

Lieutenant Governor—Continued

which reflected the purchase of a new vehicle for the use of the Lieutenant Governor during the present budget year.

In addition to his offices in the State Capitol, office space in the State Building in Los Angeles is provided for the Lieutenant Governor. The 1,118 square foot area consists of a public waiting room, a receptionist's office and a private office for his use.

We recommend approval of the amount budgeted.

STATE EMPLOYEES' RETIREMENT SYSTEM

ITEM 29 of the Budget Bill

Budget page 20

FOR SUPPORT OF THE STATE EMPLOYEES' RETIREMENT SYSTEM FROM THE GENERAL FUND

Amount requested	\$341,790
Estimated to be expended in 1958-59 Fiscal Year	446,152
Decrease (23.4 percent)	<u>\$104,362</u>
TOTAL RECOMMENDED REDUCTION	\$4,520

GENERAL SUMMARY

The State Employees' Retirement System provides a method of funding and paying retirement and disability allowances to state employees and the employees of such counties, cities, and other local agencies as have contracted with the system for this service.

The system is controlled by a Board of Administration, consisting of a president, vice president and six members. The executive officer and the actuary report directly to the board. The assistant executive officer, actuary and administrative adviser act as staff to the executive officer. Further staff service is provided by the Administrative Services Section, with a staff of 24.

There are three main operating divisions. The Membership Division reviews the qualifications of applicants for membership, assists contracting local governments in applying the Retirement Law and the rules of the system, and performs related functions. The Accounting Division performs all accounting work and develops uniform procedures for accounting reporting. The Actuarial and Claims Division makes actuarial studies that form the basis of policy and of rate determination; it computes individual claims and benefits; it also makes cost estimates on pending retirement legislation.

One additional unit, Old Age and Survivors Insurance, is concerned with the administration of the federal program which has been elected as a portion of the retirement scheme of certain local governments. Costs of this unit are totally reimbursable to the State.

ANALYSIS

Summary of Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Reduce travel, in-state	\$1,200	21	65
Reduce equipment	3,320	21	75
Total reduction	<u>\$4,520</u>		

State Employees' Retirement System—Continued

The reduction in travel is based on elimination of a minimum of 48 days of travel and 12 round trips to Los Angeles due to establishment of a Los Angeles field office. The reduction in equipment is based on removal of inactive files and consequent reduction in necessary fire-proof files from 15 to 5.

The present budget request covers the cost of administering the system for the benefit of state employees. In recent years, local agencies have contributed \$5.85 per member for their share of administrative costs.

Comparison With Current Year

The current year, 1958-59, is a high cost year due: (1) to conversion to punch card accounting and the need for running two accounting systems in parallel for several months during conversion from book-keeping machines to punch-card accounting; there were also special costs of installation; and (2) to the employment of temporary help to perform the quadrennial valuation—a summary and audit of each member's account—as required by law. Increased efficiency, which is already apparent, indicates that the fee charged local agencies will be approximately \$4.90 per member in 1959-60.

The budget proposed for 1959-60 shows substantial net reductions

Salary Item Changes

Current within-grade salary increases	\$7,519
Proposed new positions	40,143
Reductions in accounting staff and temporary help	—88,207
Increased salary savings	—11,500

Net reduction ----- \$52,045

Operating Expense Changes

Increases	\$18,706
Principal items:	
Machine rental	\$11,356
Printing information leaflet (biennial)	8,450
Decreases	46,273
Principal items:	
Quadrennial valuation	—34,000
Survivors' benefit valuation	—7,500
Election postage (biennial)	—5,000

Net reduction ----- \$27,567

Equipment Changes

Decrease	—42,945
Principal items:	
Punch card equipment	—22,114
Punch card files	—15,000

Net reduction ----- 42,945

Total reductions ----- \$122,557
Less decreased reimbursements ----- 18,195

Net reduction ----- \$104,362

State Employees' Retirement System—Continued

The principal increase in the budget proposed for 1959-60 is \$40,143 for 10 new positions. Eight of these are clerical positions and are justified on the basis of normal growth of the system.

Two other positions are requested to staff a field office in the Los Angeles area. These positions are for a field representative and an intermediate typist clerk. This office would relieve supervisory personnel from routine trips to the Los Angeles area. In the six months from July 1 through December 31, 1958, staff members made 18 trips to the Los Angeles area, consuming a total of 46 days. The Claims Division staff spent 22 days in "retirement counseling." Members of the system who are planning to retire and have requested advice on their rights and various alternative retirement income plans have been scheduled for one 20-minute interview each. This now requires a four-day trip monthly. With 48 percent of the membership of the system in the Los Angeles area, need for this service will increase.

Membership Division personnel have appeared at meetings with prospective member groups, explaining the terms of the retirement system. Accounting Division members have worked with local agencies in setting up their records. The actuary has worked on negotiation and modification of contracts. The more highly technical problems will continue to require the presence of experts.

We find these two positions justified and recommend their inclusion for the following reasons:

1. To give service in the Los Angeles area comparable to that at Sacramento;
2. To relieve supervisory staff of secondary functions and reduce the amount of their overtime;
3. To shift expenditures from travel to employee service;
4. Finally, it appears that this will help relieve the workload backlog in the Sacramento headquarters.

We recommend approval of the budget with the deletion of \$3,320 for equipment, and including the two positions and related operating expense requested to establish a new field office in Los Angeles, subject to the further reduction of \$1,200 in the request for travel.

CALIFORNIA COMMISSION ON INTERSTATE CO-OPERATION

ITEM 30 of the Budget Bill

Budget page 23

FOR SUPPORT OF THE CALIFORNIA COMMISSION ON INTERSTATE CO-OPERATION FROM THE GENERAL FUND

Amount requested	\$51,715
Estimated to be expended in 1958-59 Fiscal Year	33,965

Increase (52.3 percent)	\$17,750
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TOTAL RECOMMENDED REDUCTION	None
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GENERAL SUMMARY

The commission was established in 1939 for the purpose of state representation and participation in the regional and national councils

California Commission on Interstate Co-operation—Continued

of state governments which meet to report upon and discuss problems of joint state interest and state-federal relations. Pursuant to provisions of the Government Code, the commission is composed of five members of the Senate, five members of the Assembly and five members appointed by the Governor, who acts as a nonvoting ex officio member.

ANALYSIS

The principal item of increase in the proposed budget is in the contract with the Council of State Governments. This is to be increased from \$31,250 to \$49,000. In 1947, and again in 1954, revisions were made in the formula by which the Council of State Governments assesses member states, increasing the contribution rate but leaving the population basis as of the 1940 Census. The new proposed assessment uses July 1957 Census Bureau estimated population figures and reduces the dollar factor. The new rate of contribution of the states is figured on a basis of \$1,750 per 500,000 population. Thereby, the council is adjusting the assessments of the states to a ratio more commensurate with operating costs of the council.

The expenses of legislative members are met through allocations from legislative funds to the Assembly and Senate Committees on Interstate Co-operation.

We recommend approval of this item as submitted.

THE PERSONNEL BOARD

ITEM 31 of the Budget Bill

Budget page 24

FOR SUPPORT OF THE PERSONNEL BOARD FROM THE
GENERAL FUND

Amount requested	\$2,508,963
Estimated to be expended in 1958-59 Fiscal Year	2,438,174
Increase (2.9 percent)	\$70,789
TOTAL RECOMMENDED REDUCTION	\$31,063

GENERAL SUMMARY

The State Personnel Board has the responsibility under Article XXIV of the State Constitution and Sections 18000-19765 of the Government Code for recruiting, examining and certifying all persons filling civil service positions. For the 1958-59 Fiscal Year there are 103,478 authorized positions within state service. The following table shows a breakdown by category of the total number of employees for 1955-56 and 1958-59 with the percentage increase.

Category	1955-56	1958-59	Percent increase
Statutory	235.6	267.0	13.3
Exempt	5,153.1	8,602.1	66.9
Civil Service	57,620.0	76,813.5	33.3
University of California	14,667.0	17,795.4	21.3
Total	77,675.9	103,478.0	33.2

The 1958-59 exempt classification includes 7,496 employees of the state colleges who are not in the state civil service. Not included are

The Personnel Board—Continued

the legislative employees who are paid out of the Assembly and Senate Contingent Funds.

In the fall of 1957 the Organization and Cost Control Division of the Department of Finance conducted a general management study of the organization of the Personnel Board. Prior to the submission of its report, the division made some basic organization recommendations. These recommendations were adopted by the board and put into effect November 1, 1957, resulting in a saving of approximately \$11,000. However, it was also recommended that two new positions be adopted at an annual cost of \$14,712. This recommendation was also adopted.

It was one full year later, November 1, 1958, that the full report of the general management survey was released. A total of 41 recommendations were made in the report, many of which have already been accepted by the board as a result of staff discussions prior to the formal issuance of the survey report.

The survey recommendations covered five general areas:

1. General management and top level organization.
2. Organization and function of divisions.
3. Centralized office services.
4. Personnel roster activities.
5. Examining policies and procedures.

The first two areas of general management and top level organization and divisional organization are directly related. All of the organizational recommendations have been adopted by the board. One year's experience has indicated that the lines of communication of the staff of the board have been improved and the total examination process time has been shortened through the changes. One recommendation pertaining to these two sections that has not been adopted and that we feel merits careful consideration is that the board "develop a delegating and streamlining program wherein there is greater dependence on the staff for a competent technical job."

The board itself consists of five members appointed by the Governor which meets once every two weeks for two days. The meetings are scheduled at Sacramento, San Francisco or Los Angeles. The report states:

"During this study, attendance at several board meetings and analysis of many board calendars has made it apparent that one of the characteristics of the central personnel agency is the large number of items going to the board for review and decision. Such review would be all right if it were not for the costliness of such an operation, the resulting slowness in taking decisive administrative action, and the expenditure of board members' time on relatively routine administrative matters.

"The costliness of the present operation arises from the amount of detailed and formal written material prepared for the board calendar and the number of 'appearance items' resulting in attendance by personnel staff and agency staff even when the agency and the personnel analysts are in agreement. Also, it is apparent that

The Personnel Board—Continued

fast and decisive administrative action is difficult when so many items are taken to the board for review and decision.

“In a fast-growing jurisdiction such as the State of California, board members’ time should be saved for important policy matters. The board has made contributions to good personnel management by working in the policy area through rule making and suggesting legislation. If this is to continue, and it should, time must be saved by delegating and streamlining. Of course, the appeals function of the board is a valuable safety valve and should be retained.

“Adoption of a program for greater delegation would enable the board to continue discharging its constitutional responsibilities, would reduce that considerable portion of the workload of the staff now spent in preparing detailed memoranda for inclusion in the calendar, would permit faster and more decisive staff action on some items which would no longer go to the board, and would save state time and money by reducing the number of ‘appearance items.’ The State Personnel Board meets almost every other week, and any means of reducing the pressure on the staff of getting ready for these meetings should be seriously considered.”

The two sections of the OCC report on centralized office services and personnel roster activities briefly discuss some of the clerical and procedural aspects of the Personnel Board. The two functions are directly related and are in fact located within the same division. We are in agreement with almost all of the 17 recommendations made in these two sections. It is in this area of clerical and procedural functions that the survey team recommends the greatest use of the administrative analyst position authorized in last year’s budget. Two of the 17 recommendations that would eliminate duplication and save approximately 1,050 man-hours per year should be adopted immediately. These recommendations have been taken into consideration in our budget recommendations under the Office Services Division.

The major recommendation made in these sections was that “a general study of all state roster activities is needed to find the proper solution to this problem of duplication.” The survey team suggested that since most agencies maintain employee rosters, the operation of the central roster is a duplication of services performed elsewhere. The survey team felt that while it is true that there is some duplication of effort, the correction needed is at the agency level, not at the State Personnel Board.

We heartily endorse the recommendation that this study be done, but we feel that it should go much further than just the roster-keeping function. The study should include the complete record-keeping of personnel transactions within state service. Copies of some documents are kept in four or five places where it may be appropriate that they be kept in one or two places at the most.

In our 1957 and 1958 analysis of the budget bill, we brought to the attention of the Legislature the lack of a statewide policy defining the immediate and long-range conception of the personnel responsibilities

The Personnel Board—Continued

which should remain with the Personnel Board and those which should belong to departments. All of the State's larger agencies, and many of its smaller ones, have established a bureau of personnel headed by a personnel officer trained in the field of personnel administration.

We must again call to the attention of the Legislature that there is still no statewide policy established to define the immediate and long-range conception of the responsibilities which should remain with the Personnel Board and those which should belong to the department. We first brought this to the attention of the Legislature in 1956 and since that time a committee of the Personnel Officers Council considered the problem in detail delineating the areas of responsibility between the agencies and the Personnel Board. This, however, should only be the first step in the systematic progression of the formulation of a policy concerning all personnel matters. Until this is done, the Legislature should not authorize more personnel positions within any state agency.

ANALYSIS	Amount	Budget	
		Page	Line
Summary of reductions:			
Personnel Services Division			
Temporary help	\$7,867	25	78
Recruitment and Field Services			
One-half clerical position	1,728	26	64
Standards and Surveys Division			
One associate personnel analyst	7,356	27	38
One junior-intermediate typist clerk	3,456	27	39
Office Services Division			
Temporary help	7,200	28	7
Training Division			
One junior-intermediate clerk	3,456	28	54
Total recommended reductions	31,063		

The budget requests for the State Personnel Board for the 1959-60 Fiscal Year reflect a proposed substantial increase in the average amount of time spent on examination preparation. The \$2,508,963 requested is \$70,789 or 2.9 percent more than the \$2,438,174 estimated to be expended during the current year.

Personnel Services Division

We recommend the deletion of \$7,867 for temporary help money requested on the basis of the need for additional outside board members of qualification appraisal boards and proctors for the increased examination workload.

An amount of \$7,867 is requested to provide 1.9 man-years in temporary help based on the need for additional outside board members for qualification appraisal boards and proctors for the increased examination workload. It is estimated that of the total requested increase, \$3,147 is for outside board members and \$4,720 is for increased examination proctor work load.

The average examination for entrance or promotional positions in state service is comprised of two parts: the written examination, and qualification appraisal board review, or oral examination. The appraisal board generally consists of three members, one being a staff analyst of the Personnel Board, one is a representative of an agency that makes

The Personnel Board—Continued

greatest use of the class for which the examination is given, and the third member is from outside of state service. The latter is the so-called outside board member. The outside member often serves free if it entails only about one or two days of his time. Any expenses he may incur are reimbursed by the State. When it is necessary to pay an outside member, he receives \$30 per day. There is \$14,964 budgeted in the current year for this item. (This is included in the amount shown on budget page 25, line 71). There are exceptions where persons will serve several days for no compensation.

Many times the Personnel Board uses only two persons on the appraisal board, the agency representative and the Personnel Board representative. In the past, we have questioned the extensive use of outside members on the qualification appraisal board as being an unnecessary embellishment of our examination procedure. Therefore, we have recommended that increased funds for this purpose be disallowed and the Personnel Board make an evaluation of the use of outside members. There should be some indication from the Personnel Board that the use of outside members will produce a better level of employee than is produced by not using outside members.

The balance of the increased temporary help money requested is for the use of proctors in giving examinations throughout the State. When an examination is given on a statewide basis, there may be as many as 15 or 20 places that the test will be given. The board has people in the various areas who act as proctors and administer the examination. The board is requesting the increase in proctoring funds on the basis of an anticipated increase in the examination workload. We have reviewed the figures on examination workload submitted by the board and find that rather than an increase, the current year is experiencing a decrease of approximately 7 percent in the number of examinations given as compared with last year. Therefore, we recommend the deletion of this increased amount.

The Personnel Board is also requesting six additional analyst positions to increase the average amount of time spent on the preparation of custom made examinations. We recommend the approval of these positions for the followings reasons:

The major portion of the workload of the State Personnel Board comprises the preparation and administration of the State's examination program. In the past, we have recommended that the board study ways in which it could shorten the period of time necessary from the date a person takes a written examination until the employment list comes out. Recently, this has averaged 65 days. In the Department of Finance organization survey recommendations were made for the expansion of the continuous testing program, which is a program wherein candidates are tested and papers scored in one day. If successful, the candidate is placed on an existing list and eligible for immediate hire. This program can only be adopted to particular classes, generally entrance classes with large numbers of employees.

The survey report also recommended the development and use of form tests. These are tests that are given on a regular basis, such as

The Personnel Board—Continued

in the continuous testing program described above. Three or four complete tests are prepared and then alternated either on a daily or weekly basis.

It should be mentioned that the Department of Finance survey did not indicate how these programs were to be extended, only that they would probably cost more money.

In the preparation of the average written examination, the analyst must rely primarily on previous test material maintained in the files. With the pressure of time, the average test contains 91 percent previously used material and 9 percent new material. This new material is then placed in the files with 250,000 previously used test items. A staff member of the board spent considerable time reviewing the quality of the examination material and came to the conclusion that it was quite low. The chief criticism of the material was that much of it was outdated. There were items that were 20 years old and were invalid due to law changes or new concepts.

The analyst in preparing an examination spends on the average approximately 17½ hours. This includes the preparation of the bulletin, consultation with the agency concerned with the class and the writing of questions. Where completely new examinations are made, i.e., where no old material is used, then much more time is spent. However, 17½ hours are spent on the average examination. The addition of six analyst positions would enable the board to spend 24 hours on examination preparation and, most important, divert some of the new material produced to greater use of form tests, which are expensive to produce, but which should produce savings through continued use.

Recruitment and Field Services

We recommend the reduction of \$1,728 for increased clerical help for the Los Angeles field office.

The budget proposes funds for one intermediate typist-clerk for the Los Angeles office and temporary help money equivalent to one-half position for the San Francisco office on the basis of increased workload. The funds for the San Francisco office and one-half of the position for the Los Angeles office are for the testing, placement, and certification function. We have reviewed the workload statistics and recommend temporary help money equivalent to one-half position for each office.

The other half of the Los Angeles position is requested for increased public information activities. It is anticipated on the basis of current activity that more people will be requesting information concerning state employment in the Los Angeles area. We agree that there has been an increase in the information counter activity; however, there has been a corresponding decrease in the information counter activity in the Sacramento office. For this reason, we are recommending that \$1,728 be reduced from the request and that temporary help money from the Sacramento office be used.

Standards and Surveys Division

We recommend the reduction of \$10,812 for the requested positions of one associate personnel analyst and one junior intermediate typist-clerk.

The Personnel Board—Continued

The Standards and Surveys Division of the Personnel Board develops classification and pay policy, standards, and techniques. It conducts general wage surveys on the basis of which state salaries are kept in reasonable relation to those paid in private industry. The division acts as a staff and advisory group to the other functions of the board. In this connection, members of the division do various personnel and examining research studies for the other divisions.

The 1957-58 budget authorized the establishment of temporary help money for one associate personnel analyst position in order that various studies might be accomplished. This position was continued in the 1958-59 budget with a termination date of June 30, 1959. The budget now proposes to put this position on a permanent basis. We recommended this position during the past two years only with the clear understanding that it was to be a temporary position.

We recommend the deletion of this position on the basis that there are existing within the division an adequate number of persons doing this staff type of research. The special projects are requested from various sources such as individual board members, the executive officer, other divisions, and the employees association. The division could take on any number of projects depending upon the staff available. With at least seven other analysts within the division doing this type of research analysis, we feel this is an adequate level of service.

The division is also requesting one junior-intermediate typist-clerk on the basis of increased workload. The workload is contingent upon the continuation of the position described above and if it is deleted, there will be no increased workload and the position will not be necessary.

Office Services Division

We recommend the deletion of \$7,200 for two man-years of temporary help money requested on the basis of anticipated increased workload.

The Department of Finance survey previously mentioned recommended the elimination of some duplication within this division that would save approximately one man-year of time. Also during the past year, the board adopted a new policy on the filing of state employees' performance reports. Previous to this current year, the performance reports for all state employees were filed at the Personnel Board. Now the procedure is for the agencies to retain all the reports except those rated substandard and unacceptable. The board has estimated that this has saved approximately one man-year of time.

We recommend the board utilize the two man-years available from the finance recommendations and changes described above and that \$7,200 in temporary help money be deleted. Two permanent positions are also requested on a workload basis. We have reviewed the data on these positions and recommend their approval.

Training Division

We recommend the reduction of \$3,456 requested for a proposed new intermediate typist-clerk position.

The budget proposed one intermediate typist-clerk position for the training division as a result of increased workload. We recommend the

The Personnel Board—Continued

reduction of this amount due to the fact the workload of the division is in fact being reduced. For the past several years, the division has conducted a general management conference in the summer, usually at the Davis Campus of the University of California. Each conference called together approximately 120 management personnel from all the various agencies for a three-day training session. The co-ordination necessary and paperwork involved consumed a considerable amount of clerical time.

This management conference has been discontinued for the current and budget years, which will accordingly reduce the clerical workload in the division and eliminate the need for a new clerical position.

SECRETARY OF STATE

ITEM 32 of the Budget Bill

Budget page 30

FOR SUPPORT OF THE SECRETARY OF STATE FROM THE GENERAL FUND

Amount requested	\$326,713
Estimated to be expended in 1958-59 Fiscal Year	323,614

Increase (1.0 percent)	\$3,099

TOTAL RECOMMENDED REDUCTION----- None

GENERAL SUMMARY

The Secretary of State is the principal custodian of state records. He is the guarantor of the records of the Legislature and of many other agencies, protecting them from fraudulent alteration and from disaster. He provides certified copies of these documents when requested, as provided by statute. As a logical outgrowth of this function, the Central Record Depository has been placed under his jurisdiction.

The Secretary of State is the chief elections officer, providing necessary statewide services to county clerks, compiling statewide tabulations, and publishing the official lists of candidates and official election returns.

ANALYSIS

Administration. This section has 39 permanent positions, of which 22 positions are assigned to the maintenance of official records of corporations approved for transacting business within the State, and the registration of trademarks. We have reviewed procedures for handling corporations documents and find the operation to be efficiently carried out. Temporary help requirements will be reduced in 1959-60, as extra assistance for mailing trademark renewal notices will be eliminated.

Central Record Depository and Archives. The budget shows nominal decreases in operating expenses and equipment over the current year. One clerical position is requested, based on workload.

We recommend approval of the budget as submitted.

Printing Election Pamphlets

~~Secretary of State~~
COLLECTION AGENCY DIVISION

ITEM 33 of the Budget Bill

Budget page 32

**FOR SUPPORT OF COLLECTION AGENCY DIVISION FROM THE
 COLLECTION AGENCY FUND**

Amount requested -----	\$69,751
Estimated to be expended in 1958-59 Fiscal Year -----	62,053
Increase (12.4 percent) -----	\$7,698
TOTAL RECOMMENDED REDUCTION -----	None

GENERAL SUMMARY

The Collection Agency Division, under the direction of the Collection Agency Board, examines and licenses applicants for the privilege of operating a collection agency. It examines their books and conducts detailed investigations when necessary. (See also recommendations for legislation.)

ANALYSIS

Field Investigators. As a result of hearings by the Senate Interim Committee Investigation of Collections Agencies and the Collection Agency Division, the 1958-59 Collection Agency Budget was increased by adding \$12,000 in salaries for the employment of two field investigators. Their duties consist of examining accounts and records of collection agencies to determine validity of trust account and customer balances, to make tests of debtor accounts, to determine legitimacy of charges, and similar matters.

The principal budget increase over the current year is \$4,335 for in-state travel. This is necessary to carry out the intention of the Legislature in creating the investigators' positions.

Lack of an adequate register of qualified field representatives has delayed appointment of the investigators until after January 1, 1959. This has not been reflected in the statement of Salaries and Wages for the current year.

Automobile Operation. On February 6, 1958, the Legislative Subcommittee of Ways and Means, in considering this budget, adopted a resolution "that the use of state cars assigned to the Collection Agency Division in the San Francisco Office and also in the Los Angeles Office be deleted from the budget and a pool car used instead." The final Change Booklet shows adjustments in line item 33-72, increasing Travel by \$400, and in line item 33-80, reducing Equipment by \$1,390. It was agreed that the San Francisco automobile would be operated until the end of its service life. The Los Angeles automobile was to be turned in to the Department of Finance pool. We note that this has not been accomplished, and that no provision has been made to do so in the budget for the Fiscal Year 1959-60.

In another section of this analysis we have recommended the transfer of this division's functions to the Department of Professional and Vocational Standards.

We recommend approval of the budget as submitted.