

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

ITEM 207 of the Budget Bill

Budget page 491

FOR SUPPORT OF DEPARTMENT OF ALCOHOLIC BEVERAGE
CONTROL FROM THE GENERAL FUND

Amount requested	\$3,190,044
Estimated to be expended in 1958-59 Fiscal Year	3,249,886
Decrease (1.8 percent)	\$59,842
TOTAL RECOMMENDED REDUCTION	\$23,720

GENERAL SUMMARY

The Department of Alcoholic Beverage Control is headed by a director, appointed by the Governor, subject to confirmation by a majority of all members elected to the Senate.

The department was created, effective January 1, 1955, by constitutional amendment and licenses and regulates the manufacture, importation and sale of alcoholic beverages in California.

It maintains a headquarters office and a field staff with offices in 26 locations throughout the State, which is divided into three areas for administrative purposes. The authorized field staff at October 18, 1958, by location and class, is shown in Table 1.

The day-to-day activities of the department may be grouped into two general categories, licensing and enforcement. The licensing function involves the investigation of the proposed premises and surrounding locality, the investigation of the applicant's character and record, and the determination of the true ownership of the prospective licensed premises. The enforcement function involves the detection, investigation and prevention of violations of the detailed requirements of the law. Major enforcement attention is given to provisions of the law regarding sales to minors and intoxicated persons, operation of disorderly premises, advertising practices, and wholesale and fair trade practices. A major aspect of the enforcement function is the maintenance of close relationships with local peace officers.

A part of the enforcement program involves periodical visits to premises and for this purpose premises are segregated roughly into two groups, those in problem areas and those in nonproblem areas. Routine visits to on-sale premises in the latter group have been made at the rate of eight per year, heretofore. As an economy measure the budget proposes to reduce the number of agents by 30, effective July 1, 1959, at a saving of \$175,449. This will have the effect of reducing the number of visits to premises in nonproblem areas from eight to four per year. We are in agreement with this proposal.

This reduction accounts for the decrease in expenditures during the budget year over those estimated for the current year.

A general indicator of the workload of the enforcement activity is the number of licensed retail premises, which stood at 42,383 on April 1, 1958. This number has remained fairly constant and no increase is anticipated.

General Summary—Continued

Table 1—Authorized Field Staff, as of October 18, 1958, by Location and Class
(Full-time permanent positions only)

Location	Adminis- trative	Supervising agent		Agent	Attorney and auditor	Clerk	Total
		Grade II	Grade I				
North Coastal Area :							
Area headquarters, San Francisco	2	1	--	--	2 ^{a, b}	2	7
San Francisco district office	--	1	5	34	--	8	48
Oakland	--	1	3	21	--	5	30
Vallejo ^d	--	--	1	3	--	1	5
Santa Rosa	--	1	2	7	--	3	13
Eureka ^e	--	--	--	2	--	1	3
San Jose	--	1	2	11	--	3	17
Salinas ^f	--	--	1	4	--	1	6
San Luis Obispo ^g	--	--	--	2	--	1	3
Totals	2	5	14	84	2	25	132
Central Valley Area :							
Area headquarters, Sacramento	2	--	--	1	1 ^a	2	6
Sacramento district office	--	1	2	11	--	3	17
Redding	--	--	1	6	--	2	9
Marysville	--	1	1	7	--	2	11
Stockton	--	1	2	9	--	3	15
Fresno	--	1	2	9	--	3	15
Bakersfield	--	1	1	6	--	2	10
Totals	2	5	9	49	1	17	83
Southern Area :							
Area headquarters, Los Angeles	3	--	--	10	3 ^c	9	25
Los Angeles district office	--	1	2	10	--	5	18
Pasadena	--	1	2	10	--	4	17
Inglewood	--	1	2	10	--	4	17
Van Nuys	--	1	1	8	--	3	13
Long Beach	--	1	3	13	--	5	22
Santa Barbara	--	1	1	5	--	1	8
San Bernardino	--	1	2	10	--	4	17
San Diego	--	1	2	9	--	3	15
El Centro ^g	--	--	1	2	--	1	4
Totals	3	8	16	87	3	39	156
Grand totals	7	18	39	220	6	81	371

^a Attorney^b Auditor^c Two attorneys and one auditor^d Branch office, Oakland district^e Branch office, Santa Rosa district^f Branch office, San Jose district^g Branch office, San Diego district

General Summary—Continued

ANALYSIS

Summary of Reductions

	Amount	Budget	
		Budget	Line
Headquarters:			
1 Junior-intermediate typist -----	\$3,138	491	59
Area offices:			
2 Agent -----	9,960	492	14
Operating expenses -----	5,815	492	35
Equipment -----	4,807	492	37
Total recommended reduction -----	\$23,720		

Headquarters

Two additional clerical positions are proposed in headquarters for the hearing and legal unit, one to process offers in compromise in lieu of suspensions under a new procedure authorized by the 1957 Legislature, and the other to assist in maintaining a case folder file. The first position appears to be justified by increased workload.

We recommend deletion of one proposed additional clerical position, \$3,138, budget page 491, line 59.

The work involved in maintaining the case folder file in the hearing and legal unit is being performed currently by temporary help and staff borrowed from other units, and while this may not be an ideal arrangement, we believe that it is an indication that the work can continue to be performed without any increase in staff by appropriate administrative action within the agency. There is no indication of any actual workload increase since the number of hearings held and accusations filed has remained fairly constant.

Area Offices

One additional senior legal stenographer position is proposed for hearing reporter workloads in Los Angeles and appears to be justified on a workload basis.

We recommend deletion of the cost of a proposed new branch office in Santa Ana of \$20,582, detailed as follows:

Two additional agents -----	\$9,960
Operating expenses -----	5,815
Equipment, including two additional automobiles -----	4,807
Total -----	\$20,582

At the time the Department of Alcoholic Beverage Control took over the liquor control function from the Board of Equalization, a study was made by the Department of Finance, of the type of field office organization, including number and location of branch offices, which appeared appropriate for the new department. With slight modifications, the plan recommended by the Department of Finance study was adopted and is the pattern in use today. This study did not recommend an office in Santa Ana even though the Board of Equalization had previously maintained such an office.

Currently, Orange County is included in the district served by the present Long Beach office, an arrangement which appears to be satisfactory from an economic standpoint. The establishment of an office in Santa Ana contemplates the creation of a new district to include

General Summary—Continued

only Orange County, which we believe would constitute an increase in the level of service.

While it is true that Orange County is one of the fastest growing areas in the State, it does not appear that there is yet a sufficient workload in the area to warrant the creation of a new district. Total licensed premises in the existing districts in the Southern Area was as follows on April 1, 1958.

	<i>Licensed premises</i>
Long Beach :	
Orange County -----	943
Southeast Los Angeles -----	2,318
Total Long Beach district-----	3,261
Inglewood—Southern and Western Los Angeles-----	3,442
Van Nuys—Northern and Northwestern Los Angeles-----	1,699
Los Angeles Metropolitan Area-----	3,337
Pasadena—Northeastern Los Angeles-----	2,346
San Diego-----	2,582
San Bernardino-----	2,410
Santa Barbara-----	981
Total-----	20,058

ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD

ITEM 208 of the Budget Bill

Budget page 493

FOR SUPPORT OF ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD FROM THE GENERAL FUND

Amount requested-----	\$113,854
Estimated to be expended in 1958-59 Fiscal Year-----	97,930
Increase (16.3 percent)-----	\$15,924
TOTAL RECOMMENDED REDUCTION-----	\$12,396

GENERAL SUMMARY

The Alcoholic Beverage Control Appeals Board was created, effective January 1, 1955, by an amendment to Article XX, Section 22, of the Constitution, approved by the voters on November 2, 1954. It consists of three members, appointed by the Governor, subject to confirmation of a majority vote of all of the members elected to the Senate, and holding office at the pleasure of the Governor. Each member, at the time of his initial appointment, must be a resident of a different county from the one in which either of the other members resides. The Legislature, by a majority vote of all members elected to each house, has the power to remove the members from office for "dereliction of duty or corruption or incompetence."

The board's sole function is to hear appeals from decisions of the Department of Alcoholic Beverage Control. The board does not make investigations or receive evidence but is limited to consideration of the record, briefs and oral arguments in a manner similar to law courts of appeal. It is completely independent of the Department of Alcoholic Beverage Control.

General Summary—Continued

The workload of the agency is conditioned on the number of appeals from decisions of the Department of Alcoholic Beverage Control, which are as follows:

1956-57 (actual) -----	360
1957-58 (actual) -----	306
1958-59 (estimated) -----	300
1959-60 (estimated) -----	300

There appear to be two important policy questions involved in this agency, both of which have definite budgetary implications.

One is whether membership on the board is a full-time job. On this point we quote Attorney General's Opinion No. 58-146, dated October 23, 1958, page 187, Official Advance Sheets, Volume 32, Number 8, November 7, 1958.

"Is the position of a member of the Alcoholic Beverage Control Appeals Board of the State of California a full-time position that would prohibit other outside employment?"

"Our conclusions may be summarized as follows:

"A member of the Alcoholic Beverage Control Appeals Board must spend all time necessary to attempt to comply with the legislative mandate of Business and Professions Code section 2086 that its orders be rendered within 60 days after the filing of appeals."

"The board members are prohibited from engaging in certain activities by the provisions of section 23060 of the Business and Professions Code and are also forbidden from engaging in any activity which would be inconsistent with the high degree of responsibility and trust placed in them."

In the past, one of the members, who is an attorney, resident in Sacramento has devoted his full time to the work. The other two, who were neither attorneys nor residents of Sacramento did not.

The other question has to do with headquarters of board members for purposes of claiming reimbursement for travel expenses.

The three original members were residents of San Francisco, Alameda, and Sacramento Counties at the time of their appointments, and continued as residents of these counties with headquarters established therein for purposes of claiming travel expenses.

Both the 1958-59 and 1959-60 budgets allow travel expenses to those members who are not Sacramento residents for time spent in Sacramento.

The only office which the board maintains is in Sacramento and it is our belief that if all board members were headquartered in Sacramento for purposes of travel expense reimbursement, the total costs to the State for travel of board members would be less than it is under the existing arrangement.

Our view is that the functions of the board are entirely legal in nature and that if its entire membership had legal training and devoted full time to board functions the size of the staff needed could be substantially reduced.

General Summary—Continued

ANALYSIS	Summary of Reductions	Budget		
		Amount	Page	Line
1 associate counsel -----		\$8,940	494	4
1 intermediate typist-clerk -----		3,456	494	5
Total recommended reductions -----		\$12,396		

We recommend deletion of the two proposed additional positions, \$12,396.

The board has an existing staff of six, consisting of two attorneys and four clerical. The additional attorney and related clerical position are requested to eliminate an existing backlog of pending decisions on appealed cases, to revise and codify the rules and to prepare and maintain on a current basis an index and digest of all of its decisions. At present there are approximately 875 decisions of the board which have not been indexed or digested.

These are all in the nature of one-time operations.

We are of the opinion that if the membership of the board were limited to persons with legal training who devoted time to the work in accordance with the principals outlined in the Attorney General's Opinion previously referred to, there would be no need for additional legal staff for the agency, and we believe that funds for the agency should be budgeted on such a basis.

CALIFORNIA DISTRICT SECURITIES COMMISSION

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ITEM 209 of the Budget Bill

Budget page 494

FOR SUPPORT OF CALIFORNIA DISTRICT SECURITIES COMMISSION FROM THE GENERAL FUND

Amount requested -----	\$56,594
Estimated to be expended in 1958-59 Fiscal Year -----	57,118
Decrease (0.9 percent) -----	\$524

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS

The California District Securities Commission supervises certain fiscal affairs of irrigation and other districts of the State. The commission investigates pertinent engineering and economic aspects of district plans and approves the bonds or warrants of the district to finance the work. In addition, the commission reviews reports of the districts and makes available information on their financial condition.

The present request of \$56,594 is \$524 or 0.9 percent under estimated expenditures for the current year. No expansion in the level of service is planned. We recommend the budget be approved as submitted.

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HORSE RACING BOARD

ITEM 210 of the Budget Bill

Budget page 495

FOR SUPPORT OF HORSE RACING BOARD FROM THE FAIR AND EXPOSITION FUND

Amount requested	\$187,347
Estimated to be expended in 1958-59 Fiscal Year	185,247
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Increase (1.1 percent)	\$2,100
TOTAL RECOMMENDED REDUCTION	\$2,210

GENERAL SUMMARY

The Horse Racing Board was created for the purpose of administering the provisions of the Racing Act and is responsible for the establishment of rules, regulations and conditions under which race meetings may be conducted.

The board is vested with full authority to license, regulate and supervise all horse race meetings where there is pari-mutuel betting and is further empowered to license jockeys, trainers, track officials and other persons employed by racing associations.

ANALYSIS

Summary of Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Equipment			
Automobile-Replacement	\$2,210	496	30

Proposed expenditures of the Horse Racing Board for the 1959-60 Fiscal Year are \$187,347, an increase of \$2,100 or 1.1 percent over estimated expenditures for the current year.

The proposed budget has been prepared on the basis of 546 days of racing as compared to 540 days for the current year. Of the estimated 546 days of racing for the budget year, 352 are to be at major tracks, 89 days at fair tracks, 50 days for quarter horses and 55 days for a combination meeting.

Equipment (budget page 496, line 30) \$2,907

Included in equipment is \$2,210 to replace a 1952 Ford Station Wagon.

We recommend deletion of this amount.

We recommend that the agency secure necessary transportation services through the automotive management section of the Department of Finance.

Total horse racing revenue accruing to the State during the budget year is estimated at \$30,049,400, an increase of \$2,762,000 or 10.1 percent more than total revenue estimated for the current year.

The table on the following page reflects the distributions of horse racing revenue by fund for the Fiscal Years 1946-47 through 1959-60.

Distribution by Fund of California Horse Racing Revenues—1946-47 to 1959-60

Fiscal year	Total pari-mutuel pool (1)	Fair and Exposition Fund 4 percent of pool (2)	Other (3)	Total (4)	State College Fund (5)	Wildlife Restoration Fund (6)	Capital Outlay and Savings Fund (7)	General Fund (8)	Total (9)
1946-47 (Actual)	--- \$349,664,050	\$13,986,562	\$19,000	\$14,005,562	---	---	---	\$5,075,238	\$19,080,800
1947-48 (Actual)	--- 356,723,225	14,268,929	18,955	14,287,884	\$816,252	\$3,000,000	---	2,073,313	20,080,900
1948-49 (Actual)	--- 303,017,750	12,120,710	17,965	12,138,675	988,674	3,000,000	---	1,165,150	17,292,499
1949-50 (Actual)	--- 281,360,025	11,254,401	19,584	11,273,985	572,683	3,000,000	---	275,349	15,122,017
1950-51 (Actual)	--- 288,625,150	11,545,006	32,893	11,577,899	889,911	---	---	3,900,476	16,368,286
1951-52 (Actual)	--- 357,551,300	14,302,052	32,111	14,334,163	1,079,899	1,000,000	\$1,000,000	2,628,546	20,042,608
1952-53 (Actual)	--- 362,251,950	14,490,078	201,305	14,691,383	1,293,004	1,000,000	1,000,000	3,140,622	21,125,009
1953-54 (Actual)	--- 402,579,075	16,103,163	135,102	16,238,265	1,185,168	1,000,000	1,000,000	3,223,769	22,647,202
1954-55 (Actual)	--- 404,861,100	16,194,444	220,828	16,415,272	1,304,670	76,480	---	5,360,174	23,156,596
1955-56 (Actual)	--- 440,893,375	17,635,735	357,650	17,993,385	1,363,957	813,081	---	5,176,388	25,346,811
1956-57 (Actual)	--- 468,944,125	18,757,765	284,414	19,042,179	1,582,482	832,822	---	5,615,925	27,073,408
1957-58 (Actual)	--- 452,889,250	18,115,570	315,603	18,431,173	1,646,857	818,113	---	5,463,039	26,359,182
1958-59 (Estimated)	_ 473,500,000	18,940,000	300,500	19,240,500	1,597,000	821,900	---	5,628,000	27,287,400
1959-60 (Estimated)	_ 516,000,000	20,640,000	300,500	20,940,500	1,857,000	821,900	---	6,430,000	30,049,400

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NOTES: Column (3) Includes license fees for owners, jockeys and attendants, interest earned and sale of real property. For 1946-47 to 1949-50 it includes license fees only.
 Column (5) Beginning with 1954-55 the figures include interest earnings of the State College Fund.
 Column (6) Beginning with 1954-55 the figures include interest earnings of the Wildlife Restoration Fund.
 Column (7) Part of horse racing revenues pursuant to Chapter 1516, Statutes of 1951.

Department of Investment
STATE BANKING DEPARTMENT

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 ITEM 211 of the Budget Bill Budget page 497

**FOR SUPPORT OF THE STATE BANKING DEPARTMENT
 FROM THE BANKING FUND**

Amount requested -----	\$683,960
Estimated to be expended in 1958-59 Fiscal Year -----	643,612
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Increase (6.3 percent) -----	\$40,348
TOTAL RECOMMENDED REDUCTION -----	None

GENERAL SUMMARY

State regulation of banks in California began in 1878 with the creation of a Board of Bank Commissioners. The Bank Act of 1909 created a "State Banking Department," which under general reorganization in 1929, was designated the "Division of Banking" for the purpose of representation on the Board of Investment, although the Banking Department retained its former status operating as an independent state agency.

The Banking Department functions under the administrative control of the State Superintendent of Banks, who is appointed by the Governor and holds office at the pleasure of the Governor. The chief responsibilities of the superintendent are the administration and enforcement of the provisions of the state banking laws. The principal duties of the office are concerned with the licensing and examination of banks and trust companies, and the conservation or liquidation of any such institution if in financial difficulty.

The department maintains two offices, the principal office is in San Francisco and the other office is in the City of Los Angeles. This is in accordance with Section 250 of the Financial Code; however, the section also provides that the superintendent may have an office in Sacramento. The present distribution of the authorized staff of 72 positions is 51 in San Francisco and 21 in Los Angeles.

Elsewhere in this analysis we comment on the desirability of incorporating this agency as well as others in the so-called "Department of Investment" into a single agency. One of the desirable consequences of such a consolidation is that the resulting agency would be sufficiently large to warrant maintenance of its headquarters in Sacramento.

The most significant factor which governs the size of the staff is the provision in Section 1900 of the Financial Code, which reads, in part, "The superintendent shall cause every bank, every foreign banking corporation doing business in this State, every trust company, and the trust department of every title insurance company doing a trust business to be examined at least once in each fiscal year and whenever and as often as he shall deem it advisable."

We understand that as of November 14, 1958, three of the 52 examiner positions had been vacant for more than six months, indicating that the agency is experiencing recruitment difficulties.

State Banking Department—Continued

As we indicate elsewhere in this analysis, if this agency were part of a larger agency engaged in several types of financial examinations, a large pool of examiners could be created which would tend to facilitate the recruiting and training of new examiners.

The agency is supported from the State Banking Fund, which derives its revenue from assessments and examination and miscellaneous other fees.

ANALYSIS

The request for \$683,960 in support of the department for 1959-60 Fiscal Year compares with the sum of \$643,612 estimated for expenditure in the current fiscal year. In addition to the Budget Bill appropriation, \$46,709 is budgeted as the State's contribution to the employees retirement system.

The agency anticipates further expansion of the banking business of the State, as is indicated by projections of the number of banking offices to be examined, which show an increase from 445 offices in 1957-58 to 487 for 1958-59 and 529 for 1959-60. Bank assets, which is also used as a measurement of workload, are shown at roughly 6.7 billion dollars for 1957-58 and projected to 7.4 billion dollars for 1958-59 and 8.1 billion dollars for 1959-60. Although it is difficult to project the number of banking offices which will be in operation during a particular fiscal year, the agency points out that in September it had 42 approved applicants for new offices and a like number of applications which had not been surveyed, some of which represented a backlog of more than six months standing.

To take care of backlog and to keep current with the workload, the agency requests four additional examiner positions and one clerical position. The budget as originally presented asked for five additional examiner positions; however, with the proposed purchase of a new accounting machine, it has been decided that only four more examiners would be needed. On this basis the machine would readily pay for itself.

In view of the existing backlog and present trends in the banking business of the State, we recommend that the proposed new clerical position be approved and that the four examiner positions be approved on a tentative basis with a critical review of the workload and the measurements for workload to be made prior to the establishment of the positions.

**Department of Investment
DIVISION OF CORPORATIONS**

ITEM 212 of the Budget Bill

Budget page 499

**FOR SUPPORT OF THE DIVISION OF CORPORATIONS
FROM THE GENERAL FUND**

Amount requested	\$1,210,132
Estimated to be expended in 1958-59 Fiscal Year	1,064,574
Increase (13.7 percent)	\$145,558
TOTAL RECOMMENDED REDUCTION	\$8,170

Division of Corporations—Continued
GENERAL SUMMARY

The Office of Commissioner of Corporations was first created in a State Corporation Department in 1913, for the purpose of administering the "Investment Companies' Act." The California Corporate Securities Act (Statutes of 1917) is the successor to the Investment Companies' Act.

Through organizational change in 1929, the Corporations Department was designated as the Division of Corporations within the Department of Investment, although it retained its former position operating as an independent state agency. The division functions under the administration of the Commissioner of Corporations, who is appointed by the Governor, with the consent of the Senate, and holds office at the pleasure of the Governor. The commissioner is a member of the Board of Investment.

The office of Commissioner of Corporations is responsible for the administration of the Corporate Securities Act, which entails permits to issue securities, the licensing of brokers and agents, and administering other phases of the act. The office is also responsible for the licensing and regulation of personal property and small loan brokers, credit unions, industrial loan companies, escrow agents, and check sellers and cashers, as prescribed in the various acts. The agency maintains offices in Sacramento, San Francisco, and Los Angeles, and has a combined staff of 198 full-time positions. The distribution of the staff, as reported by the agency, shows 40 positions in Sacramento, 49 in San Francisco, and 109 in the Los Angeles office.

The Sacramento office is designated the headquarters office for budgetary purposes; however, the commissioner has his office in San Francisco, and presumably spends most of his time there.

Elsewhere in this analysis we comment on the desirability of incorporating this agency as well as others in the so-called "Department of Investment" into a single agency. One of the desirable consequences of such a consolidation is that the resulting agency would be sufficiently large to warrant maintenance of its headquarters in Sacramento.

ANALYSIS

	Summary of Reductions	Amount	Budget	
			Page	Line
2 intermediate typist-clerks.....		\$7,080	500	18
Related equipment		1,090	500	37
Total recommended reduction.....		\$8,170		

The request for \$1,210,132 for support of the division in the 1959-60 Fiscal Year compares with \$1,064,574 estimated for expenditure in the current fiscal year. This represents an increase of \$145,558 or 13.7 percent. In addition to the Budget Bill appropriation, \$90,430 is budgeted as the State's contribution to the employees' retirement system.

This is the only agency in the so-called "Department of Investment" which is supported from the General Fund with revenue received through its operations deposited in the General Fund. Estimated reve-

Division of Corporations—Continued

nue, including certain other fees which are treated as reimbursements to expenditures, exceed the estimate of expenditures by approximately \$400,000 in 1959-60.

The securities business and that of the various institutions regulated by the division continue to grow along with the growth of the State's population and expansion of the State's position in the over-all economic picture. Although the rate of increase in corporate securities activities administered by the division declined due to the recession, it has again turned upward. Statistics show that over the past 11 years the number of applicants to engage in securities has increased from 18,555 in 1947-48 to 41,721 in 1957-58, an increase of 125 percent, while the number of applicants to engage in other financial activities which are licensed by the division shows an increase from 824 to 2,192 applicants, or 166 percent for the same period. Further expansion of the various activities is expected for the budget year, as is reflected in the agency's estimates of work load. There is indicated a 4.7 percent increase in corporate securities activities which include the issuance of permits to issue securities and the issuance of orders, and the licensing of brokers, agents, and investment counsels. In the license category the related activities include, generally, the licensing and examination of the financial affairs of personal property brokers, small loan companies, industrial loan companies, credit unions, check sellers and cashers, and escrow agents. The number of licensees in this category is estimated to increase 8.7 percent in the budget year.

The agency is requesting eight additional positions: Two deputies, Grade I, two account-auditors Grade I, and four clerical positions. As previously mentioned, last year the agency experienced a slump in the corporate securities activities, but at the same time the estimates originally projected for licensing activities were low and, as a consequence of these changes, the agency made adjustments in personnel and abolished two technical positions. The workload estimates based on projected activity appear to be reasonable; however, the need for two of the four proposed additional clerical positions appears to be marginal and we recommend that the agency attempt to absorb additional workload in this connection. If necessary, at some point in time during the year, temporary help could be used rather than establishing these two positions on a permanent basis. In regard to the other six proposed new positions, while we recognize upward trends in the field of financial activities regulated by the division, if the positions are approved, we recommend that careful review of work load trends be made before establishment of the positions.

The agency has been experiencing difficulty in recruiting technical personnel and, as we indicate elsewhere in this analysis, if this agency were part of a larger agency engaged in several types of financial examinations, a large pool of examiners could be created which would tend to facilitate the recruiting and training of new examiners.

**Department of Investment
DEPARTMENT OF INSURANCE**

ITEM 213 of the Budget Bill

Budget page 501

**FOR SUPPORT OF THE DEPARTMENT OF INSURANCE
FROM THE INSURANCE FUND**

Amount requested -----	\$1,930,092
Estimated to be expended in 1958-59 Fiscal Year -----	1,802,927
	\$127,165
TOTAL RECOMMENDED REDUCTION -----	\$1,000

GENERAL SUMMARY

The Department of Insurance was first established in 1868 as the "Office of Insurance Commissioner." During the period 1929 to 1941 the department was designated as the Division of Insurance of the Department of Investment, although it retained its former status operating as an independent state agency. In 1941 legislation declared it to be no longer a part of the Department of Investment restoring it to its former status as the Department of Insurance. However, the commissioner's membership on the Board of Investment was retained.

The Insurance Commissioner is appointed by the Governor, with the consent of the Senate for a term of four years. The commissioner administers the insurance laws of the State, and regulates all companies, agents, brokers, and solicitors authorized to engage in the insurance business in the State. The commissioner also has the responsibility of supervision and examination of certain employee health, welfare, and pension programs operating in the State. In addition, he compiles data which is submitted to the Board of Equalization to use as a basis for the taxation of insurers.

The commissioner maintains offices in San Francisco, Los Angeles, San Diego, and Sacramento. The department is organized into five divisions: administration, employee health and welfare regulation, compliance and legal, license, and examination and financial analysis, and has a present staff of 229 positions excluding 2.3 man-years of temporary help. The agency is supported from the Insurance Fund which derives its revenue from license and examination fees, tax assessments and miscellaneous other fees levied on the insurance business. Accumulated surplus in the Insurance Fund is estimated at \$2,000,000 as of June 30, 1960.

Distribution of the staff indicates that there are 151 positions in the San Francisco office, 70 in Los Angeles, 3 in Sacramento and 5 in the San Diego office. The San Francisco office is designated in the printed budget as the headquarters office; however, for the purpose of authorizing payment of travel expense to the Insurance Commissioner, the Board of Control has designated Los Angeles as the commissioner's headquarters. In respect to the location of offices, Section 12905 is quoted as follows: "The commissioner shall keep his office in the City of San Francisco and shall also keep an office in the City of Sacramento, and an office in the City of Los Angeles."

Elsewhere in this analysis we comment on the desirability of incorporating this agency as well as others in the so-called "Department

Department of Insurance—Continued

of Investment'' into a single state agency. One of the desirable consequences of such a consolidation is that the resulting agency would be sufficiently large to warrant maintenance of its headquarters in Sacramento.

ANALYSIS	Summary of Reductions	Budget		
		Amount	Page	Line
Operating expenses				
Out-of-state travel	-----	\$1,000	501	66

The request for \$1,930,092 in support of the department for the 1959-60 Fiscal Year compares with the amount of \$1,802,927 estimated to be expended for support in the current fiscal year. In addition, the sum of \$132,774 is budgeted as the State's contribution to the employees' retirement system.

The insurance industry of the State continues to grow steadily, as is indicated in statistics which show the number of admitted insurers increasing from 686 in 1950 to an estimated 725 in 1958, with dollar volume of California premiums rising from 1 $\frac{1}{4}$ billion dollars to 2 $\frac{3}{4}$ billion dollars estimated for 1958, representing an increase of 120 per cent for the period. The gross premium tax, which under present taxing provisions is collected approximately seven months after the return which is the basis for the assessment is filed, has increased from 25.3 million dollars collected in 1950 to 55.6 million dollars estimated to be collected on 1958 business.

The workload of the department has expanded along with the growth of the industry and with changes in law which in some instances initiated new services to be performed by the department. With the exception of the responsibility of regulating employee health and welfare programs, as directed in 1957 legislation, the department has asked for little in the way of additional manpower in the past five years. However, in order to maintain the existing level of service, the agency is requesting an additional service officer grade I position to keep current with workload in the compliance and legal division. This is shown on budget page 502, line 59. In addition, seven clerical positions are requested for the licensing division to keep current with the work in that section. These positions are shown on page 503, lines 13, 14 and 15. The license processing system in this division presently calls for three units with five typist-clerks and one senior clerk for each unit.

The division states in effect that during the past five years it has been able to cope with increasing workload due to improvements accomplished within the division, but has reached the saturation point and must put on an additional license processing unit. A study has been in progress for some time to determine the feasibility and practicability of mechanizing the process. We are advised that just recently there appears to be a possibility of mechanization. We understand, however, that it would be some time before such a system could be developed and installed and in the meantime the agency must take care of the workload. Therefore, we recommend that the six clerical positions for license processing plus the additional clerk for the examination unit be approved.

Department of Insurance—Continued

In regard to the new function of regulating employee health and welfare programs, it is difficult to appraise the need for manpower without more experience under the operation. The responsibility for the supervision of the programs was placed with the Insurance Commissioner with the enactment of the Rees-Doyle Health and Welfare Supervision Act (Chapter 2167, Statutes of 1957). Considerable time has been spent on meetings and the development of rules and regulations and the adoption of forms for registration and annual reporting of the programs to be supervised. It is our understanding that registration forms have been sent out and that the requirement date for registration has been extended to February 20, 1959. Annual reports are to be forthcoming at a later date. The operation will demand examination and field work and precisely what will be required in the way of manpower is not definitely known at this time, although the budget indicates that provision has been made for 13 additional positions in the current year, with a request that they be extended and authorized by the Legislature for 1959-60, along with five proposed new examiner positions. These positions are shown on budget page 502, lines 16 through 25. Present provisions of the Act expire on June 30, 1960, and in order to arrive at a proper evaluation of the program of supervision and regulation, the department must have its operation in full swing very soon to enable the Legislature to determine the direction of the program in the future.

In regard to the recommended reduction in out-of-state travel, we recommend that such expenditures be held to the current figure of \$3,250 and reduce the amount budgeted by \$1,000.

Department of Investment
DIVISION OF REAL ESTATE

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ITEM 214 of the Budget Bill Budget page 505

FOR SUPPORT OF THE DIVISION OF REAL ESTATE FROM THE REAL ESTATE FUND

Amount requested	\$1,401,998
Estimated to be expended in 1958-59 Fiscal Year	1,363,305
Increase (2.8 percent)	\$38,693
TOTAL RECOMMENDED REDUCTION	\$1,250

ANALYSIS

The total expenditure program for the agency is shown on page 505 and 506 of the printed budget, although funds for its support come from two separate appropriations, as follows:

Fund	1958-59	1959-60	Amount	Percent
Real estate	1,363,305	\$1,401,998	\$38,693	2.8
Real estate education and research	141,483	141,770*	287	--
Total	\$1,504,788	\$1,543,768	\$38,980	2.6

* Represents that part of Item 109 budgeted for allocation to the Division of Real Estate.

Division of Real Estate—Continued

The Division of Real Estate was first created as a department in 1919. Under the reorganization of 1929, the department was designated the "Division of Real Estate," as a part of the so-called Department of Investment, although it continued to operate as an independent state agency.

The division is headed by the Real Estate Commissioner, who is appointed by the Governor with the consent of the Senate for a four-year term. The commissioner serves as chairman of the Real Estate Commission, whose members are also appointed by the Governor. The chief responsibilities of the commissioner are the administration and enforcement of the Real Estate Law. The principal functions of the division are those of licensing and regulating the activities of brokers and salesmen engaged in activities concerned with real estate, business opportunity, mineral, oil and gas property, certain lending activities, and persons engaged in subdivision activities.

The division maintains six offices: Sacramento, San Francisco, Oakland, Fresno, Los Angeles and San Diego, and provides office space and services in various other locations of the State for purposes of holding examinations and hearings. The present authorized staff totals 185 full-time positions which are distributed geographically by the division as follows:

<i>City</i>	<i>Adminis- tration</i>	<i>Exam- inations</i>	<i>Licens- ing</i>	<i>Regu- lation</i>	<i>Edu- cation</i>	<i>Total</i>
Sacramento -----	9	11	51	7	4	82
San Francisco -----	--	2	--	19	--	21
Oakland -----	--	--	--	7	--	7
Fresno -----	--	--	--	6	--	6
Los Angeles -----	4	6	--	51	--	61
San Diego -----	--	--	--	8	--	8
Total -----	13	19	51	98	4	185

The administrative positions in Sacramento consist of three accounting and six clerical personnel, while in Los Angeles there are the commissioner, assistant commissioner and two clerical positions.

In respect to the administration of this agency, we recommend that the commissioner's office be returned to Sacramento. Section 10077 of the Business and Professions Code reads as follows: "The commissioner shall have his principal office in the City of Sacramento, and may establish branch offices in the City and County of San Francisco, the City of Los Angeles and in such other cities as the commissioner may deem necessary, subject to the approval of the Department of Finance." During the 1954-55 Fiscal Year, the commissioner's office was changed to San Francisco. The present commissioner resides in Los Angeles.

Elsewhere in this analysis we comment on the desirability of incorporating this agency as well as others in the so-called "Department of Investment" into a single agency. One of the desirable consequences of such a consolidation is that the resulting agency would be sufficiently large to warrant maintenance of its headquarters in Sacramento.

The agency is supported principally from the Real Estate Fund which derives its revenue from license fees and various other fees levied

Division of Real Estate—Continued

in the regulation of real estate activities in the State. Legislation in 1956 provides that one-fourth of all receipts from license fees are allocated to the Real Estate Education and Research Fund, which was created at the same time and made available for appropriation to the University of California, state colleges, and junior colleges to be used in connection with research and education in the field of real estate. Statements of fund condition at June 30, 1960, indicate income estimated at \$1,613,883 for 1959-60 and outgo at \$1,487,720, and an accumulated surplus of \$1,702,042 for the Real Estate Fund, and income of \$447,824 and outgo of \$396,770, to leave a substantial surplus of \$1,062,914 in the Real Estate Education and Research Fund.

ANALYSIS OF RECOMMENDED REDUCTIONS

	Summary of Reductions		
	Amount	Budget	
		Page	Line
Operating expenses			
Travel out-of-state-----	\$1,250	506	33

ANALYSIS

The request for \$1,401,998 for support of the division in the 1959-60 Fiscal Year compares with the sum of \$1,363,305 estimated to be expended in the current fiscal year. This represents an increase of \$38,693 or 2.8 percent. In addition to the Budget Bill appropriation, \$85,699 is budgeted as the state's contribution to the Employees' Retirement System.

The budget request for the division contemplates an additional clerical position and the extension of one clerical and one accountant-auditor grade I position, which were added to the staff in the current year by reducing temporary help and discontinuing contract services with the Division of Audits in the Department of Finance. Legislation in recent years has strengthened the laws relating to real estate transactions and the activities of mortgage loan brokers whereby the commissioner, among other duties, is obligated to examine the books of accounts of licensees upon verified complaints, and may otherwise examine accounts upon his own motion for the protection of the purchaser or borrower. This involves real estate and mortgage loan broker funds, and subdivider-home builder funds and, in view of trends showing a pick-up in home building construction, and experience developed thus far in the auditing activity, we recommend that the accountant-auditor and the clerical position be extended and the one additional clerk be approved.

In respect to the recommendation for a reduction in out-of-state travel, we reiterate our recommendation of last year concerning attendance at conferences held out of the State. The budget proposes three trips for both the commissioner and his assistant to attend conventions and conferences in Florida, Texas, and Alaska with a total cost estimated to be \$2,525. We recommend that funds be allowed for the equivalent of one person traveling out-of-state. This would reduce the budgeted amount of \$2,525 to \$1,275 or a reduction of \$1,250.

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 Department of Investment
 DIVISION OF SAVINGS AND LOAN

ITEM-246 of the Budget Bill

Budget page 507

FOR SUPPORT OF DIVISION OF SAVINGS AND LOAN FROM THE
 SAVINGS AND LOAN INSPECTION FUND

Amount requested	\$453,039
Estimated to be expended in 1958-59 Fiscal Year	417,390
	<hr/>
Increase (8.5 percent)	\$35,649

TOTAL RECOMMENDED REDUCTION _____ None

GENERAL SUMMARY

The Division of Savings and Loan is headed by the Savings and Loan Commissioner, who is appointed by the Governor with the consent of the Senate and holds office at the pleasure of the Governor. The commissioner is responsible for the administration and enforcement of all laws relating to or affecting state regulated savings and loan business. The principal duties of the office are those of licensing, annual examination of the affairs of the associations, passing upon proposed mergers or consolidations of associations and the conservation or liquidation of associations when in difficulty.

The division maintains two offices as required by Section 5208 of the Financial Code, one in San Francisco, the other in Los Angeles. The code does not specify which office is the headquarters office, although the Department of Finance for purposes of budget presentation has designated San Francisco as headquarters of the agency for a number of years. During recent years, however, the commissioner and his chief deputy have resided in Los Angeles and the Board of Control has designated Los Angeles as the commissioner's headquarters for purposes of claiming travel expenses, which leads to the presumption that he spends most of his time there. The present authorized staff of 46 is located 18 in San Francisco and 28 in Los Angeles.

Elsewhere in this analysis we comment on the desirability of incorporating this agency as well as others in the so-called "Department of Investment" into a single agency. One of the desirable consequences of such a consolidation is that the resulting agency would be sufficiently large to warrant maintenance of its headquarters in Sacramento.

The most significant factor which governs the size of the staff is the provision in Section 8800 of the Financial Code which reads, "The commissioner at least once in each year without previous notice shall visit and examine into the affairs of every domestic association and of every foreign association doing business in this State." Substantially all of the time of the 25 examiner positions and eight appraiser positions is devoted to this work.

As of November 7, 1958, two of the 25 examiner positions, both at the grade II level, had been vacant for over six months, an indication that the agency is experiencing difficulties in recruiting men at this level.

As we indicate elsewhere in this analysis, if this agency were part of a larger agency engaged in several types of financial examinations,

Division of Savings and Loan—Continued

a large pool of examiners could be created which would tend to facilitate the recruiting and training of new examiners.

The division is supported from the Savings and Loan Inspection Fund which derives its revenues from annual assessments and other fees levied on the savings and loan business under state regulation. There is estimated to be a surplus of \$591,155 in the fund as of June 30, 1960, which appears to be substantially in excess of the amount required to carry through the ensuing eight months at which time the bulk of the annual assessment revenues will have been collected.

ANALYSIS

The request for \$453,039 in support of the division for the 1959-60 Fiscal Year compares with the sum of \$417,390 estimated for expenditure in the current year. This represents an increase of \$35,649 or 8.5 percent. In addition to the Budget Bill appropriation, \$31,478 is budgeted as the State's contribution to the State Employees' Retirement System.

The division anticipates continued expansion in the savings and loan business with the number of associations, including branches, showing an increase from 259 offices in 1956-57 to 284 offices in operation in 1957-58, and a total of 316 offices estimated for the 1958-59 Fiscal Year. The dollar volume of assets of the associations is reported to have increased from approximately 3.1 billion dollars in 1956-57 to 3.6 billion dollars in 1957-58, and is projected to 4.5 billion dollars for 1958-59 and approximately 5.7 billion dollars for 1959-60. The total number of new loans are projected at 111,321 and 133,585 for 1958 and 1959 respectively, as compared with 92,768 made during 1957. To take care of the additional workload to be generated by the anticipated growth in the savings and loan business the division requests three additional examiner positions. In justification of the need for these additional positions, the agency states that it will not be able to make the required examinations with its present examiner staff without sacrificing the quality of the examinations which would result in loss of control over the regulation of the associations concerned.

As mentioned previously, the agency requested two additional examiner positions at the grade II level for the current fiscal year. The positions were approved but had not been filled at the end of November, although the agency states that it has a backlog of associations which have not been examined for more than a year. Section 8800 of the Financial Code states that all associations must be examined at least once each year; however, workload detail indicates that in actual practice this is not being done. It is pointed out, however, that most of the associations are subject to federal examinations each year, while those which are not insured must have audits conducted by outside accountants with reports submitted to the Savings and Loan Commissioner.

Workload statistics of the agency indicate that the estimates of the number of associations requiring examinations as of June 30 each year, which is the principal factor when projecting the need for additional manpower, has been running higher than the number actually in opera-

**Board of Pilot Commissions for the Bays of San Francisco,
San Pablo, and Suisun—Continued**

ANALYSIS

The requested appropriation of \$20,836 for the 1959-60 Fiscal Year represents a decrease of \$62 or 0.3 percent under the expenditure estimate for the 1958-59 Fiscal Year.

Revenue in the budget year is estimated at \$9,350, a decrease of \$18,650 or 66.6 percent below the \$28,000 estimated for the current year. The substantial decline noted in agency revenue in the budget year is attributable to a reduction in license fees designed to reduce the agency's accumulated surplus to a one-year operating balance.

On June 30, 1960, the accumulated surplus is estimated to be \$38,938, a decline of \$11,986 or 23.5 percent less than the estimated balance for June 30, 1959.

During the current year, salary and wages increases for board members and the clerical position, together with the replacement of a type-writer, necessitated an Emergency Fund authorization in the amount of \$4,808. The largest part of this was due to legislation in 1957 which increased the monthly salary of board members from \$200 to \$300 per month.

It is recommended that legislative consideration be given to abolishing the Pilot Commissioners' Special Fund and that all revenues be deposited into the General Fund. This was done with respect to the Board of Pilot Commissioners for the Harbor of San Diego by legislation adopted in 1955.

Approval of this item is recommended.

**Department of Professional and Vocational Standards
DEPARTMENTAL ADMINISTRATION**

Budget page 513

**FOR SUPPORT OF DEPARTMENTAL ADMINISTRATION FROM THE
PROFESSIONAL AND VOCATIONAL STANDARDS FUND**

Amount requested	\$604,666
Estimated to be expended in 1958-59 Fiscal Year	588,068
<hr/>	
Increase (2.8 percent)	\$16,598
TOTAL RECOMMENDED REDUCTION	\$19,087

GENERAL SUMMARY

The Department of Professional and Vocational Standards was created for the purpose of administering laws regulating and protecting private business, licensed professions, and callings as set forth in the Business and Professions Code.

The department performs all accounting, personnel and fiscal work for the 28 boards and commissions under its jurisdiction. It also acts as a liaison with all governmental agencies, prepares the budget, and exercises budgetary control over all units within the department and manages the Business and Professions Building and Annex.

Departmental Administration—Continued

ANALYSIS

There is no appropriation for support of departmental administration since the necessary funds are obtained from assessments against the various agencies in the department.

Proposed expenditures for the budget year are \$604,666, which represents an increase of \$16,598 or 2.8 percent more than estimated expenditures for the current year.

<i>Administrative service officer I (budget page 514, line 42)</i> -----	\$7,984
<i>Business service officer I (budget page 514, line 43)</i> -----	6,060
<i>Accounting technician III (budget page 514, line 44)</i> -----	5,043

Since all three proposed positions are based on a common justification, we will discuss the positions collectively, as a single request.

The agency submitted no supplementary budget justification material in support of its request, but we note in the General Analysis on page 514 of the Governor's Budget the following :

“A realignment of * * * personnel * * * was made in the current fiscal year based on recommendations by the Organization and Cost Control Division Survey 874, which included the addition of an administrative service officer and an accounting technician. These two positions and a business service officer, also recommended by the survey, are shown as proposed new positions.”

We recommend deletion of these positions.

Survey 874 was a report concerning the feasibility of mechanization and centralization of license issuing procedures for the Department of Professional and Vocational Standards.

One of the several recommendations contained in this report was to the effect that the need existed for the establishment of a strongly organized and fully responsible Division of Administration because centralization and mechanization would require a greater need for dependable and constant service between the several agencies and the central administrative unit. The three proposed positions appear to be intended to satisfy that need.

It is our understanding that legislation will be proposed at the 1959 Session to implement a centralized license renewal program.

The need for the positions is essentially linked to the department's pending proposal for centralization and mechanization of license reissuance which should include centralized cashiering procedures. It is not known at this time whether the department is in fact going to be permitted to undertake a centralization and mechanization program. Unless and until such a program is authorized, these positions are not justified. It cannot be known at this time that this number or kind of positions, are going to be required by the proposal, which is not yet firm enough to be presented for approval. Since the justification and workload for the position is found in the proposal to centralize and mechanize, these positions should be presented as part of that proposal.

Departmental Administration—Continued
Emergency Authorizations

We note that 18 of the department's agencies have sought and received augmentations to their budgets totaling an aggregate \$100,310 in the current year.

While in most instances these augmentations were attributable to unforeseen cost developments, such as the new postal and telephone rate increases, and other general increases in the costs of goods and services (which were beyond the individual agency's control), there were many agency augmentations which lacked evidence that an emergency situation actually existed, and, consequently, would appear to have stemmed from inadequate budget preparation on the part of the agency. In one case, the Department of Finance apparently authorized an emergency augmentation to an agency to provide funds for a service which had been specifically deleted by the 1958 Legislature.

The growing trend for more and more agencies to seek emergency authorizations would suggest that it affords a device whereby some agencies are able to secure increased and even new levels of service prior to review by the Legislature.

We suggest that the Department of Finance establish more rigid controls over the use of emergency moneys by the agencies of this department.

Agencies receiving augmentations to their 1958-59 budgets, and the amounts of such, are as follows:

<i>Agency</i>	<i>Amount</i>
Board of Accountancy.....	\$7,924
Board of Architectural Examiners.....	4,172
Athletic Commission.....	5,710
Board of Barber Examiners.....	6,407
Cemetery Board.....	478
Board of Chiropractic Examiners.....	2,949
Contractors' License Board.....	20,968
Board of Dental Examiners.....	1,595
Board of Dry Cleaners.....	2,974
Bureau of Furniture and Bedding Inspection.....	7,336
Board of Landscape Architects.....	1,892
Board of Medical Examiners.....	28,894
Board of Optometry.....	157
Certified Shorthand Reporters Board.....	180
Board of Social Work Examiners.....	196
Structural Pest Control Board.....	5,000
Board of Examiners in Veterinary Medicine.....	580
Board of Vocational Nurse Examiners.....	2,898

Traveling—In-state

Generally, the agencies of the department have shown substantial increases for this item in the budget year.

In most instances, we have recommended reductions in this item because the agencies have failed to justify increases on the basis of authorized personnel or workload increases, and, because the Department of Finance Price Letter does not show that significant changes in the cost of travel are anticipated in the current and budget years.

Summary

P. & V. Standards

Departmental Administration—Continued

Our recommended reductions are conservative in that they leave the agencies more money for travel than would result from a strict application of the factors of increase to the existing level of service.

Unbudgeted Surpluses

The following table reflects the estimated unbudgeted surpluses in the special funds of the respective agencies in the Department of Professional and Vocational Standards as of June 30, 1960. These total \$2,524,716. Of this amount, it is estimated \$1,400,564 will be on deposit with the State Treasurer.

There is no remaining obligation on the Business and Professions Building, and the balance of \$1,124,152 represents investments in the Business and Professions Building Annex by some of the agencies.

<i>Agency</i>	<i>Investment in Business and Professions Building Annex</i>	<i>Current surpluses exclusive of building investments</i>	<i>Total estimated unbudgeted surpluses as of June 30, 1960</i>
Accountancy -----	\$84,989	\$210,278	\$295,267
Architectural Examiners ----	-----	11,204	11,204
Athletic Commission -----	-----	35,529	35,529
Barber Examiners -----	-----	38,071	38,071
Cemetery Board -----	-----	21,573	21,573
Chiropractic Examiners ----	-----	35,150	35,150
Civil and Professional			
Engineers -----	94,717	34,901	129,618
Contractors -----	82,698	358,129	440,827
Cosmetology -----	100,791	66,160	166,951
Dental Examiners -----	20,675	78,421	99,096
Dry Cleaners -----	-----	134,174	134,174
Funeral Directors and			
Embalmers -----	8,270	39,105	47,375
Furniture and Docking -----	78,130	82,589	160,719
Landscape Architects -----	-----	32,538	32,538
Medical Examiners -----	376,841	—50,623	326,218
Physical Therapists -----	-----	13,576	13,576
Nurse Examiners -----	186,071	—2,710	183,361
Optometry -----	-----	12,520	12,520
Pharmacy -----	-----	23,443	23,443
Private Investigators and			
Adjusters -----	90,970	75,509	166,479
Shorthand Reporters -----	-----	36,422	36,422
Social Work Examiners -----	-----	14,533	14,533
Structural Pest Control -----	-----	29,802	29,802
Veterinary Medicine -----	-----	22,350	22,350
Vocational Nurse Examiners .	-----	7,740	7,740
Yacht and Ship Brokers -----	-----	40,180	40,180
Totals -----	\$1,124,152	\$1,400,564	\$2,524,716

The foregoing table indicates that the unbudgeted surpluses as of June 30, 1960, estimated to be \$2,524,716 represent an increase of \$696,967 or 38.1 percent more than the estimated total unbudgeted surpluses of \$1,827,749 as of June 30, 1959.

Department of Professional and Vocational Standards

DIVISION OF ADMINISTRATIVE PROCEDURE

ITEM 219 of the Budget Bill

Budget page 516

FOR SUPPORT OF DIVISION OF ADMINISTRATIVE PROCEDURE FROM THE GENERAL FUND

Amount requested	\$67,158
Estimated to be expended in 1958-59 Fiscal Year	180,660
Decrease (62.8 percent)	\$113,502
TOTAL RECOMMENDED REDUCTION	\$5,940

GENERAL SUMMARY

- The Division of Administrative Procedure has three major functions:
1. To conduct a continuing study of administrative law and procedure and formulate suggestions for improvements to the Governor, the Legislature and various state agencies.
 2. To furnish trained hearing officers to conduct quasi-judicial disciplinary proceedings when requested by any state agency.
 3. To compile and publish rules and regulations for various state agencies.

The division is composed of two operational units. Expenditures for the codification section are supported from the General Fund. Expenditures for the administrative section are supported by reimbursements on a cost basis from the agencies using the service of the division and heretofore from the General Fund, which made up the difference between reimbursements and expenditures. The 1959-60 Budget provides for an anticipated legislative change in the law in order to recover 100 percent of these costs of providing hearing services to other agencies through reimbursements, thereby explaining the substantial reduction proposed in expenditures for the budget year. The proposed change is in line with previous recommendations made by our office for the 100 percent recovery of hearing service costs.

ANALYSIS	Summary of Reductions	Budget		
		Amount	Page	Line
Operating expenses				
Rent—building space		\$1,940	517	21
Equipment		4,000	517	26

Proposed expenditures for codification, and therefore total proposed by the agency from the General Fund in the 1959-60 Fiscal Year are \$67,158 (budget page 517, line 54) a decrease of \$113,502 or 62.8 percent below estimated expenditures from that fund for the current year.

Proposed expenditures for administration in the budget year are \$243,215, all of which is estimated to be recovered through reimbursements (budget page 517, line 29).

Overall agency expenditures are proposed to be \$310,373 in the budget year, which is an increase of \$12,804 or 4.3 percent over the estimated amount for the 1958-59 Fiscal Year.

General Fund revenue from the sale of administrative codes and regulations is estimated to be \$10,000 in both the current and budget years.

Division of Administrative Procedure—Continued

The budget for the current year has been augmented by an emergency authorization in the amount of \$3,008. Of this amount, \$2,904 is attributable to a 50 percent increase in building space costs in the Times-Mirror Building in Los Angeles, and the remaining \$104 is attributable to the purchase of a wardrobe closet, under Equipment, due to an office relocation within the Business and Professions Building in Sacramento.

Rent—building space (budget page 517, line 21)----- \$21,500

An increase of \$8,480 or 65.1 percent is proposed in this item over the actual costs for 1957-58. Part of the increase results from the new space rates in Los Angeles, mentioned earlier, for which the agency received an emergency authorization in the current year and the remainder is attributable to the division's proposal to move its office in San Francisco from the Joslin Building into the new state building where it proposes to acquire a hearing room for its exclusive use. The division has not previously been provided a hearing room for its exclusive use because workload has been insufficient to justify such. Thus, the proposed item includes a request for a new level of service. The annual cost of this new hearing room will be \$1,940 (490 square feet \times \$.33 \times 12).

We recommend deletion of the funds for the proposed hearing room effecting a reduction in the item of \$1,940.

Although approximately 470 hearings were held by the San Francisco office staff in the 1957-58 Fiscal Year, an estimated one-third or 160 hearings were held outside San Francisco. Hearing room space was provided the division (in the Joslin Building) in San Francisco for 310 hearings in that year. Some hearings are conducted in a matter of minutes; others may require up to several hours or more. Generally, less than 10 individuals participate in these hearings.

The new state building will include one main auditorium with a seating capacity of 260, four general purpose meeting rooms with a seating capacity of 40 and several other hearing rooms, as well as two already existing in the old building which will be available to the several agencies scheduled to move into the new building. There are at least a dozen other smaller hearing rooms which will be available at least part of the time. The Division of Administration of the Department of Finance states the building manager of the new state building will co-ordinate the utilization of all hearing and meeting rooms.

We believe there will be ample hearing room space available in the new state building to meet the nominal needs of this agency. Pending the development of sufficient workload to justify a private hearing room for the division in that city, we believe the agency should utilize the dozen or more hearing rooms available to it in the new state building.

Equipment (budget page 517, line 26)----- \$6,029

Included in the item is a request for equipment to furnish two new hearing rooms, one of which was previously discussed (San Francisco)

Division of Administrative Procedure—Continued

and the other in Sacramento. The exact cost of the equipment is difficult to ascertain since it is lumped together with other items of equipment, but we are told it approximates \$4,000.

We recommend that the equipment be deleted, effecting a reduction of \$4,000 and recommend approval of the remaining \$2,029 in the item.

Information from the agency reflects this request to be essentially a matter of convenience rather than of necessity.

In Sacramento it is indicated the department has offered the division a hearing room to be utilized exclusively by the division; however, furnishings are said to be necessary to make the room usable.

The division states that while there are three rooms available for hearing purposes (which are already equipped with furnishings) in the Business and Professions Building in Sacramento, it has a preference for one particular room, a room which is periodically used (three days each month) by the Board of Equalization. Occasionally, when the board is meeting, the division is required to conduct its hearings in one of the other two rooms available. The division apparently hopes to eliminate this periodic inconvenience by acquiring a hearing room of its own.

The secretary to the director, who is responsible for co-ordinating the use of all these rooms, states that the main hearing room, even when used by both the Board of Equalization and the division, is utilized less than half time. Thus, since there are 225 working days in the year, this room remains empty and available for use during approximately 113 days, if the agency's needs become greater.

Data furnished by the agency reveals that approximately half of the estimated 192 hearings conducted by the Sacramento office staff in 1957-58 were actually heard outside the capital city, in surrounding towns. Hence, approximately 96 hearings were conducted in the Business and Professions Building and despite the fact the main hearing room was used part of the time by other agencies, it remained vacant and, therefore, available to the division for roughly six months.

The request to purchase furnishings for the two hearing rooms apparently is unjustified by workload increases and provides a new and unnecessary level of service to the division.

Department of Professional and Vocational Standards

BOARD OF ACCOUNTANCY

ITEM 220 of the Budget Bill

Budget page 518

**FOR SUPPORT OF BOARD OF ACCOUNTANCY
FROM THE ACCOUNTANCY FUND**

Amount requested	\$210,819
Estimated to be expended in 1958-59 Fiscal Year.....	207,470
Increase (1.6 percent)	\$3,349
TOTAL RECOMMENDED REDUCTION.....	\$10,688

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Board of Accountancy—Continued

GENERAL SUMMARY

The Board of Accountancy was created for the purpose of licensing and regulating certified public accountants and public accountants practicing in this State. The definition, function, powers, and authority of certified public accountants and public accountants appear to be identical. New licenses for public accountants are no longer available except to a very few individuals who applied prior to March 15, 1951, but who failed to complete requirements due to military service.

ANALYSIS	Summary of Reductions	Budget		
		Amount	Page	Line
Salaries and wages				
Special investigator		\$5,232	518	70
Intermediate typist-clerk		3,456	518	71
Operating expenses				
Traveling—instate		2,000	519	6

Agency expenditures for the 1959-60 Fiscal Year are \$210,819, an increase of \$3,349 or 1.6 percent over the estimated expenditures for the 1958-59 Fiscal Year.

Revenues from license fees, penalties and fines are estimated to accrue in the budget year at \$194,895, an increase of \$8,970 or 4.8 percent more than estimated revenues for the current year.

The accumulated surplus as of June 30, 1960, is estimated to be \$295,267, representing a decline in the estimated balance for June 30, 1959, of \$54,320 or 15.5 percent.

The agency's current year budget has been augmented by an emergency authorization in the amount of \$7,924, which is attributable to line item increases in operating expenses, as follows:

Communications	\$1,325
Traveling—instate	1,000
Pro rata charges	329
Examination	5,320
Less: budgetary adjustments	—50

Traveling—in-state increase is said to be necessary to provide travel funds for a recently-appointed advisory group to the board; examination costs were increased due to increased charges by the State Personnel Board; and communications and prorata charge augmentations are attributable to general cost increases as per Department of Finance's Price Letter.

The agency's budget provides for a transfer of \$40,000 to the University of California for research in the field of public accounting. We note the sum total of these transfers since the 1956-57 Fiscal Year to and including the budget year have been an estimated \$107,912.

Special investigator (budget page 518, line 70) \$5,232

The proposed position would increase the total number of positions in the investigatory category to four. Justification is based on an anticipated workload increase resulting from an estimated increase in the number of complaints that will be assigned to investigation in the current and budget years and due to an administrative change in which one of the existing three investigators was reclassified to senior special

Board of Accountancy—Continued

investigator in the 1957-58 Fiscal Year. As a result of this investigator reclassification, the agency now claims it is short one investigator. The senior special investigator is supposed to devote half time to investigational activities involving field work and half to reviewing complaints, assignment work, and so forth. Thus, this reclassification establishes a supervisory level not authorized the agency previously, provides a new level of service, and relieves the secretary of duties formerly performed by him, without specifically justifying the increase.

We recommend deletion of one position of special investigator.

The agency is not and never has been authorized a supervisory level of investigator and there appears to be no justification for one investigator supervising and co-ordinating the activities of two other investigators.

Determinations as to whether the need exists for supervisory personnel is a matter for legislative review and should not be administratively resolved as it apparently has been in this instance. It has been our understanding that reclassifications involving changes in function of the personnel concerned would be shown in the budget as proposed new positions. This has not been done in this case.

We note in the General Analysis of the Governor's Budget, an estimated decline of 1,729 or 7 percent in the number of individuals licensed by this board in the budget year as compared to the 1957-58 Fiscal Year. In the face of this decline, the agency anticipates it will assign 162 more complaints in the budget year or 32.2 percent more than it actually did in 1957-58. This would appear to be contrary to actual past experience of the board.

We suggest that the senior special investigator be utilized full time on investigation and not on alleged supervision, the need for which does not exist. Thus, the three investigators currently authorized should be able to accomplish the existing investigational workload of the board. The average number of cases completed per investigator in 1957-58 was 160. With the full-time services of all investigative positions concentrated on cases, this figure should increase, and with the decline in the number of cases which will follow the decline in the number of licensees, very little, if any, backlog will develop. Careful screening of complaints by the secretary, as was the practice before the reclassification, should also keep the investigational workload down.

Intermediate typist-clerk (budget page 518, line 71)----- \$3,456

The proposed position would increase the total number of positions in the clerical category to six. Justification is based on an estimated increase in workload.

We recommend deletion of this position.

The decline in licensees, applications and investigation workload also obviates the necessity for additional clerical help.

Traveling—in-state (budget page 519, line 6)----- \$21,255

An increase of \$6,009 or 38.7 percent is proposed in the cost of this item over the actual costs of the 1957-58 Fiscal Year. Supplementary

Board of Accountancy—Continued

budget justification material does not indicate the cause for the proposed increase and we assume that a new level of service is being proposed.

We recommend the item be reduced by \$3,000.

The fact that the item was augmented by \$1,000 in the current year to provide for the travel costs of a new advisory group to the board does not necessarily indicate that the total amount appearing in the item will be expended in the current year. Taking into consideration the travel costs of the new advisory group and the actual costs for travel in 1957-58 with the utilization of three positions of investigator, a \$2,000 reduction in this item will still provide an increase of \$3,709 or approximately 20 percent, which should be ample funds to meet the agency's needs.

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Department of Professional and Vocational Standards
BOARD OF ARCHITECTURAL EXAMINERS

ITEM 221 of the Budget Bill

Budget page 520

FOR SUPPORT OF BOARD OF ARCHITECTURAL EXAMINERS FROM
THE ARCHITECTURAL EXAMINERS' FUND

Amount requested	\$82,685
Estimated to be expended in 1958-59 Fiscal Year	91,991
Decrease (10.1 percent)	\$9,306

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

The Board of Architectural Examiners was created for the purpose of examining, licensing and regulating practicing architects throughout the State.

Proposed expenditures for the budget year of \$82,685 represents a decrease of \$9,306 or 10.1 percent less than estimated expenditures for the current year.

Revenue for the 1959-60 Fiscal Year is estimated to be \$78,915, an increase of \$2,480 or 3.2 percent more than revenue estimates for the 1958-59 Fiscal Year.

Despite reduced expenditures and increased revenues during the budget year, the balance of the accumulated surplus as of June 30, 1960, is estimated to be \$11,204, a decrease of \$6,347 or 36.2 percent under the estimated surplus level for June 30, 1959.

Under the current deficit rate, the depletion of the surplus within two years would seem inevitable.

During the current year, the agency's budget was augmented by an Emergency Fund authorization in the amount of \$4,172. This was necessitated by increased costs for board members' per diem and travel expenses due to more meetings being held for oral examinations, printing of the Act, increased equipment due to office relocation and overall increased costs as per Department of Finance price change letter.

We recommend approval of the budget request.

Department of Professional and Vocational Standards

ATHLETIC COMMISSION

ITEM 222 of the Budget Bill

Budget page 521

FOR SUPPORT OF ATHLETIC COMMISSION FROM THE ATHLETIC COMMISSION FUND

Amount requested	\$145,297
Estimated to be expended in 1958-59 Fiscal Year	144,848
<hr/>	
Increase (0.3 percent)	\$449
TOTAL RECOMMENDED REDUCTION	\$3,700

GENERAL SUMMARY

The Athletic Commission was created for the purpose of regulating all professional and amateur boxing and wrestling matches held within the State. It is also charged with responsibility for licensing clubs holding such matches as well as all participants and officials.

ANALYSIS

Summary of Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Operating expenses			
Traveling—out of state	\$2,000	521	73
Traveling—in state	1,700	521	72

Proposed expenditures for the budget year are \$145,297, an increase of \$449 or 0.3 percent more than current year expenditure estimates.

Revenue is expected to accrue at the rate of \$150,000 in the budget year; the same as estimated for the current year.

On June 30, 1960, it is estimated the accumulated surplus will be \$35,529, a decrease of \$1,762 or 4.7 percent less than the estimated balance for June 30, 1959.

The agency's budget for the current year has been augmented by an emergency authorization in the amount of \$5,710. This augmentation is attributable to increased costs under operating expenses for the following:

Printing	\$1,845
Traveling—in state	1,700
Traveling—out of state	800
Rent—building space	131
Pro rata charges	2,129
Less: budgetary adjustments	—895

In a letter dated September 16, 1958, addressed to the director of the department, the commission states the amounts and reasons for current year budget deficiencies for the purpose of obtaining an emergency authorization. While it is difficult to reconcile the specific amounts requested in the letter with those figures appearing in the line items of the budget document (due to the manner in which these figures are shown), the sum total of the emergency authorization would indicate that the agency received substantially what it requested.

Printing increases are stated to have been necessitated for the printing of new rules of the commission. The question is raised as to why did not the agency include the costs for this printing when it submitted its 1958 budget proposal?

Athletic Commission—Continued

According to information contained in the agency's letter to the director, an emergency authorization to augment pro rata Attorney General charges during the current year is necessary " * * * to bring the budget in line with prior year expenditures." We point out that prior year expenditures for pro rata Attorney General charges were \$2,192, whereas this emergency authorization provided the agency \$3,000 for these services in the current year. Thus, instead of bringing the current year "budget into line with prior year expenditures," the emergency authorization, in fact, provided a 36.8 percent increase in the cost of this item.

An augmentation in "traveling—in state" is attributable to the current budget's failure to provide the necessary travel funds for the newly authorized position of investigator. We note that the 1958-59 budget request for travel was in fact increased by \$1,840 over the amount estimated for the then current fiscal year, when the position in question was utilized for 0.5 of the year. No justification for this increase was submitted at that time and it must be assumed to have been for the new position.

The budget reflects an expenditure of \$1,006 for out-of-state travel by the agency in the 1957-58 Fiscal Year, although no out-of-state travel funds were requested or authorized for that year and now "traveling—out of state" is shown in the budget as a continuing item.

The budget further reflects that the Department of Finance made an emergency authorization to the agency in the amount of \$800 for use in "traveling—out of state" in the current year. The agency is not and has never been authorized funds for out-of-state traveling purposes.

Reasons set forth (in the agency's letter to the director) as necessitating the emergency authorization for out-of-state travel are: " * * * the commission members are taking a more active interest in the nationwide control of boxing through the National Boxing Association. One commissioner * * * is second vice president of the National Boxing Association." The reasons set forth are not, in our opinion, of an emergency nature and, therefore, should not have justified an emergency authorization.

The money for the 1957-58 expenditure for this item was apparently secured by transfers from other items of operating expenses and resulted in an expenditure of \$10,013 for travel of all kinds whereas only \$7,960 had been budgeted for in-state travel. Thus, the agency has, by administrative procedures, succeeded in increasing the level of service for travel over and above that authorized by the Legislature by \$2,053 or 25.8 percent.

Apparently the real reason for the current year emergency authorization for travel is to enable the agency to continue to enjoy this unjustified increase in level of service for travel rather than for the reasons given.

Traveling—out of state (budget page 521, line 73)_____ \$2,000

As previously pointed out, this item would provide the agency a new level of service. The commission's interest in national boxing affairs

Athletic Commission—Continued

does not make out-of-state travel a necessary function of the commission. This item should be justified on the basis of the benefits to the State—not the commission.

We recommend that the item be deleted from the budget.

Traveling—in state (budget page 521, line 72) ----- \$11,500

Whereas the amount requested for traveling in state for the current year did apparently include necessary travel funds for the new position of investigator, and the budget deficiency for this item in the current year apparently stems from a transfer within operating expenses for unjustified out-of-state travel in the prior year, an increase in this item over the amount originally proposed in the 1958-59 budget should not be allowed.

We therefore recommend that this item be reduced by \$1,700 and recommend approval for the remaining \$9,800 in the item.

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**Department of Professional and Vocational Standards
BOARD OF BARBER EXAMINERS**

ITEM 223 of the Budget Bill

Budget page 522

**FOR SUPPORT OF BOARD OF BARBER EXAMINERS
FROM THE BARBER EXAMINERS' FUND**

Amount requested -----	\$157,232
Estimated to be expended in 1958-59 Fiscal Year -----	152,592
	<hr/>
Increase (3.0 percent) -----	\$4,640
TOTAL RECOMMENDED REDUCTION -----	None

ANALYSIS

The Board of Barber Examiners was created for the purpose of examining, licensing and regulating barbers, barber apprentices, shops, schools and school instructors throughout the State.

Agency expenditures are proposed at \$157,232 for the budget year, an increase of \$4,640 or 3 percent more than estimated expenditures for the current year.

Revenue is estimated to be \$157,755 during the 1959-60 Fiscal Year, which is \$2,155 or 1.4 percent more than estimated for 1958-59.

The balance of the accumulated surplus on June 30, 1960, is estimated to be \$38,071, which represents a decrease of \$6,151 or 13.9 percent less than the estimated surplus for June 30, 1959.

The agency received an emergency authorization in the current year in the amount of \$6,407. This augmentation was made in the following categories:

Salaries and wages -----	\$1,504
Operating expenses -----	2,612
Equipment -----	2,291

Additional temporary help together with related operating expenses and equipment were said to be needed to cope with unanticipated increases in applications and examinations.

Board of Barber Examiners—Continued

Equipment was also augmented because the current year's budget failed to provide the agency an automotive unit which was due for replacement in the current year, thus, \$1,900 was authorized to correct this error.

We recommend approval of the budget.

**Department of Professional and Vocational Standards
CEMETERY BOARD**

ITEM 224 of the Budget Bill Budget page 524

FOR SUPPORT OF CEMETERY BOARD FROM THE CEMETERY FUND

Amount requested	\$43,838
Estimated to be expended in 1958-59 Fiscal Year	40,366
Increase (8.6 percent)	\$3,472
TOTAL RECOMMENDED REDUCTION	\$2,000

GENERAL SUMMARY

The Cemetery Board was created for the purpose of examining, licensing and regulating cemetery salesmen and is generally responsible for the regulation of cemeteries and of the endowment care funds of cemetery licensees.

ANALYSIS

Operating expenses	Summary of Reductions	Budget	
		Amount	Page Line
Traveling—in-state	\$2,000	524	35

Proposed expenditures for the 1959-60 Fiscal Year are \$43,838, an increase of \$3,472 or 8.6 percent over the estimated expenditures for the 1958-59 Fiscal Year.

Revenue from license fees, penalties and fines is estimated to be \$44,600 during the budget year, an increase of \$895 or 2.1 percent more than estimated revenue for the current year.

The accumulated surplus as of June 30, 1960, is estimated to be \$1,308 or 5.7 percent less than the June 30, 1959 balance of \$22,881.

The budget for the current year has been augmented by an Emergency Fund authorization in the amount of \$478, which was requested for operating expenses, due to increased costs for insurance premiums, printing charges, and pro rata Attorney General charges.

Traveling—in-state (budget page 524, line 35) \$7,680

An increase of \$2,953 or 62.1 percent is proposed over the actual costs for this item in the 1957-58 Fiscal Year. No showing has been made for this increase, and it would appear to be a proposed new level of service.

We recommend the item be reduced by \$2,000.

In-state travel should increase slightly in the budget year over the last actual year. Even with a \$2,000 reduction in the item, the agency would be provided approximately \$1,000 more than it actually expended in 1957-58. This should be more than ample to meet the estimated needs of the agency.

Department of Professional and Vocational Standards

BOARD OF CHIROPRACTIC EXAMINERS

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ITEM 225 of the Budget Bill

Budget page 525

FOR SUPPORT OF BOARD OF CHIROPRACTIC EXAMINERS
FROM THE CHIROPRACTIC EXAMINERS' FUND

Amount requested -----	\$75,057
Estimated to be expended in 1958-59 Fiscal Year -----	73,613
<hr/>	
Increase (2.0 percent) -----	\$1,444
TOTAL RECOMMENDED REDUCTION -----	\$3,000

GENERAL SUMMARY

The Board of Chiropractic Examiners was created for the purpose of examining, licensing, and regulating chiropractors, chiropractic schools and colleges throughout the State.

ANALYSIS

Summary of Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Operating expenses			
Traveling—in-state -----	\$3,000	525	44

Agency expenditures for the 1959-60 Fiscal Year are \$75,057, an increase of \$1,444, or 2.0 percent more than estimated expenditures for the current year.

Revenues for the budget year are estimated to be \$59,165, an increase of \$1,165, or 2.0 percent more than estimated revenues for the 1958-59 Fiscal Year.

As of June 30, 1960, the accumulated surplus is estimated to be \$35,150, a decrease of \$18,298, or 34.2 percent less than the balance estimated for June 30, 1959. Unless the board takes steps to curtail its current rate of expenditures or augment its revenues, it would seem inevitable that the agency's surplus will be exhausted within two years.

The budget for the current year has been augmented by an emergency authorization in the amount of \$2,949. This augmentation was for the following line item operating expenses:

General Expense -----	\$300
Printing -----	1,153
Communications -----	1,063
Traveling—in-state -----	5
Rent—building space -----	31
Pro rata charges -----	507
Examination -----	90
Less budgetary adjustments -----	—200

Generally, these augmentations are attributable to increased allowances as per Department of Finance Price Letter, and also to bring the items into line with the prior year expenditures.

Traveling—in-state (budget page 525, line 44) ----- \$12,272

We note the agency is proposing a \$3,292, or 36.7 percent increase in this item over actual expenditures for 1957-58. Actual expenditures

Board of Chiropractic Examiners—Continued

for in-state traveling for the past four years has averaged only \$7,834 per year. The actual cost of in-state travel for the 1957-58 Fiscal Year was \$8,980.

The agency has received no augmentations of staff to warrant such an increase for this item and workload increases affecting travel are nominal. The amount proposed in the item would provide a new and unjustified level of service.

We recommend a reduction in the item of \$3,000.

Department of Professional and Vocational Standards

BOARD OF REGISTRATION FOR CIVIL AND PROFESSIONAL ENGINEERS

ITEM 226 of the Budget Bill

Budget page 526

FOR SUPPORT OF BOARD OF REGISTRATION FOR CIVIL AND PROFESSIONAL ENGINEERS FROM THE PROFESSIONAL ENGINEERS' FUND

Amount requested	\$308,376
Estimated to be expended in 1958-59 Fiscal Year.....	300,979
<hr/>	
Increase (2.5 percent)	\$7,397
TOTAL RECOMMENDED REDUCTION.....	\$10,932

GENERAL SUMMARY

The Board of Registration for Civil and Professional Engineers examines, licenses and regulates civil engineers, land surveyors, structural engineers, chemical engineers, electrical engineers, mechanical engineers and petroleum engineers on a statewide basis.

ANALYSIS

	Summary of Reductions		
	Amount	Page	Line
Salaries and wages			
Investigator	\$5,232	526	60
Operating expenses			
Traveling—in-state	4,000	526	73
Traveling—out-of-state	1,700	526	74
<hr/>			
Total recommended reduction	\$10,932		

Proposed expenditures for the 1959-60 Fiscal Year are \$308,376, an increase of \$7,397 or 2.5 percent more than estimated expenditures for the current year.

Revenues are estimated to accrue in the budget year at \$274,660, an increase of \$27,310 or 11.0 percent more than estimated revenues for the current year.

The accumulated surplus as of June 30, 1960, is estimated to be \$129,618, a decrease of \$47,086 or 26.6 percent less than the estimated surplus as of June 30, 1959.

We note in the "General Analysis" (table of workload) appearing in the middle of page 526 of the Governor's Budget, the agency shows for the 1957-58 Fiscal Year that it received 4,906 applications, whereas in that same year, it is indicated 8,229 examinations were actually conducted. In 1956-57, 7,443 applications were received and 5,679 examina-

Board of Registration for Civil and Professional Engineers—Continued

tions conducted so it is possible that 1,764 applications were carried over to 1957-58. However, this number added to the 4,906 applications for 1957-58 is still 1,557 short of the number of examinations said to have been given. Since applications are estimated to exceed examinations by substantial numbers in both the current and budget years, we cannot explain how more examinations could have been given than applications received, and must question the validity of the workload figures given.

Investigator (budget page 526, line 60)----- \$31,074

The agency is currently authorized five positions of investigator. Supplementary budget justification material reflects the agency presently has no backlog of investigations. One position of investigator was unfilled in the 1957-58 Fiscal Year. The agency actually closed 375 investigations with the utilization of only four positions, or an average of approximately 94 investigations per investigator. The agency estimates it will close only 400 investigations in the budget year, which is six more investigations per investigator than were actually closed in 1957-58. This slight increase in the number of investigations does not justify the retention of a fifth position of investigator.

We, therefore, recommend that the position of investigator be deleted, effecting a reduction of \$5,232 and that further reductions be effected in related operating expenses.

Traveling—in-state (budget page 526, line 73)----- \$16,620

The agency proposes an increase of \$5,153 or 44.1 percent over the amount actually expended in the 1957-58 Fiscal Year. No explanation of the necessity for this increase has been received. The actual cost of this item over the past four years has averaged \$12,741 per year. The costs for this item in the 1957-58 Fiscal Year were slightly less than the four-year average, probably due to the fact that only four positions of investigator were utilized in that year.

We recommend that the item be reduced by \$4,000.

Traveling—out-of-state (budget page 526, line 74)----- \$2,700

An increase of \$1,867 or 224 percent is proposed for this item over the actual costs incurred in the 1957-58 Fiscal Year.

We recommend that this item be reduced by \$1,700.

The proposed cost of \$2,700 is based on the attendance of three out-of-state meetings in the budget year. While agency budget material does not indicate the number of individuals from the board scheduled to attend these meetings (being held in Virginia, Colorado and New York), it does reflect that 33 man-days will be involved in the attendance of these meetings or an average 11 man-days per meeting.

Since the average actual costs for this item over the past four years has been only \$820 per year, we believe that \$1,000 for this item should provide the funds necessary to attend these meetings. No reasons have been given why more people or a greater length of time is necessary or what additional benefits, if any, will accrue to the State or the agency from the additional expenditure.

222 Department of Professional and Vocational Standards
CONTRACTORS' LICENSE BOARD

ITEM ~~227~~ of the Budget Bill

Budget page 527

**FOR SUPPORT OF CONTRACTORS' LICENSE BOARD FROM
 THE CONTRACTORS' LICENSE FUND**

Amount requested	\$923,239
Estimated to be expended in 1958-59 Fiscal Year	893,720
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Increase (3.3 percent)	\$29,519
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

The Contractors' License Board was created for the purpose of examining, licensing and regulating general engineering, general building and specialty contractors engaged in the construction industry of the State.

Proposed expenditures for the 1959-60 Fiscal Year are \$923,239, an increase of \$29,519 or 3.3 percent over estimated expenditures for the current year.

A proposed doubling of existing license fees in the budget year is estimated to provide the agency revenues amounting to \$1,386,865, which is \$464,890 or 50.0 percent more revenue than estimated for the current year.

This substantial augmentation in revenue should increase the level of the accumulated surplus from \$31,115 on June 30, 1959 to an estimated \$440,827 on June 30, 1960.

The budget for the current year has been augmented by an emergency authorization of \$20,968 in the following line items of operating expenses:

General expense	\$1,685
Printing	5,542
Communications	4,089
Rent—building space	3,812
Pro rata charges	5,840

The augmentation in the current year is attributable to general price increases as per Department of Finance letter.

We recommend approval of the item.

223 Department of Professional and Vocational Standards
BOARD OF COSMETOLOGY

ITEM ~~228~~ of the Budget Bill

Budget page 529

**FOR SUPPORT OF BOARD OF COSMETOLOGY FROM THE
 COSMETOLOGY CONTINGENT FUND**

Amount requested	\$262,594
Estimated to be expended in 1958-59 Fiscal Year	260,564
<hr/>	
Increase (0.8 percent)	\$2,030
TOTAL RECOMMENDED REDUCTION	\$3,457

Board of Cosmetology—Continued
GENERAL SUMMARY

The Board of Cosmetology was created for the purpose of examining, licensing and regulating beauty shops and cosmetology schools, as well as cosmeticians, manicurists, electrologists and hairdressers operating throughout the State.

ANALYSIS

Agency expenditures for the budget year are proposed at \$262,594, an increase of \$2,030 or 0.8 percent more than estimated expenditures for the current year.

Revenue is estimated to be \$323,350 in the 1959-60 Fiscal Year which is \$13,730 or 4.4 percent over revenue estimates for the 1958-59 Fiscal Year.

As of June 30, 1960, the accumulated surplus is estimated to be \$166,951, an increase of \$49,348 or 42.0 percent more than the surplus balance estimated for June 30, 1959.

Intermediate typist-clerk (budget page 529, line 35)----- \$3,457

The agency's request would increase the total number of clerical positions to 13.3. Justification is based on workload increases which are stated to include the following activities: typing of form letters and related work; cataloguing of purged files; correspondence relating to educational tests; filing of educational tests; and administering and grading of educational tests.

We recommend deletion of the position.

Clerical workload is essentially related to the number of individuals licensed by the board and, on this premise, we base our recommended deletion.

The agency received its last increment in clerical staff in the 1957-58 Fiscal Year when it was authorized an additional 1.5 clerical positions. The number of authorized and utilized clerical personnel and licensee ratios are reflected in the following table:

<i>Fiscal year</i>	<i>Clerical positions</i>		<i>Number of licensees</i>	<i>Clerical licensee ratio</i>
	<i>Authorized</i>	<i>Utilized</i>		
1954-55 (actual) -----	10.8	8.9	65,412	7,349
1955-56 (actual) -----	10.3	10.3	68,550	6,655
1956-57 (actual) -----	10.8	10.7	69,653	6,509
1957-58 (actual) -----	12.3	11.7	72,677	6,211
1958-59 (estimated) -----	12.3	12.3	75,500	6,138
1959-60 (estimated) -----	12.3	12.3	78,600	6,390
1959-60 (estimated) -----	13.3*	13.3*	78,600	5,909*

* With proposed position.

The foregoing table reflects that the four-year (1954-55 to 1957-58) average ratio of utilized clerical positions to licensees has actually been 6,681. With the inclusion of the additional clerical position in the budget year, the agency proposes to reduce this ratio to 5,909 and is, therefore, requesting an increased level of service. Presently authorized clerical staff should provide the agency a continuation in existing level of service which is less than the four-year average.

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Items ~~229~~ and 230

P. & V. Standards

Department of Professional and Vocational Standards
BOARD OF DENTAL EXAMINERS

ITEM 229 of the Budget Bill

Budget page 530

FOR SUPPORT OF BOARD OF DENTAL EXAMINERS
FROM THE STATE DENTISTRY FUND

Amount requested	\$129,841
Estimated to be expended in 1958-59 Fiscal Year.....	105,997
Increase (22.5 percent)	\$23,844

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Board of Dental Examiners was created for the purpose of regulating the practice of dentistry which is accomplished through the examination and licensure of dentists and dental hygienists throughout the State.

Proposed expenditures for the 1959-60 Fiscal Year are \$129,841, an increase of \$23,844 or 22.5 percent more than estimated expenditures for 1958-59.

Revenue in the budget year is estimated to accrue in the amount of \$132,684, an increase of \$14,844 or 12.6 percent more than current year revenue estimates.

The accumulated surplus as of June 30, 1960, is estimated to be \$99,096, a decline of \$1,203 or 1.2 percent under the balance estimated for June 30, 1959.

The agency received an emergency authorization in the current year amounting to \$1,595. This is attributable to a \$104 increase in equipment (wardrobe closet) necessitated by the proposed office move to Sacramento, and to a \$1,491 increase in operating expenses, as follows: \$1,025 for fingerprint reports which were formerly obtained from the Bureau of Criminal Identification and Investigation at no cost to the board; \$250 moving expense to the new state building and the remaining \$320 is said to be for overall increases as allowed by the Department of Finance's Price Letter.

The budget reflects a request for an intermediate typist-clerk increasing the total number of positions in the clerical category to four which appears to be justified on the basis of overall workload increases and due to the fact an offsetting reduction has been made in temporary help.

We recommend approval of the budget.

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Department of Professional and Vocational Standards
BOARD OF DRY CLEANERS

ITEM ~~230~~ of the Budget Bill

Budget page 531

FOR SUPPORT OF BOARD OF DRY CLEANERS FROM THE DRY
CLEANERS' FUND

Amount requested	\$222,088
Estimated to be expended in 1958-59 Fiscal Year.....	244,212
Decrease (9.1 percent)	\$22,124

TOTAL RECOMMENDED REDUCTION..... None

Board of Dry Cleaners—Continued
ANALYSIS

The Board of Dry Cleaners was created for the purpose of establishing rules and regulations for the conduct of the dry cleaning industry, examining applicants for licensure, and licensing and inspecting dry cleaning and dyeing establishments throughout the State.

Proposed expenditures for the 1959-60 Fiscal Year of \$222,088 represents a decline of \$22,124 or 9.1 percent less than estimated expenditures for the current year. The substantial decline in agency expenditures is attributable to the nonrecurrence of an item under operating expenses for "services by the University of California for research on cleaning and maintenance on fabrics." For a number of years the board has transferred \$25,000 annually for this research.

Revenues are estimated to be \$306,060 in the budget year, which is \$1,280 or 0.4 percent more than estimated revenues for 1958-59.

As of June 30, 1960, the accumulated surplus is estimated to be \$134,174, an increase of \$47,637 or 55.0 percent more than the balance estimated for June 30, 1959.

In the current year, the board received an Emergency Authorization amounting to \$2,974 in the following categories:

Salaries and wages	\$1,089
Operating expenses	1,885

The augmentation in operating expenses is attributable to increased allowances for certain line items under this category as per the Department of Finance's Price Letter.

The reasons set forth as necessitating an augmentation under Salaries and Wages are as follows:

"Per diem (of expert examiners) increased in November, 1957, from \$15 to \$25 per day. Although there is a reduction in the number of persons estimated to be examined in 1958-59 under the number actually examined in 1957-58, the same number of days will be required, with a lesser number of candidates per day. As a per diem is paid, the cost is dependent on the number of days rather than the number of candidates, therefore, the increase is based on the increased per diems."

Since the new allowance for per diems was made as early as November, 1957, and no provision for these increases was made in the 1958-59 budget, it would appear this particular emergency augmentation resulted from inadequate budget preparation.

The budget includes a transfer of \$60,000 to the State Fire Marshal as a continuing budget item. Over a 13-year period these transfers have totaled \$780,000.

We recommend approval as submitted.

226

Department of Professional and Vocational Standards
BOARD OF FUNERAL DIRECTORS AND EMBALMERS

ITEM 231 of the Budget Bill

Budget page 533

FOR SUPPORT OF BOARD OF FUNERAL DIRECTORS AND EMBALMERS FROM THE FUNERAL DIRECTORS' AND EMBALMERS' FUND

Amount requested	\$53,807
Estimated to be expended in 1958-59 Fiscal Year.....	53,293
<hr/>	
Increase (1.0 percent).....	\$514

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Board of Funeral Directors and Embalmers was established for the purpose of licensing, examining and regulating the activities of embalmers and funeral directors throughout the State.

Budget year expenditures are proposed at \$53,807, which is \$514 or 1.0 percent more than current year estimated expenditures.

Revenue in the 1959-60 Fiscal Year is estimated to be \$63,982, an increase of \$3,642 or 6.0 percent over the estimated revenue for the 1958-59 Fiscal Year.

The accumulated surplus as of June 30, 1960 is estimated to be \$47,375 or 19.5 percent more than the surplus estimated for June 30, 1959.

We recommend approval as budgeted.

227

Department of Professional and Vocational Standards
BUREAU OF FURNITURE AND BEDDING INSPECTION

ITEM 232 of the Budget Bill

Budget page 534

FOR SUPPORT OF BUREAU OF FURNITURE AND BEDDING INSPECTION FROM THE FURNITURE AND BEDDING INSPECTION FUND

Amount requested	\$326,159
Estimated to be expended in 1958-59 Fiscal Year.....	312,808
<hr/>	
Increase (4.3 percent).....	\$13,351

TOTAL RECOMMENDED REDUCTION..... \$13,024

GENERAL SUMMARY

The Bureau of Furniture and Bedding Inspection was created for the purpose of licensing and regulating sellers and processors of overstuffed furniture and articles of bedding to insure truthful labeling.

ANALYSIS

Summary of Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Salaries and wages			
2 Inspectors	\$9,024	534	64
Operating expenses			
Traveling—in-state	4,000	534	77
<hr/>			
Total recommended reduction	\$13,024		

Proposed expenditures for the 1959-60 Fiscal Year are \$326,159 an increase of \$13,351 or 4.3 percent over the estimated expenditures for the 1958-59 Fiscal Year.

Bureau of Furniture and Bedding Inspection—Continued

Revenues of \$359,963 are expected to remain the same for the current and budget years.

The accumulated surplus as of June 30, 1960, is estimated to be \$160,719, an increase of \$14,161 or 9.1 percent more than the estimated balance on June 30, 1959.

The agency's budget for the current year has been augmented by an emergency authorization in the amount of \$7,336 in the following line items of operating expenses:

General expense -----	\$1,435
Communications -----	1,375
Rent—building space -----	210
Pro-rata charges -----	4,416
Laboratory testing -----	2,400
Less: Budgetary adjustments -----	—2,500

The augmentation is stated in the "General Analysis" to be necessary to " * * * provide for an increased number of disciplinary cases pending and for facilities necessary to test synthetic materials used in the construction of overstuffed furniture."

The Governor's Council Report of this agency for December, 1958, provides the following information:

	As of Dec. 31, 1957	As of Dec. 31, 1958	Difference	
	(57-58 F.Y.)	(58-59 F.Y.)	Amount	Percent
Total inspections made ---	14,314	8,445	—5,869	—41.0
Total inspection orders written -----	8,671	5,641	—3,030	—34.9
Total complaints referred to investigation -----	4,093	2,975	—1,118	—27.3
Total investigations completed -----	3,908	2,992	—916	—23.4
Total cases to prosecution and disciplinary action ---	13	6	—6	—46.2
Total prosecutions and administrative hearings closed -----	13	5	—8	—61.5

In view of the decreased level of activity revealed by this report, it does not seem possible for the agency to be experiencing an increase in pending disciplinary cases. Just the reverse should be true.

Inspector (budget page 534, line 64) ----- \$152,043

The agency has 25 positions of inspector presently authorized, however, two of these positions have been continuously unfilled between October 1, 1957, and July 1, 1958, and we understand the positions are still vacant.

We recommend that two existing inspector positions be deleted from the budget, effecting a reduction of \$9,024.

In 1957-58 Fiscal Year with the utilization of 22.2 (filled) positions of inspector, the agency completed 25,618 inspections and investigations reflecting an average of 1,153 completions per inspector.

Bureau of Furniture and Bedding Inspection—Continued

In the budget year the agency estimates it will conduct 26,150 inspections and investigations with the utilization of 25 inspectors, reflecting an average of 1,046 completions per inspector. This obviously results in an increased level of service.

The agency can achieve a comparable level of service to the 1957-58 Fiscal Year with the utilization of only 23 positions of inspector. Applying the 1957-58 average completions per inspector to 23 positions (1,153 × 23) reveals that the agency can complete 26,519 inspections and investigations in the budget year which is 369 more than the agency proposes to accomplish.

Traveling—in-state (budget page 534, line 77)_____ \$32,810

An increase of \$6,068 or 22.7 percent is proposed over the actual costs of the 1957-58 Fiscal Year. No reasons are given for this increase.

We recognize that while some in-state traveling is done by the board and its assistant, the bulk of the agency's cost for this item is attributable to the travel of the inspector positions.

While there will be more traveling positions utilized by the agency in the budget year than were actually used last year, the cost of this travel should not exceed \$2,000 over the actual costs of 1957-58.

We recommend that this item be reduced by \$4,000.

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Department of Professional and Vocational Standards

BOARD OF GUIDE DOGS FOR THE BLIND

ITEM 233 of the Budget Bill

Budget page 535

**FOR SUPPORT OF BOARD OF GUIDE DOGS FOR THE BLIND
FROM THE GENERAL FUND**

Amount requested _____	\$2,228
Estimated to be expended in 1958-59 Fiscal Year _____	670
<hr/>	
Increase (232.5 percent) _____	\$1,558

TOTAL RECOMMENDED REDUCTION _____ \$1,500

GENERAL SUMMARY

The Board of Guide Dogs for the Blind was created for the purpose of examining, licensing and regulating guide dog trainers and guide dog schools.

	Summary of Reductions	<i>Budget</i>		
		<i>Amount</i>	<i>Page</i>	<i>Line</i>
Operating expenses				
Services from other agencies _____	\$1,500	536		8

ANALYSIS

Proposed expenditures from the General Fund for the budget year are \$2,228, an increase of \$1,558 or 232.5 percent more than estimated expenditures for the current year.

The board presently has nine dog trainers and four dog-training school licenses in effect from which revenues are estimated to accrue at the rate of \$80 during the current and budget years.

Board of Guide Dogs for the Blind—Continued

Although the board licenses nine individuals as dog trainers, only seven of these are said to be actively engaged in this line of work. Whereas the board issues four licenses to dog-training schools, this results from the fact that one school is required by a legal complication to possess two licenses. Thus, in effect, the board is responsible for the regulation of seven individuals working in three accredited schools.

Due to the nominal workload of this agency, no permanent staff has been previously provided. Although the board is technically an agency under the jurisdiction of departmental administration, its function, for a number of years, has been administered through the donated services of the Chief of the Bureau of Vocational Rehabilitation of the Department of Education.

Services from other agencies (budget page 536, line 8)----- \$1,500

A recent letter to the director reflects that the bureau chief is no longer able to furnish his services to the board, and consequently \$1,500 has been included in the agency's 1959-60 budget proposal as representing the estimated amount necessary for these administrative services to be provided on a contract basis.

We recommend deletion of this item.

If this item were approved, the annual average cost for regulation would increase from approximately \$100 to roughly \$300 per licensee.

While we recognize that a certain amount of administrative services are necessary for the operation of the board, we do not believe the agency's overall workload (involving the regulation of only seven licensees) is sufficient to justify the amount of administrative services proposed.

Since virtually no fieldwork is included in these administrative services and the principal workload is essentially that of board matters and correspondence, we believe that these services could be provided the agency during minimum workload periods by some individual within departmental administration, and since only a few hours weekly is required for these services, we believe the costs should be absorbed by departmental administration.

Alternatively, consideration should be given to the fact the Department of Education already has a statewide program in operation for providing rehabilitation services to the blind. Although in an unofficial capacity, the department has, in effect, provided the necessary administrative services to this board for a number of years through the donated services of its Chief of the Bureau of Vocational Rehabilitation. In view of the fact this department is already conducting other programs for the blind and is generally familiar with the program of the Board of Guide Dogs for the Blind, it would seem appropriate and desirable that the administrative responsibility for this board should be transferred from the Department of Professional and Vocational Standards to the Department of Education. This would require legislation.

Department of Professional and Vocational Standards

BOARD OF LANDSCAPE ARCHITECTS

229
ITEM 234 of the Budget Bill

Budget page 536

FOR SUPPORT OF BOARD OF LANDSCAPE ARCHITECTS FROM THE STATE BOARD OF LANDSCAPE ARCHITECTS FUND

Amount requested	\$18,628
Estimated to be expended in 1958-59 Fiscal Year	16,736
<hr/>	
Increase (11.3 percent)	\$1,892
TOTAL RECOMMENDED REDUCTION	\$3,001

GENERAL SUMMARY

The Board of Landscape Architects was created for the purpose of examining, licensing and regulating the activities of landscape architects throughout the State.

ANALYSIS

Summary of Reductions

Budget

	Amount	Page	Line
Operating expenses			
Traveling in-state	\$1,176	537	6
Examination	1,000	537	9
Services from other agencies	825	537	10
<hr/>			
Total recommended reductions	\$3,001		

Proposed support expenditures for the budget year are \$18,628, an increase of \$1,892 or 11.3 percent more than estimated expenditures for the current year.

Revenues for the 1959-60 Fiscal Year are estimated to be \$19,415, reflecting an increase of \$1,360 or 7.5 percent over estimated expenditures for 1958-59.

The accumulated surplus as of June 30, 1960, is estimated to be \$32,538, an increase of \$427 or 1.3 percent more than the estimated surplus for June 30, 1959.

The Governor's Budget reflects the agency received an emergency authorization in the current year in the amount of \$1,892 in the following categories:

Salaries and wages	\$1,127
Operating expenses	765

Under salaries and wages, an increase of \$127 in temporary help is stated to have been necessary to bring current year costs for this item in line with actual 1957-58 expenditures.

Another increase of \$1,000 under salaries and wages, also in temporary help (for intermittent examiners) is stated to have resulted from a simple transfer of \$1,000 from the operating expenses section of the budget to the salaries and wage section. This categorical transfer of money stemmed from a decision by the board to secure the services of intermittent examiners on a per diem basis (under salaries and wages) rather than on a contract basis (under operating expenses). Thus, while salaries and wages was augmented by \$1,000, an offsetting reduction of \$1,000 in operating expenses was supposed to have been effected, reducing the amounts shown for "examination" (for the

Board of Landscape Architects—Continued

current and budget years) from \$1,235 to \$235. This, apparently, is an error in the budget since no such offsetting reduction has been made for this item in the budget.

Examination (budget page 537, line 9)----- \$1,235

In order to insure that the necessary revision is effected in the budget year, we recommend a \$1,000 reduction in this item and approval of the remaining \$235.

Another augmentation is contained in the current year's budget under operating expenses for "traveling—in-State" in the amount of \$546. Budget material submitted by the Department of Finance explains this augmentation as being attributable to "... auto mileage and auto operation to bring it in line with actual past expenditures which include pro rata expenses of investigator."

We direct attention to the fact that this agency does not have and has not at any time been authorized an investigator or investigative services. At the 1958 session of the Legislature, the agency requested funds for the purpose of obtaining investigative service, but since the request was not supported by workload justification and would have provided the agency a new level of service, the Legislature specifically denied the agency's request and reduced its budget accordingly. Now, it is indicated that the agency obtained an emergency authorization in the current year to provide for the pro rata expenses of an investigator, in spite of the fact the 1958 Legislature expressed a specific intent that no such funds be provided for this purpose.

Traveling—in-state (budget page 537, line 6)----- \$3,500

The agency was budgeted \$2,324 for this item in the current year and the foregoing information points out it received an emergency authorization to augment the item (by \$546) to \$2,870. The requested increase is also based upon the travel of an investigator. Since traveling in-state for an investigator is not now and was not an authorized item of operating expense, there was apparently no justification for the emergency authorization to augment this item in the current year, and the item should have remained as originally budgeted at \$2,324.

In view of the fact the agency is proposing \$3,500 for in-state travel in the budget year, and has made no showing of workload increases to support the increased cost of this item, but still more important has apparently predicated the amount of this item to include an unauthorized item of expense, we cannot support the agency's request.

We therefore recommend that the agency be provided the same funds for this item in the budget year as were originally budgeted in the current year, hence, we recommend this item be reduced by \$1,176 and that \$2,324 be allowed.

Services from other agencies (budget page 837, line 10)----- \$3,825

In line with our previous recommendation, it appears this item also includes funds to secure a certain amount of investigative services through "services from other agencies in the budget year." We reiterate

Bureau of Landscape Architects—Continued

that the agency does not have authorization for such services and the budgeting of funds for such constitutes a new and unsupported level of service.

We recommend that this item, appearing in the budget year at \$3,825, be brought into line with the amount budgeted in the current year, effecting a reduction in the item of \$825 to reduce it to the level allowed for the current year.

We call attention to the fact that when the agency's current year budget was under consideration by the 1958 Legislature our office pointed out in the budget analysis the agency had received an emergency authorization in the then current year (1957-58) to provide for an agreement between it and the Board of Examiners in Veterinary Medicine and the Yacht and Ship Brokers Commission whereby certain services would be shared.

This sharing of services program was initiated prior to review by the 1958 Legislature. We pointed out in last year's budget analysis the dangers of such a program, as follows:

"To permit the transfer of funds between agencies on a lump sum basis, as is proposed here, without supporting detail and justification, can result in the institution of new programs and services without prior legislative review and approval, and has apparently occurred in this instance." Apparently this lump sum transfer device can also be used to implement programs and activities which have been specifically refused approval by the Legislature. We, therefore, recommend that the agency and the department be directed to provide a breakdown of the functional details of all such proposed transfers together with justification therefore of the same kind and to the same extent as would be required if the items were requested as line items by categories in the budget.

Department of Professional and Vocational Standards

BOARD OF MEDICAL EXAMINERS

ITEMS 235, 236 and 237 of the Budget Bill

Budget page 537

230, 231 and 232
FOR SUPPORT OF BOARD OF MEDICAL EXAMINERS FROM THE MEDICAL EXAMINERS CONTINGENT FUND AND PHYSICAL THERAPY FUND

Amount requested	\$395,105
Estimated to be expended in 1958-59 Fiscal Year	343,091
Increase (15.2 percent)	\$52,014
TOTAL RECOMMENDED REDUCTION	\$12,318

GENERAL SUMMARY

The board is responsible for examining, licensing and regulating physicians, dispensing opticians, midwives, registered and physical therapists. Legislation in 1957 added psychologists and chiroprodists to the board's jurisdiction. All of the aforementioned groups are supported from the Medical Examiners' Contingent Fund with the excep-

Board of Medical Examiners—Continued

tion of the licensed physical therapists which are supported from the Physical Therapy Fund.

ANALYSIS	Summary of Reductions	Amount	Budget	
			Page	Line
1 special investigator -----		\$5,232	538	43
1 intermediate stenographer clerk -----		3,630	538	44
1 intermediate typist clerk -----		3,456	538	45
		\$12,318		

Medical Practice Act

Proposed expenditures for 1959-60 are \$371,320, an increase of \$50,674, or 15.8 percent more than expenditures estimated for the current year.

Revenues are estimated at \$297,700 for 1959-60, an increase of \$4,920 or 1.7 percent over expected revenues for 1958-59. Surplus as of June 30, 1960, is expected to be \$326,218, a decrease of \$90,711 or 21 percent from the estimated surplus on June 30, 1959.

The board is requesting a total of six new positions including one administrative assistant I, two special investigators and three clerical positions. On the basis of the board's increasing workload, much of it the result of 1957 legislation, and the present staff of similar boards, it appears the administrative assistant position is justified and approval is recommended.

2 Special investigators (budget page 538, line 43) ----- \$10,464

The agency's request would increase the total number of investigator positions to 10.

The request for these positions is based on work units composed of licenses and complaints. The following table shows comparative workload between years:

	Investigative Workload, Licenses and Complaints				
	55-56	Actual 56-57	57-58	Estimated 58-59 59-60	
Work units -----	33,935	35,693	39,408	42,471	44,750
Average per investigator -----	--	--	4,920	5,309	4,972*

* Includes one additional investigator.

It is recommended one special investigator be deleted for a saving of \$5,232.

Average units per investigator, based on actual investigator positions filled, for 1955-56 are 4,779 and for 1956-57 are 4,889, indicating the average per investigator for the three actual years 1955-56 through 1957-58 is 4,864. It is not clear why the board used nine investigators in arriving at its 1959-60 estimate of 4,972 when, if its present request were allowed, it would have a total of 10 investigators, but on the basis of 10 investigators, the average per investigator for 1959-60 would decline to 4,475. If only one of the two requested positions is allowed, the average will be 4,972, only 2 percent above the board's average past experience. This small increase would hardly seem to justify more than one additional full position.

Board of Medical Examiners—Continued

- 2 Intermediate stenographer-clerk (budget page 538, item 44) \$7,260
- 1 Intermediate typist-clerk (budget page 538, item 45)----- 3,456

The board relates its need for one stenographer and one typist position to the number of licensees per clerk and supplies the following table in its justification material:

	<i>Actual</i>		<i>Estimated</i>		
	1955-56	1956-57	1957-58	1958-59	1959-60
Licensees -----	33,582	35,238	38,881	41,871	44,075
Average per clerk -----	---	---	2,880	3,102	2,844*

* Includes the requested positions.

It is recommended one intermediate stenographer-clerk position and one intermediate typist-clerk be deleted for a savings of \$7,086.

It is not specified by the board what clerical positions were used to arrive at the averages shown for the years since 1957-58, but using all clerical positions as the basis, roughly the same data as shown in the table can be derived. In 1957-58 the board had 13.5 clerical positions which results in an average of 2,991 licensees per clerk, slightly more than the board calculates. On the same basis, the estimated average per clerk is 3,101 for 1958-59 compared with 3,102 in the board's calculation. On the same basis of all clerical positions, the average for 1955-56 is 3,292 and for 1956-57 2,842. For the last three actual years the average per clerk is 3,041.

On the basis of 3,041 licensees per clerk, the estimated workload of 44,075 licensees for 1959-60 would require 14.5 clerical positions. If the board's present request were allowed, the clerical staff would number 16.5, or two full positions more than past experience indicates would be required to handle the workload. In effect, the addition of the two requested positions would provide a higher level of service.

The other position, one intermediate stenographer-clerk, requested by the board appears justified by increased workload, especially that occasioned by the addition of psychologists and chiropodists, to the board's responsibilities in recent years. Approval is recommended.

Registered Physical Therapists

(Supported from the Medical Examiners' Fund)

Proposed expenditures for the budget year are \$12,696, an increase of \$519, or 4.2 percent over estimated expenditures for the 1958-59 Fiscal Year.

Revenues for the 1959-60 Fiscal Year are estimated at \$8,150, an increase of \$100, or 1.2 percent over estimated revenues for 1958-59.

We recommend approval as budgeted.

Licensed Physical Therapists

(Supported from the Physical Therapy Fund)

Proposed expenditures for the 1959-60 Fiscal Year are \$11,089, an increase of \$821, or 7.5 percent over estimated expenditures for 1958-59.

Revenues for 1959-60 are estimated at \$7,850, the same as are estimated for 1958-59.

The accumulated surplus as of June 30, 1960, is estimated at \$13,576, a decrease of \$3,866, or 22.1 percent, from the estimated surplus for June 30, 1959.

Board of Optometry—Continued

been made to substantiate the need for this increase, and therefore, it would appear to be a proposed new level of service.

We recommend that the item be reduced by \$5,000.

Only two new traveling positions (2 inspectors) have been authorized the agency since the 1957-58 Fiscal Year, consequently an additional \$5,175 should provide ample funds to cover the in-state traveling costs of these two positions in the Budget Year.

Item—building space (budget page 543, line 75) ----- \$13,045

A portion of the increased cost for this item is attributable to space rate increases in the Los Angeles office. Information furnished by the Department of Finance reveals the board is proposing to relocate its San Francisco office from the Joslin Building (where it currently utilizes 1,475 square feet at a monthly cost of 17 cents per square foot) to the new State Building where it proposes to acquire 2,150 square feet at a monthly cost of 33 cents per square foot. The proposed new space and space rate for the San Francisco office would augment the agency's costs for "rent—building space" by \$5,073 in the budget year.

We recommend that "rent—building space" be reduced in the amount of \$5,073 and that the remaining \$8,972 for this item be approved.

Supplementary budget justification material has not been received justifying this office relocation. In view of the agency's precarious financial condition, it does not appear that this agency can afford to expand the amount of space utilized for its operation and that it cannot afford to pay the cost of space in the new State Building. We suggest that the agency either renew its present lease in the Joslin Building or find other space at approximately its present size and cost.

236 Department of Professional and Vocational Standards
BUREAU OF PRIVATE INVESTIGATORS AND ADJUSTERS

ITEM 241 of the Budget Bill

Budget page 544

FOR SUPPORT OF BUREAU OF PRIVATE INVESTIGATORS AND ADJUSTERS FROM THE PRIVATE INVESTIGATOR AND ADJUSTER FUND

Amount requested	\$37,844
Estimated to be expended in 1958-59 Fiscal Year	37,109
Increase (2.0 percent)	\$735
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

The Bureau of Private Investigators and Adjusters was created for the purpose of licensing and regulating private investigators, private patrol operators, and insurance adjusters.

Expenditures proposed for the 1959-60 Fiscal Year are \$37,844, an increase of \$735 or 2.0 percent more than estimated expenditures for the current year.

Board of Private Investigators and Adjusters—Continued

Agency revenues in the budget year are estimated to be \$21,546, representing a decrease of \$15,699 or 42.2 percent under the estimated revenues for 1958-59.

The accumulated surplus as of June 30, 1960, is estimated to be \$166,479, a decrease of \$18,058 or 9.8 percent less than the estimated surplus balance for June 30, 1959.

We recommend approval of this budget item.

237

Department of Professional and Vocational Standards
CERTIFIED SHORTHAND REPORTERS BOARD

ITEM ~~242~~ of the Budget Bill

Budget page 546

**FOR SUPPORT OF CERTIFIED SHORTHAND REPORTERS BOARD
 FROM THE SHORTHAND REPORTERS' FUND**

Amount requested	\$15,106
Estimated to be expended in 1958-59 Fiscal Year	15,530
Decrease (2.7 percent)	<u>\$424</u>

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Certified Shorthand Reporters' Board was created for the purpose of administering the Shorthand Reporters' Act which provides for the examination, certification and regulation of shorthand reporters.

Agency expenditures for the budget year are proposed at \$15,106, a decrease of \$424 or 2.7 percent less than expenditures estimated for the current year.

Revenues are estimated to accrue in the 1959-60 Fiscal Year at \$17,580, an increase of \$675 or 4.0 percent more than estimated revenues for the 1958-59 Fiscal Year.

The balance of the accumulated surplus is estimated to be \$36,422, an increase of \$2,084 or 6.1 percent over the estimated surplus level as of June 30, 1959.

The current year's budget was augmented by \$180 for the purpose of purchasing two storage cabinets, said to be necessary due to office relocation in Sacramento.

Although the 1958 Budget Analysis pointed out that this agency was receiving an average of six complaints per year in recent years, a more careful examination of the data contained in the monthly reports to the Governor's Council reveals that the agency is, in fact, receiving substantially fewer than six per year. Over a 41-month period, commencing with July 1, 1955, and ending November 30, 1958, according to the Governor's Council Reports, the agency received only three new complaints or an average of less than one complaint per year. From an enforcement standpoint, it clearly illustrates that the general state of compliance is apparently good—especially since not one of the three complaints was serious enough to warrant a license suspension or revocation.

Certified Shorthand Reporters Board—Continued

In view of the foregoing circumstances, we reiterate our recommendation that legislative consideration be given to abolishing this agency as unnecessary for public safety or welfare.

Pending legislative action, however, we recommend approval of the budget as submitted.

Department of Professional and Vocational Standards

BOARD OF SOCIAL WORK EXAMINERS

ITEM 243 of the Budget Bill

Budget page 547

**FOR SUPPORT OF BOARD OF SOCIAL WORK EXAMINERS
FROM THE REGISTERED SOCIAL WORKERS' FUND**

Amount requested	\$26,417
Estimated to be expended in 1958-59 Fiscal Year	24,843

Increase (6.3 percent)	\$1,574
TOTAL RECOMMENDED REDUCTION.....	\$1,000

GENERAL SUMMARY

The Board of Social Work Examiners was created for the purpose of administering the noncompulsory registration and certification of social workers throughout the State.

ANALYSIS

	Summary of Reductions		Budget
	Amount	Page	Line
Operating expenses			
Traveling—in-state	\$1,000	547	65

Proposed expenditures for the 1959-60 Fiscal Year are \$26,417, an increase of \$1,574, or 6.3 percent more than estimated expenditures for the 1958-59 Fiscal Year.

Agency revenues for the budget year are estimated to be \$20,000, an increase of \$4,300, or 2.7 percent more than estimated revenues for the current year.

Despite this increase in revenue, the accumulated surplus as of June 30, 1960, is estimated to be \$14,533, representing a decline of \$7,595, or 34.3 under the estimated balance for June 30, 1959.

The current rate of decline in the accumulated surplus points up the probability that the agency will be confronted with a surplus exhaustion within two more years. Unless expenditures are curtailed or revenues further augmented, this board cannot remain on a solvent basis.

The budget for the current year has been augmented by an emergency authorization in the amount of \$196. The authorization was used to purchase equipment which is said to have been necessary, due to the relocation of the board's office in the Business and Professions Building.

Traveling—in-state (budget page 547, line 65)..... \$3,718

An increase of \$1,074, or 40.6 percent is proposed in this item over the amount actually expended in the 1957-58 Fiscal Year.

Board of Social Work Examiners—Continued

The agency has no enforcement program in operation. Consequently, any in-state travel increases are attributable to the activities of board members and the executive secretary. The reasons given for a large part of this increase is that the board members have made commitments in the budget year to contact representatives of professional groups throughout the State and the Regents of the University of California for the purpose of raising the professional standards of the licensees of this agency. This is an increase in level of service for an activity not previously performed by the agency. *We recommend that this item be reduced by \$1,000.*

**Department of Professional and Vocational Standards
STRUCTURAL PEST CONTROL BOARD**

ITEM 244 of the Budget Bill

Budget page 548

**FOR SUPPORT OF STRUCTURAL PEST CONTROL BOARD FROM THE
STRUCTURAL PEST CONTROL FUND**

Amount requested -----	\$64,500
Estimated to be expended in 1958-59 Fiscal Year -----	68,723
Decrease (6.1 percent) -----	\$4,223
TOTAL RECOMMENDED REDUCTION -----	None

ANALYSIS

The Structural Pest Control Board was created for the purpose of regulating, through examination and licensure, persons engaged in the practice of structural pest controls, and for the protection of the public.

Agency expenditures for the budget year are proposed at \$64,500, a decrease of \$4,223 or 6.1 percent under estimated expenditures for the current year.

Budget year revenues are estimated to be \$68,200, an increase of \$387 or 0.6 percent more than revenues estimated for the 1958-59 Fiscal Year.

The accumulated surplus as of June 30, 1960, is estimated to be \$29,802, an increase of \$815 or 2.8 percent over the balance estimated for June 30, 1959.

During the current year, the agency's budget was augmented by an emergency authorization in the amount of \$5,000. This was requested for the following:

Salaries and wages -----	\$2,646
Operating expenses -----	2,155
Equipment -----	104
Miscellaneous budget adjustments -----	95

The per diem of board members was increased by \$160 to bring the costs in line with actual expenditures for 1957-58; temporary help costs were increased by \$2,486 due to an emergency requiring employment for six months of a special investigator to assume the duties of one of the permanent employees who required six months layoff; printing costs were augmented by \$865 due to printing of 3,000 copies of the Structural Pest Control Act; examination grading costs were in-

Structural Pest Control Board—Continued

creased \$500 due to increased charges by the State Personnel Board; another increase under operating expenses in the amount of \$400 was for moving charges due to proposed agency relocation to Sacramento; rent-building space was increased \$390 due to brief overlap of leases in connection with office relocation; equipment was augmented \$104 due to purchase of storage cabinet for new quarters, and miscellaneous budget adjustments accounted for \$95.

Items such as inadequate per diem for board members, printing of the Structural Pest Control Act, costs of grading examinations, moving expenses and rent charges, do not appear to result from emergencies but, rather, from inadequate budget preparation. Failure to include them in the budget and their subsequent authorization as "emergency" items precludes legislative review. In this instance, the amounts are not excessive but the contrast with the true emergency resulting from the injury to an employee is most striking.

We recommend approval as submitted.

Department of Professional and Vocational Standards
BOARD OF EXAMINERS IN VETERINARY MEDICINE
 ITEM 245 of the Budget Bill Budget page 549

FOR SUPPORT OF BOARD OF EXAMINERS IN VETERINARY MEDICINE FROM THE VETERINARY EXAMINERS' CONTINGENT FUND

Amount requested	\$22,679
Estimated to be expended in 1958-59 Fiscal Year	21,364
<hr/>	
Increase (6.2 percent)	\$1,315
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

The Board of Examiners in Veterinary Medicine was created for the purpose of regulating the practice of veterinary medicine throughout the State. The budget reflects an agreement between this agency, the Board of Landscape Architects and the Yacht and Ship Brokers Commission to share certain administrative, investigative and clerical services.

Expenditures for the 1959-60 Fiscal Year are proposed at \$22,679, an increase of \$1,315 or 6.2 percent more than estimated expenditures for the 1958-59 Fiscal Year.

Revenue in the budget year is estimated to be \$26,158, an increase of \$2,058 or 8.5 percent over estimated revenue for the current year.

On June 30, 1960, the accumulated surplus is estimated to be \$22,350, an increase of \$2,902 or 14.9 percent over the estimated surplus on June 30, 1959.

Due to the fact more board meetings were conducted than originally scheduled for the current year, an Emergency Fund authorization in the amount of \$580 was necessitated to cover the reimbursement of board members.

We recommend approval of this item.

Department of Professional and Vocational Standards

BOARD OF VOCATIONAL NURSE EXAMINERS

241
ITEM 246 of the Budget Bill

Budget page 551

FOR SUPPORT OF BOARD OF VOCATIONAL NURSE EXAMINERS FROM THE VOCATIONAL NURSE EXAMINERS' FUND

Amount requested	\$52,192
Estimated to be expended in 1958-59 Fiscal Year	51,281
Increase (1.8 percent)	\$911

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Board of Vocational Nurse Examiners was created for the purpose of regulating, through examination and licensure, the practice of vocational nursing in this State.

Expenditures for the budget year are proposed at \$52,192, an increase of \$911 or 1.8 percent more than estimated expenditures for the current year.

Revenues for the 1959-60 Fiscal Year are estimated to be \$48,030, an increase of \$1,074 or 2.3 percent over estimated revenues of \$46,956 for the current year.

The accumulated surplus as of June 30, 1960 is estimated to be \$7,740, a decrease of \$6,642 or 46.2 percent under the balance estimated for June 30, 1959. Unless immediate steps are taken to either increase revenue or decrease expenditures this agency will be confronted with the depletion of its surplus within one year.

The budget for the current year has been augmented by an Emergency Fund authorization in the amount of \$2,898. This authorization was brought about by increased travel due to increased number of board members, increased examination costs by State Personnel Board and overall price increases as per Department of Finance letter.

We recommend approval of the budget as submitted.

Department of Professional and Vocational Standards

YACHT AND SHIP BROKERS COMMISSION

242
ITEM 247 of the Budget Bill

Budget page 552

FOR SUPPORT OF YACHT AND SHIP BROKERS COMMISSION FROM THE YACHT AND SHIP BROKERS FUND

Amount requested	\$15,388
Estimated to be expended in 1958-59 Fiscal Year	15,340
Increase (0.3 percent)	\$48

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Yacht and Ship Brokers Commission examines, classifies and regulates brokers and salesmen of yachts and ships.

Budget year expenditures are proposed at \$15,388, an increase of \$48 or 0.3 percent over those estimated for the current year.

Yacht and Ship Brokers Commission—Continued

Revenue for the 1959-60 Fiscal Year is estimated to be \$20,220, which is \$1,220 or 6.4 percent more than the estimated revenue for the 1958-59 Fiscal Year.

Following legislation enacted in 1957, the commission concluded an agreement with the Board of Landscape Architects and the Board of Examiners in Veterinary Medicine whereby these agencies would be furnished (on a reimbursable basis) certain clerical and administrative services by the commission. Estimated reimbursements for the current year are \$4,917, and in the budget year are \$5,017.

The accumulated surplus as of June 30, 1960, is estimated to be \$40,180, which is \$3,742 or 10.3 percent more than the estimated balance for June 30, 1959.

We recommend approval of this item.

PUBLIC UTILITIES COMMISSION

ITEM ²⁴³248 of the Budget Bill Budget page 553

**FOR SUPPORT OF PUBLIC UTILITIES COMMISSION
FROM THE GENERAL FUND**

Amount requested	\$3,080,540
Estimated to be expended in 1958-59 Fiscal Year	2,871,647
Increase (7.3 percent)	\$208,893
TOTAL RECOMMENDED REDUCTION	\$52,524

GENERAL SUMMARY

The Public Utilities Commission consists of five members, appointed by the Governor for six-year staggered terms subject to confirmation by a majority of the members elected to the Senate. The commission elects one of their number president, who presides at all meetings and in addition to his duties as a member of the commission, in effect, acts as the chief administrative officer of the agency. The president receives the same salary as the other commissioners, which is fixed by Section 11553 of the Government Code at \$19,000 per year.

The total expenditure program for the agency is shown on pages 553 to 559 of the budget, although funds for its support come from two separate appropriations, as follows:

<i>Fund</i>	<i>Budget Bill Item No.</i>	<i>Total expenditures</i>		<i>Increase</i>	
		<i>1958-59</i>	<i>1959-60</i>	<i>Amount</i>	<i>Percent</i>
General	248	\$2,871,647	\$3,080,540	\$208,893	7.3
Transportation rate	249	2,374,145	2,480,938	106,793	4.5
Total		\$5,245,792	\$5,561,478	\$315,686	6.0

Regulatory activities relating to the transportation of property by rail, truck and water for compensation are supported by the Transportation Rate Fund. All others by the General Fund.

The commission has substantially complete jurisdiction over all privately owned public utilities in the State, including carriers of both persons and property and gas, electricity, telephone and water companies. Its principal, but not exclusive, regulatory functions are grant-

Public Utilities Commission—Continued

ing permission to operate, setting rates, prescribing areas of interest, establishing operating standards and procedures and enforcing the laws, rules and regulations.

The decisions or orders of the commission are not subject to review by any other state officer or agency and its findings of fact and conclusions are not subject to review by the courts. In this respect it is probably one of the most nearly autonomous regulatory bodies in State or Federal Government.

The major part of the workload of the agency arises out of an application, filed by a utility or prospective utility subject to regulation by the commission, requesting the commission to take specific action. These applications are acted upon, formally, by the commission after necessary study by the staff. By far the most time consuming are those requesting rate increases, but there are many others.

From the standpoint of procedure much of the work of the commissioners themselves is somewhat similar to that of a court and involves conducting hearings, receiving evidence from interested parties, including the commission's own staff, studying the evidence and preparing a proposed decision. Decisions are issued by the commission as a body, not by individual commissioners, although all proceedings in connection with a particular matter, up to the point of issuing the final decision are normally conducted by individual commissioners rather than by the commission as a body.

The agency maintains its headquarters office in San Francisco, as required by Section 306 of the Public Utilities Code, which in turn dates back to Chapter 641, Statutes of 1877-78.

The staff is distributed, geographically, between San Francisco, Los Angeles and 13 small branch offices in other cities throughout the State.

Approximately 77 percent of the staff is in San Francisco, 17 percent in Los Angeles and 6 percent in the small branch offices.

Two reports, based upon extensive studies, have recently been issued by agencies of the State regarding activities of the Public Utilities Commission. These are:

“Survey of Operations of the Public Utilities Commission, State of California,” prepared by Legislative Analyst, December 12, 1958.

“General Management Survey of the California Public Utilities Commission,” Survey 880, Organization and Cost Control Division, Department of Finance, November 25, 1958.

ANALYSIS	Summary of Reductions	Amount	Budget		
			Page	Line	
Administration:					
1 Senior stenographer-clerk -----		\$4,092	554	68	✓
Utilities division:					
1 Supervising utilities engineer -----		11,400	555	51	✓
1 Senior utilities engineer -----		8,940	555	52	✓
1 senior stenographer-clerk -----		4,092	555	53	✓
Reduction in level, three positions -----		9,000	555	48	
Transportation division:					
Reduction in level, six positions -----		15,000	557	16	✓
Total recommended reduction -----		\$52,524			

Public Utilities Commission—Continued

Administration

Two additional clerical positions are requested, one for the accounting office and one for the docket unit in the general office.

The additional position in the accounting office appears to be justified on a workload basis.

We recommend deletion of one senior stenographer-clerk, \$4,092, for the general office, budget page 554, line 68.

The unit in the general office for which the additional position is requested is the docket unit, which presently consists of four clerks. This unit records all formal filings, maintains the daily calendar, reviews applications for conformity with commission regulations and assists on filings of various sorts.

One of the operations performed in the docket unit is the recording in longhand in large bound volumes, a record of all formal filings and supplemental filings. This information is also available on typed cards maintained in the same unit.

We referred to this operation in our 1958-59 analysis, page 638, and pointed out that it appeared to be a needless duplication in record-keeping and our report on Survey of Operations of the Public Utilities Commission, State of California, issued December 12, 1958, states, on page 49:

“We recommend that the handwritten ‘ledgers’ be discontinued since they are a needless duplication of the card records with a corresponding reduction in personnel.”

In Department of Finance, Organization and Cost Control Survey 880, issued November 25, 1958, the following appears on page 29:

“The books are heavy and cumbersome and since the entries are handwritten they are sometimes difficult to read; some almost to the point of illegibility.” The report further states, page 29,

“It is our opinion that the records of the commission would be adequately safeguarded if the docket were converted to a card system similar to ledger cards used in modern accounting systems.”

As this is written the commission has taken no steps to implement these recommendations.

While we are not prepared to state that the elimination of the handwritten docket book would eliminate the need for one full-time employee, we believe that no additional permanent staff should be approved for the docket unit until its procedures have been modernized and that any actual workload increases in the interim should be supplied by temporary help.

Utilities Division

We recommend deletion of the three new positions requested, budget page 555, lines 57, 52 and 53, \$24,432.

These positions are requested to improve the scope and effectiveness of California's representation in natural gas proceedings before the Federal Power Commission.

Public Utilities Commission—Continued

We do not question the necessity for this increased representation before the federal commission but believe that it should be provided by reassignment of the existing staff. We do not question an increase of \$9,600 in out-of-state travel for that purpose, which is included in the amount of \$16,185, shown on budget page 555, line 65.

As an indication that we believe it would be possible to supply the needed manpower on a reassignment basis, we point to the following tabulation which shows man-years of time spent by engineers in the two sections involved in work on rate proceeding of gas companies, which is the activity classification used by the commission in which participation before federal commissions would ordinarily fall. The general engineering branch is concerned with utilities other than gas companies.

Man-Years Devoted to Rate Proceedings

Unit	Actual 1956-57	Actual 1957-58	Estimated 1958-59	Estimated 1959-60
Gas Section	5.5	5.3	2.9	3.3
General Engineering Branch	18.4	24.7	14.6	15.3
Totals	23.9	30.0	17.5	18.6

The decreases in man-years indicated in the foregoing for 1958-59 and 1959-60, from those shown for 1956-57 and 1957-58 are offset in large part by increases in time proposed to be spent on "other divisional work," some of which we believe to be of a lower priority than that in question.

At present the staff of the utilities division includes 101 engineers of various grades.

We recommend a reduction of \$9,000 in salaries shown for the utilities division, budget page 555, line 48.

It is the intent of this recommendation to delete three engineering positions at the assistant or associate level in the utility customers' service unit and to substitute therefor three positions in a salary range of not to exceed \$341-415, such as senior account clerk.

The reason for the recommendation is that our survey indicated that much of the work in the utility customers' service unit is clerical in nature and does not require the time of engineers. At present this unit has a staff of nine, including six engineers, as follows:

Class	Salary range	Total	San Francisco	Los Angeles
Senior utilities engineer	\$745-905	1	1	-
Associate utilities engineer	644-782	2	1	1
Assistant utilities engineer	530-644	4	2	2
Intermediate clerical	281-358	2	2	-
Total		9	6	3

The unit is located in the utilities division and handles contacts with the public concerning rate quotations and other requests for information, complaints and disputed utility bills.

Public Utilities Commission—Continued

The number of man-days of work performed, according to the work classification codes used by the agency is as follows:

<i>Work Classification</i>	<i>Actual 1957-58</i>	<i>Estimated 1958-59</i>	<i>Estimated 1959-60</i>
Informal complaints.....	678	700	710
Disputed bills.....	326	325	325
Other public inquiries.....	421	420	420
Miscellaneous.....	154	130	120
Total.....	1,579	1,575	1,575

The fact that much of the work of this unit is clerical in nature and does not require the time of engineers appears to be confirmed by the foregoing data since time spent on "disputed bills" and "other public inquiries," which accounts for over half the total time, appears to be in this category.

Transportation Division

We recommend a reduction of \$15,000 in salaries for the transportation division, budget page 557, line 16.

The intent of this recommendation is to eliminate six positions at the salary range of \$530-644, such as assistant transportation engineer and substitute therefor six positions at a salary range of not to exceed \$341-415, such as senior account clerk, at an annual saving of \$16,488, calculated at the maximum in each case, and it is intended to apply to positions in the engineering branch and the rate branch shown on budget page 556, lines 80 and 81 and budget page 557, lines 3 and 4.

The reason for the recommendation is that the report on our survey, issued December 12, 1958, contains a finding and recommendation (number 28 on page 17) which reads as follows:

"Finding: The professional staff of the transportation division is inclined to perform mechanical rather than technical work arising out of the smallness of the clerical staff.

"Recommendation: Careful review should be made of the relationship between clerical and technical work of this division and the budget revised accordingly."

The staff of the engineering branch and the rate branch, as classified on pages 556 and 557 of the printed budget and further detailed on pages 280 and 281 of the salary supplement, consists of the following:

<i>Branch</i>	<i>Rate experts and engineers</i>	<i>Technician and clerk</i>		<i>Total</i>
		<i>Typists and stenographers</i>	<i>All other</i>	
Engineering branch.....	59	18	4	81
Rate branch.....	45	12	2	59
Total.....	104	30	6	140

The positions in the "all other" category shown above under technician and clerk consisted of one accountant-auditor I, four senior clerical and one calculating machine operator, and it is our belief that this group should be increased with a corresponding decrease in the engineers and rate experts.

Public Utilities Commission—Continued

Out-of-state Travel

Out-of-state travel appears in four different items in the budget, which total \$29,335. Included in the total are 12 trips to attend meetings of the National Association of Railroad and Utility Commissioners, \$5,750, and six trips to attend meetings of the Mountain-Pacific States Conference, \$1,900, the distribution by divisions being as follows:

Division	National Association of Railroad and Utility Commissioners		Mountain-Pacific States Conference	
	Trips	Amount	Trips	Amount
Administration -----	4	\$2,000	2	\$500
Utilities -----	4	2,000		
Transportation -----	2	750	4	1,400
Legal -----	2	1,000		
Total -----	12	\$5,750	6	\$1,900

We do not have sufficient information as to the location of the meetings, the number of meetings scheduled during the year or the number of staff from the agency scheduled to attend a given meeting to enable a proper evaluation of the request.

We recommend that no funds be allocated for these trips until the Department of Finance has determined that the number of individuals scheduled to attend a given meeting is the minimum needed to fulfill the legitimate needs of the agency.

Generally speaking, we believe that in the absence of special considerations, attendance at out-of-state meetings should be limited to a single representative of an agency at a given meeting.

Equipment

Equipment shown under administration for 1959-60, budget page 555, line 14, includes replacements, \$15,233, and additions \$31,442, for a total of \$46,675. The additions all relate to expanded quarters in the state building in San Francisco the new addition to which is to be occupied during the budget year. The details of the additions are as follows:

Theater chairs, 130 -----	\$5,400
Carpet for commissioner's office, 4,320 square feet -----	7,200
Drapes, 17 pair -----	850
Counters, 4 -----	1,000
Wardrobes, 29 -----	2,668
Costumes, 40 -----	800
Shelving, 71 units -----	5,680
Tables, 27 -----	2,160
Side chairs, 142 -----	3,834
Supply cabinets, 20 -----	1,700
Bookshelves, 3 -----	150
Total -----	\$31,442

We have serious reservations concerning the need for some of the items of equipment listed in the foregoing and accordingly recommend approval only when it can be demonstrated to the satisfaction of the

Public Utilities Commission—Continued

Department of Finance that complete utilization has been made of all existing equipment.

The new carpet for the commissioner's offices is for a total of 15 offices, one for each of the five commissioners, one for each secretary and one for each aide, the latter being the five junior counsel positions shown on budget page 554, line 53, which have a salary range of \$436-530. We question the need for carpets for all of these rooms and call attention to the policy of the Legislature, which has been expressed in the Budget Act for a number of years (Sec. 23, 1959) to the effect that no funds are to be expended for rugs except for offices used by elected officials and other department heads.

The 17 pairs of drapes are for the 15 rooms mentioned, one of which is a large corner office with three windows. Here again we question the need for drapes in the rooms for the aides.

The 27 tables, \$2,160, and the 142 side chairs, \$3,834, are to provide furniture for additional conference rooms at the division or unit level. We believe these additional conference rooms to be a definite increase in the level of service.

Rent

Total rent to be paid by the agency will increase from \$145,031 in 1958-59 to \$252,671, an increase of \$107,640, almost all of which is due to expansion into the new annex to the state building in San Francisco. Rent will be charged for all space in the annex, in order to amortize its cost, whereas in the old building, no rent is charged for space occupied by General Fund agencies.

Elsewhere in this analysis we comment on special problems disclosed by an analysis of rent increases in the 1959-60 Budget.

PUBLIC UTILITIES COMMISSION

ITEM ²⁴⁴249 of the Budget Bill Budget page 553

**FOR SUPPORT OF PUBLIC UTILITIES COMMISSION
FROM THE TRANSPORTATION RATE FUND**

Amount requested	\$2,480,938
Estimated to be expended in 1958-59 Fiscal Year	2,374,145
Increase (4.5 percent)	\$106,793
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

Activities of the Public Utilities Commission involving regulation of carriers of property for compensation by rail, truck or water are supported by the Transportation Rate Fund. The revenue for this fund consists of fees, chief of which is a quarterly fee of one-fourth of 1 percent of the gross operating revenue of the carriers involved.

A detailed statement of the fund condition is shown on page 560 of the printed budget, and is summarized below:

	<i>Actual</i> 1957-58	<i>Estimated</i> 1958-59	<i>Estimated</i> 1959-60
Beginning surplus	\$600,326	\$100,179	—\$201,361
Revenues	1,965,938	2,250,000	2,925,000
Expenditures	2,466,085	2,551,540	2,645,236
Ending surplus	100,179	—201,361	78,403

Public Utilities Commission—Continued

During the six-year period starting with 1951-52 and ending with 1956-57, revenues and expenditures for this fund were approximately equal each year, leaving a surplus in the fund at the end of each year of between \$450,000 and \$600,000.

During 1957-58, however, expenditures exceeded revenues by about \$500,000, which reduced the surplus at the end of the year to \$100,000, while during 1958-59 it is estimated that expenditures will exceed revenues by \$300,000, which will leave a deficit in the fund at June 30, 1959, of \$200,000, as indicated in the foregoing table.

The table also indicates that revenue will increase by \$675,000, during 1959-60 which will leave the fund with a small surplus at June 30, 1960. This increase is predicated on the assumption that the current session of the Legislature will enact legislation raising the fees sufficiently to provide the needed additional revenue. If the Legislature should fail to take action, the deficit in the fund will probably approximate \$450,000 at June 30, 1960, unless the proposed expenditure program for that year is drastically curtailed.

Chapter 9, Statutes of 1958, Regular Session, in effect April 4, 1958, raised certain of the fees payable into the Transportation Rate Fund, but the additional revenue provided by these increases has not been sufficient to prevent a deficit in the fund of \$200,000, at the end of the current year. The increases provided are effective only until the ninety-first day after final adjournment of the 1959 Regular Session of the Legislature.

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DEPARTMENT OF SOCIAL WELFARE

ITEM 250-of the Budget Bill

Budget page 561

FOR SUPPORT OF STATE DEPARTMENT OF SOCIAL WELFARE FROM THE GENERAL FUND

Amount requested	\$3,116,544
Estimated to be expended in 1958-59 Fiscal Year	2,864,367
Increase (8.8 percent)	\$252,177
TOTAL RECOMMENDED REDUCTION	\$32,964

GENERAL SUMMARY

The various public welfare programs in California provide for over 500,000 recipients at a cost of over 500 million dollars to federal, state and county government. The principal legal basis for these programs is found in the Welfare and Institutions Code. This code places about 97 percent of the 200 million dollars state welfare cost outside of legislative budget control and review by making them "continuous" appropriations. The 3 percent remaining to annual legislative budget review is influenced by the "continuous" appropriations.

Supervision and policy making of all welfare programs is delegated to the State Department of Social Welfare which is guided by the policy decisions of its Social Welfare Board. The direct operation is by