

Brown Signs New Revenue Bills But Budget is Delayed

Governor Brown's supplemental state budget, as of this Thursday, was still hung up in the special session of the State Legislature over Senate-Assembly differences despite enactment of revenue measures advanced by Brown to provide an additional \$150 million in fiscal year 1963-64.

The earlier Senate deadlock on the budget was broken this Monday when the upper house cleared a pared-down spending measure, which was restored only in part on the Assembly side. The Senate, however, has rejected Assembly additions, thus throwing the supplemental budget bill into conference for reconciliation of differences.

The chief stumbling block appears to be salary increases for state employees, which were cut back from \$30 to \$6 million in the Senate. The lower house put back \$6.6 million to provide a five percent pay increase for University of California and State College teaching personnel, but this was rejected by the Senate.

Also pending is the state school aid bill. Although both houses have allowed \$40 million this fiscal year in the supplemental budget for increased state aid to school districts, there is still no agreement, on how these increased funds should be allocated.

Leaders in both houses are still shooting for adjournment by this weekend.

In order to enhance its bargaining power with the Senate, the Assembly approved a new version of the supplemental budget on Thursday providing the full \$114 million originally recommended by Brown.

On the tax front, the Assembly this week completed action on the Governor's revenue measures cleared by the Senate. The Governor has admitted defeat of his income tax withholding plan but indicated that he will continue to fight for its passage at the 1964 budget session. Also dead, is the Governor's proposal to eliminate the income tax liability of some 850,000 low income families and individuals who pay less than \$10 and \$5 respectively a year.

The revenue measures enacted by the legislature include the following:

- SB 5—eliminates option of paying bank and corporation tax on installments for corporations having fiscal years ending on or after January 1, 1964.

- SB 8—requires insurers, other than ocean marine insurers, to make quarterly payments on the insurance gross premiums tax.

- SB 10—places in the general fund rather than the insurance fund after January 1, 1965, revenue from the so-called surplus line brokers tax.

- SB 6—eliminates the option of paying the personal income tax on installments after January 1, 1964.



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PITTS ISSUES PRELIMINARY REVIEW OF THE 1963 GENERAL SESSION OF THE STATE LEGISLATURE

The 1963 general session of the California legislature adjourned sine die at midnight, June 21, leaving behind it an uneven record of achievement, failure and inaction.

On balance, the session reflected a divided and confused legislature, lacking in orientation toward social and economic objectives.

On the social insurance front, the subcommittee system of the Assembly Committee of Finances and Insurance under the Chairmanship of Assemblyman James R. Mills (D-San Diego) allowed insufficient time for the consideration of key bills affecting unemployment insurance, workmen's compensation, and unemployment disability insurance in either the Assembly or the Senate.

Beyond question, the major achievement in the field of socio-economic legislation was the enactment of the Rumford Fair Housing Bill (AB 1240) which was rescued on the floor of the Senate in the eleventh hour and sent to the Governor just ten minutes before midnight and mandatory adjournment of the 1963 general session.

FEDERATION BILLS ENACTED

Under convention mandates, the Federation caused the introduction of approximately 120 bills, although the majority of these embraced proposals for the liberalization and updating of social insurance programs in workmen's compensation, unemployment insurance, and unemployment disability insurance. The Federation-sponsored measures passed by the legislature are as follows:

- *AB 319 (Davis) strengthens the Labor Code provisions governing security for wages in logging operations. Statutes of 1963, Chapter 178.

- *AB 418 (Knox) — repeals authority granted the department of Agriculture in 1957 to allow numerical tolerances (short weights) for packaged goods sold in grocery stores. Statutes of 1963, Chapter 353.

- *AB 661 (Petrus) — prohibits cities and counties from enacting income or payroll taxes. In amended form, the bill carries a two-year expiration date pending study of state and local tax structures. Statutes of 1963, Chapter 812.

- *AB 419 (Knox) — Requires the Labor Commissioner to prescribe rules

and regulations establishing standards governing the advertising and placement activities of private trade schools.

- *AB 481 (Foran) — prohibits "deficiency judgments" on household goods, repossessed from a defaulting buyer and resold by the creditor. Applies to all credit sales under the so-called Unruh Act, but does not cover automobile credit purchases.

- *AB 482 (Foran) — prohibits the issuance of wage attachments without eight days of prior notice by registered mail to the last known address to the person affected by the attachment.

The Foran bill prohibiting deficiency judgments, supplemented by the other Foran bill requiring notice of wage attachments, is considered the major consumer bill of the session, enacted over the combined opposition of the California Banking Association and other financial interests.

Under the Foran bill, a creditor who repossesses and resells goods is prohibited from recovering deficiency charges from the defaulting buyer based on the difference between the amount owed under contract and the price at which the repossessed goods are sold. Creditors, are required to make a choice between repossessing the goods or suing for the unpaid balance—they can not have it both ways.

Court cases are numerous where the repossessed goods (frequently overpriced and loaded with heavy credit charges) are often sold at a fraction of their actual value without recourse by the buyer. The creditor is able to profit from the deficiency judgment and at the same time make the consumer pick up the tab for court costs and attorneys' fees on repossession. AB 481 eliminates a flagrant consumer abuse that encourages repossession, overextension of credit, and ultimately hardship and bankruptcy.

The Knox private trade school bill ap-

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plies to those schools regulated by the Labor Commissioner under the private employment agencies' law that hold out the prospect of job placement as an inducement to enrollment or that engage in placement activities. The authority granted the Labor Commissioner requires the adoption of standards to prevent misleading advertising and requires accurate information when the advertising or publicity relates to job availability and the degree of skill and length of time required to learn a trade or skill. Standards to be developed by the Labor Commissioner governing placement activities must require fulfillment of a promise of placement made as an inducement to enrollment or return of the training fees charged.

COMMITTEE STRUCTURE

At the outset of the legislative session, primarily because of the large number of freshmen Assemblymen, the appointment of Assembly committees was delayed until the fifth week of the session.

In the Finance and Insurance committee, legislation affecting workmen's compensation, unemployment insurance, and unemployment disability insurance was referred to subcommittees. The subcommittees themselves did not begin to function until well into March, and then did not report any bills to the full committee until the last days for consideration of Assembly bills. Unequivocally, it can be said that much of the responsibility for defeat of major social insurance legislation rests squarely on the shoulders of the leadership of the Assembly which was responsible for holding up key measures in finance and insurance subcommittees in the lower house until late in the session, leaving virtually no time for either Assembly or Senate consideration because of the log jam of bills that traditionally characterizes the closing days of the legislature.

LABOR CODE BILLS

Other bills affecting the Labor Code passed by the Legislature include the following:

AB 619 (Elliott) amends sections of the Labor Code respecting payment of prevailing wages; increases the penalty for violation and specifically provides that the difference between the amount unlawfully paid to a worker and the amount that would lawfully have been paid is due and payable to the worker. Establishes procedures for such payment.

AB 718 (Williamson) requires a farm labor contractor to have available for inspection by his employees and by the grower with whom he has contracted a written statement showing the rate of compensation he received from such grower and the rate of compensation he is paying to his employees for services rendered to, for, or under the control of such grower.

AB 927 (Knox) prohibits any employer from demanding or requiring any applicant for employment or prospective employment or any employee to submit or take a polygraph, lie detector or similar test or examination as a condition of employment. The bill, however, does not apply to public employment, and by omission, indirectly sanctions "voluntary" submission to lie detector tests.

AB 1750 (Warren) provides that wage deduction statements, which employers are presently required to furnish at the time of each payment of wages, shall show not only deductions, but also the inclusive dates of the period for which the employee is paid, the name of the employee or his social security number, and the name of the employer.

AB 2444 (Foran) provides that the exemption from the women's eight hour law for executives, administrators or professional women shall require earnings of \$400 a month instead of \$350 per month.

SOCIAL INSURANCE MEASURES

In the field of social insurance legislation, the Federation's comprehensive program for liberalizing and updating unemployment insurance, workmen's compensation, and unemployment disability insurance was introduced early in the session, numbering over 80 bills.

Following the pattern indicated previously, as the session moved into action, all of the Federation's social insurance bills were referred to subcommittees on disability insurance, workmen's compensation, and unemployment insurance of the parent committee on Finance and Insurance. Although hearings on pending legislation were conducted, and tentative actions were taken, the subcommittees retained possession of the bills and did not report them back to the full committee with their recommendations until well into June. In each instance, the reports of the subcommittees were submitted as a whole, thus making it impossible for the full committee to consider recommendations of the subcommittee on separate bills.

The first report taken up was on June 6, covering the recommendations of the subcommittee on Workmen's Compensation. Without any effort to explain the nature of the report, or to explain the contents of the bills being recommended for passage, the subcommittee recommendations were rammed through the full committee. Most of the committee members had only a vague knowledge of what was being recommended. Attempts of several members of the committee to demand an explanation of the report and consideration of the items being recommended were shut off on a motion on the previous question and the report was adopted.

The action on the Workmen's Compensation subcommittee report clearly established the pattern. Accordingly, the reports of the subcommittees on Unemployment Insurance and Unem-

ployment Disability Insurance were submitted on June 9 and adopted as a whole on that date.

Under the joint rules of the legislature, the effect of this long delay in the release of social insurance bills from committee was to delay floor action in the Assembly until the last days and even hours for consideration of bills originating in the Assembly. There was to be no time for adequate deliberations on the floor and the body of social insurance legislation approved by the Assembly was destined to become enmeshed in the sea of bills with which the lower house flooded the Senate in the closing days of the session.

WORKMEN'S COMPENSATION

The core of the Federation's workmen's compensation program failed to survive the machinations of the Finance and Insurance Committee and its Workmen's Compensation subcommittee. The major workmen's compensation proposal released by the Committee was contained in AB 2019, authored by Assemblyman George Zenovich, as chairman of the Workmen's Compensation subcommittee. In essence, the Zenovich bill robbed permanently disabled workers in order to help offset a small increase in temporary disability benefits. The benefit improvements increased the minimum for temporary disabilities from \$25 to \$30 a week, and the maximum from \$70 to \$80 a week. This would have resulted in benefit increases of an estimated \$3.1 million a year. The net increase, however, was cut back to \$1.6 million by reducing benefits for permanent disability ratings below ten percent by \$1.5 million.

The tactics employed by the Assembly leadership to block the possibility of Federation amendments on the floor and to force approval of AB 2019 on an "all or nothing" basis made a mockery out of democratic processes.

As indicated, the workmen's compensation bills released by committee did not reach the lower house floor until the last few days allowed under joint rules for consideration of bills originating on the Assembly side. The less important measures were taken up in order as they appeared on file. Approval was won for two Federation-sponsored bills that were allowed out of committee—*AB 421 relating to the submission of evidence by workers in third party suits, and *AB 429, allowing the commutation of subsequent injury fund awards—both by Rumford. In the process, also, the Federation was able to defeat several other bad bills on the floor, including a measure (AB 505—Thelin) requiring that Industrial Accident Commissioners have the qualifications of Superior Court judges. But AB 2019, the Zenovich bill, was passed on file (as a result of the author's unexplained absence) to preclude consideration until the deadline for consideration of Assembly bills was at hand. This was after midnight one day after the clocks

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had been stopped arbitrarily to allow extra time for taking up Assembly bills before moving on to Senate measures.

As the deadline approached, the speaker announced to the Assembly in open session that any amendment adopted to a bill would send it out to reprint and he would adjourn the session before it could be returned and taken up. With the blessings of the Assembly leadership, Zenovich deliberately placed **AB 2019** in this position to ward off Federation amendments which they knew were at the desk.

Thus, by careful plotting on the part of the Assembly leadership, the stage was set for forcing approval of the Assembly bill without amendments. With Speaker Unruh at his post and wielding the gavel over the Assembly, Zenovich took up **AB 2019**. Assemblyman Edward Gaffney of San Francisco offered Federation amendments to remove the cutback in permanent disability benefits while retaining the modest increases in temporary disability benefits. Speaker Unruh tolerated a few minutes of debate and then gavelled the amendments down on a voice vote amid cries for a roll call, which were ignored by the Speaker. Speaker Unruh ruled that the necessary five members were not standing to require a roll call. Assemblyman Burton of San Francisco responded immediately by taking up a second set of amendments at the desk which accomplished the same purpose as the Gaffney amendments. This time it was clearly apparent even to those in the gallery that the necessary five votes were standing to demand a roll call. Speaker Unruh nevertheless gavelled the amendments down on a voice vote, again denying a roll call. **AB 2019** was then passed on to the Senate with those inclined to support the Federation's amendment having no further opportunity to do so.

On the Senate side, **AB 2019** ran into the log jam of bills. The Zenovich bill was referred to the Senate Insurance and Financial Institutions Committee along with all other social insurance measures that reached the upper house. Fighting a log jam of bills, the Federation moved to salvage the situation. Initial efforts succeeded when ***AB 429** was amended before the Insurance and Financial Institutions Committee to provide for the temporary disability benefit increase in **AB 2019** without the cutback on permanent disability ratings. Both the amended Rumford bill and the Zenovich bill were taken under submission by this Senate policy committee, but only the Zenovich measure found its way to the upper house Finance Committee.

Final efforts by the Federation to remove the permanent disability restrictions from the Zenovich bill were made before the Finance Committee, and

failed. The Zenovich bill also failed to survive the chaos that engulfed the closing session in the Senate.

UNEMPLOYMENT INSURANCE

On the unemployment insurance front, the Federation took action on the Senate side in May to overcome the Assembly leadership's program of protracted delay and confusion in the lower house by securing the introduction of a measure that embraced a number of labor-supported improvements in the badly lagging unemployment insurance program. As embodied in ***SB 1201**, authored by Senator George Miller of Contra Costa County, the measure would have:

1. Increased the maximum weekly benefit from \$55 to \$65.
2. Boosted the minimum weekly benefit from \$10 to \$25, with an appropriate amendment to the 75 percent rule to prohibit disqualifications at the bottom end of the schedule.
3. Liberalized weekly benefits between the top and bottom by providing for graduated benefits in a uniform schedule geared to \$26.50, instead of the present \$28, high quarter earnings steps. Starting at the proposed \$25 minimum, benefits would have been increased \$1 for each \$26.50 of high quarter earnings to the proposed \$65 maximum benefit, which would have been payable on high quarter earnings of \$1,631.50 and over.
4. Repealed the so-called "lag quarter" rule which currently disqualifies some 19,000 otherwise eligible workers.

It was estimated by the Department of Employment that this Federation-sponsored measure would have increased benefits by an estimated \$56.7 million in a benefit year like 1963 without the necessity of modifying employer contributions. The bill also provided approximately the same amount for employers for repayment of federal Temporary Unemployment Compensation (TUC) benefits granted previously. In this respect, **SB 1201** met with the approval of the Governor. Unfortunately, however, Senator Miller suffered a heart attack, and was prohibited by his doctors during the closing crucial weeks of the session to return to the Senate. Without his indispensable leadership in the upper house, it became impossible to move **SB 1201**. Thus, any improvement in unemployment insurance had to wait on the delaying tactics of the Assembly.

In the lower house, the focus of attention was necessarily directed to **AB 1518** (Mills) — the major bill that was eventually released to the floor by the Assembly Committee on Finance and Insurance, along with another measure **AB 547** (Burton) extending unemployment insurance coverage to farm workers.

Authored by Committee Chairman James R. Mills by amendment of another author's bill, **AB 1518** embraced a reduced version of the benefit provisions of **SB 1201**, but in fact, provided more "immediate" benefits for employers than jobless workers. The measure would have improved the benefit structure of unemployment insurance by about \$37 million a year while handing out some \$46 million to employers to avoid an automatic federal tax boost for the repayment of temporary unemployment compensation benefits provided by Congress in the recession year of 1958-59.

On the benefit side for jobless workers, **AB 1518** provided for an increase in the minimum weekly benefit from \$10 to \$25, and the maximum from \$55 to \$60 a week within a revised benefit schedule based on high quarter earnings steps of \$27 instead of \$28. Further, it repealed the "lag quarter earnings" test. Initially also, it contained a provision rendering some 155,000 individuals ineligible by requiring earnings of \$200 in at least two quarters of the four quarter base period.

On the other hand, benefiting employers, **AB 1518** provided for the transfer of \$34 million in trust funds to the federal government to help defray federal TUC obligations. Another \$9 million from the state's general fund was scheduled for transfer to the Department of Employment contingent fund. In addition, the contingent fund was to be used in the amount of \$3 million to pay administrative costs for the 1958 federal TUC program.

The Mills bill was rammed through the Assembly, which also, on a tight 42-35 vote, approved and sent to the Senate the Burton farm labor coverage bill.

The scene of battle again shifted to the Senate and the conservative controlled Insurance and Financial Institutions Committee, which by this time was laboring under a mountain of Assembly-approved bills with a short committee because of other simultaneous committee sessions. The Mills bill was given clearance by the Insurance and Financial Institutions Committee, but it became lost in the log jam of legislation as it moved toward the floor. The records of the Senate show that **AB 1518** died in Senate Finance Committee.

AB 547, the farm labor extension bill, failed to clear the Insurance and Financial Institutions Committee.

The only benefit bill surviving the session was **AB 1492** (Burton) which increases the minimum weekly benefit from \$10 to \$25, effective September 20, 1963, as recommended by the Governor in his January message to the Legislature. Estimates of the Department of Employment indicate that the approved measure will affect about 96,000 claimants and will increase benefits by ap-

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proximately \$3 million in a benefit year like 1963.

UNEMPLOYMENT DISABILITY INSURANCE

In the unemployment disability insurance program, the Federation blocked a renewed effort of the private insurance carriers to raid the state fund through the re-institution of so-called adverse risk selection by the voluntary plans.

Acting on recommendation of the lower house Finance and Insurance Committee and its subcommittee on Disability Insurance, the Assembly approved the two basic financing measures—*AB 356 (Crown) providing for the escalation of the taxable wage base after 1966 to match the escalator provision in the benefit structure, and *AB 370 (Crown) requiring monthly remittance by employers of employee contributions in order to avoid unnecessary fluctuations in the level of the fund for the payment of benefits without temporary borrowing during low periods.

The Finance and Insurance Committee released a modified Federation-sponsored measure *AB 358 (Crown), which would have provided for the payment of benefits while hospitalized for disabilities arising out of pregnancy. The measure, however, was killed by the Assembly Ways and Means Committee upon argument that even with the Federation's financing bills, the state fund may not be in a position to immediately take on payment of additional benefits. This action by the Ways and Means Committee was brought into sharp question when in fact, with the two Federation-sponsored financing bills mentioned above still pending in the Senate where they eventually died, the same Committee gave its approval to the "adverse selection" bill of the private carriers which would have required a direct subsidy of several million dollars out of the state fund from worker contributions to the voluntary plans. The Department of Employment's actuary testified before the Legislature that the "adverse selection" bill would have cost the state fund between \$1 to \$4 million a year and definitely would have endangered its solvency.

The private carrier assault against the unemployment disability insurance fund was defeated in the Assembly on the final day of the session. The measure involved was SB 784, authored by Senator Thomas Rees of Los Angeles county, and would have overturned Department of Employment regulations implementing 1961 Federation-sponsored legislation and requiring voluntary plans to carry their fair share of the so-called "adverse risk." The Department's regulations were upheld by the State Supreme Court in the case of Pitts vs. Perluss, initiated by the Fed-

eration. Ten years of Federation effort that culminated in the 1961 legislation prohibiting "cream-skimming" of risks by private carriers would have gone down the drain with the passage of SB 784.

The Rees bill sailed through the Senate, and was "greased" for lower house passage as it breezed through not only the Assembly Committee on Finance and Insurance, but also the Assembly Ways and Means Committee, which earlier had rejected the pregnancy benefit bill. Only an allout effort by the Federation, assisted by central labor councils and other affiliates, made it possible to defeat the Rees bill on the floor of the Assembly. SB 784 was refused passage by a vote of 22 ayes to 48 noes.

The only unemployment disability insurance benefit bill to be approved was a Burton measure, AB 1493, embodying the Governor's recommendation to the Legislature to increase the minimum benefit from the present \$10 to \$25 a week. The current condition of the disability fund, however, would appear to require rejection of AB 1493 because it is without adequate financing provisions. The same applies to another bill passed by the Legislature, AB 997, (Bane), which brings nursing and convalescent homes within the scope of the unemployment disability insurance law with regard to the payment of the additional benefit while hospitalized.

MEDICAL CARE

The Federation sponsored two bills in the 1963 session which would have employed the social insurance principle in the health care field, but both were sent to interim committee for "study" on the opposition of the California Medical Association and the private insurance carriers.

*SB 1150 (Collier) would have enacted a state health care program for the aged, employing the social insurance principle to provide hospital, surgical and nursing home care as a matter of right to recipients of social security in California. The Collier bill was sent to interim committee by the Senate Committee on Insurance and Financial Institutions.

*AB 2644 (Song) would have established a state health care program for the general population, also on a social insurance principle. It was sent to interim committee by the Assembly Committee on Finance and Insurance.

The legislature, however, approved a measure sponsored by private insurance carriers, SB 1122 (Rattigan), which suspends anti-trust laws to enable private insurance companies to form cartel-like arrangements for the sale of health insurance to the elderly. The legislation, which is referred to by its sponsors as the "Western 65" plan is on the Governor's desk where the Federation is seeking a veto. SB 1122 is patterned after similar legislation in the

east which the insurance industry is pushing to block health care for the aged under Social Security.

The experience with such plans in the East indicates that the cost of coverage would approach \$500 a year, which is far beyond the reach of the average aged person or couple. The Connecticut State Labor Council, AFL-CIO, has issued a critical report on a similar plan operating in that state, pointing out that only eleven percent of Connecticut's aged have been able to afford coverage.

Before passage of the bill, amendments were rejected which would have required the companies forming the combine to offer insurance to the aged on a nonprofit basis in return for the suspension of anti-trust laws.

OTHER FEDERATION BILLS

A series of additional Federation bills, at varying stages of the legislative process, were defeated. Among these were:

*AB 609 (Z'berg), prohibiting state employees from being worked out of classification except in connection with training programs. The measure passed the Assembly but was killed in the Senate Committee on Governmental Efficiency.

*AB 1531 (Williamson) requiring employer compensation of employees for lost wages during jury service. After clearing Assembly Committee, the measure ran into stiff resistance on the floor of the Assembly, and was placed on the inactive file.

*AB 610 (Z'berg) making civil service compulsory for fire fighters at the local level. The measure failed to get out of the Assembly Committee on Municipal and County Government.

*AB 2111 (Meyers), establishing a mandatory ten percent preference differential for California bidders and suppliers in public works projects. The measure was sent to interim committee for study by the Assembly Committee on Governmental Efficiency and Economy.

*AB 2128 (Meyers), establishing a seven-hour day, 35-hour week for state employees. The Assembly Committee on Civil Service and State Personnel refused to give it clearance.

*AB 2250 and *AB 2251 (Gaffney), both providing for fully paid health and welfare benefits for public employees died in Assembly Committee.

*AB 2107 (Meyers), requiring payment of prevailing rates for craftsmen in state service. This Meyers bill was approved by the Assembly Committee on Civil Service and State Personnel, but was sent to interim committee study by the lower house Ways and Means Committee. Similar legislation, in modified form, met with a similar fate.

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AUTOMATION AND FULL EMPLOYMENT POLICY

In two areas, the Legislature took limited but significant steps toward coming to grips with the problems of job displacement through automation, skill development, and the promotion of full employment within the state.

The bills involved were as follows:

AB 49 (Elliott), creating a 29-member California Commission on Manpower, Automation and Technology to seek solutions to structural unemployment problems involving the matching of men and jobs. Its effect is to provide a statutory base for a similar commission which has been functioning on a limited basis by executive order of the Governor.

The Manpower Commission is to consist of 29 members—four Senators, four Assemblymen, 15 members appointed by the Governor, and six ex officio members. The 15 Governor's appointees are to include six from labor, six from management and three who represent the general public. The ex officio members include the Commissioner of the Economic Development Agency, and the Directors of the Departments of Industrial Relations, Employment, Education, Social Welfare, and Agriculture.

The main function of the Commission is to encourage coordinated labor market surveys and projections of skill needs considered vital to the development of job training and retraining programs. Provision is made in the bill for an executive secretary with clerical assistance and for utilization of the staffs of the Departments of Industrial Relations, Employment and Education for the studies and surveys to be undertaken.

It is anticipated that the bulk of the funds utilized will come from the federal government under the federal Manpower and Training Act. In this respect, thirteen of the Commission members will double as a state Manpower Advisory Committee for the implementation of the federal act. These thirteen members include: three representatives of the general public; three from labor; three from management; and four representing the State Departments of Industrial Relations, Employment, Agriculture and Education.

SB 370 (Holmdahl), for the first time spells out the state's responsibility to promote full employment, and requires the Governor to submit an annual economic report to the Legislature along with his recommendations to achieve full employment. The Holmdahl bill focuses on the necessity of state programming, supplemental to federal action, to help combat unemployment. As such, it complements the federal Employment Act of 1946 which requires the President to submit an economic

message to Congress with recommendations to achieve full employment.

The Holmdahl bill provides that the continuing policy and responsibility of the state shall be "to foster and promote full employment and increase productivity, income and purchasing power."

In attaining these goals, the state would be required to "coordinate and utilize all of its policies, plans, functions and resources."

In his annual economic report to the Legislature, the Governor is required by **SB 370** to set forth the following:

1. The rates and levels of employment, production, income and purchasing power obtaining in the State and needed to carry out the policy declared in the policy of full employment;
2. Current and foreseeable trends in the levels of employment, production, income and purchasing power;
3. A review of the economic program of the State and a review of economic conditions affecting employment in the State or any considerable portion thereof during the preceding year and of their effect upon employment, production, income, and purchasing power;
4. A program for carrying out the full employment policy, together with such recommendations for legislation as the Governor may deem necessary or desirable.

CIVIL RIGHTS

In the vital field of legislation affecting equal opportunities — under mandate of the Long Beach convention — the Federation coordinated its efforts with minority, religious and other civil rights groups through the California Committee for Fair Practices. At the very outset of the session, the Committee made it clear to legislators that all groups concerned with human relations and civil rights legislation within the Committee had agreed that **AB 1240**—the Rumford Fair Housing bill—would be the fundamental test of each legislator's attitude toward the principle of equality of rights and opportunities.

Although some delay was caused in the Assembly by debate over the effect the controversial Berkeley housing election would have on the Rumford bill, it eventually sailed through the lower house in strong form by a 67-8 vote. In its basic provisions, as passed by the Assembly, the Rumford bill extended the prohibitions against discrimination in publicly-assisted housing to private housing, and provided for administrative enforcement through the Fair Employment Practices Commission. Before passage in the lower house, an original exemption of a single unit-owner-occupied dwelling was broadened to exempt owner-occupied dwellings of four or less units, and the penalty provisions were modified somewhat without impairing their effectiveness.

In May, the battle shifted to the Sen-

ate where the Rumford bill was referred to the Senate Governmental Efficiency Committee. For well over a month Rumford participated in several hearings and lengthy negotiations with committee chairman Luther E. Gibson of Solano County. It was not until just a few hours before legislative adjournment that a compromise bill was reported to the floor, which was hailed by Rumford as a "strong" measure.

AB 1240 was handled on the Senate floor by Senator Edwin J. Regan, who successfully moved that the bill be made a special order of business at 11 p.m. on a 20-16 roll call. Senate passage was secured by a 22-13 vote, and the bill was then rushed back to the Assembly for concurrence in Senate amendments. Concurrence by the Assembly on a 62-9 roll call sent the bill to the Governor just ten minutes before midnight and mandatory adjournment.

In its final form, it is estimated that **AB 1240** forbids discrimination against renters and buyers in about 70 percent of all housing in California. Virtually all new dwellings are included within the ban on discrimination by incorporating in the Rumford bill the provisions of the so-called Unruh Civil Rights Act as they apply to housing. Administrative enforcement is provided by the Fair Employment Practices Commission, enlarged from five to seven members.

Governor Brown, as a supporter of the Rumford Fair Housing Bill, has hailed it as "an historic step forward in our effort to guarantee equal treatment and opportunity for all citizens regardless of race or religion."

In other civil rights actions, the Legislature approved and sent to the Governor the following:

SB 170 (Rodda), authorizing the Commission on Equal Employment Opportunities for Teachers in the Department of Education to advise and assist local school districts in eliminating de facto segregation of schools.

AB 1527 (Unruh), requiring cities to open their beaches to all persons, regardless of race, religion or residence.

AJR 2 (Rumford) ratifying a U.S. Constitution amendment forbidding the levying of a poll tax. Filed with Secretary of State. Chapter 26.

ECONOMIC HOUSING

One of the great disappointments of the 1963 session, was the failure of the Legislature to do anything to implement the recommendations of the Governor's Commission on Housing Problems aimed at mobilizing the state's credit and resources to supplement federal housing programs and provide low and middle income housing within planned communities without discrimination or income stratification.

Late in the session **AB 2976** (Z'berg) was introduced providing for the creation of a State Housing and Community Development Department. The measure

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generally restricted the department's activities to pressing for modifications in federal legislation to meet California's particular housing needs. Behind it, was a meager \$2 million provision in the Governor's budget to allow the new department to lend funds for experimental low-cost housing developments to appropriate sponsors and to assist redevelopment programs where relocation problems exist. But this was purely experimental, and the bill was without any basic program authority to meet the pressing problems of low and middle income families.

Even in its emasculated form, the Z'berg bill was bitterly fought by the savings and loan associations, the banks, and other financial interests. It passed the Assembly, but was dumped on the Senate side by the Committee on Insurance and Financial Institutions.

CONSUMER LEGISLATION

As indicated under the section on Federation-passed bills, the major consumer legislation of the session sent to the Governor's desk was sponsored by the Federation. This legislation was contained in Foran bills prohibiting deficiency judgments on repossessed household goods and requiring service of notice before wages may be attached.

On the broad consumer front, however, the session will probably be remembered more for having been forced to debate consumer issues than actual performances in broad areas of consumer interest. Full credit must go to Governor Brown's state Consumer Counsel Helen Nelson, whose untiring efforts, coupled with those of her small staff, put the special interests on the defensive.

In addition to the Federation measures passed, progress was scored on these fronts:

Credit buying: Assembly Bills 2862-63 (Unruh) strengthened consumer rights when buying on credit. AB 2862 increases the rights of consumers to fair treatment when credit contracts are sold to a third party such as a bank or finance company. AB 2863 outlaws clauses in installment sales contracts requiring that the purchaser pay a penalty fee for lawfully exercising his right to cancel the contract. AB 2864 extends the limited protections of the Unruh Retail Credit Sales Act to installment purchases of \$50 or less which are currently exempt from the major provisions of the Act.

Packaging, Weights and Measures: SB 378 (Rattigan) requires quantities of containers for most supermarket packages except cylindrical containers to be plainly and prominently marked on the principal label or display panel. SB 377 (Rattigan) makes it easier to spot the net weight of a loaf of bread by requiring that the stated weight appear on the bread wrapper in lettering of at least one-quarter inch high and

that the designations "standard loaf" or "standard large loaf" be printed in the same type. SB 316 (Short) prohibits misleading designations of quantity on packaged products, including such qualifying terms as "jumbo," "giant," "full," etc., which tend to exaggerate the amount of the product in the container. Another bill, SB 315 (Short) requires that aerosol-type containers state their contents in terms of net weight.

Consumer services: AB 2537 (Williamson) brings companies engaged in household moving under closer surveillance by the state Public Utilities Commission. The PUC is required to adopt regulations concerning estimates and shipping delays, and is given the same power to take action against household moving companies as against other carriers who violate the law. SB 1292 (Short) establishes an enforcement unit to crack down on TV repair fraud. Enforcement power is given over electronic repair service dealers who engage in dishonest practices, misleading advertising, gross negligence or other violations of the law. It would also have power to informally adjust complaints received from consumers.

Selling practices: AB 2405 (Porter) prohibits sellers from advertising that they are manufacturers, wholesalers, importers, etc., when such is not the case. AB 336 (Knox) prohibits land developers and sub-dividers who sell in California from making false claims in their advertising, and gives the state Real Estate Commissioner power to crack down on land fraud sales. AB 828 (Rumford) provides that before a new drug can be sold in California its effectiveness must be proven with substantial evidence.

The above measures, although significant, begin to lose some of their impressiveness when compared with the kind of basic consumer issues and bills lost during the session. Among these were "truth-in-lending legislation," bills to outlaw "referral selling" practices, prohibit credit charges on revolving account purchases until 30 days have passed, curb deficiency judgments on repossessed automobiles, and lower interest rate charges on credit purchases of automobiles; legislation to provide effective enforcement of prohibitions against false and misleading advertising; and bills to provide consumers with protections against abuses in the automotive repair field. The latter included a Federation-sponsored measure AB 2638 (Meyers) providing for the licensing of automotive repair shops and the certification of mechanics as to their competency.

All of the above measures were made the subject of interim committee study, augmenting resolutions introduced at the request of the Consumer Counsel providing specifically for interim study of weights and measures laws and the whole field of consumer packaging.

On balance, it should be recognized

that the interest of consumers have barely begun to penetrate the power exercised over the Legislature by special interest groups. This was abundantly demonstrated by the manner in which the Assembly Finance and Insurance Committee bowed to the financial interests when it killed the "truth-in-lending" bill, authored by Assemblyman Charles Warren of Los Angeles.

The Warren bill was advanced with the full support of Governor Brown and his Consumer Counsel to require the full disclosure of the cost of credit to consumers on the face of all contracts involving credit transactions. Patterned after the Douglas "truth-in-lending" bill in Congress, it established a uniform method of setting forth the finance rate in terms of simple annual interest to enable consumers to protect themselves from interest rates that often run up to 20 and 30 percent without their knowledge.

AB 2288 imposed no limits on interest charges; it merely advanced the cause of the "informed consumer" as basic to the private enterprise system. In addition to the Governor and state Consumer Counsel, it drew support from the State AFL-CIO, the state Corporation Commissioner, the Association of California Consumers, the American Association of University Women, the California Credit Union League, Consumer cooperative groups and others. On the other hand, the lineup against the bill included the California Bankers Association, the State Savings and Loan League, the California Retailers Association, and a University of Michigan professor who was hired for the occasion by various loan associations and credit groups. The gist of the special interest pitch against AB 2288 was the proposition that disclosure of the true cost of credit in simple annual interest terms would actually "confuse" the consumer. It was pointed out by Assemblyman Warren that banks and savings and loan associations use the simple annual interest rate concept in advertising to attract savings, but this did not appear to impress the opposition. The bill was sent to interim committee without any opportunity afforded the proponents to answer allegations against the measure.

SOCIAL WELFARE

The major social welfare bill of the session was AB 59 (Burton). Its provisions are numerous.

Among other things, in regard to the medical assistance for the aged program (MAA), AB 59 provides federal funds for the first 30 days of hospital care in a county hospital, contract hospital or nursing home; repeals the relatives' responsibility law; eliminates the 30-day waiting period for assistance to those in nursing homes by providing assistance from the first of the month following admission to a nursing home; and provides for dollar deductible on private hospital and nursing home costs of \$3,000 so that a person may now

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qualify for MAA in a private hospital or nursing home either after 30 days or an expense of \$3,000, which ever occurs first. Despite these improvements, however, the state MAA program does not reach in any meaningful manner beyond the state's aged assistance recipients. It barely touches the group of so-called "medical indigents" beyond the public assistance category who were supposed to be covered by the Kerr-Mills alternative to aged health care under Social Security.

In respect to all of the categorical aid programs, the counties are prohibited under AB 59 from taking liens on the real property of recipients of aged, blind, disabled, and medical care who are treated in county hospitals. Also, effective January 1, 1964, the duration-al residence requirement for blind persons has been eliminated and in-patient care will be granted in the blind programs to those who meet all the requirements of the medical assistance program other than the age requirement.

In regard to the aid to the disabled program, the residence requirement is reduced by AB 59 from five out of the last nine years, to three out of the last nine years. Also, effective in January 1965, eligibility for disabled assistance is liberalized by extending the benefits of this program to persons whose handicap precludes employment even though they are not bedridden or in need of continuous care.

Among its most important provisions, AB 59 extends the benefit of the aid to needy children (ANC) to families where the parents are unemployed, effective February 1, 1964. This important extension, taking advantage of federal funds made available by 1961 legislation, deletes the requirement that the father be absent from the home in order to receive aid. A major drawback in this extension, however, is a provision that the unemployed parent, as a condition of eligibility, may be required to accept work relief under a program administered at the county level, "without regard to prior work experience." This will require careful policing at the local level under state standards which are to be developed when the extension goes into operation.

Finally, AB 59 also revises procedures for granting applications for aid in emergency cases. Persons applying for public assistance under the new law will be presumed to be eligible if they need immediate assistance at the time they make their application. This retains the safeguards of the investigation of applications but also relieves the hardships of having to wait 40 to 60 days when assistance is needed immediately.

Other significant social welfare bills were also passed. Numbered among them is SB 1117 (Cobey), which affects

the administration of social welfare programs. This measure transfers authority over rules and regulations and other administrative functions from the State Social Welfare Board to the Department of Social Welfare. The Social Welfare Board becomes an advisory body to the Department.

GENERAL LEGISLATION

In general areas of labor interest, the accomplishments of the 1963 session varied very considerably from sketchy to both good and bad. On the bad side, the legislature's worst performance was in handling the state budget and the tax collection acceleration program advanced by Governor Brown to help balance it.

STATE BUDGET AND TAXATION

In January, Governor Brown presented the Legislature with a state budget for fiscal year 1963-64 totalling some \$3.25 billion. The budget included room for expansion of some essential programs and also funds for a number of new programs he was recommending to the Legislature, some of which were enacted into law.

The budget, however, was out of balance by about \$150 million, which led the Governor to advance, in keeping with his "no tax" campaign pledge, a tax reform program which would speed up the collection of revenues and relate tax collections more closely to the incidence of growth in order to both balance the 1963-64 budget and contribute substantial amounts toward the balancing of the 1964-65 budget as well as other future budgets.

As embodied in a series of bills introduced by Assemblyman Nicholas Petris (AB 1944-1950), the principal features of the Governor's complex tax program did the following: Accelerated the collection of the insurance gross premiums tax by requiring quarterly payments; Eliminated installment payments in the state income tax; provided for withholding on wage and salary income with a 25 percent forgiveness of 1964 obligations which was later increased to 50 percent, and required quarterly returns on income not subject to withholding; Ended installment payments of the bank and corporation tax and accelerated collections to a quarterly basis; Reduced the state gift tax exemption from \$4,000 to \$3,000; and combined all of these with another reform removing the income tax obligation of some 850,000 low and moderate income individuals and families with income tax liabilities of less than \$5 a year as individuals and \$10 a year as married couples.

Following prolonged study of the Governor's tax program with special attention to the controversial income tax withholding proposal, the Executive Council of the Federation in April endorsed the program as a whole, and the proposed income tax withholding system specifically, as economically sound,

fiscally necessary, and clearly in the best interests of working people and the public at large. Apart from the windfall aspects of the Governor's program, the permanent enhancement of the state's revenue picture was considered most significant. It was noted that this permanent increase in revenue would come from a progressive source (ability to pay) in our tax structure—not by increasing taxes, but by updating collection methods and relating the collection more closely to the incidence of growth, primarily through income tax withholding and the filing of estimated tax returns by banks and corporations and by persons receiving significant amounts of income from non-withholding sources. The permanent enhancement of revenues by relating collections more closely to growth were estimated at over \$50 million a year, thus confirming the Governor's statement that the program contained "long-range benefits that will place this state in a much stronger fiscal position, in addition to closing some loopholes now costing the state millions a year and helping to distribute the tax responsibility more fairly among all of our citizens."

In reference specifically to the income tax withholding plan, the Executive Council was guided by these facts:

1. The withholding system was to be patterned after the federal system in its technical aspects, but only about one-half of regularly employed wage and salary workers would be subject to withholding because of the level of exemptions under our state's progressive income tax.
2. Approximately 44 percent of the state income tax yield comes from sources other than wages and salaries. Such income would be subject to the "quarterly estimate method of current payment."
3. Any over-withholding, whenever this may occur, would be readily refunded upon filing of the annual return. No one would be over-taxed, and many of those who currently escape their liability by not filing a return would be required to pay their fair share of the progressive income tax.
4. Withholding would be adapted to the type of pay period, with deductions starting with annual earnings of \$2,340 for single persons, \$4,680 for married couples, plus an exemption for each dependent. For example, the wage withholding would be 50 cents a week for a worker who has a family of four and earns \$7,500 a year.
5. The withholding system would strengthen the income tax in California as a progressive source of revenue.

In all of its major aspects, with some modification, the Governor's tax pro-

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gram was approved by the Assembly and then cleared to the Senate floor by the Senate committees for consideration during the final two days of the session. On the floor of the upper house, the bill to accelerate payment of bank and corporation taxes and eliminate installment payments was taken up first because it required two-thirds approval by the Senate (27 votes). This measure alone (AB 1946) involved some \$83 million, more than half of Governor Brown's collection speed-up program.

On two separate occasions the measure fell short of passage, the final defeat being recorded on Friday, the last day of the session, by 22-15 vote with Senate Majority Leader Hugh M. Burns joining the Republican Leader John F. McCarthy to head up the opposition.

Following the defeat of AB 1946, the balance of the tax acceleration program was dropped. Accordingly, without the prospect of additional funds, the Senate-Assembly free conference committee on the budget found itself in a dilemma and slashed the general spending program to the bone. The budget free conference committee, which had already cut \$22 million out of the budget, carved out another \$75 million to keep it in balance at \$3.14 billion. In effect the budget was cut sharply to 1962-63 levels with a seven percent allowance for growth.

EDUCATION

Apart from the unresolved matter of providing additional state aid to school districts, a number of advancements were recorded in the educational field as follows:

SB 115 (McAteer), establishes a two-year pilot program of special educational aids to children from economically and culturally deprived backgrounds.

AB 464 (Waldie) authorizes local school districts to furnish special programs for educationally handicapped minors and provides for reimbursement from state school funds of the excess expense for such special programs.

SB 1515 (Stiern) establishes a formula for distributing \$20 million in bond funds for junior college construction voted last November in Proposition 1-A.

AB 1853 (Miliias) allows school districts to levy a tax up to ten cents per

hundred dollars of valuation to finance adult education.

AB 653 (Burgener) establishes a \$100 million program to educate severely mentally retarded children; effective beginning July 1964.

SB 68 (Weingand) provides for instruction of deaf children between ages of 3 and 6.

On the defensive side, in regard to teachers, legislation was defeated which would have undermined 1961 legislation sponsored by the Federation extending probationary teacher protections to small districts, including the right to a formal hearing.

URBAN AFFAIRS

Several of a series of proposals recommended by Governor Brown to cope with growth problems in urban areas were passed by the Legislature. They include the following:

—AB 1663 (Knox) Creating an 18-member coordinating council on urban policy to study urban growth problems and recommend policies and programs for their solution.

—AB 1662 (Knox) and **SB 861** (Nisbet), creating a five-member local agency formation commission in each county to review and pass on all proposals for incorporation, annexation, or formation of special districts.

—SB 856 (Rees), authorizing the state Planning Advisory Commission to establish regional planning districts on a vote of two-thirds of the cities and counties in the district. The function of such districts would be to develop long-range plans for transportation, residential and industrial development, schools, recreation facilities and other needs.

GOVERNMENT REORGANIZATION

During the course of the session, Governor Brown proposed a number of state reorganization proposals, some of which were adopted in the following form:

—AB 2006 (Marks) creates a new department of general services to manage the housekeeping functions of state government. The removal of such functions from the Department of Finance is intended to enable the Director of Finance to concentrate on fiscal affairs and policy recommendations to the Governor.

—SB 1023 (Rattigan) Establishes a new Department of Vocational Rehabilitation in the Health and Welfare Agency. The bill removes rehabilitation units from the Department of Education.

—AB 1990 (Knox) places the Governor's Advisory Committee on Aging within the Health and Welfare agency.

—AB 1991 (Knox) allows greater flexibility in the placement and assignment of responsibilities to top civil service career executives, without affecting their civil service rights.

—SB 1032 (Arnold) elevates the Board of Corrections, previously within the Department of Corrections, to the Youth and Adult Corrections Agency.

—SB 1019 (Collier) enables the Highway and Transportation Agency to concentrate on mass rapid transit and other forms of transportation in addition to highways.

OTHER BILLS

In this preliminary report it has been possible only to cover some of the highlights of the session. The following are additional noteworthy measures approved by the Legislature:

—AB 963 (McMillan), establishes statewide painting standards for new homes at least the equivalent of Federal Housing Administration regulations.

—AB 1 (Unruh), establishes a 19-member California Fine Arts Commission to encourage statewide cultural activities.

—AB 1537 (Danielson), provides that in counties with a population in excess of 300,000 polls shall remain open until 8 p.m. extending voting time by one hour.

—AB 1193 (Alquist), creates a Mental Retardation Study Commission to study problems of retardation and what the state should be doing to alleviate them.

—SB 153 (Cameron), places a \$150 million bond issue on the November 1964 ballot for acquisition and development of parks and beaches.

The Moral Base of Unions

"If I were an employee, a working man . . . or a wage earner of any sort, I undoubtedly would join a union of my trade . . . I believe in the union and I believe that all men are morally bound to help to the extent of their powers in the common interests advanced by the union."—Theodore Roosevelt.

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