

Colorado River Boundary Commission—Continued

ANALYSIS

Absence of a legally defined boundary along the Colorado River recognized by both the States of Arizona and California continues to raise serious problems of jurisdiction with respect to civil, criminal and political functions.

The California Commission during the 1959-60 fiscal year has met with a similar commission from the State of Arizona but no agreement has yet been reached with reference to the final boundary location in certain controversial areas of which Yuma Island is one. The two states advance opposing views in some instances.

Once an agreement is reached by the two commissions it must be adopted by the legislatures of both states and then by Congress. When these steps have been accomplished detailed surveys must be made and boundary monuments established.

We have reviewed the minutes of the most recent joint meeting of the two commissions and it appears doubtful that agreement can be reached in time for any action prior to the next General Session of the California Legislature.

However, it is desirable that commission activity be maintained and that the California Commission be prepared to take the required subsequent steps when an agreement is reached. *For this reason we recommend approval of the amount requested.*

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

ITEM 201 of the Budget Bill

Budget page 541

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

Amount requested	\$3,364,910
Estimated to be expended in 1959-60 fiscal year.....	3,256,133
	\$108,777
Increase (3.3 percent)	\$108,777
TOTAL RECOMMENDED REDUCTION.....	\$47,875

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Eliminate additions and replacements of 25 automobiles....	\$47,875	542	31

ANALYSIS

The department licenses and regulates the manufacture, importation and sale of alcoholic beverages in California and maintains a headquarters office in Sacramento. The State is divided into three areas for administrative purposes, with area headquarters offices in Los Angeles, San Francisco and Sacramento, and the areas are further subdivided into 18 districts, each with a district office. In addition, in four of the districts there are subdistrict offices, five in all, which are, in effect, branches of the district offices, and subject to their administrative control.

Item 201

Alcoholic Beverage Control

Department of Alcoholic Beverage Control—Continued

The budget proposes the establishment of a new subdistrict office in Santa Ana, as a branch of the Long Beach office, at an estimated cost during 1960-61, as follows:

Rent -----	\$3,762
Moving expense -----	100
Telephone—exchange -----	240
 Total -----	 \$4,102

The necessary personnel, a supervising agent I, five agents and a clerk, and the necessary equipment, will be transferred from the Long Beach office so that there will be no additional costs other than those shown above.

The justification for the new office is that Orange County is one of the fastest growing areas in the State, that the number of licenses, 1,100, is indicative of sufficient workload to warrant the establishment of an office, and that the savings in travel time over that required to service the county directly from Long Beach will be significant, because of traffic conditions in the area.

We recommend approval of the request for the new subdistrict office in Santa Ana on the basis requested.

The budget as submitted for 1959-60 contained a request for a new district office covering Orange County, including additional personnel and equipment, which was deleted by the Legislature on our recommendation as constituting an increase in the level of service. We believe our approval of the current request, which, in effect, merely provides for a redistribution of existing staff, is not inconsistent with our previous recommendation, as we regard the situation to be somewhat comparable to that involving the current maintenance of a subdistrict office in Vallejo as a branch of the Oakland office.

Automobiles—Area Offices

The equipment requested for area offices, of \$56,750, budget page 542, line 31, includes \$37,600 for the replacement of 20 automobiles and \$10,275 for the purchase of five new cars, or a total of \$47,875 for the purchase or replacement of 25 vehicles.

We recommend a reduction of \$47,875 in equipment, budget page 542, line 31, covering purchase or replacement of 25 automobiles.

As a necessary corollary we recommend that sufficient funds be provided elsewhere for augmentation of the Department of Finance pool to the extent necessary to enable it to furnish the necessary additional services to the Department of Alcoholic Beverage Control on a rental basis, with appropriate adjustment for increased rental payments by this agency.

We made a similar recommendation in 1954 with respect to cars of certain agencies based in the Sacramento area, which was approved by the Legislature.

The Department of Finance pool contained 111 passenger cars on September 30, 1953, or 1.8 percent of the state-owned total of 6,120,

Department of Alcoholic Beverage Control—Continued

whereas on June 30, 1959, it contained 1,604 passenger cars or 20.3 percent of the state-owned total of 7,895.

The pool is equipped to furnish adequate service on a daily rental basis in Los Angeles, San Francisco and Sacramento, including "under-cover" cars, and is developing this service in other areas.

In those areas in which such service is not available, there are many Department of Finance cars assigned to agencies on a monthly rental basis and we believe this is desirable since it assures a uniform maintenance policy and tends to insure better usage of the cars.

We believe it is in the best interest of the State to expand the centralized pool operations and the centralized ownership concept as rapidly as feasible, and the device of transferring agency cars to the pool as they become due for replacement, or as additional vehicles are requested, appears to us to be a suitable method of accomplishing this result on an orderly basis.

ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD

ITEM 202 of the Budget Bill

Budget page 543

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

Amount requested	\$113,064
Estimated to be expended in 1959-60 fiscal year	118,674
Decrease (4.7 percent)	<u>\$5,610</u>
TOTAL RECOMMENDED REDUCTION.....	\$15,019

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
1 Associate counsel	\$11,023	543	63
1 Intermediate stenographer-clerk	3,996	543	64

ANALYSIS

The board's sole function is to hear appeals from decisions of the Department of Alcoholic Beverage Control. It 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, and is completely independent of the Department of Alcoholic Beverage Control.

Since the board was established in 1955, we have raised certain policy questions involved in its method of operation, the following of which we believe still merit consideration:

1. Although salaries of the members at \$12,600 per year are fairly high, none at this time devotes full-time to state activities.
2. Although all of the duties of the members are of a legal or quasi-judicial nature, only two of the incumbents are lawyers, including the member appointed effective January 18, 1960.
3. The incumbent members do not write decisions, all of which are prepared by the staff.
4. If the members were all lawyers, and participated more actively in the operations of the agency, including the preparation of decisions,

Alcoholic Beverage Control Appeals Board—Continued

it appears to us that the processing of appeals would be accelerated, to the material advantage of the public, licensees, and the Department of Alcoholic Beverage Control, and the staff required by the board could be reduced.

Two new positions, an associate counsel and an intermediate typist-clerk, were established in 1959-60 to aid the board in: (1) eliminating its backlog of decisions; (2) preparing an index of decisions; and (3) revising its rules.

We recommend elimination of one associate counsel \$11,023, budget page 543, line 63, and one intermediate stenographer-clerk \$3,996, budget page 543, line 64.

Our reason for this recommendation is that it appears to us that the purposes for which the additional positions were requested will have been accomplished by the end of the current fiscal year, and that therefore the positions will not be needed after June 30, 1960.

1. As indicated by the following table, the backlog of decisions has been reduced to a workable level:

Calendar year	Appeals received	Appeals decided	Appeals pending
1957	372	300	198
1958	252	300	150
1959	165	246	69

2. We are informed that the indexing is substantially complete in that it is in workable although not final form.

3. While the rules have not as yet been revised, it appears to us that not counting any hearings which may be held to obtain evidence respecting the proposed revisions, the task amounts to, at the most, only about one man-week of time on the part of a lawyer.

CALIFORNIA DISTRICTS SECURITIES COMMISSION

ITEM 203 of the Budget Bill

Budget page 544

FOR SUPPORT OF CALIFORNIA DISTRICTS SECURITIES COMMISSION FROM THE GENERAL FUND

Amount requested	\$60,338
Estimated to be expended in 1959-60 fiscal year	57,613
Increase (4.7 percent)	\$2,725
TOTAL RECOMMENDED REDUCTION	\$900

Summary of Recommended Reductions

Budget

Operating expense:	Amount	Page	Line
In-state travel	\$900	545	6

ANALYSIS

In-state travel (budget page 545, line 6) \$3,862

The commission is requesting \$3,862 for in-state travel during 1960-61, of which \$1,062 is for automotive expense and \$2,800 for other travel expense. It is recommended that the commission's budget request for in-state travel be reduced by \$900.

California Districts Securities Commission—Continued

In 1958-59 the commission spent \$756 for automotive expenses and \$1,986 for other travel expenses. There are no changes in the number or nature of travel positions on the commission's staff nor have there been changes in the legal responsibilities of the commission which would significantly alter the travel situation. The Department of Finance price letter of July 22, 1959, states that automobile costs are increased 12.5 percent and meals and lodging 6 percent. Other travel costs are unchanged. If these price increases are applied to the 1958-59 travel expenditures, the same level of travel in 1960-61 would cost approximately \$2,955 or \$907 less than the amount requested by the commission. There appears to be no reason for 1960-61 travel expenditures to be substantially higher than for 1958-59.

HORSE RACING BOARD

ITEM 204 of the Budget Bill

Budget page 546

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

Amount requested	\$193,864
Estimated to be expended in 1959-60 fiscal year.....	191,051
	\$2,813

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

We recommend approval as budgeted.

The increase in this budget reflects normal salary and price increases together with an increase in workload resulting from an increase in the number of days of racing. The budget reflects a total of 545 racing days compared with 533 for the current year. This nominal increase in workload will be absorbed without an increase in staff.

Total horse racing revenue accruing to the State in the budget year is estimated at \$41,231,800, an increase of \$2,269,833 or 5.8 percent over \$38,961,967, the revised estimate for the current year. This revised estimate is \$8,912,567 or 29.7 percent more than was estimated in the budget originally submitted to the 1959 Legislature.

The table on the following page reflects the distribution of horse racing revenue by fund for fiscal years 1946-47 through 1960-61.

Distribution by Fund of California Horse Racing Revenues—1946-47 to 1960-61

Fiscal year	Total pari-mutuel pool (1)	Fair and Exposition Fund			State College Fund (5)	Wildlife Restoration Fund (6)	Capital Outlay and Savings Fund (7)	General Fund (8)	Total (9)
		4 percent of pool (2)	Other (3)	Total (4)					
1946-47	\$349,664,050	\$13,986,562	\$19,000	\$14,005,562	--	--	--	\$5,075,238	\$19,080,800
1947-48	356,723,225	14,268,929	18,955	14,287,884	\$816,252	\$3,000,000	--	2,073,313	20,080,800
1948-49	303,017,750	12,120,710	17,965	12,138,675	988,674	3,000,000	--	1,165,150	17,292,499
1949-50	281,360,025	11,254,401	19,584	11,273,985	572,683	3,000,000	--	275,349	15,122,017
1950-51	288,625,150	11,545,006	32,893	11,577,899	889,911	--	--	3,900,476	16,368,286
1951-52	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	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	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	404,861,100	16,194,444	220,828	16,415,272	1,304,670	76,480	--	5,360,174	23,156,596
1955-56	440,893,375	17,635,735	357,650	17,993,385	1,363,957	813,081	--	5,176,388	25,346,811
1956-57	468,944,125	18,757,765	284,414	19,042,179	1,582,482	832,822	--	5,615,925	27,073,408
1957-58	452,889,250	18,115,570	315,603	18,431,173	1,646,857	818,113	--	5,463,039	26,359,182
1958-59	491,797,600	19,671,903	401,551	20,073,454	1,693,255	813,064	--	5,967,209	28,551,982
1959-60*	509,150,000	20,366,000	178,639	20,544,639	16,278	796,050	--	17,605,000	38,961,967
1960-61*	537,850,000	21,514,000	49,000	21,563,000	--	778,800	--	18,890,000	41,231,800

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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.
 * Estimated.

Department of Investment
STATE BANKING DEPARTMENT

ITEM 205 of the Budget Bill

Budget page 547

FOR SUPPORT OF THE STATE BANKING DEPARTMENT
FROM THE BANKING FUND

Amount requested	\$776,208
Estimated to be expended in 1959-60 fiscal year.....	700,611
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Increase (10.8 percent).....	\$75,597
TOTAL RECOMMENDED REDUCTION	\$29,544

Summary of Recommended Reductions

	Amount	<i>Budget</i>	
		Page	Line
3 Bank examiner II positions.....	\$19,080	548	12
2 Bank examiner I positions.....	10,464	548	13

ANALYSIS

The request for \$776,208 in support of the agency for 1960-61 represents an increase of \$75,597 or 10.8 percent over the estimate of \$700,611 for the current year.

The department maintains its principal office in San Francisco and has an office in Los Angeles. There is presently a total of 76 authorized positions. The agency is supported from revenue accruing to the Banking Fund, which is shown to have an estimated accumulated surplus of \$428,633 at June 30, 1961.

The agency proposes to augment its present staff with five additional examiners: three grade II and two grade I. These are shown on page 548 of the budget. *We recommend disapproval of the five positions.*

The justification for the new positions is based on additional workload due to increases in the number of banking offices and total resources of state banks. The most significant factor which governs the size of the examiner staff is the provision in Section 1900 of the Financial Code which directs the superintendent to examine at least once each fiscal year the state banks, foreign banking corporations doing business in the State, trust companies, and trust departments of title insurance companies doing trust business. In addition to the mandatory provisions, Section 1901 permits the superintendent to make special examinations if deemed necessary.

In justification of its need for the five additional examiner positions in 1960-61, aside from a stated backlog in processing applications for new banks and branches, the division uses the estimates and projections of the number of banking offices to be examined and the resources of the respective banks. The number of banking offices projected for 1960-61 would normally indicate need for additional examiners provided the agency needed its full complement of authorized examiner positions in the prior year, and the workload measurements justified the need. However, workload measurements should be accompanied by work performance standards, such as an indication of accomplishments of the existing staff in terms of man-hours required per examination, indicating the number and dollar volume of loans, the current status of examinations, and estimates of man-hours required to complete the cycle.

State Banking Department—Continued

It is our understanding that the agency was able to take care of the 445 banking offices shown for 1957-58, with 37 examiner positions and the 464 banks shown for the 1958-59 fiscal year, with a total of 42 such positions. This represents a 4.3 percent increase in the number of banking offices and a 13.5 percent increase in examiner personnel. Although it is recognized that it is difficult to project the number of new offices to be in operation in a given fiscal year, statistics on the number of banking offices in the revised budget for 1958-59 show that the number of offices was estimated at 487 or approximately 10 percent over the prior year. This turned out to be 464 offices representing a 4.3 percent increase instead of 10 percent. The number of offices for 1959-60 was originally projected at 529 but is now projected at 494, representing a 7 percent drop in the original estimate and a 6.5 percent increase over the number shown for 1958-59. The 1960-61 projection of 544 offices represents an anticipated increase of 10 percent over 1959-60. Whether this figure will be reached is problematical; however, it is pointed out that, as of January 18, 1960, the agency had 14 authorized examiner positions which were vacant, three of which were at the grade IV level and the remaining 11 positions were at the grade II and grade I levels. Ten of the positions were continuously vacant last year and four positions authorized for the current fiscal year remained unfilled. This represents a 25.9 vacancy factor in the total number of authorized examiner personnel.

Although we recognize that this indicates a recruitment problem, it also points to a possible overstaffing of personnel, and in view of the foregoing figures and comments, it does not follow that authorization of five more examiner positions for 1960-61 would alleviate the situation. Certainly, to the extent that these positions had been filled the base work output would have been greater, and the case for added positions to meet the workload reduced accordingly. *Therefore, we recommend that the five proposed examiner positions be disapproved, and that consideration be given the workload measurements when filling the existing vacancies to determine need.*

Department of Investment
DIVISION OF CORPORATIONS

ITEM 206 of the Budget Bill

Budget page 549

FOR SUPPORT OF THE DIVISION OF CORPORATIONS
FROM THE GENERAL FUND

Amount requested	\$2,249,771
Estimated to be expended in 1959-60 fiscal year	1,761,388
Increase (27.7 percent)	\$488,383
TOTAL RECOMMENDED REDUCTION	\$78,500

Summary of Recommended Reductions

<i>Detail</i>	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Reduce salaries and wages—14 positions unidentified	\$78,500	549	74

Division of Corporations—Continued

ANALYSIS

The Division of Corporations had an authorized staff of 200 for 1958-59. The 1959 Legislature authorized increasing this staff to 320 for 1959-60, an increase of 120 or 60 percent. The request for eight of the new positions was included in the original budget presentation, while that for the remaining 112 new positions was submitted in the form of a special augmentation after the 1959-60 budget document had been printed. The special augmentation was for \$597,276.

Before the augmentation was finally approved, legislation was passed raising certain of the regulatory fees paid to the Division of Corporations to a level where the additional revenue would be substantially in excess of the amount of the augmentation.

While the revenue from these fees is General Fund revenue, and hence, is not earmarked for support of the Division of Corporations, which is supported from the General Fund, the agency, nevertheless, took the position that it would not press for the augmentation of \$597,276 unless the increase in fees was approved.

The augmentation provided for a substantial increase in the level of service, including a substantial reduction in the time required to process applications to sell securities, which it was claimed was desired by those involved, as evidenced by an expressed willingness to pay the increased fees.

The budget request for 1960-61 includes 59 additional positions, and it is represented that 56.5 of these are to maintain the level of service authorized by the 1959 Legislature, for 1959-60, through the 1960-61 fiscal year. The remaining 2.5 are for a new program, the regulation of trading stamp companies, starting July 1, 1960, pursuant to new legislation passed in 1959.

The agency's method of estimating its manpower requirements both for the 1959-60 augmentation and the 1960-61 increase is, in essence, to multiply the estimated workload units to be processed during the period by the average processing time required in the past. The basic processing times used in both instances were the averages for the calendar year 1958.

However, in the case of three of the new operations, annual examinations of retirement systems, brokers and investment counsel, no actual experience was available, and the processing times used were strictly estimates. The number of man-years included in the 1959-60 augmentation for these activities was 21.3, with four additional budgeted for 1960-61. As of January 20, 1960, none of these examinations had been started.

The activity requiring the largest expenditure of manpower by the agency is the processing of applications under the Corporate Securities Act, the actual processing time per unit being 5.541 hours, during the calendar year 1958.

In estimating the manpower need for this activity under the 1959-60 augmentation, an average time per unit of 8.179 hours was used, the increase of 2.638 hours being the agency's estimate for the additional time required under the increased level of service.

Division of Corporations—Continued

However, during the five-month period, from July 1 to November 30, 1959, 16,931 units of such workload were processed in 129,646 hours, the average time per unit being 7.657 hours. We believe that it would be more realistic to use this figure in estimating manpower required for this activity during 1960-61 than that previously used, and on this basis the man-years required would be somewhat less than that requested, calculated as follows:

	Work units to be processed	Average processing time in hours	Total hours required	Man-years @ 2,000 hours
As requested	55,750	8.179	455,980	228.0
As revised	55,750	7.657	426,878	213.4
Recommended decrease	55,750	.522	29,102	14.6

We accordingly recommend a reduction of \$78,500 in salaries budgeted for purposed new positions for 1960-61 (budget page 549, line 74), representing 14 positions, the individual positions to be selected by the agency with approval of the Department of Finance.

Since we are not able to identify any particular positions as being involved in the activity in question, we have calculated the recommended decrease at the average salary per position for the 59 new positions shown on budget page 549, line 74.

Department of Investment
DEPARTMENT OF INSURANCE

ITEM 207 of the Budget Bill

Budget page 550

FOR SUPPORT OF DEPARTMENT OF INSURANCE
FROM THE INSURANCE FUND

Amount requested	\$1,974,589
Estimated to be expended in 1959-60 fiscal year	2,003,768
Decrease (1.5 percent)	\$29,179

TOTAL RECOMMENDED REDUCTION _____ None

ANALYSIS

The request for \$1,974,589 in support of the agency for 1960-61 represents a decrease of \$29,179 or 1.5 percent from the estimate of \$2,003,768 for the current fiscal year. The decrease is due to not budgeting funds for the Employee Health and Welfare Program in 1960-61, because the provisions of the act, which created the program, expire on June 30, 1960. The sum of \$135,344 is budgeted for this program in the current year.

The department maintains offices in San Francisco, Los Angeles, San Diego and Sacramento, and presently has an authorized staff of 241 full-time positions. The department is supported from revenue accruing to the Insurance Fund, which is estimated to have a \$2 million surplus at the end of the 1960-61 fiscal year.

Department of Insurance—Continued

The department's request for support indicates a net reduction of seven positions for 1960-61. This proposal is reflected in the budget as follows:

1. Page 551	Employee Health and Welfare Regulation.....	-16 positions
2. Page 552	Compliance and Legal Division.....	+2 positions
3. Page 553	Examination and Financial Analysis Division.....	+7 positions

We recommend approval of the nine proposed new positions.

The responsibility for the regulation of employee health and welfare programs is contained in the Rees-Doyle Health and Welfare Supervision Act (Chapter 2167, Statutes of 1957). The department has initiated and proceeded with its program for administration of the act; however, the provisions of the act are due to expire June 30, 1960, thus the department has not budgeted for this function beyond that date. A total of 21 positions is involved in this activity, five of the positions are being abolished currently, and the remaining 16 are to be eliminated at the close of the current fiscal year. The department reported 1,171 such programs had registered as of November 30, 1959, and 633 of these were identified as being subject to the law.

The request for one additional assistant counsel and one stenographer-clerk is for the Compliance and Legal Division in Los Angeles, and is based on increases in workload which the agency states has been absorbed over a period of years with the existing legal staff, but which is no longer possible. Supporting data submitted by the department, while lacking in measurements, point to substantial increases in two of three activities representing the primary workload of the legal staff. For instance, there were 13 applications for certificates of authority to do business in the State in calendar year 1958, while the first six months of 1959 shows 20 such applications, and if this rate continues there would be a gain of 208 percent over 1958. Applications for stock permits totaled 25 last year, compared with 22 for the first six months of 1959, and if this rate of increase were to continue for the last six months of the year, there would be a gain of 76 percent. The third activity shown is disciplinary cases received, which at the rate for the first six months would indicate a drop of 21 percent from 1958. Although there is more to be desired in workload presentation, we recognize continued growth of the insurance business of the State, and that the department, on an overall basis, has asked for very little in the way of additional legal staff in the past several years.

The department proposes to add seven examiner positions. The request is based on workload connected with the examining of insurers authorized to engage in the insurance business in the State.

In its justification for the positions, the agency points out that since 1953-54 it had not increased its examination staff, but had been able to take care of the workload up to 1958. With continuing growth of the insurance industry, in 1958 it was unable to keep current with the examination of domestic insurers and was unable to participate in

Department of Insurance—Continued

examinations of 26 insurers in other states which were admitted to do business in California. In the first nine months of 1959 it was unable to participate in 11 examinations of admitted insurers.

The agency bases its need for additional examiners on past experience, backlog, and a 10 percent increase in activities, and on this basis the workload calculations support the request for the additional positions.

Department of Investment
DIVISION OF REAL ESTATE

ITEM 208 of the Budget Bill

Budget page 554

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

Amount requested	\$1,593,373
Estimated to be expended in 1959-60 fiscal year	1,524,497
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Increase (4.5 percent)	\$68,876
TOTAL RECOMMENDED REDUCTION	\$15,414

Summary of Recommended Reductions

<i>Complaints and Subdivisions</i>	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
2 Deputy real estate commissioners I	\$12,120	556	12
1 Junior intermediate stenographer	3,294	556	13

The request for \$1,593,373 in support of the agency for 1960-61 represents an increase of \$98,212 or 6.6 percent over the estimate of \$1,495,161 for the current year.

The division maintains offices in Sacramento, San Francisco, Oakland, Fresno, Los Angeles and San Diego, and presently has an authorized staff of 188 full-time positions. Distribution of the staff is shown as follows:

<i>City</i>	<i>Adminis- tration</i>	<i>Exami- nations</i>	<i>Licensing</i>	<i>Regulations</i>	<i>Education</i>	<i>Total</i>
Sacramento	13	12	50	7	4	86
San Francisco	--	2	--	18	--	20
Oakland	--	--	--	7	--	7
Fresno	--	--	--	6	--	6
Los Angeles	--	6	--	55	--	61
San Diego	--	--	--	8	--	8
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Total	13	20	50	101	4	188

The division is supported from revenues which accrue to the Real Estate Fund. Accumulated surplus at June 30, 1961, is estimated at \$2,065,446 in the Real Estate Fund.

The agency proposes to increase its staff by eight new positions in 1960-61. These are shown on page 556 of the budget and commented on as follows:

Administration—Intermediate account clerk	1
Examination—One deputy and one clerk	2
Licensing—Junior intermediate typist-clerk	2
Regulation—Two deputies and one typist-clerk	3

We recommend disapproval of the two deputy positions and the typist-clerk requested for regulation.

Division of Real Estate—Continued

ANALYSIS

The request for one additional intermediate account clerk under administration is based on increased workload and backlog. Although the agency points to substantial increases in workload, it does not present detailed measurements. However, it is stated that the last augmentation to the staff in administration was in 1956-57, and that backlogs exist which, together with increased workload, result in the staff being unable to operate on a current basis, *we recommend approval of the position.*

The request for one deputy I and one junior intermediate typist-clerk for the examination section is based on workload. The function of this section is to prepare and conduct examinations of applicants desiring licenses. The agency bases its justification on workload increases for this function and the calculations appear to support the request. The clerical position requested was added to the staff in the current fiscal year, due to unanticipated increases in the work of this section. For instance, the original estimates of examinations to be given in 1957-58 were underestimated by 9 percent. The 1958-59 original estimate was 26 percent under the actual for the year. Continued increase is expected for 1959-60 and 1960-61, therefore we recommend the extension of this position as proposed in the 1960-61 Budget. What effect the slowdown in residential construction will have on applications for licenses is difficult to project; however, inasmuch as a downward trend is expected, *we recommend that the deputy I position be approved on a tentative basis subject to review before placement of the position.*

The request for the two junior intermediate typist-clerk positions is based on increased workload and backlog in the licensing function. In its justification for these two positions the agency points to continuing backlogs as the number of licenses increases. The agency anticipates continuing increases in the number of licenses issued which is illustrated as follows:

	<i>Actual</i>		<i>Estimated</i>	
	1957-58	1958-59	1959-60	1960-61
Licenses -----	119,262	125,369	131,476	137,583

It is noted that the agency has projected the 1959-60 and 1960-61 fiscal years at the same increase experienced in 1958-59, which was 6,107 more licenses than in the 1957-58 fiscal year. *Based on these projections it appears that the two additional positions will be needed, therefore, we recommend approval of the two positions. However, should the estimates prove to be high, then an equitable reduction should be made in the staff.*

The agency's justification for the two additional deputy positions and the junior-intermediate stenographer position is based on com-

Division of Real Estate—Continued

plaints received and subdivisions filed. Comparisons between the past five fiscal years are shown as follows:

	1954-55	1955-56	1956-57	1957-58	1958-59
Complaints received -----	4,061	4,245	3,753	4,286	4,354
Subdivisions filed -----	3,375	3,265	2,585	2,289	2,950
Deputies -----	35	39	39	39	39
Average per deputy:					
Complaints -----	116	108.8	96.2	109.9	111.6
Subdivisions -----	96.4	83.7	66.3	58.7	75.6

These figures indicate that the agency handled 4,061 complaints with 35 deputies, or 116 per deputy in 1954-55, and 4,354 complaints with 39 deputies, or 111.6 per deputy in 1958-59. Thus on the basis of accomplishment in this activity in 1954-55, the 39 deputies would be able to take care of 4,524 complaints. In the case of subdivisions filed, the figures indicate that the agency handled 3,375 such filings with the 35 deputies, or 96.4 per deputy in 1954-55, and in 1958-59 it handled 2,950 filings with 39 deputies, or 75.6 per deputy. On these bases with the 39 deputies, the agency would be able to handle 4,524 complaints or 3.9 percent more than the 4,354 handled in 1958-59. The agency would also be able to handle 3,760 subdivision filings or 27.5 percent over the 2,950 filings handled in the 1958-59 fiscal year.

In view of these calculations and with a falling off in home building construction, we recommend disapproval of the three proposed new positions.

In addition to the eight proposed new positions budgeted for 1960-61, the agency was allowed to put on two additional auditor II positions and one junior-intermediate stenographer-clerk in the current fiscal year. These three positions are extended into the budget year. The agency's request was predicated principally on anticipated workload connected with the new Real Property Loan Brokers' Law, Chapter 1942, Statutes of 1959. The act requires, among other things, that real estate brokers who deal in mortgage loans, must be registered and comply with rules and regulations administered by the Real Estate Commissioner.

Although the latest report on such registrations indicated that more than 10,000 brokers had registered, there is no estimate as to the prospective number of brokers that may be subject to mortgage loan regulations. The Mortgage Loan Brokers' Law was broadened at the last session to cover all real estate brokers when engaged in such activity, rather than mortgage loan brokers only. Although many real estate brokers are registering, it does not necessarily mean that all of them will engage in such transactions, but if an occasion arises to do so, the broker will have been registered. The auditing of the accounts of such brokers who deal in mortgage loan transactions is controllable to a large extent in that auditing is discretionary with the commissioner unless there is appearance of sufficient cause, in which case the commissioner must have an audit made.

Some experience should be evidenced within the next 18 months to give an indication of what might be expected in the way of workload, therefore, we recommend that the positions be extended to 1960-61 as budgeted.

Department of Investment
DIVISION OF SAVINGS AND LOANS

ITEM 209 of the Budget Bill

Budget page 557

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

Amount requested	\$855,564
Estimated to be expended in 1959-60 fiscal year	752,335

Increase (13.7 percent)	\$103,229
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TOTAL RECOMMENDED REDUCTION	\$76,860
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Summary of Recommended Reductions

<i>Detail</i>	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
1 Supervising savings and loan examiner	\$9,384	558	37
1 Savings and loan examiner II	6,360	558	39
6 Accountant-auditor	31,392	558	40
1 Supervising savings and loan appraiser	8,112	558	41
2 Senior savings and loan appraiser	14,712	558	43
1 Intermediate account clerk	3,450	558	44
I Intermediate typist-clerk	3,450	558	45

ANALYSIS

The division maintains its headquarters office in Los Angeles and also has an office in San Francisco. There is presently a total of 82 authorized positions: 53 in Los Angeles and 29 in San Francisco. The agency is supported from revenues accruing to the Savings and Loan Inspection Fund, which is shown to have an estimated accumulated surplus of \$858,344 at June 30, 1961.

The agency is requesting 13 additional positions with total salaries of \$76,860, as shown on budget page 558, lines 37 to 45, the justification being that the positions are needed to keep up with increasing workload trends.

We recommend disapproval of the 13 proposed new positions (budget page 558, line 47) with total salaries of \$76,860.

During the 1959 Session, the agency requested and was granted a special augmentation of \$268,634 representing 33 new positions, in addition to three included in the original budget request. Based on the request as contained in the budget originally submitted to the Legislature, the augmentation represented a dollar increase of 55.4 percent and an increase in staff of approximately 67 percent. The three additional positions in the original request were all examiners, to enable the agency to reach a current position in its examinations. It is our understanding that the special augmentation which provided for 33 new positions was requested to provide increases in the level of the examination and appraisal functions.

Division of Savings and Loan—Continued

We are informed that, as of December 31, 1959, 12 of the 36 additional positions authorized for 1959-60 remained unfilled. These are shown in the tabulation which follows:

<i>Classification</i>	<i>Total additional authorized</i>	<i>Number unfilled as of December 31, 1959</i>
Deputy commissioner -----	2	-
Administrative assistant -----	1	-
Examiner III -----	5	-
Examiner II -----	9	8
Account-auditor I -----	5	1
Senior appraiser -----	6	-
Clerical -----	8	3
Total -----	36	12

We recognize that it takes some time to fill positions and time to train those hired at the lower levels. However, we do not know at this time just what has been accomplished with the 24 new positions which the agency had filled. It is apparent that the scope of an examination has considerable flexibility to be determined by the agency, and therefore is controllable to a considerable extent.

In its request for the 13 proposed new positions for 1960-61, the agency indicates trends of growth in the number of state savings and loan offices, and real estate loans made. These are as follows:

	1955	1956	Actual 1957	1958	1959	Estimated 1960
Total offices, at June 30-----	212	226	259	284	304	325
Number of new loans made during year ended De- cember 31:						
New construction -----	36,545	34,312	32,426	33,608	*	*
Existing construction ----	60,926	59,670	60,342	59,458		
Total new loans made-----	97,471	93,982	92,768	93,066		

* No estimate.

We believe that the agency's primary workload is governed by the number of associations and the total number of loans. In this connection it should be noted the agency has consistently over estimated the total number of offices in the past. The estimate for 1956-57 was 272, but the actual number is shown as 259 or 13 below the estimate. The 1957-58 estimate was 298, as compared with the actual figure of 284, or 14 below the estimate, while the actual for 1958-59, or 304 offices was 12 under the 316 estimated for the year. Although the number of associations is a significant factor in projecting workload data, the number of loans is a major consideration, particularly the number of new loans made. We do not have an estimate of new loans for 1959 or 1960; however, the original estimate for calendar year 1958 was 111,321 new loans to be made, whereas the actual number turned out to be 93,066 or 16.4 percent below the estimate. While we do not have an estimate for 1959, we believe that an increase will be shown over 1958; however, a slowdown in home building construction is expected for the ensuing year.

Division of Savings and Loan—Continued

In view of the foregoing comments and a 14.6 percent vacancy factor in the total existing authorized staff of 82 positions, we recommend that, rather than pyramid its staff with the addition of 13 more new positions during 1960-61, the agency defer any increase until 1961-62, and that any increase requested at that time be supported by adequate data as to workload measurements and past accomplishments with the existing staff.

BOARD OF OSTEOPATHIC EXAMINERS

ITEM 210 of the Budget Bill

Budget page 559

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

Amount requested -----	\$65,374
Estimated to be expended in 1959-60 fiscal year-----	63,286
<hr/>	
Increase (3.3 percent)-----	\$2,088
TOTAL RECOMMENDED REDUCTION-----	None

ANALYSIS

We recommend approval as budgeted.

The increase in this budget is primarily the result of price increases with a minor increase in travel authorization.

Accumulated surplus in the Osteopathic Examiners' Fund on June 30, 1961, is estimated at \$27,056. This reflects a decline of \$30,570, or 53 percent from the actual surplus of \$57,626 on June 30, 1959. With revenue and expenses being projected at approximately the same levels as in recent years, this trend could deplete the board's surplus in approximately two more years.

BOARD OF PILOT COMMISSIONERS FOR THE HARBOR OF SAN DIEGO

ITEM 211 of the Budget Bill

Budget page 561

FOR SUPPORT OF BOARD OF PILOT COMMISSIONERS FOR THE HARBOR OF SAN DIEGO FROM THE GENERAL FUND

Amount requested -----	\$1,435
Estimated to be expended in 1959-60 fiscal year-----	1,485
<hr/>	
Decrease (3.4 percent) -----	\$50
TOTAL RECOMMENDED REDUCTION-----	None

ANALYSIS

We recommend approval as budgeted.

The decrease in this budget results from a reduced equipment request. Revenues resulting from license and pilotage fees as well as fines and penalties are estimated at \$4,200 for the budget year and are to be deposited directly in the General Fund.

**BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF
SAN FRANCISCO, SAN PABLO, AND SUISUN**

ITEM 212 of the Budget Bill

Budget page 562

**FOR SUPPORT OF BOARD OF PILOT COMMISSIONERS FOR THE BAYS
OF SAN FRANCISCO, SAN PABLO, AND SUISUN FROM THE PILOT
COMMISSIONERS' SPECIAL FUND**

Amount requested	\$24,250
Estimated to be expended in 1959-60 fiscal year	33,265
Decrease (27.1 percent)	\$9,015
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

We recommend approval as budgeted.

The reduction results from the nonrecurrence in the budget year of an expense item of \$10,000 for an operational survey during the current year. This survey was authorized by Chapter 1700, Statutes of 1959. The reduction is partially offset by an increase in pro rata charges and minor increases in several other items of operating expense.

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

Budget page 563

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

Amount requested	\$628,749
Estimated to be expended in 1959-60 fiscal year	852,317
Decrease (26.2 percent)	\$223,568
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

We recommend approval as submitted.

The decrease in this item is principally the result of decreases in nonrecurring expenditure items which are budgeted for the current year. These include approximately \$70,000 for equipment, \$90,000 for special maintenance to the Business and Professions Building and Annex which were not originally included in the budget for the current year, \$30,000 for painting in the annex, a reduction of \$15,000 in temporary help related to the start of the machine reregistration program, and an increase of \$46,000 in reimbursements from the same program. These reductions are partially offset by a request for three new positions at an approximate salary cost of \$22,500. Salaries and wages and operating expenses have been adjusted to reflect wage and price increases and workload variations.

The proposed new positions are an associate counsel and senior legal stenographer and a personnel officer I. The division currently has one legal position, an administrative adviser, authorized to provide legal advice and assistance to the department. All agencies have the services of the Attorney General available to assist with enforcement problems and legal interpretations.

Departmental Administration—Continued

The personnel officer was established in lieu of the business service officer I authorized by the Legislature last year. The substitution was requested by the agency and approved by the Department of Finance as having a higher priority than the business service officer and in large part as fulfilling the same need of relieving the chief of the division of administrative detail. It is anticipated that the business service officer position will be held vacant until the personnel officer position is authorized in the budget. The total effect over the two-year period will be to add five top level administrative jobs to the department for a 100 percent increase at that level.

**Department of Professional and Vocational Standards
DIVISION OF ADMINISTRATIVE PROCEDURE**

ITEM 213 of the Budget Bill

Budget page 567

**FOR SUPPORT OF DIVISION OF ADMINISTRATIVE PROCEDURE
FROM THE GENERAL FUND**

Amount requested	\$70,138
Estimated to be expended in 1959-60 fiscal year.....	69,942
	<hr/>
Increase (0.3 percent)	\$196
TOTAL RECOMMENDED REDUCTION.....	None

ANALYSIS

We recommend approval as budgeted.

The amount requested by this agency in this item is for support of the codification activities of the division and the cost of the state contribution to employees' retirement only. The cost of providing hearing services to other state agencies, which is the principal activity of the division is fully reimbursable by the using agencies as a result of legislation passed at the 1959 Session of the Legislature. The cost of hearing services for the budget year is estimated at \$274,902. This is an increase of \$12,946 or 5 percent over the \$261,956 estimated for the current year. This increase results in large part from salary and price increases and a substantial increase in pro rata charges for departmental administration.

An amount of \$10,000 is shown in this budget at page 568, line 15 for contributions to the State Employees' Retirement Fund. No part of this amount is included in the cost of providing hearing services for which reimbursements are scheduled to be received from using agencies. We believe that the cost of providing retirement for state workers is a part of the cost of providing hearing services just as salary and wage costs, operating expenses, or equipment, and should be included in the reimbursable cost. This view is reinforced by the language of Chapter 996, Statutes of 1956 (Section 110.7 of the Business and Professions Code) which provides that the total cost of hearing services will be allocated to users. The failure to include retirement costs results in this part of the cost of hearing services being entirely supported from the General Fund.

Division of Administrative Procedure—Continued

At the same time we recognize that there is an advantage to the State to encourage the use of these centralized facilities rather than create separate hearings officers. From the standpoint of public policy and actual efficiency of operations a nominal subsidy by the General Fund may be desirable.

Department of Professional and Vocational Standards

BOARD OF ACCOUNTANCY

ITEM 214 of the Budget Bill

Budget page 568

FOR SUPPORT OF BOARD OF ACCOUNTANCY
FROM THE ACCOUNTANCY FUND

Amount requested.....	\$273,911
Estimated to be expended in 1959-60 fiscal year.....	253,893
Increase (7.9 percent).....	\$20,018
TOTAL RECOMMENDED REDUCTION.....	\$4,104

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Technician and clerk.....	\$4,104	569	8

ANALYSIS

Technician and clerk (budget page 569, line 8)..... \$25,848

The agency has six clerical positions authorized together with temporary help which have heretofore taken care of all clerical needs including the reregistration of licensees on an annual basis.

We recommend the deletion of one clerical position to reduce this item by \$4,104.

This agency has transferred its license issuance workload to the machine reregistration program of the department and is budgeting \$12,544 to pay for the function. Previously, this workload was accomplished by a combination of permanent and temporary help at about the time of the annual renewal date. The proposal for machine reregistration was based on the Organization and Cost Control Division of the Department of Finance's Survey No. 874 which sets out the reductions in personnel for the agencies in the Department of Professional and Vocational Standards which could be effected as a result of the mechanization of license reissuance. This survey report shows that one full-time position and \$4,231 for temporary help would no longer be required by this agency after the mechanization was effected. The report further indicates that the agency agreed that this amount of clerical help was used for license renewal workload and would no longer be required for that purpose if mechanization was installed. The request for temporary help has been reduced in recognition of the resulting reduced workload; however, permanent positions are proposed to be continued at the same level. Increased workload in other functions, if any, which may require increases in personnel of the same kind as for license renewal should be justified on their merits and not met by converting positions heretofore justified for license renewal to the new function or increase.

Board of Accountancy—Continued

The agency's request for two new investigator positions and two new clerical positions is recommended for approval. However, this recommendation of approval is not on the basis of increased workload as shown by the agency's justification of its request. The factor of complaints assigned to investigation has little, if anything, to do with the actual investigational requirements of the agency necessary for regulation purposes. This is true where there are no fixed standards for the acceptance or rejection of complaints for investigation. The increase in workload in that case is within the control of the agency and subject to the policy being followed at the moment. This agency in the last several years has determined to enter into the law enforcement aspects of licensees' activities to a greater extent than before and has also decided to investigate applicants for licenses more thoroughly. These policies result in a need for more personnel and the positions should be allowed unless the policies are reversed. The actual increase in workload as reflected by the slow growth in licensees and applications, as well as complaints received, would not justify the requested increase, particularly in view of the fact that this agency was allowed one investigator and one clerical position in 1959.

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

ITEM 215 of the Budget Bill Budget page 570

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

Amount requested	\$89,733
Estimated to be expended in 1959-60 fiscal year.....	84,259
<hr/>	
Increase (6.5 percent)	\$5,474
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

Approval as budgeted is recommended.

The increase in this item results largely from increases in pro rata departmental expenses, price increases and centralized machine re-registration costs, partially offset by a reduction in temporary help.

Revenue is estimated to be \$111,795 for the budget year, an increase of \$39,147, or approximately 54 percent, over the revenue received in 1958-59. This results from increases in fees and results in an estimated surplus of \$63,472 in the Architectural Examiners' Fund on June 30, 1961.

**Department of Professional and Vocational Standards
ATHLETIC COMMISSION**

ITEM 216 of the Budget Bill Budget page 571

**FOR SUPPORT OF ATHLETIC COMMISSION FROM THE
ATHLETIC COMMISSION FUND**

Amount requested	\$178,146
Estimated to be expended in 1959-60 fiscal year.....	173,289
<hr/>	
Increase (2.8 percent)	\$4,857
TOTAL RECOMMENDED REDUCTION	\$19,262

Athletic Commission—Continued

Summary of Recommended Reductions		Budget	
	Amount	Page	Line
Salaries and wages			
Temporary help	\$3,000	571	59
2 Senior special investigators.....	14,712	571	63
Operating expense			
General expense	350	571	70
Travel—out-of-state	1,200	571	74

ANALYSIS

The increase in this item results from salary and price increases together with a substantial increase in pro rata charges, partially offset by a reduction in equipment of approximately \$5,000.

While the increase of the budget year over the current year is not large, the current year as now estimated is \$23,108 or 15.9 percent more than was requested in the 1959-60 Budget, and \$25,808 or 18 percent more than was appropriated. These increases are exclusive of salary increases and contributions to employees' retirement which are appropriated separately. The request for the budget year is \$36,526 or 25.8 percent more than was actually spent in 1958-59.

The apparent reason for these increases is the establishment of two investigator positions during the current year. The need for these positions is stated in the budget to have stemmed from a recommendation of the Attorney General and resulted from an investigation conducted by that office. The report of the Attorney General's investigation of boxing in California was made to the Governor's office in February of 1959; however, this report has not been made public.

This agency has been in financial difficulty for some time, with expenditures running considerably in excess of revenues and growing. Revenues which are dependent on the number of shows and the attendance have also grown but not nearly enough to keep pace with expenditures. The surplus in the Athletic Fund is estimated in the budget to be \$3,932 on June 30, 1961. This is approximately enough to keep the operation solvent for one week unless some action is taken prior to that time to curtail expenditures or increase revenues or both.

Salaries and Wages

Temporary help (budget page 571, line 59)..... \$25,860

Intermittent inspectors attend boxing and wrestling shows to represent the commission and enforce its regulations. They work on an assignment basis and are paid the rates established by the Personnel Board. This rate was increased from \$13.50 per day to \$14.50 per day effective September 1, 1959. The rate is actually in three steps of \$12.50, \$13.50 and \$14.50. However, the agency states that most of its inspectors are eligible for the maximum.

We recommend the deletion of \$3,000 from this item.

Of the total of \$25,860 for temporary help, \$24,500 is budgeted for intermittent inspectors. In 1958-59 the agency spent a total of \$18,971 for intermittent inspectors. During that year there were 948 shows. Thus, an average of 1.48 man days of intermittent inspector time per show was available to the agency at the then prevailing maximum rate

Athletic Commission—Continued

of \$13.50 per day. The agency estimates there will be 1,000 shows in the budget year. Therefore, it should require 1,480 days of intermittent inspector time. At the now prevailing rate of \$14.50 per day, this will cost \$21,460 or \$3,040 less than is requested in the budget.

2 Senior special investigators (budget page 571, line 63)----- \$14,712

These positions have been established during the current year and are shown in the budget as proposed new positions for the purpose of legislative review. They are justified in the budget on the basis of the Attorney General's recommendation as noted above.

We recommend deletion of these two investigator positions.

The workload of this agency as reflected by number of licensees, number of applicants, and number of shows, has remained relatively static and at a substantially lower level for the past several years since the commission conducted its own investigation of boxing in 1955-56. Since that time, the number of enforcement personnel, not including inspectors, has increased from one to three and this present request would increase the number to five. The investigatory workload for these enforcement positions is not fixed and is largely controllable by the commission and staff since in large part it is within their discretion as to what and how intensively they will investigate. In view of the fact that no objective data on the actual need for two additional investigators has been submitted by the agency and that the reasons for the Attorney General's recommendation are not available to us, we cannot recommend the approval of these positions. The necessity for five enforcement personnel for an agency whose function is to license and regulate an activity with 1,660 licensees is not readily apparent.

Operating Expenses

General Expenses

General expense (budget page 571, line 70)----- \$5,350

This item includes \$300 for a membership fee in the National Boxing Association and \$50 for registration fees at its meetings.

We recommend the deletion of \$350.

The commission has recently resigned from membership in the National Boxing Association and the membership fee and registration fees for meetings will not be required.

Out-of-state Travel

Travel out-of-state (budget page 571, line 74)----- \$1,500

Of the above amount, \$1,200 was requested by the agency for attendance at the National Boxing Association Convention by two representatives of the commission, and attendance at an executive meeting of the same organization by one representative.

We recommend deletion of \$1,200 from this item.

The commission has recently resigned from membership in the National Boxing Commission and will not be attending the convention or meeting; consequently, the funds should not be budgeted.

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

ITEM 217 of the Budget Bill

Budget page 572

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

Amount requested -----	\$170,325
Estimated to be expended in 1959-60 fiscal year -----	169,521
	<hr/>
Increase (0.5 percent) -----	\$804
TOTAL RECOMMENDED REDUCTION -----	None

ANALYSIS

We recommend approval as submitted.

This budget shows virtually no change other than adjustments to reflect price and workload increases as well as an increase in pro rata charges. Printing is reduced because the biennial directory is not to be printed in the budget year.

Workload, as reflected by licensees and applications, is increasing with growth in state population; however, the increases are being absorbed in the budget year without increases in personnel.

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

ITEM 218 of the Budget Bill

Budget page 573

FOR SUPPORT OF CEMETERY BOARD FROM THE CEMETERY FUND

Amount requested -----	\$50,213
Estimated to be expended in 1959-60 fiscal year -----	48,836
	<hr/>
Increase (2.8 percent) -----	\$1,377
TOTAL RECOMMENDED REDUCTION -----	None

ANALYSIS

We recommend approval as budgeted.

The increase results in large part from the establishment of a new clerical position partially offset by the virtual elimination of temporary help and from adjustments to operating expense items, principally a reduction in printing expenses resulting from the fact that in even-numbered years the board does not have to publish changes in rules and regulations.

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

ITEM 219 of the Budget Bill

Budget page 575

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

Amount requested -----	\$77,722
Estimated to be expended in 1959-60 Fiscal Year -----	75,027
	<hr/>
Increase (3.6 percent) -----	\$2,695
TOTAL RECOMMENDED REDUCTION -----	\$400

Board of Chiropractic Examiners—Continued

		Summary of Reductions		Budget
Salaries and wages		Amount	Page	Line
Temporary help -----		\$400	575	35

ANALYSIS

The increase in this item results in large part from an increase in pro rata departmental administrative expense together with price increases and the replacement of an old manual typewriter with an electric model.

Temporary help (budget page 575, line 35)----- \$2,047

The agency is requesting the same amount for temporary help for the budget year as for the current year, and \$1,194 more than was actually used in 1958-59.

We recommend deletion of \$400.

This reduction will leave the agency with \$1,647 for temporary help which is almost twice as much as was needed in 1958-59 and three times the requirement for 1957-58.

During the current year, this agency will have placed its license re-registration workload under the centralized machine program of the department and consequently will have been relieved of that workload. The cost of re-registration service under the machine program is budgeted at \$1,267 for the budget year and no offsetting reduction appears in the budget.

Survey 874 of the Organization and Cost Control Division of the Department of Finance upon which the centralized machine re-registration program is based allocates a reduction of \$400 in temporary help to this agency as its share of the reduction in agency workload to be achieved by the machine program. It also indicates that the agency agreed to this as a reasonable reduction. No reason has been advanced for an increase in temporary help.

Accumulated surplus in the Chiropractic Examiners' Fund will have declined to \$23,785 by June 30, 1961. Any change in fees for this agency requires approval by the voters and a measure to permit the Legislature to adjust fees will be on the ballot in November 1960. In the event this measure failed to pass, the agency will be faced with a serious financial problem immediately.

Department of Professional and Vocational Standards

BOARD OF REGISTRATION FOR CIVIL AND PROFESSIONAL ENGINEERS

ITEM 220 of the Budget Bill

Budget page 576

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

Amount requested -----	\$320,045
Estimated to be expended in 1959-60 fiscal year-----	318,237
Increase (0.6 percent)-----	\$1,808
TOTAL RECOMMENDED REDUCTION-----	None

Board of Registration for Civil and Professional Engineers—Continued

ANALYSIS

We recommend approval as submitted.

The minor increase in this item results from salary and price increases offset by adjustments to reflect the use of the departmental machine reregistration program and a reduction of the equipment request.

Department of Professional and Vocational Standards

COLLECTION AGENCY LICENSING BUREAU

ITEM 221 of the Budget Bill

Budget page 577

FOR SUPPORT OF COLLECTION AGENCY LICENSING BUREAU
FROM THE COLLECTION AGENCY FUND

Amount requested	\$106,996
Estimated to be expended in 1959-60 fiscal year	98,116
Increase (9.1 percent)	\$8,880
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

We recommend approval as submitted.

The increase in cost results from the full-time cost in the budget year of positions established during the current year. The functions which were added to the scope of the agency's responsibility, at the time it was transferred to the Department of Professional and Vocational Standards from the office of the Secretary of State, appear to justify the increase in staff over that required before.

Department of Professional and Vocational Standards

CONTRACTORS' LICENSE BOARD

ITEM 222 of the Budget Bill

Budget page 579

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

Amount requested	\$1,006,487
Estimated to be expended in 1959-60 fiscal year	965,659
Increase (4.2 percent)	\$40,828
TOTAL RECOMMENDED REDUCTION	\$7,620

Summary of Recommended Reductions

	Budget		
	Amount	Page	Line
Technician and clerk	\$7,620	579	36

ANALYSIS

The increase in this item results from salary and price increases together with a request for one new clerical position, partially offset by reductions in temporary help and adjustments to operating expenses. The new position of one intermediate stenographer-clerk, (budget page 579, line 41) appears to be justified by the increase in workload and we recommend approval of this position.

Technician and clerk (budget page 579, line 36)..... \$142,394

Contractors' License Board—Continued

This item includes all of the clerical help used by the agency for all purposes.

We recommend the deletion of two clerical positions for a reduction of \$7,620.

This agency contemplates transferring its license renewal functions to the departmental machine reregistration program in the budget year and is budgeting \$28,986 for this purpose. The Organization and Cost Control Division of the Department of Finance, Survey No. 874, on which the machine reregistration program is based estimated that this agency would reduce its personnel requirements for reregistration purposes by two permanent positions and its temporary help requirements by approximately \$8,500 as a result of mechanization.

While it appears that temporary help requirements have been adjusted downward, the budget shows no reduction in the total number of permanent clerical positions. Survey No. 874 indicates that the agency agreed to the estimated reduction.

**Department of Professional and Vocational Standards
BOARD OF COSMETOLOGY**

ITEM 223 of the Budget Bill

Budget page 580

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

Amount requested	\$304,746
Estimated to be expended in 1959-60 fiscal year.....	292,157
	<hr/>
Increase (4.3 percent)	\$12,589
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

We recommend approval as budgeted.

The increase in this budget results from salary and price increases together with an increase in pro rata charges and in equipment.

Workload continues to grow and the requested increases appear to be adequately justified.

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

ITEM 224 of the Budget Bill

Budget page 581

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

Amount requested	\$131,188
Estimated to be expended in 1959-60 fiscal year.....	137,805
	<hr/>
Decrease (4.8 percent)	\$6,617
TOTAL RECOMMENDED REDUCTION	None

Board of Dental Examiners—Continued

ANALYSIS

We recommend approval as budgeted.

The decrease in this budget results primarily from the fact that the biennial directory is not scheduled to be published in the budget year, together with fewer scheduled meetings of the board and fewer examinations as well as the nonrecurrence of certain one-time expenses connected with moving the headquarters from San Francisco to Sacramento. These decreases are partially offset by salary and price increases and increases in pro rata charges related to Departmental Administration.

**Department of Professional and Vocational Standards
BOARD OF DRY CLEANERS**

ITEM 225 of the Budget Bill

Budget page 582

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

Amount requested -----	\$247,848 *
Estimated to be expended in 1959-60 fiscal year -----	235,800 *
<hr/>	
Increase (5.1 percent) -----	\$12,048

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS

We recommend approval as budgeted.

The increases in this item result from price and salary increases together with an increase in pro rata charges.

Accumulated surplus will decline to \$6,894 by June 30, 1961, indicating the necessity to consider the problem of maintaining this agency on a solvent basis.

Pursuant to Chapter 1591, Statutes of 1959, \$30,000 is budgeted for transfer to the University of California for research on the cleaning and maintaining of fabrics, and \$97,826 is scheduled for transfer to the General Fund for support of the Fire Marshal's office under Section 9575 of the Business and Professions Code.

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

ITEM 226 of the Budget Bill

Budget page 584

FROM THE FUNERAL DIRECTORS' AND EMBALMERS' FUND

Amount requested -----	\$57,821
Estimated to be expended in 1959-60 fiscal year -----	56,307
<hr/>	
Increase (2.7 percent) -----	\$1,514

TOTAL RECOMMENDED REDUCTION ----- None

* Does not include expenditures from funds appropriated by Chapter 1591, Statutes of 1959.

Board of Funeral Directors and Embalmers—Continued

ANALYSIS

We recommend approval as budgeted.

The increase in this budget results in large part from the addition of one clerical position, giving the agency a total of two such positions. The cost of the new position is partially offset by the elimination of temporary help costs. The gradual growth of workload over a period of years appears to justify the addition of some clerical help at this time.

Department of Professional and Vocational Standards

BUREAU OF FURNITURE AND BEDDING INSPECTION

ITEM 227 of the Budget Bill Budget page 585

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

Amount requested	\$353,938
Estimated to be expended in 1959-60 fiscal year.....	334,765

Increase (5.7 percent)	\$19,173
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TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

We recommend approval as submitted.

The increase in this item results from salary and price increases, together with increases in pro rata expenses and equipment.

Department of Professional and Vocational Standards

BOARD OF GUIDE DOGS FOR THE BLIND

ITEM 228 of the Budget Bill Budget page 586

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

Amount requested	\$3,970
Estimated to be expended in 1959-60 fiscal year.....	3,839

Increase (3.4 percent)	\$131
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TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

Approval as budgeted is recommended.

While the increase asked for the budget year is only \$131 or 3.4 percent over the amount estimated to be expended in the current year, it is a 26.8 percent increase over the actual expenditures for fiscal year 1958-59. There are three main reasons for this increase.

1. Seven board members are entitled to receive per diem and travel expenses starting in the current year. Heretofore, only travel expenses were allowed.
2. Also, commencing with the current year, the Department of Education is to be reimbursed for its participation in the administration of this agency whereas heretofore it provided this service on a nonreimbursable basis. The cost is estimated at \$1,500.

Board of Guide Dogs for the Blind—Continued

3. The requirement that the Division of Administrative Procedure recover 100 percent of the costs of hearing services from the using agencies and that estimated pro rata shares be collected in advance, is applicable to this agency since it has used such hearing services in the past and would again if any matters concerning the licensees under the board's jurisdiction required hearings. The amount budgeted for this purpose for this agency in the current year is \$1,111 and in the budget year is \$1,333. Only actual costs will be charged to using agencies; however it appears necessary to budget these amounts to meet the requirement.

We pointed out in our analysis of this item in the 1959 Analysis of the Budget Bill, commencing at page 665, that the actual workload of this agency consists of the licensing and regulation of seven individuals working in three schools. The budgeted costs of this minor workload appear to be excessive. We suggest that consideration be given to incorporating this function into the regulatory responsibilities of the Department of Education, which has primary responsibility for the rehabilitation of the handicapped, as an alternative to the present organizational arrangement.

Department of Professional and Vocational Standards

BOARD OF LANDSCAPE ARCHITECTS

ITEM 229 of the Budget Bill Budget page 587

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

Amount requested	\$18,654
Estimated to be expended in 1959-60 fiscal year	18,872
Decrease (1.2 percent)	<u>\$218</u>

TOTAL RECOMMENDED REDUCTION

None

ANALYSIS

We recommend approval as budgeted.

The slight decrease in this item results from decreases in temporary help and some operating expense items partially offset by salary and price increases and pro rata charges and equipment.

Department of Professional and Vocational Standards

BOARD OF MEDICAL EXAMINERS

ITEMS 230, 231 and 232 of the Budget Bill Budget page 588

FOR SUPPORT OF BOARD OF MEDICAL EXAMINERS FROM THE MEDICAL EXAMINERS' CONTINGENT FUND AND THE PHYSICAL THERAPY FUND

Amount requested	\$444,725
Estimated to be expended in 1959-60 fiscal year	410,760
Increase (8.3 percent)	<u>\$33,965</u>

TOTAL RECOMMENDED REDUCTION

None

Board of Medical Examiners—Continued

ANALYSIS

We recommend approval as budgeted.

The increase in this item results from salary and price increases as well as adjustments in operating expenses including increased pro rata charges and the addition of five new positions.

These positions are four special investigators and one intermediate typist-clerk. The agency justifies its request on the basis of an eight-month's backlog which it expects to reduce to 4.4 months during the budget year with the new positions.

Department of Professional and Vocational Standards

BOARD OF NURSE EXAMINERS

ITEM 233 of the Budget Bill

Budget page 591

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

Amount requested	\$320,215
Estimated to be expended in 1959-60 fiscal year	246,465
<hr/>	
Increase (29.9 percent)	\$73,750
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

We recommend approval as budgeted.

The increase in this item is principally related to the request for nine new positions. Three of these are directly related to increased workload brought about by the extended campus program and the board's desire to improve the quality of nursing education in California. Two investigators are requested to take care of the added workload due to increases in licensees, applications and complaints. In this area also the board feels a need to improve the quality of its regulation of licensees' activities. The other four positions are clerical positions needed on a workload increase basis and in ratio to the professional positions requested.

Other increases are related to salary and price increases and added operating expense and equipment due to new positions.

Department of Professional and Vocational Standards

BOARD OF OPTOMETRY

ITEM 234 of the Budget Bill

Budget page 593

FOR SUPPORT OF BOARD OF OPTOMETRY
FROM THE STATE OPTOMETRY FUND

Amount requested	\$43,956
Estimated to be expended in 1959-60 fiscal year	44,412
<hr/>	
Decrease (1.0 percent)	\$456
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

We recommend approval as budgeted.

The decrease in this item results from minor adjustments to operating expenses coupled with the fact that no salary increases are included since all employees are at the top of their respective grades.

**Department of Professional and Vocational Standards
BOARD OF PHARMACY**

ITEM 235 of the Budget Bill

Budget page 594

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

Amount requested	\$308,081
Estimated to be expended in 1959-60 fiscal year.....	287,094
<hr/>	
Increase (7.3 percent)	\$20,987
TOTAL RECOMMENDED REDUCTION	\$2,871

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	<i>Page</i>	<i>Line</i>
Technician and clerk	\$1,871	594	62	
Temporary help	1,000	594	63	

ANALYSIS

The increase in this item results from the request to add one new position of supervising inspector, an increase in pro rata charges, the addition of approximately \$3,500 for reregistration, offset by a reduction of about \$2,500 for personnel used by the agency for this purpose, and an increase of about \$2,000 for rent and \$4,000 for equipment together with salary and price increases and workload adjustments to operating expense.

The proposed level of expenditures will completely exhaust this agency's surplus during the budget year unless legislation can be passed during the current year to increase revenue. The 1960-61 Budget is based on the assumption that such legislation will be introduced and passed.

Technician and clerk (budget page 594, line 62)..... \$35,380

This agency will transfer the reregistration of licenses function to the departmental machine registration program at the start of the budget year.

We recommend the deletion of \$1,871 for one-half clerical position from the item for technician and clerk (budget page 594, line 62) and \$1,000 from the item for temporary help (budget page 594, line 63) for a total reduction of \$2,871.

Survey No. 874 of the Organization and Cost Control Division of the Department of Finance, upon which the departmental machine reregistration program is based, indicated that this agency could reduce license renewal staff by one full-time clerical position and by approximately \$2,500 for temporary help as a result of the transfer of reregistration workload. It also indicates that the agency agreed with this estimate. The agency has reduced its staff by one-half permanent clerical position and approximately \$1,500 of temporary help. Workload increases due to increased licensees and applications are minor. The need for additional clerical help, if any, should be justified on its merits and not be met by converting savings from the machine program to new requirements.

Supervising inspector (budget page 594, line 67)..... \$7,356

This position is requested to improve the supervisory level of service in the northern part of the State in an effort to increase the number of inspections per inspector to the same level achieved in the south.

Board of Pharmacy—Continued

We recommend approval of this request on the condition that legislation is passed in 1960 to increase the agency's revenue.

This request would increase the level of service and, while it appears to be desirable, we do not believe the agency should undertake it unless revenues are increased in time to pay for it. In fact, it would appear that unless revenue can be increased in the budget year, the agency will be forced to curtail many of its activities until such action can be taken.

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

ITEM 236 of the Budget Bill Budget page 595

FOR SUPPORT OF BUREAU OF PRIVATE INVESTIGATORS AND ADJUSTERS FROM THE PRIVATE INVESTIGATORS AND ADJUSTERS' FUND

Amount requested -----	\$76,852
Estimated to be expended in 1959-60 fiscal year -----	95,301
Decrease (19.4 percent) -----	<u>\$18,449</u>

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS

We recommend approval as budgeted.

The decrease in this item results from the reduction of supervisory personnel by one-half due to the proposed sharing of the chief and assistant chief positions with the Board of Landscape Architects. Full-time costs for these positions are estimated for the current year. Other decreases relate to reductions in operating expenses and equipment. Workload peaked during the current year as a result of the increase in scope of the agency's licensing program following the passage of Chapter 2158, Statutes of 1959. The number of licensees is expected to increase by approximately 5,000 during the current year. This rate of increase will not continue.

**Department of Professional and Vocational Standards
CERTIFIED SHORTHAND REPORTERS' BOARD**

ITEM 237 of the Budget Bill Budget page 597

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

Amount requested -----	\$16,473
Estimated to be expended in 1959-60 fiscal year -----	16,264
Increase (1.3 percent) -----	<u>\$209</u>

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS

We recommend approval as submitted.

The increase in this item results from an upward adjustment of pro rata charges and the inclusion of \$58 for machine reregistration service. Minor increases in workload will be absorbed within the present staffing pattern.

**Department of Professional and Vocational Standards
BOARD OF SOCIAL WORK EXAMINERS**

ITEM 238 of the Budget Bill Budget page 598

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

Amount requested	\$28,474
Estimated to be expended in 1959-60 fiscal year.....	28,368
<hr/>	
Increase (0.4 percent)	\$106
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

We recommend approval as budgeted.

The increase in this item results from an upward adjustment of pro rata charges, the inclusion of per diem expenses for board members, and \$790 for machine reregistration services, partially offset by reductions for temporary help and in operating expenses.

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

ITEM 239 of the Budget Bill Budget page 599

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

Amount requested	\$89,115
Estimated to be expended in 1959-60 fiscal year.....	84,979
<hr/>	
Increase (4.9 percent)	\$4,136
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

We recommend approval of the budget as submitted.

The increase in this budget results from an upward adjustment of pro rata charges, the inclusion of \$970 for machine reregistration services and a \$2,000 increase in equipment. These increases are partially offset by a decrease in temporary help and reductions in some items of operating expense.

**Department of Professional and Vocational Standards
BOARD OF EXAMINERS IN VETERINARY MEDICINE**

ITEM 240 of the Budget Bill Budget page 600

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

Amount requested	\$26,190
Estimated to be expended in 1959-60 fiscal year	25,193
<hr/>	
Increase (4.0 percent)	\$997
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

We recommend approval as budgeted.

The increase in this item results from an upward adjustment of pro rata charges together with salary and price increases.

Department of Professional and Vocational Standards

BOARD OF VOCATIONAL NURSE EXAMINERS

ITEM 241 of the Budget Bill

Budget page 601

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

Amount requested	\$111,591
Estimated to be expended in 1959-60 fiscal year.....	102,410
Increase (9 percent).....	\$9,181
TOTAL RECOMMENDED REDUCTION.....	None

ANALYSIS

We recommend approval as budgeted.

The increase in this budget results from salary and price increases and adjustments required by the inclusion of psychiatric technicians in the regulation program of the agency. This group was included under Chapter 1851, Statutes of 1959.

Department of Professional and Vocational Standards

YACHT AND SHIP BROKERS' COMMISSION

ITEM 242 of the Budget Bill

Budget page 603

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

Amount requested	\$18,575
Estimated to be expended in 1959-60 fiscal year.....	17,652
Increase (5.2 percent).....	\$923
TOTAL RECOMMENDED REDUCTION.....	None

ANALYSIS

We recommend approval as budgeted.

The minor increase in this item results from salary and price increases.

PUBLIC UTILITIES COMMISSION

ITEM 243 of the Budget Bill

Budget page 605

FOR SUPPORT OF PUBLIC UTILITIES COMMISSION
FROM THE GENERAL FUND

Amount requested	\$3,375,155
Estimated to be expended in 1959-60 fiscal year.....	3,041,779
Increase (11 percent).....	\$333,376
TOTAL RECOMMENDED REDUCTION.....	\$121,816

Public Utilities Commission—Continued

	Summary of Recommended Reductions		
	Amount	Budget	
		Page	Line
1 Intermediate typist-clerk -----	\$3,540	606	23
1 Senior utilities engineer -----	9,384	607	13
2 Associate utilities engineer -----	16,224	607	14
3 Assistant utilities engineer -----	20,016	607	15
1 Assistant statistician -----	6,360	607	16
1 Senior stenographer-clerk -----	4,296	607	17
1 Calculating machine operator -----	3,810	607	18
1 Intermediate stenographer-clerk -----	3,810	607	19
1 Public utilities counsel II -----	11,400	609	37
6 Junior counsel -----	32,976	609	38
Consulting services -----	10,000	609	51

GENERAL SUMMARY

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

In recent years the commission has regularly intervened in natural gas rate matters before the Federal Power Commission. While there is no specific statutory obligation to do so, such intervention seems to be justified by the commission's general mission to insure reasonable rates to the consumer, and by the circumstance that the State is becoming increasingly dependent on out-of-state sources for gas supplies, the cost of which is regulated by the Federal Power Commission.

In a special report on "Activities of the California Public Utilities Commission in Interstate Natural Gas Matters" to the Joint Legislative Budget Committee on December 8, 1959, we stated our conclusion regarding this matter as follows:

"In view of the fact that there appears to be a significant state interest in the natural gas proceedings before the Federal Power Commission and that this interest is not at the present time fully represented by the federal commission itself, it is our recommendation that state facilities be provided for this purpose and that this representation appropriately falls to the Public Utilities Commission."

We were not then aware and are still not aware of the exact nature and extent of the state facilities which should be provided.

From 80 to 85 percent of the commission's workload results from so-called formal matters, such as applications for rate increases and certificates of convenience and necessity. In the course of a detailed survey of the operations of the commission which we made in 1958, it was determined that undetailed statistics of the number of these matters, actual or projected, were relatively meaningless for budgetary purposes since processing time required on individual matters represented man-days of work running from possibly one to as much as a thousand. As a consequence, it is recommended that in the future the

Public Utilities Commission—Continued

commission break down its comparative budget justification data so as to indicate the nature, and not just the number, of the matters it has processed and expects to process, including information respecting particularly time-consuming matters, such as those in connection with major rate increases.

ANALYSIS

The total expenditure program for the agency, including retirement contributions, is shown on pages 605 to 611 of the budget, funds for its support coming from two separate appropriations, as follows:

Fund	Budget Bill Item No.	Total Expenditures		Increase	
		1959-60	1960-61	Amount	Percent
General	243	\$3,256,377	\$3,608,370	\$351,993	10.8
Transportation rate	244	2,834,039	2,894,884	60,845	2.1
Totals		\$6,090,416	\$6,503,254	\$412,838	6.8

As indicated by the following table, a very substantial part of the budget increase in the current and past year is due to increased rentals incident to moving the commission offices to new state buildings in San Francisco, Los Angeles and Fresno:

Year	Rentals			Totals
	San Francisco	Los Angeles	Fresno	
1958-59	\$65,975	\$69,222	\$1,500	\$136,697
1959-60	162,135	89,325	1,500	252,960
1960-61	313,010	106,028	4,800	423,838

Administration

Three additional clerical positions are requested, two for the clerical pool in the Los Angeles office and one for the assistant secretary's office in San Francisco, the request being based on increased workload.

We recommend approval of the two additional clerical positions requested for Los Angeles.

The additional positions for the Los Angeles office appear justified as for the past few years the clerical staff has not kept pace with technical personnel. For example, eliminating the Legal Division and the Licensing Section, the activities of the Los Angeles office closely parallel those in San Francisco, while the 1959-60 ratio of clerical to technical staff is 1 to 1.9 in San Francisco and only 1 to 2.5 in Los Angeles.

We recommend deletion of one intermediate typist-clerk, \$3,540 for the general office, budget page 606, line 23.

The assistant secretary's office is charged with and the additional position is requested to aid in the entering, preparing and processing of formal documents received and issued by the commission. We recommend disapproval of the additional position requested for two reasons:

1. Because there has been no showing of an increase in workload. Actual figures for 1958-59 indicate that out of 10 workload classifications used by the agency for its administration activities, there was an actual decrease over 1957-58 in five, including the two which are prime barometers of future activity; formal proceedings filed and formal documents registered. The workloads projected for 1959-60 and 1960-61

Public Utilities Commission—Continued

show general increases over 1958-59, but no supporting data have been submitted by the agency and past years demonstrate a pattern of over-estimation. For example, in 1958-59, the last year for which actual figures are available, projections were overestimated in seven out of the ten workload classifications.

2. Because for the past two budgets we have recommended deletion, and the Legislature has in fact deleted, clerical positions requested for assignment to the Docket Unit which enters all formal documents by longhand in bound ledgers. The practice has been recommended for replacement by a modern card system by both this office and the Department of Finance, with resulting efficiencies in both recordkeeping and personnel time.

While we are not prepared to state that the elimination of the hand-written docket book would eliminate the need for one full-time employee, we believe that no additional permanent staff should be approved until procedures have been modernized, particularly in the absence of a documented showing of increased workload.

Utilities Division

An analysis of the 11 additional positions shown on budget page 607, lines 13 to 19, is as follows, by purpose for which requested:

Class	Total	Purposes for which requested		
		Gas producer cost branch	Electric meter testing	Long-range gas studies
Senior utilities engineer -----	2	1	1	-
Associate utilities engineer ---	2	1	-	1
Assistant utilities engineer ---	3	2	1	-
Assistant statistician -----	1	1	-	-
Senior stenographer-clerk ----	1	1	-	-
Calculating machine operator -	1	1	-	-
Intermediate stenographer-clerk	1	-	-	1
Totals -----	11	7	2	2

The 1959 Legislature approved three additional positions for this division to improve the scope and effectiveness of California's representation in natural gas proceedings before the Federal Power Commission, with the stipulation that the positions be provided by reassignment of existing personnel at no increase in cost. As a result, during the current year the agency has created a new unit in the Utilities Division, the Gas Producer Cost Branch, devoted exclusively to work incident to the intervention before federal agencies in matters which can affect either directly or indirectly the costs of natural gas to California distributing companies, and hence to consumers, and the seven additional positions indicated in the foregoing table for the Gas Producer Cost Branch are to increase the scope of this work.

The two positions requested for Electric Meter Testing are to initiate studies for meter testing, looking toward the establishment of standards for the maintenance of accuracy, of which there are none at present, and studies of rate differentials between urban and rural areas.

Public Utilities Commission—Continued

The two positions requested for Long-range Gas Studies are to make studies relating to supply, storage, cost and customer usage of gas.

We recommend disapproval of all the positions listed on budget page 607, lines 12 to 19, except one senior engineer, representing 10 positions with total salaries of \$63,900.

All of the 11 new positions have been requested for work which may very well be desirable but is nonobligatory in the sense that it is not specifically required by law.

Our recommendation is based generally on the fact that the division's obligatory work, as primarily represented by formal matters, has not had a history of progressive increase over the past few years, and the fact the commission has not offered data specifically supporting the probability of a significant increase in either 1959-60 or 1960-61. The trend is illustrated by the following table of actual workload which includes time spent on natural gas matters:

Utility Division Formal Matters in Man-days

Year	Man-Days
1954-55	10,957
1955-56	9,586
1956-57	13,207
1957-58	15,058
1958-59	11,279 ¹

¹ Net of 1,464 man-days representing nonrecurring formal investigations by Hydraulic and General Engineering branches.

During 1954-55 the division had technical personnel of 100 as compared to 110 in 1958-59, or an increase of 10 percent, and the fact that time devoted to formal matters in 1955-56 amounted to only 63.6 percent of the time spent in 1957-58 is not unusual. These figures illustrate a consistent pattern wherein the division, and branches within the division, experience material fluctuations in time devoted to obligatory functions and to nonobligatory functions, such as surveys and studies.

Accordingly, we feel that it is impracticable to attempt to staff the division on the basis of both maximum, or even near maximum, obligatory and permissive matters per year but that, to the contrary, the commission should meet its workload by performing permissive functions in years of low formal matter activity and by more frequent transfer of personnel between branches. Such transfers are feasible even though much of the work of individual branches is highly specialized. It would not be desirable, for example, to assign a hydraulic engineer to perform specialized electrical engineering work. On the other hand, a substantial part of the work of the division is of a general nature as particularly illustrated by the fact that the principal function of the General Engineering Branch is to work in conjunction with the other branches, whether the problem involves water, gas, electricity, telephone or telegraph.

In short, it is our opinion that no material increases in technical personnel are justified until such time as the obligatory workload of the division shows a regular and well-defined upward trend and not merely fluctuations.

Public Utilities Commission—Continued

With particular respect to the seven positions requested for work in natural gas matters, it seems to be the consensus that representation before the Federal Power Commission is essential. It also appears evident that the problem has recently increased by reason of the necessity of intervening in producer rate matters as well as those concerning pipelines alone. However, while the general problem is clear, the commission has not offered specific data respecting or supporting past workload, the effect of intervention, or projected workload.

Included in its budget justification relating to the Gas Producer Cost Branch is the statement that: "No tabulation of gas producer cost proceedings pending and the anticipated related workload is available at this time. Several hundred gas producer cost proceedings affecting California are currently before the Federal Power Commission. The degree to which these affect costs paid by California ratepayers has not been fully established. Upon commencing work on this branch, it is anticipated that a review of the present status, the precise dollar effects to California and related information of these proceedings will be made."

We believe that there is no question but that the importance of the problem requires such a review and a report prepared thereon which should be made available to the Legislature, and we suggest that it be extended to include pipeline as well as producer matters. *We recommend approval of one new senior utilities engineer position, \$9,384, budget page 607, line 13, for purposes of preparing such a report.*

Legal Division

Two public utilities counsel II and six junior counsel positions are requested for work involving intervention before federal agencies on natural gas matters.

The two counsel II positions have been requested for work in connection with natural gas matters before the Federal Power Commission, which function clearly places a comparatively new burden on the division. The commission has not, however, provided any information, detailed or otherwise, respecting either its past or projected activity in the field. In fact, by referring to the excerpt from its budget justification quoted above regarding the Utilities Division, it is evident that the commission recognizes, as we do, the general desirability of intervening in the matters, but does not itself know the actual extent of the problem or its real importance to the gas consumers in this State.

Neither has the division provided information respecting the activity it expects in other fields for the 1960-61 year. As in the case of the balance of the commission staff, the legal division experiences an obligatory workload which fluctuates from year to year so that its experience for the current year does not necessarily indicate the activity to be expected for the year following.

Furthermore, the division has in recent years received additional personnel at a rate of increase in excess of that for the other units of the commission, as illustrated by the fact that its authorized lawyer

Public Utilities Commission—Continued

staff has increased from 11 in 1955-56 to 18 in 1959-60, or 63.6 percent, while the commission staff as a whole has increased by only 18.2 percent or from 560 to 662.

As a consequence of the generally agreed importance of the program, and even in the absence of a more specific demonstration of need

We recommend approval of one public utilities counsel II position, and the elimination of the other; budget page 609, line 37, \$11,400.

We also recommend that the problems of both this and the Utilities Division be rereviewed at the time the latter prepares the report we have previously recommended be made on the extent of the actual, as opposed to the existing speculative problem.

The six junior counsel positions have been requested to do research work on Federal Power Commission cases. It also appears to us possible that a second purpose in making the request is that the commission feels that it is desirable to recruit promising students out of the law schools, thereby not only providing assistance to the existing staff but eventually obtaining through the normal promotion process a senior staff experienced in regulatory matters. Budget considerations aside, the plan is one desired by substantially all professional groups. Considering the budget, however, the division, as already stated, has not demonstrated an actual caseload need for additional staff and in past years has been assigned personnel substantially in excess of the ratio granted other divisions.

We recommend elimination of six junior counsel positions, budget page 609, line 38, \$32,976.

We recommend deletion of the item for consulting services, \$10,000, budget page 609, line 51.

Prior to 1960-61 the Department of Justice as well as the commission intervened before the Federal Power Commission in natural gas matters. The presentations were entirely separate and distinct, not only in the use of separate legal staffs but in the use by the Attorney General of private technical consultants in Washington, D.C., rather than by utilization of the engineering facilities of the commission. Although the budget justification material of the commission which we have reviewed makes no mention of nor justification of the item, we are informed that its purpose is to retain the consultants formerly hired by the Attorney General. We have recommended deletion (1) because there has been no demonstration of necessity, and (2) because we feel that in the absence of such a showing, the commission, which has one of, if not the largest state regulatory staffs in the nation, is, or should be competent to supply its own technical material.

PUBLIC UTILITIES COMMISSION

ITEM 244 of the Budget Bill

Budget page 605

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

Amount requested -----	\$2,726,884
Estimated to be expended in 1959-60 fiscal year -----	2,666,039
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Increase (2.3 percent) -----	\$60,845
TOTAL RECOMMENDED REDUCTION -----	None

Public Utilities Commission—Continued

ANALYSIS

This appropriation is for costs of administration involving regulation of carriers of property for compensation by rail, truck or water, the details of which are included under budget item 243. Any adjustments in that item relating to administrative costs of the foregoing will require a corresponding adjustment in this item.

DEPARTMENT OF SOCIAL WELFARE

ITEM 245 of the Budget Bill

Budget page 613

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

Amount requested.....	\$3,499,893
Estimated to be expended in 1959-60 fiscal year.....	3,258,582
Increase (7.4 percent).....	\$241,311
TOTAL RECOMMENDED REDUCTION.....	\$81,256

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Departmental Administration			
Departmental reorganization			
Special projects supervisor.....	\$13,800	616	26
Staff assistant to director.....	11,400	616	28
Two intermediate stenographers.....	7,440	616	30
Proposed aging program			
Interdepartmental aging coordinator.....	9,852	616	39
Associate research technician.....	7,728	616	40
Assistant research technician.....	6,360	616	41
Field representative.....	7,008	616	42
Senior stenographer-clerk.....	4,296	616	43
Intermediate stenographer-clerk.....	3,540	616	44
Operating expenses.....	6,986	620	24
Equipment.....	2,846	620	26

The support budget of the Department of Social Welfare proposes an appropriation of \$3,499,893 for the 1960-61 fiscal year. This is an increase of \$241,311 or 7.4 percent above what is expected to be expended during the current year.

This appropriation is for the state share of the departmental administrative costs of all the various categorical aid programs.

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 the 58 county welfare departments in all but parts of three programs. The various welfare programs are as follows:

1. Old Age Security.
2. Aid to Needy Children in families.
3. Aid to Needy Children in foster homes.
4. Aid to Needy Blind.
5. Aid to Partially Self-supporting Blind.
6. Aid to Totally Disabled.
7. Medical Care.