California Highway Patrol—Continued

ANALYSIS

The department is forbidden by statutes to create deficiencies by obligating itself beyond its budget. While General Fund agencies may request the Department of Finance to cover unanticipated costs from the general Emergency Fund, the Department of the California Highway Patrol may not do so. In the past, a $100,000 contingency fund has been provided, under control of the Department of Finance, to cover additional costs of motor vehicle operation only. This cannot be used for salaries, equipment, or general operating expenses.

Approval of this amount is recommended.

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DEPARTMENT OF INDUSTRIAL RELATIONS

ITEM 134 of the Budget Bill Budget page 310

FOR SUPPORT OF DEPARTMENT OF INDUSTRIAL RELATIONS FROM THE GENERAL FUND

Amount requested	$9,217,763
Estimated to be expended in 1958-59 Fiscal Year	8,503,505
Increase (8.4 percent)	$714,258
TOTAL RECOMMENDED REDUCTION	$29,736

GENERAL SUMMARY

The department directs the activities of nine divisions in the administration and enforcement of state labor laws. It is directed by the Labor Code to foster, promote and develop the welfare of wage earners in California, to improve their working conditions and to advance their opportunities for profitable employment. Seven divisions function in various areas of labor law jurisdiction while two provide staff services.

Several problem areas and related recommendations requiring major changes in the department's organization and operations are discussed below. Many of these problem areas have been discussed, with pertinent recommendations, in past analyses starting in 1952-53. Adoption of these recommendations could be expected to result in major improvements in services and the department's cost to the General Fund would be more than halved. Recommendations applying to more than one division are discussed in detail below while those applying to a particular division are discussed under the analysis for that division. Where appropriate, recommendations requiring major changes involving legislation are also discussed in the section of the analysis which proposes changes requiring legislation.

Although many of these recommendations would involve major changes in policy and in legislation, they directly affect the budget of the Department of Industrial Relations and state costs for these functions. For this reason we believe it is proper for the appropriations committees of the Legislature to consider these recommendations in connection with the budget for possible recommendation to the Legislature.

General Summary—Continued

1. *It is recommended that the director be given legal authority to exercise positive control over all divisions, both in fiscal and policy matters.* This recommendation has been presented in previous analyses and is basic to the department's problems. It would require that division chiefs and other appointive positions be directly responsible to the director and responsible to the Governor only through the director. It would also require that the director be given positive, broad authority to organize and direct the activities of all divisions. Implementing this recommendation would require extensive changes in the Labor Code.

The Governor's appointees include, in addition to the director, the chiefs of seven divisions and boards or commissions of five divisions. The large number of appointees has resulted in the past in obscuring lines of authority and responsibility and has encouraged a high degree of divisional autonomy. In theory, the director can require any division to assist in the enforcement of any labor law and is authorized to organize the department, subject to the Governor's approval, so as "properly to segregate and conduct the work of the department." As a practical matter, the director's effective control over the various divisions under the present system of appointees is largely limited to housekeeping matters. This situation seriously hampers attempts to introduce efficiencies through consolidation or redistribution of responsibilities, functions and physical facilities. Implementation of department-wide policies is also extremely difficult.

2. *It is recommended that where the department is rendering a revenue-producing service, the department be required to establish fee schedules which will produce the cost of these services.* Most of these fees are now specified in the Labor Code.

The department regulates, licenses, inspects and serves in various ways a wide variety of interests. Almost without exception, these services directly concern limited groups and only indirectly the general public. In many cases, identical services are rendered by private or local government agencies under the supervision of the interested divisions.

Revenues realized as a result of these activities do not recover overall costs. If the parties directly benefiting from the department's activities were to be assessed full costs, it would enable a major reduction to be made in the department's budget. The related increase in individual fees would not be excessive or burdensome. Other, possibly more important advantages could also be expected. This policy would, for instance, eliminate situations where divisions are encouraging outside agencies to assume an activity, yet continue to perform the activity themselves at a fee less than cost. Details and specific cases will be discussed under the appropriate division analysis.

3. *It is recommended that the enforcement and administrative functions of the Divisions of Labor Law Enforcement and Industrial Welfare be merged.* This, again, is a needed change in the department's organization that has been discussed many times in previous analyses.

The functions of these two divisions are closely related, the primary difference being that the Division of Industrial Welfare is concerned

General Summary—Continued

exclusively with women and children. This difference does not appear sufficient to justify the expensive requirement that two distinct field and administrative organizations be maintained.

4. Recommendations concerning the financing of the Division of Industrial Accidents and certain programs of the Division of Industrial Safety are discussed in detail under the analyses of these two divisions. The program which is recommended would place programs of these two divisions on a self-supporting basis, similar to plans in use in several other states. These recommendations, if adopted, would reduce the department's General Fund requirements by more than 50 percent, involve no reduction in the level of services and be along lines generally believed to be the soundest for an efficient workman's compensation insurance program. Further, it would only increase the direct cost of workman's compensation insurance by an inconsequential amount. The recommended changes would require major changes in the enabling acts of both divisions.

ANALYSIS

Summary of Reductions

		Budget	
	Amount	*Page*	*Line*
Division of Administration			
Salaries and wages			
.5 duplicating machine operator	$1,728	310	65
Operating expenses			
In-state travel	3,000	310	74
Division of Industrial Safety			
Operating expenses			
In-state travel	12,500	313	48
Division of Industrial Welfare			
Salaries and wages			
1 area supervisor	7,008	314	16
Operating expenses			
In-state travel	3,000	314	25
Division of Housing			
Operating expenses			
In-state travel	3,000	316	23
Total recommended reduction	$30,236		

Expenditures for this department are scheduled at $9,860,120, an increase of $751,064 or 8.2 percent over estimated expenditures for the current year and an increase of $1,372,151 or 16.2 percent over actual expenditures in 1957-58.

There are no major changes in the department's program planned for 1959-60 with the possible exception of services to the Metropolitan Transit Authority which may be completed prior to the start of the budget year and will be fully reimbursable. This program will be discussed under the analysis of the Conciliation Service budget request.

Salaries and Wages

The department is requesting a total of 17.5 new positions, an increase of 1.2 percent over the 1,088.4 positions authorized for the current year and 11.1 percent over the 991.8 shown by the division as actually used in the 1957-58 Fiscal Year.

General Summary—Continued

Operating Expenses

Operating expenses of the department are estimated at $1,789,450, an increase of $332,453, or 22.8 percent, over estimated operating expenses for the current year and $501,640 or 39 percent over this item in 1957-58.

The major item of increase is rent. This item is estimated at $407,067 for 1958-59 and proposed at $661,731 for 1959-60, or an increase of $245,664 and 60.3 percent. Space requirements are estimated at 186,615 square feet for 1958-59 and 223,186 for 1959-60, an increase of 36,571 square feet or 19.6 percent. The proposed increase in space will result in average space per employee increasing from 171.4 square feet in 1958-59 to 202.5 square feet during 1959-60 if all new positions requested in the budget are allowed. As the foregoing statistics indicate, the increase in total space is not only a result of additional personnel, but results also from an increase in space per employee. The department's costs per square foot are also increasing from 21.8 cents estimated in 1958-59 to 29.6 cents proposed for 1959-60, an increase of 35.8 percent. These increases are partially a result of the department's move during 1959-60 from its present headquarters to the new State Building in San Francisco. The impact of this move on the budget is not limited to this department, but affects all agencies moving into the new building and is discussed in detail in the preliminary statement of this analysis.

Estimated in-state travel costs for several divisions have been increased substantially for the budget year. Where these increases appear unrealistic, reductions are recommended. The total savings from these reductions would be $18,500. It is noted other divisions with similar travel requirements appear to be budgeting for this item more realistically and have avoided substantial increases.

Equipment

Equipment expenses of the department are estimated at $173,932, an increase of $11,719 or 7.2 percent over estimated costs for the current year.

The department's preliminary equipment request was reviewed in detail with department personnel and the Budget Division of the Department of Finance. As a result of these discussions, a material reduction was made in this item by the department and we believe the equipment request, as now budgeted, is generally in line with the needs of the agency.

Division of Administration

GENERAL SUMMARY

This division performs fiscal, accounting, personnel and housekeeping services for the other divisions and includes the offices of the director and the self-insurance manager.

ANALYSIS

The division is requesting a total of $1,282,110, an increase of $364,605, or 39.7 percent over estimated expenditures during the current year.

Division of Administration—Continued

Salaries and Wages

0.5 Duplicating machine operator II (budget page 310, line 65) $1,728

The division is requesting an additional one-half position, duplicating machine operator II, on the basis that it has been relying on borrowed help to meet increasing workload in the duplication unit and such help is no longer available.

We recommend this one-half position be deleted for a reduction of $1,728.

The division's equipment request includes one Graphotype, one Addressograph and other new equipment for the present duplicating section to replace aged and less efficient equipment now in use. The cost of this new equipment is in excess of $13,000. In addition, the section, now using highly unsatisfactory and inefficient work space, will be moving to quarters in a new state building during the 1959-60 budget year. The combination of new equipment and improved working conditions should more than equal a half position in increasing output.

The position of the self-insurance manager and related expenses, totaling $15,324, will be discussed in detail in the analysis of the Division of Industrial Accidents.

Operating Expenses

The division's operating expenses are scheduled at $944,856, an increase of $279,213 or 41.9 percent over the estimated expenditures for the current year. This division's budget includes rent for the entire department, which accounts in large part for the substantial increase over this item for the current year. The rent item is discussed under the department's operating expenses.

Traveling—in-state (budget page 310, line 74)____________ $17,387

The division is requesting $17,387 for in-state traveling in 1959-60, an increase of $6,026 or 53 percent over the expenditures in the most recent year for which actual costs are known—1957-58. *It is recommended the request for in-state travel funds be reduced by $3,000.* In the period since 1957-58 the division's authorized staff which incurs travel has not been increased. It would appear the costs of in-state travel have been overestimated by a wide margin for 1959-60. A reduction of $3,000 would still leave an increase of $3,026, or 26 percent over the 1957-58 cost level.

Division of Conciliation

GENERAL SUMMARY

The Conciliation Service has the general responsibility of promoting sound employer-employee relationships and mediates labor-management disputes.

ANALYSIS

This division's request of $140,689 is an increase of $1,767 or 1.3 percent over estimated expenses in the current year.

The service was projected into a new area of labor-management problems when the 1957 Legislature gave it the responsibility of settling

Division of Conciliation—Continued

union representation problems growing out of the creation of the Metropolitan Transit Authority of Los Angeles. The service was, according to the legislation, to discharge this task at no expense to the State. At the outset, the service was faced by two major problems:

1. There are no state statutes covering union representation problems. The service was directed to follow the relevant federal law, specifically, but not exclusively, the Labor Management Relations Act of 1947 and the Railway Labor Act. These laws are not compatible on several points and not necessarily applicable to all aspects of the present situation. The service has named an arbiter and initial hearings have been completed, so that it is apparent that, while the legal questions involved posed obstacles to the initiation of hearings, they have been temporarily overcome.
2. While the service was directed to conduct the settlement of this matter on a reimbursable basis, no funds were provided to finance the operation pending reimbursement. Subsequently, emergency funds were made available by the Department of Finance and the Metropolitan Transit Authority has indicated it will reimburse the service for all costs.

The service and the department recognize that this matter may well portend a future involvement in the labor-management relations of public agencies, especially where representational matters are at issue, and is cognizant of the precedent-setting implications of the case.

If it appears the service will be involved in such labor-management problems in the future, it would seem advisable that a formal procedure be adopted. Such a procedure might be best effected through the passage of statutes prescribing the responsibilities of the parties and the role of the service, and also a provision for funds and reimbursement requirements.

Approval of this budget as submitted is recommended.

Division of Industrial Accidents

GENERAL SUMMARY

The Industrial Accident Commission performs the claims adjusting function under state workmen's compensation laws. The major objective is to assure for the injured workman and his dependents that they receive, with least possible delay, their full benefits under the law.

ANALYSIS

This division's request for 1959-60 is $2,852,039, an increase of $68,117 or 2.4 percent over estimated expenditures in the current year.

While the division is not requesting any new positions, its case workload has been steadily increasing. The average increase in filings in recent years has been about 9 percent but reached 16.9 percent in 1957-58. Through additional personnel added in the present fiscal year, and improvements in procedures and other efficiencies introduced since the last analysis, the division has not only been able to cope with increases but has been able to reduce backlog. The division is of the opinion it

Division of Industrial Accidents—Continued

can discharge its growing workload without additional personnel during 1959-60.

An analysis of the division workload statistics in the budget indicates that of 10,028 cases estimated to be pending as of the end of 1959-60, 8,648 cases will be in process within the 60-day completion period required by law and 1,380 will be true backlog. In view of the division's desire to avoid increasing general fund costs, we recommend approval of its budget as submitted but note that, in accordance with formulas developed in recent years, it appears at least one referee team should be added. Continued improvements in internal efficiencies may eliminate the need for additional referees and, in any event, backlog at the end of 1959-60 would be minor.

This division accounts for 30.9 percent of the department's entire 1959-60 budget, and is, in fiscal terms, the largest single division. All of these funds are expended in the process of adjusting claims under the workman's compensation laws. The only revenue received is a small amount from the sale of transcripts.

California is among the minority of jurisdictions which still finance the claims adjustment function of workman's compensation programs from general funds. A total of 29 states rely on various assessment methods to finance this aspect of compensation insurance, nine of them also financing industrial safety programs through this means. Nationally, almost two-thirds of all costs of operating claims adjustment functions of workmen's compensation programs are being met by assessments rather than general fund appropriations.

The assessment method of financing the adjustment of compensation claims has major advantages in addition to the obvious one of eliminating a multimillion dollar General Fund budget item. The need for an efficient and humane compensation program is indifferent to the overall problems of General Fund budeting. The rate of crippling industrial accidents will not be influenced in the least by the level of appropriations in any given year. The need for swift claims settlement and, thus, the division's services, is usually at its highest in times of economic downswings, the very time when pressure to reduce appropriations is usually the greatest. Where the program must compete yearly with other agencies for funds, long-range planning to meet changing needs becomes highly hazardous. The level of service will respond to budgetary considerations as well as need if the General Fund is looked to for financing.

A program which is independently financed can be largely self-directing, able to size its services to changing needs and long-range planning. For these reasons, experts in the field of workmen's compensation insurance consider self-financing to be the most desirable and efficient method of meeting the costs of the program. In view of the successful experiences of a majority of states, it would appear highly desirable that California undertake immediately to place its compensation claims adjustment program and related portions of the over-all industrial accident and safety program on an assessment basis.

The methods of financing used in other states are based on assessments against insurance issuers or carriers. In both cases the assessment

Division of Industrial Accidents—Continued

becomes an item of insurance cost. This is comparable to other types of insurance where costs of claims adjustment, safety and educational programs and other activities are a cost of insurance and are reflected in premium rates. In California the current cost of the claims adjustment program to the General Fund is approximately 1.5 percent of total workmen's compensation premiums. Methods and bases of assessment vary in different states. California has a wide base of experience to draw upon in view of the many systems in use and the extensive experience of other states.

Those employers who satisfy the requirements of the state's compulsory workman's compensation insurance law by qualifying as self-insurers are under the supervision of the Manager of Self-Insurers. The Manager of Self-Insurers and related clerical help are currently attached to the Division of Administration and are budgeted for 1959-60 at $15,324 plus related overhead costs.

It is recommended that, as the office of the Manager of Self-Insurers is an integral part of the State's Workmen's Compensation Insurance Program, and no purpose is served by its retention under the Division of Administration, that this office be placed in the Division of Industrial Accidents. Under an independently financed compensation insurance program, the costs of the office of the Manager of Self-Insurers would be assessed against self-insurers as a proper cost of their program. Regardless of the financing of the function, the logical location of the office is in the Division of Industrial Accidents.

It is recommended that the Division of Industrial Accidents be placed on an independently financed basis as soon as practicable, including functions of the Division of Industrial Safety as are discussed in the analysis of that division. This recommendation is directed to the financing of the program and contemplates no change in the present function or organization other than the inclusion of the Manager of Self-Insurers and would restore to the division responsibilities for those portions of the State's industrial accident program most directly related to workman's compensation.

Division of Industrial Safety

GENERAL SUMMARY

The chief responsibility of this division is the reduction of work injuries in employment and places of employment. Objectives are accomplished through enforcement of work safety laws, the study of industrial accidents, establishment and enforcement of safety standards, education and co-operation with other agencies.

ANALYSIS

This division is requesting a total of $1,896,808, an increase of $131,684 or 7.5 percent over estimated expenditures for the current year.

The activities of this division for the purpose of this analysis are divided into two general areas. One major activity is the inspection, as required by law, of pressure vessels and elevators, either by division

Division of Industrial Safety—Continued

personnel or by properly deputized inspectors of other public and private agencies. The other major activity is concerned with general safety activities and is largely carried on by establishing and enforcing safety standards and preparing and distributing educational materials. These two areas of activity will be discussed separately below.

The division's legal inspection workload has increased apace with the State's general economic and population growth and, if present policies are continued, will continue to do so in the future. In addition to inspections by division personnel, properly deputized inspectors of private insurance interests and local governments inspect under the supervision of the division. In 1957, the division inspected 4,588 elevators compared with 17,452 inspected by other agencies. Much the same situation prevails for pressure vessels. Because of this mixed inspection system, the division's workload is not the total number of inspection units, but only those which are not inspected by outside agencies.

Presently the fees charged for inspections by the division are less than the cost in most instances. If it is to the financial advantage of insurance issuers and others to have the division perform inspections, there is little incentive for nonstate agencies to assume this activity at their own expense.

The two alternative solutions to the problem of coping with an evergrowing inspection workload appear to be the following:

a. The division's staff can be increased indefinitely as the number of inspection units increase, at an ever-increasing cost to the General Fund. An indication of the direction this policy is taking the division is the addition of five boiler engineers in the current year with five more requested for 1959-60.

b. Outside agencies, under the supervision of the division, can be given a financial incentive to assume a greater share of the workload. A fee schedule based on the cost of inspections or the price of comparable private services would eliminate any financial advantage to outside agencies of having the division do the work. Where insurance issuers and self-insurers now rely on the state service as a less costly alternative to performing their own inspections, they are, in effect, enjoying a subsidy. This subsidy would be eliminated under a cost-based fee schedule.

The cost to the General Fund of this division would be reduced substantially under such a fee schedule. The salaries and wages of boiler and elevator engineers in the division's proposed 1959-60 budget are $322,408 and this figure does not include divisional and clerical costs nor related overhead costs. Revenues from inspections are anticipated to be only $108,802.

It is recommended that the department be required to establish a flexible schedule of fees which will recover the full costs of all inspection programs. Most fees are now specified by law. In this analysis, full costs are construed to include all divisional and departmental overhead related to the inspection programs.

Division of Industrial Safety—Continued

A fundamental step, a supplement rather than alternative to either of the above, would be a complete reappraisal of the inspection units which comprise the division's major area of responsibility. In the years since the pressure vessel and elevator inspection programs were established, there have been many technological improvements which have basically changed safety characteristics. In the case of boiler accidents, for example, in California there were 17 fatalities in 1915 and 1916 but in the nine years between 1946 and 1954, there were only two, despite an amazing increase in the number of boilers in use. Such a reappraisal, with a view to eliminating or reducing the frequency of inspections on specific classes of units to realistically relate statutory inspection requirements to safety needs, could have a major impact on the number of inspections required annually.

It is further recommended that the division be directed to survey all classes of units now required by law to be inspected to determine which units can be eliminated from inspection and which require reduced frequency of inspection commensurate with safe practices and, upon such a determination by the division, the laws applying to inspections be changed to reflect the true requirements of good safety practices.

The other major aspect of the division's work is devoted to conducting educational activities, research programs, correction of unsafe working conditions, consultation and, in general, promoting safety in employment.

This activity is closely paralleled by the safety activities of workman's compensation insurance firms in the State. In 1957 these firms are estimated to have expended between four and five million dollars on safety engineering programs. These programs are financed in accordance with a legal allowance in the premium rate structure of 2.5 percent which is to be spent in promoting industrial safety. The costs of such programs are reflected in premium rates to employers and the benefits are reflected in lower casualty losses and, thus, lower premium rates. The carriers of such insurance, therefore, both pay for the insurance safety programs and reap the monetary benefits. The legal allowance in the premium rate structure to enable insurance issuers to carry on safety programs implicitly recognizes that such programs are a proper cost of insurance. The direct monetary beneficiaries are the carriers of insurance who enjoy lower premium rates when accident incidence declines.

The division's safety program, to the extent it is successful in reducing industrial accident rates, inures directly to the monetary benefit of employers who are legally required to carry workman's compensation insurance. It is an integral part, as much as the safety programs of insurance firms, of the total compensation insurance program and, as such, is a proper cost of such insurance. In nine states this relationship is recognized by the inclusion of safety programs in independently financed state workman's compensation insurance programs. California has historically grouped the two activities in one functional group. When the Industrial Accident Commission was established in 1914, it

Division of Industrial Safety—Continued

included the Industrial Accident Prevention Bureau, predecessor to the present division of Industrial Safety. It was not until 1945 that the separation into the present divisions was made.

It is not possible to isolate the costs of the division's safety program from the statutory inspection activity in the budget but the proposed 1959-60 wages and salaries for safety engineers other than boiler and elevator engineers are $942,638. This figure does not include supervisors and clerical wages and salaries, divisional and departmental overhead and administrative costs or related operating and equipment costs.

If the division's program and that of the insurance firms were co-ordinated at the present level of expenditures by all parties, the total safety program in the State could undoubtedly be made more effective. The cost of compensation insurance would be increased less than 1 percent by the addition of the cost of the division's program, and if the co-ordination of the division's program and that of the insurance mediums resulted in savings it would be even less.

It is recommended that the safety program of the division be merged with the Division of Industrial Accidents and placed on a self-financing basis. This recommendation is a companion to the recommendation in the analysis of the Division of Industrial Accidents and it contemplates no change in the State's field industrial safety program. The total savings to the General Fund in 1959-60, as a result of the recommendations pertaining to those two divisions, would be approximately $4,600,000. None of these recommendations entail a reduction in the present level of services and all could be expected to result in a level of services responsive to changing needs.

Salaries and Wages

The division is requesting a total of eight positions in the budget, all related to its statutory inspection program. Five of these positions are boiler engineers and one is an elevator engineer requested until June 30, 1960. Two requested clerical positions are directly related to inspection programs. It is recommended that the division's request for these position's be approved. On the basis of the division's anticipated inspection workload, they appear justified. It is noted that a large portion of the inspections will be performed by division personnel in lieu of outside agencies which did not accomplish inspections within the statutory time limits.

Operating Expenses

Traveling—in-state (budget page 313, line 48) ______________ *$244,628*

The division's request for in-state travel expenses in 1959-60 is $224,628, an increase of $34,038, or 17.9 percent over the actual cost of this item in 1957-58. *It is recommended the division's request for in-state travel expenses be reduced by $12,500.* Between 1957-58 and the current year, the division's authorized positions which involve travel have increased by approximately 7 percent. It appears, on this basis, the division has overestimated its in-state travel costs for 1959-60 by a substantial amount. The recommended reduction would still allow for an increase of 11.3 percent in travel costs since 1957-58.

Division of Industrial Welfare

GENERAL SUMMARY

This division is responsible for the enforcement of orders of the Industrial Welfare Commission concerning wages, hours and working conditions of women and minor workers.

ANALYSIS

The division is requesting a total of $433,983 for 1959-60, an increase of $36,617 or 9.2 percent over estimated expenditures for the current year.

A major change in the status of this division, which has been discussed in past analyses, would merge enforcement and related administrative functions with the Division of Labor Law Enforcement. The two divisions enforce closely related labor laws, the major differentiating factor being that this division is primarily concerned with matters involving women and children. It is difficult to justify, on this basis, the continued maintenance of two complete division organizations, with related overhead costs. There appears to be no substantial reason why the agents of this division could not enforce labor laws now enforced by the Division of Labor Law Enforcement, nor why Labor Law Enforcement deputies could not enforce the regulations adopted by the Industrial Welfare Commission. The savings in administrative and divisional overhead costs could be anticipated to be substantial and overall improvements in the enforcement of labor laws could be expected.

It is recommended, in the interests of overall efficiency in labor law enforcement and economy, that the enforcement and administrative activities of this division be merged with the Division of Labor Law Enforcement. This recommendation contemplates the continuance of the Industrial Welfare Commission as an arm of the single division which would be created by this merger.

Salaries and Wages

1 Area supervisor (budget page 314, line 16) ---------------- *$7,008*

One new position, an area supervisor, is requested. This request is justified by the division as necessary to maintain the present level of service. In support of its request, the division has submitted statistics showing increases for each year since 1955-56 for wages collected, complaints filed, complaints pending, office inquiries, exemption permits and special minimum wage permits.

It is recommended one area supervisor be deleted from the budget request for a reduction of $7,008 and related costs.

While this data indicates generally increasing activity, none of these are a reliable criteria of the division's need for supervision. A case involving many employees and a large wage settlement but only one employer may appear as many complaints, one for each employee, rather than one complaint. Office inquiries, which numerically are by far the largest single workload unit, often may not require the services of a field agent and may be largely of a casual, brief or simple information-seeking nature. While these activities are important in the aggregate and essential to the division's discharge of its responsibilities,

Division of Industrial Welfare—Continued

they, in themselves, do not supply a realistic index of the condition of the agency's field workload, nor do they relate directly to the need for area supervisors.

The division has based much of its supporting material on the contention the present level of supervision is below that of four other divisions. Of these four divisions, only Labor Law Enforcement has a comparable enforcement function, the others having field functions essentially different from Industrial Welfare and, therefore, do not provide a valid basis for comparison.

In addition, since the division claims that the increased supervisorial staff would permit supervisors more time for such managerial activities as policy reviews, budget studies, training, planning, etc., any valid comparison between divisions must include the overall ratio between *all* supervisorial positions and total personnel, not just field supervisors.

The following comparison can be made on the basis of presently authorized positions:

LABOR LAW ENFORCEMENT

Supervisorial		*Others*	
Chief	1	Deputy	43
Assistant Labor Commissioner	1	Investigator	10
Supervising Deputy Labor Commissioner	5	Attorney	6
		Clerical	70
		Temporary	.8
Total	7		129.8

INDUSTRIAL WELFARE

Chief	1	Agent	28
Assistant chief	1	Clerical	25
Assistant to chief	1	Temporary	.8
Area supervisor	2		
	5		53.8

The ratio between supervisorial and other staff in Labor Law Enforcement is 1 to 18.5 as compared to 1 to 10.8 for Industrial Welfare. These ratios would indicate, if anything, that Industrial Welfare is comparatively well staffed with supervisorial personnel rather than understaffed.

Other factors recognized in making this recommendation are:

1. The agency points out the great geographical distances now covered by individual supervisors results in much time lost in travel, that visits to an individual office are four to eight weeks apart causing delays in agent activity. Judicious use of the telephone and the mails would seem a more efficient and far less costly solution than adding the new position.

2. The division has two agent positions which have been authorized but unfilled since prior to October 1, 1957. The present workload figures, even if based on valid criteria, would not accurately reflect the performance of the authorized field staff as it has had two vacant positions during much of the period covered by the supplied statistics.

Division of Industrial Welfare—Continued

As an alternative to adding a new position to what is apparently an already heavy supervisorial staff, it is suggested the division investigate means of utilizing present staff more efficiently. Specifically, field supervisors should devote time to field supervision rather than such matters as "planning, control and co-ordination," reviews of policies, procedures, budgets and other administrative matters. The time thus gained, plus savings in travel time and the filling of two previously authorized field positions, should provide solutions to any problems which might arise from lack of field supervision and growing field workload.

Operating Expenses

Instate travel (Budget page 314, line 25) ------------------ *$35,129*

The division is requesting $35,129 for this item, an increase of $6,830, or 24.1 percent over actual expenditures in 1957-58. *It is recommended the division's instate travel budget request be reduced by $3,000.* The division has been authorized three new positions which involve travel since 1957-58, increasing that portion of the staff which has travel expenses by less than 10 percent. In view of the disproportionate increase in travel costs, it would appear the division's estimate of its requirements in 1959-60 is excessive. The recommended reduction would still allow for an increase of 13.5 percent, or $3,830 for 1959-60 over 1957-58.

Division of Labor Law Enforcement

GENERAL SUMMARY

The division of Labor Law Enforcement administers and enforces all labor laws excepting those specifically assigned for enforcement to other state agencies. In addition, the division is responsible for the licensing and regulation of private employment agencies.

ANALYSIS

The division's budget request is $945,735, an increase of $67,238 or 7.6 percent over estimated expenditures for the current year.

The division is requesting five new positions, three deputy labor commissioners and two related clerical positions for a total cost of $26,004. On the basis of statistics provided by the division, it appears the new positions are justified by a continually increasing workload of wage claims, nonwage complaints and employment agency controversies. The approval of these new positions is recommended.

Division of Apprenticeship Standards

GENERAL SUMMARY

The primary objective of the division is the promotion and development of the apprenticeship training program and apprentice employment opportunities.

ANALYSIS

This division is requesting a total of $825,418 for 1959-60, an increase of $31,354 or 3.9 percent over estimated expenditures for the current fiscal year. A major portion of the increase is related to the continuing decline in reimbursements received from the Veterans' Administration, estimated at $13,116 for 1959-60 as compared to the $30,389 for 1958-59.

Division of Apprenticeship Standards—Continued

Reimbursements from the Federal Government are decreasing as the number of veterans enrolled in the apprenticeship program under Veterans Administration programs diminishes, but a development has been taking place which may offset this loss of a major source of funds. Negotiated labor-management joint apprenticeship funds have been developed in recent years which are basically different from the traditional apprenticeship committees with which the division has worked. The negotiated funds differ in that financial contributions and operating procedures are determined by the participating labor and management organizations through collective bargaining and are generally included in labor-management contracts. Typically, such funds operate with a full-time, continuing professional staff carrying out a formal apprenticeship program.

Negotiated funds presently represent only a small element in the total apprenticeship program. In three years, 18 such funds have come into existence and at least six are presently under negotiation. Their further expansion has been adversely affected recently by a federal court decision but both labor and management groups and the division are exerting efforts to rectify this situation.

The impact of this new development on the division's role is not yet clear. Under the traditional apprenticeship committee, as differentiated from the negotiated fund, the division's workload is concentrated heavily in applicant selection, referral procedures, record keeping, the establishment and enforcement of standards and miscellaneous administrative matters. The formal, permanent organization and full-time professional staff, which is one of the distinguishing features of the negotiated fund, will do much, if not all of this work. On one hand, the fund's professional staff performs some, but not all of the work of the division's field consultants. On the other, they supplement some of the work of the division. In this situation, it can be expected that the division's budgetary requirements can be reduced if negotiated funds assume an appreciable portion of the workload now performed by the division's apprenticeship consultants.

One new function which the division has assumed as a direct result of the development of negotiated funds is that of a "neutral" consultant where the parties, labor and management, differ. As this is essentially a collective bargaining matter, the Conciliation Service might be better equipped to serve this function. At present, this is not a matter of serious concern because of the limited extent of such agreements.

Negotiated funds, with professional staffs and active participation, both financially and in policy, by labor and management, appear to be a major improvement over the usual apprenticeship committee in fostering and encouraging the apprenticeship program. It is recommended the division increase its efforts in encouraging their formation and in lending counsel to parties contemplating such agreements.

We recommend approval of this budget as submitted.

Division of Housing

GENERAL SUMMARY

This division is responsible for administration and enforcement of laws relating to design, construction and operation of hotels, apartment houses, motels, resorts and labor camps and trailer parks.

Division of Housing—Continued

ANALYSIS

The division is requesting a total of $372,471 for the 1959-60 Fiscal Year, an increase of $7,981 or 2.2 percent over estimated expenditures for the current year.

Most of the responsibilities of this division are not in the general area of industrial relations nor are they closely related to the work of any other division in the department. In general, they are local public health matters. The function most closely related to the department's mission is the labor camp inspection program where the division is attempting to maintain a 100 percent annual inspection schedule for approximately 8,000 labor camps in accordance with legislative intent.

One of the division's major programs, trailer coach inspections, is required to be self-supporting, but other programs are not. These other programs, with the exception of labor camp inspections, are carried on in lieu of adequate local building codes, ordinances or enforcement facilities. Presently, approximately half the counties have codes and enforcement facilities. Only a limited number of cities and counties have adopted adequate trailer park ordinances. In this situation a local jurisdiction can avoid the costs of enforcement of adequate housing and trailer park laws by simply allowing this responsibility to remain with the division. In effect, counties and cities which have adopted appropriate codes and ordinances and instituted enforcement are being discriminated against to the extent of the costs of their program since they do not have available the division's inspection and enforcement facilities. The operation of the division's housing inspection and enforcement program, except the labor camp program, at a loss to the General Fund means that, to the extent jurisdictions not having available the division's services are paying taxes into the General Fund to support these services, they are supporting two systems of housing regulation, their own and the one operated by the State.

It is recommended that the division continue to expand its present efforts toward the adoption and enforcement of acceptable codes and ordinances by local jurisdictions. It is further recommended that this division be relieved of all responsibility to enforce housing standards which are not presently enforced by the division on a statewide basis. The trailer coach and labor camp inspection programs are now enforced statewide. The standards enforced only in jurisdictions not having adequate enforcement facilities or building codes largely comprise local public health and safety matters and are more properly a responsibility of local government. As a practical matter, the division's present field efforts are directed to the trailer coach and labor camp programs with other responsibilities served only as time permits.

Operating Costs

Travel—in-state (budget page 316, line 23)________________ $67,250

The division's request for traveling in-state for 1959-60 is $67,250, an increase of $9,946 or 17.4 percent over actual expenditures in 1957-58. *It is recommended the division's budget item for in-state travel be reduced by $3,000.* During this period the division's staff incurring travel expense has increased approximately 10 percent. There

Division of Labor Statistics and Research—Continued

It is recommended the division furnish in its annual budget justification material a breakdown of IBM machine hours required in discharging both its direct legal responsibilities and also for each division. It is further recommended the machine time be broken down to detailed cost figures where fee programs are involved. This would include, for example, the inspection programs of the Division of Industrial Safety where present cost figures do not reflect the large amount of machine time required. This information is essential in an instance such as the Division of Housing's trailer coach inspection program, where it is legislative intent the program be fully self-supporting but present fee schedules designed to recover costs do not take into account the considerable cost of related machine time. In the analyses of other divisions where fee programs are discussed, the costs of machine time should be considered as a part of administrative and overhead costs.

Preparing data to comply with the above recommendations will require some machine time, but will also result in additional revenue due to a realistic cost basis for fee schedules and should be an item of costs where fee programs are involved. If other recommendations in this analysis regarding the advantages of major programs being placed on a self-financing basis are adopted, the recommended procedures would be a necessary part of the program in order to provide accurate cost bases.

Salaries and Wages

The division is requesting three new positions, all related to machine operations, for a total cost of $9,786. It is recommended this request be approved as these positions appear to be justified by the division's increasing machine workload.

FAIR EMPLOYMENT PRACTICES COMMISSION

ITEM 135 of the Budget Bill — Budget page 319

FOR SUPPORT OF FAIR EMPLOYMENT PRACTICES COMMISSION FROM THE GENERAL FUND

Amount requested	$240,000
Estimated to be expended in 1958-59 Fiscal Year	None
Increase	$240,000
TOTAL RECOMMENDED REDUCTION	$90,000

GENERAL SUMMARY

The proposed Fair Employment Practices Commission would have as its purpose the protection of the right and opportunity of all persons to seek, obtain and hold employment without discrimination or abridgement because of race, religious creed, color, national origin or ancestry. The commission would accomplish its objectives through conciliation, education and enforcement. Advisory and conciliation committees to study both general and specific problem areas would be created. Members on such committees would serve without compensation but the commission could provide technical and clerical assistance.

Fair Employment Practices Commission—Continued

ANALYSIS

Summary of Reductions

	Amount	Budget Page	Line
Reduce expenditures	$90,000	319	82

The commission, according to proposed legislation, would be composed of five commissioners who would be appointed by the Governor with the consent and approval of the Senate. Compensation would be $13,500 per year and commissioners would be expected to devote full time to the duties of the office. The commission would be empowered to establish offices as required and appoint such staff as it deems necessary. The initial budget request is for $240,000.

Based on the staffs of present agencies with comparable responsibilities, it appears one attorney, three investigators and three clerical positions would enable the commission to discharge its responsibilities at least initially until workload data were developed. The salaries and wages of this staff, including the commissioners, would be $102,756 for 1959-60. The experience of existing agencies with similar responsibilities indicates operating expenses would be approximately $29,000 and equipment costs would be approximately $1,000. It is estimated approximately $17,000 would be required for nonrecurring expenditures incidental to the organization and initial operations of the commission. On the basis of these costs, the commission's approximate appropriation requirement for its establishment and initial year of operation would be $150,000.

It is recommended the proposed budget of the commission be reduced by $90,000.

It is further recommended that consideration be given, subject to passage of the proposed legislation, to include the commission as a division in the Department of Industrial Relations. This would result in the administrative, statistical and research facilities of the Divisions of Administration and Labor Research and Statistics being readily available to the commission. The activities of the Division of Labor Law Enforcement and the Conciliation Service would appear to be very similar to many aspects of the proposed activities of the commission. Minimization of duplication of activities, pooling of like personnel and facilities and interagency co-operation could be more easily facilitated under such an organizational arrangement.

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OFFICE OF STATE FIRE MARSHAL

~~ITEMS 136, 137 and 138 of the Budget Bill~~ Budget page 318

FOR SUPPORT OF OFFICE OF STATE FIRE MARSHAL FROM THE GENERAL, ~~FAIRS AND EXPOSITIONS,~~ AND DRY CLEANERS FUNDS

Amount requested	$494,212
Estimated to be expended in 1958-59 Fiscal Year	464,724
Increase (6.3 percent)	$29,488
TOTAL RECOMMENDED REDUCTION	None

Office of State Fire Marshal—Continued

GENERAL SUMMARY

The Fire Marshal is appointed by the Governor to promulgate and enforce fire safety regulations, with the advice of the State Fire Advisory Board, which is a policymaking body. The Fire Marshal's enforcement activities are confined to geographical areas that are not formally organized into fire districts of one type or another. Upon occasion, the Fire Marshal is requested to assist organized fire districts in solving various problems concerned with fire prevention, and at his discretion he may come to their assistance. The Fire Marshal is required by law to inspect all state institutions with the exception of certain educational facilities for compliance with minimum standards of fire safety. Other functions under his jurisdiction include enforcement of the Inflammable Materials Act, fireworks regulation, enforcing standards for the transportation of explosives, inspecting and licensing dry cleaning plants, inspecting the construction drawings of all new public schools and hospitals, inspecting and certifying fire alarm systems and devices, and inspecting other public buildings that fall within his jurisdiction.

ANALYSIS

Approximately the same level of service is being requested for the budget year as is available in the current year. However, one additional position of deputy state fire marshal grade III is being added to meet the demands of increased workload. We have examined the workload estimates for the current fiscal year and the projections for the budget year and are satisfied that they are reasonably accurate. Consequently, we recommend approval of the additional position. The $494,212 requested for the budget year is $29,488 greater than the anticipated expenditures for the current year. This increase is accounted for by the position mentioned above, merit salary adjustments, and operating expenses incidental to the additional position. Other minor increases in operating expenses are noted which reflect the increase in costs of materials and services. It should be pointed out that the $494,212 requested is not in actuality the true cost of operating the Fire Marshal's Office, as certain revenues accrue to the credit of the General Fund as a result of the activities of the Fire Marshal. The sum is made up of three appropriation items in the Budget Bill. One item is $450,536 from the General Fund. The Fair and Exposition Fund provides $19,120 and the Dry Cleaners Fund, $24,556. In addition to the $24,556 appropriated by the Budget Bill, $60,000 accrues to the General Fund from the Dry Cleaners Fund in accordance with the provisions of Section 9575 of the Business and Professions Code.

The two separate allocations from the Dry Cleaners Fund resulted from action of the 1958 Legislature. As pointed out, Section 9575 of the Business and Professions Code, provides that a maximum of $60,000 be transferred from the Dry Cleaners Fund to the General Fund to defray the expenses incurred by the Fire Marshal in inspecting and licensing dry-cleaning establishments. This maximum ceiling of $60,000 on the transfer specified in the code section cited above has not posed a problem in the past. However, salaries and wages, operating

Office of State Fire Marshal—Continued

expenses and workload have increased to such an extent that this amount has proven inadequate as it is estimated that the Fire Marshal's expenses in connection with dry-cleaning plants will be $84,556 for the budget year under consideration. Since the 1958 Session of the Legislature was a budget and special session, Section 9575 of the Business and Professions Code was not amended. However, on an interim basis the Legislature augmented the $60,000 transfer by separately appropriating $22,347 from the Dry Cleaners Fund by adding Item 135.1 to the Budget Act of 1958. This was recognized by the Legislature as a temporary expedient with the understanding that legislation would be drafted for enactment at the 1959 General Session of the Legislature which would remove the $60,000 limitation from the code and would provide that the actual expenses incurred by the Fire Marshal in administering the dry-cleaning plant program would be transferred to the General Fund.

We concur, recommending this change in the law.

Over and above the $494,212 requested, it is estimated that the Division of Architecture's Public Building Fund will provide an additional $47,094 for the budget year to pay the cost of the Fire Marshal's staff reviewing school plans.

Since the Fire Marshal receives funds from the Division of Architecture's Public Building Fund for the work he does in the inspection of school plans, it would appear to be only proper procedure to expect the Fire Marshal to be paid for his work in inspecting hospital plans. Currently, it is estimated that 9 percent of the Fire Marshal's budget is devoted to the activity of checking hospital plans. If the General Fund were to receive revenue sufficient to cover this cost, it would mean that an additional $45,000 would accrue to the General Fund. Consequently, we recommend that legislation be enacted requiring the State Department of Public Health to collect fees with the submission of hospital plans for their approval. The fees should be sufficient to cover the cost of the Fire Marshal's work and that of the Department of Public Health's review of the plans. It is estimated that approximately 75 million dollars worth of hospital construction is represented annually by the plans reviewed by the two agencies and on the basis of this amount a fee of one-tenth of 1 percent of the total estimated construction costs would be sufficient to defray the costs of review and inspection incurred by both agencies. We point out that the Fire Marshal is required to approve and list fire alarm systems and devices, for which the manufacturer heretofore has not paid a fee. In the enforcement of the Inflammable Materials Act, the Fire Marshal does collect an annual fee for approving and listing the various materials submitted to him. It would appear that the Fire Marshal should collect an annual fee for the approving and listing of fire alarm systems and devices as is the case with inflammable materials. Consequently, we recommend that legislation be drafted that would permit the Fire Marshal to levy fees that would be substantial enough to cover his costs of approving and listing fire alarm systems.

We recommend approval of the Fire Marshal's Budget as submitted.