
Alcoholic Beverage Control	0.5
Unemployment Insurance Appeals Board	<u>0.2</u>
TOTAL	95.2

DEPARTMENTS INDICATING NO ADDITIONAL RESOURCES NEEDED (27)

Corrections
 State Public Defender (General Services)
 Justice
 Insurance
 Solid Waste Management Board
 Public Employment Relations Board
 California Coastal Commission
 California Horse Racing Board

Savings and Loan
State Banking Department
Conservation
Student Aid Commission
General Services
General Services - Boards and Commissions
Secretary of State
Board of Prison Terms
Military Department
State Personnel Board
Department of Aging
Agricultural Labor Relations Board
Boating and Waterways
Controller of the State of California
State Treasurer's Office
Alcohol and Drug Programs
Energy Resources Conservation and Development Commission
Air Resources Board
Corporations

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps