

STATE EMPLOYEES' RETIREMENT SYSTEM

ITEMS 32 and 33 of the Budget Bill

Budget page 24

FOR SUPPORT OF STATE EMPLOYEES' RETIREMENT SYSTEM FROM THE STATE EMPLOYEES' RETIREMENT FUND AND THE STATE EMPLOYEES' CONTINGENCY RESERVE FUND

Amount requested	\$1,569,628
Prior year balance available (Chapter 1834, Statutes of 1961)	120,439
State employees' retirement	121,500
State employees' health and welfare	10,728
Total	\$1,822,295
Estimated to be expended in 1961-62 fiscal year	1,709,575
Increase (6.6 percent)	\$112,720

TOTAL RECOMMENDED REDUCTION

\$47,372

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Proposed new positions and operating expenses			
Health Benefits Division			
2 Retirement officers II	\$13,344	27	27
Investments Section			
1 Assistant research technician	6,672	25	24
Operating expenses			
Contractual services	20,000	25	79
Existing position			
Membership Division			
Retirement officer II	7,356	25	12

ANALYSIS

The State Employees' Retirement System is administered by a Board of Administration composed of a president, vice president and six members.

The principal functions of the system are: (1) the accounting for contributions and benefits paid; (2) making actuarial studies to determine policy and the rate determination, (3) reviewing the qualification of applicants for membership, (4) assisting local contracting governments in applying the Retirement Law and the rules of the system, (5) administering the federal program for old age and survivors insurance in its application to retirement members, and (6) the administration of the Meyers-Geddes State Employees' Medical and Hospital Care Act. When administering the Medical and Hospital Care Act, the board of administration is augmented by three members representing the public, appointed by the Governor.

The support for the State Employees' Retirement System now comes from two sources:

1. State Employees' Retirement Fund, \$1,594,097 (87.5%).
2. State Employees' Contingency Reserve Fund, \$228,198 (12.5%).

Support for the system changed from the General Fund to the State Employees' Retirement Fund on July 1, 1959. The State Employees' Contingency Reserve Fund was established in 1961 when the Legislature passed the Meyers-Geddes Medical and Hospital Care Act. The retirement system's cost of administering the State Employees' Medical and Hospital Care Act is appropriated from the Contingency Fund.

State Employees' Retirement System—Continued

The 1962-63 budget requests \$1,594,097 from the State Employees' Retirement Fund, which is \$19,848, or 1.3 percent, more than is estimated to be expended from that fund for the current year. The budget also requests \$228,198 for the support of the system from the State Employees' Contingency Reserve Fund, which is the following item of the Budget Act.

The system has gone through some very important changes during this current year which will have a great effect upon its future workload. These changes are:

1. The integration of the system with the Federal Old Age Security and Disability Insurance Program.
2. The responsibility for administering the Meyers-Geddes State Employees' Medical and Hospital Care Act.
3. The conversion of the mechanical operation of the accounting division to electronic data processing.

Integration With Old Age Security Disability Insurance Program

Legislation enacted during the 1961 Session extended social security coverage to state employees. The legislation permitted each state employee who was a member of the retirement system on or before November 6, 1961, to select or reject social security coverage on an individual basis. State employees becoming members of the system subsequent to November 6, 1961, will have social security coverage automatically, integrated with a modified retirement formula. The board of administration was empowered to set a charge not to exceed \$10 per person to fund the administrative cost of integration.

The initial count showed that 33,390 state employees selected social security coverage. At \$10 per person, \$333,900 has been made available to the system for the 1961-62 and 1962-63 fiscal years.

With these funds available the system added 13 permanent positions within the system's administration and three permanent positions in the Old Age Survivors' and Disability Insurance Division. These positions are being continued in the budget year.

**Administration of the Meyers-Geddes State Employees'
Medical and Hospital Care Act**

The Meyers-Geddes State Employees' Medical and Hospital Care Act provides that the board of administration contract with carriers for basic health benefit plans or approved basic health benefit plans offered by employee organizations under certain conditions. For those employees who are eligible, the State contributes up to a maximum of \$5 per month toward the amount necessary to pay the cost of a basic health benefit plan approved under the act.

With the funds made available through the passage of the act, the system established 10 new permanent positions to administer the provisions of the law. In addition to these 10 positions, two new positions, one retirement officer II and one senior typist-clerk, were added to the current year budget in order to open a field office in San Francisco. The system already had an office in Los Angeles. The function of the field offices is to provide information to state employees about retire-

State Employees' Retirement System—Continued

ment benefits, social security, and the new medical and hospital care program. Personnel in the offices also provide information to employees of contracting agencies in the Los Angeles and San Francisco Bay areas.

The retirement system is requesting two new positions of retirement officer II for the two field offices primarily on the basis of the increased workload brought about by the Medical and Hospital Care Act.

We recommend the deletion of the two proposed new positions of retirement officer II for a savings of \$13,344.

It is not possible at this time for the system to determine what the workload in these two field offices is going to be, particularly the office in San Francisco. The Los Angeles office was opened in August 1959 and the San Francisco office is scheduled for opening near the end of January 1962. State employees were not covered by the state health insurance program until January 1, 1962; therefore, we question the necessity to augment the new staff in these offices until such time as a review of the workload can be made.

Conversion of the Mechanical Operation of the Accounting
Division to Electronic Data Processing

The current year budget (1961-62) provided funds for the conversion of the system's accounting division from a mechanical operation to electronic data processing. Eleven new positions were authorized for this conversion. As a result of the conversion, which is anticipated to take place in November of 1962, 23 positions in the accounting division are being abolished during the budget year. Lines 27 through 62, budget page 25, indicate the positions to be eliminated. On an annual basis it is anticipated that the savings realized from reduced salaries will more than offset the increased rental of tabulating machine equipment (budget page 25, line 72). In addition to the savings in the accounting division, it is anticipated that the membership division will make use of the equipment for the realization of further savings.

Other Proposed New Positions and Operating Expenses

1. Associate administrative analyst..... \$3,112

The system proposes to establish a position of associate administrative analyst who would be responsible to the assistant executive officer. This position would be in lieu of a contractual arrangement the system presently has for administrative analysis work.

As outlined above, the system has been going through several changes during this past year. It would appear that a position of this nature would be most valuable and in a short time effectuate savings through procedure changes greatly in excess of the salary involved.

We recommend approval of the proposed new position of associate administrative analyst.

2. Assistant research technician..... \$6,672

One assistant research technician is requested for the Investments Section of the system, due to the growth of the system's portfolio and

State Employees' Retirement System—Continued

the continuing diversification of areas being investigated for investments.

The Investment Section presently consists of the following four positions :

<i>Position</i>	<i>Salary range</i>
1 Investment officer -----	\$950-1,155
1 Assistant investment officer-----	710- 862
1 Assistant research technician-----	556- 676
1 Junior research technician-----	458- 556

We recommend the deletion of the proposed new assistant research technician position for a savings of \$6,672.

The Investments Section has three major functions:

- a. Purchasing and selling of securities through brokers. This is a most important function since the system is investing over \$1 million of new money per day.
- b. Examination and review of financial statements and prospectus documents in connection with the private placement of investments.
- c. Statistical analysis of investments made and the preparation of statistics for the system's Board of Administration.

There is a question in our mind as to how the proposed new position will be used. Upon a review of the requested position we were informed by the investment officer that he envisioned the new position assuming some of the functions presently carried by the assistant investment officer who in turn would assume some of the investment officer's duties. It is the investment officer's feeling that a position comparable to that of his assistant is needed rather than another research technician. Presently the two research technician positions are primarily concerned with the preparation of statistical information. Another position is not needed for that function. The primary need of the investments section, according to the investment officer, is for someone to assume the responsibility of examining and reviewing financial statements and prospectus documents in connection with the private placement of investments. It would not appear that the proposed position would be of the level necessary to carry out the anticipated need as envisioned by the investment officer.

3. *Contractual services* ----- \$20,000

The Board of Administration of the system has requested \$20,000 to have an independent review of the investment function of the Board of Administration.

We recommend the deletion of the \$20,000 requested for a study of the investment function of the board.

The board just recently contracted with Moody's Investors Service to have this type of study conducted. The completed report was submitted to the board on September 15, 1960. That study and report was the first one the board had ever contracted for in its some 28 years of existence.

State Employees' Retirement System—Continued

We recognize the need for a periodic independent review of the investment function of the board, however, there is question in our mind that much benefit can be derived from a study following so closely one just completed.

Vacant Positions

We recommend the deletion of one retirement officer II position established in the Membership Division on July 1, 1960, and never filled.

The system was authorized a retirement officer II position for its Membership Division effective July 1, 1960, however, the position has never been filled. The executive officer of the system has stated that this position has remained vacant since the Membership Division chief has never submitted a program as to how the position will be used. He has also stated that the system would like to wait until the conversion to electronic data processing is completed before the position is filled. It is our feeling that the position should be abolished due to the length of time it has been vacant and that any future need be met by resubmitting the position for legislative review.

COMMISSION ON INTERSTATE CO-OPERATION

ITEM 34 of the Budget Bill

Budget page 28

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

Amount requested	\$51,905
Estimated to be expended in 1961-62 fiscal year.....	51,905
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Increase	None

ANALYSIS

A review of the budget request of this commission reveals the projected level of service to be the same as in the current year. The amounts requested and appropriated for support of this commission's activities have not changed since the 1960-61 Budget.

We recommend approval as budgeted.

THE PERSONNEL BOARD

ITEM 35 of the Budget Bill

Budget page 29

FOR SUPPORT OF THE PERSONNEL BOARD FROM THE GENERAL FUND

Amount requested	\$2,947,369
State employees' retirement	165,857
State employees' health and welfare	25,812
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Total	\$3,139,038
Estimated to be expended in 1961-62 fiscal year	3,020,567
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Increase (3.8 percent)	\$118,471
TOTAL RECOMMENDED REDUCTION.....	\$23,994

The Personnel Board—Continued

Summary of Recommended Reductions		Budget	
	Amount	Page	Line
Recruitment and Field Services Division			
1	Recruitment representative -----	\$8,112	31 61
1	Intermediate stenographer-clerk -----	4,194	31 62
0.8	Temporary help -----	3,576	31 63
Vacant position			
Personnel Services Division			
1	Associate Personnel analyst -----	8,112	30 71

ANALYSIS

The budget proposes an expenditure of \$3,139,038 for the operation of the Personnel Board during the budget year. This is an increase of \$118,471, or 3.8 percent above the \$3,020,567 which is estimated to be expended for the operation of the board during the current year.

Personnel Services Division

The budget requests \$3,685 to provide for 0.9 of a position of temporary help to meet an increased workload in proctoring. *We recommend approval of \$3,685 to provide for 0.9 of a position in temporary help.* Workload data indicate that, in addition to the normal increase in costs of proctoring regular examinations, there has been a significant increase in the number of test competitors for the modified testing classes.

Recruitment and Field Services Division

The budget requests 2.8 positions to provide for an expanded engineering recruitment program.

The proposed positions are as follows:

1	Recruitment representative -----	\$8,112
1	Intermediate stenographer-clerk -----	4,194
0.8	Temporary help -----	3,576
Total -----		\$15,882

We recommend disapproval of \$15,882 for one recruitment representative, one intermediate stenographer-clerk and 0.8 of temporary help plus related operating expense and equipment.

These 2.8 positions with salaries and wages totaling \$15,882, plus related support of \$4,160, advertising of \$6,000 and equipment of \$776 would provide \$26,808 for expanded services in the engineering recruitment field.

The board's recruitment situation is substantially as follows:

1. The water resources program and the freeway program have increased the State's requirement for junior civil engineers to an indicated 600 per year, which is approximately 12 percent of the 5,200 civil engineering graduates of all U.S. colleges and universities in 1960. The State's present recruitment program will produce from 300 to 350 junior civil engineers, calculated on the basis of the activity of the two most recent recruitment seasons.

2. The water resources program has added new demands to the recruitment program as follows:

- a. Need for 35 to 40 electrical and mechanical engineers in the areas of power development and power transmission.

The Personnel Board—Continued

- b. Engineers above the junior level including those with specialization in the design and construction of dams and hydraulic structures, soil mechanics, etc.
3. These new demands are coming at a time when the number of civil engineers produced by accredited colleges is declining, particularly in California, and when additional competition must be expected from defense and construction industries.

The board's proposed recruitment program is substantially as follows:

1. Increase the number of out-of-state trips for recruitment of junior civil engineers from 14 to 18, which will allow for an increase in the number of colleges from approximately 100 to 132.
2. Initiate three out-of-state trips for recruitment of junior and assistant electrical and mechanical engineers at 20 colleges.
3. Initiate three out-of-state trips for off campus recruiting for assistant engineering levels and above.
4. This activity will be accompanied by the following:
 - a. Increased direct mail advertising.
 - b. Increased periodical advertising.
 - c. Increased newspaper advertising.
5. An intensified in-state recruitment program including improved planning for regular and continuous examinations, direct mail and advertising.
6. Increased contacts with engineering societies, including student chapters.

Staff has already been employed, under temporary authorization, to carry out this augmented recruiting program during the current year, with the board being reimbursed for this activity by the Division of Highways and the Department of Water Resources.

The proposed program is essentially a "crash" program to recruit engineers for two specific purposes, the freeway program and the water resources program. We believe this recruitment activity should continue to be financed by these agencies, the Division of Highways and the Department of Water Resources, but only after these two agencies have documented a need for the present level and the proposed increased level of engineering recruitment activity.

We believe that the State Personnel Board should be directed to study and report to the 1963 Regular Session of the Legislature on a program which will meet not only the State's engineering recruitment but other recruitment needs on other than a "crash" basis. We have recommended a similar study in past years' budgets without success, but we believe that there is presently an even more imperative need for this study.

We recommend that the Personnel Board be directed to report to the 1963 Regular Session of the Legislature on a program for meeting the State's long range recruiting needs.

The Personnel Board—Continued

Vacant Position

The Personnel Board has advised that as of December 1, 1961, one associate personnel analyst position in the Personnel Services Division had been vacant since March 5, 1961, or for a period of approximately nine months.

We recommend the reduction of one associate personnel analyst position in the Personnel Services Division at an annual salary saving of \$8,112, plus related support.

We believe that the duration of this vacancy indicates that the existing associate personnel analyst position is no longer essential to the continued effective operation of the Personnel Services Division.

SECRETARY OF STATE

ITEM 36 of the Budget Bill

Budget page 35

FOR SUPPORT OF THE SECRETARY OF STATE
FROM THE GENERAL FUND

Amount requested	\$443,951
State employees' retirement	25,956
State employees' health and welfare	3,690
Total	\$473,597
Estimated to be expended in 1961-62 fiscal year	448,047
Increase (5.7 percent)	\$25,550

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Secretary of State's budget request is based on the same level of service as the current year with the exception of extra expenses incurred in an election year and additional expenses due to an expansion of the Central Records Depository function.

The amount of \$473,597 estimated to be expended in the 1962-63 fiscal year is \$25,550 over the amount estimated to be expended in the current fiscal year. Major items of increase in expenditure include approximately \$2,000 for a semiofficial canvass of the vote of the State immediately after election and the compilation of this data. An estimated amount of \$2,820 is required to compile information regarding voter registration received from each county clerk or registrar of voters (Chapter 133, Statutes of 1961).

The increase in salaries and wages of \$8,592 is composed of merit salary increases and a \$1,000 increase for the Secretary of State for six months beginning January 1, 1963.

The amount of \$9,720 is for salaries and wages of two proposed new positions for the Central Records Depository which will be discussed later.

The remaining \$2,428 is composed of offsetting increases and decreases of minor significance with the exception of one-time costs occurring in the current fiscal year related to the expanded Central Records Depository program.

Secretary of State—Continued

Central Records Depository.

The Central Records Depository houses and provides service on inactive records stored for the many state agencies, thus relieving costly office space and files. At present the depository has exceeded its capacity to the extent that records are being stored in the aisles and on top of stacks. A situation like this makes records searching very inefficient.

The Organization and Cost Control Division has made a comprehensive study of the inactive records in costly office space which should be moved to inexpensive storage facilities. They propose a branch depository in the Los Angeles area and later one in San Francisco on a limited scale. A short-term contract was entered into with Bekins Van and Storage Company during the current year and storage space will be available about March 1, 1962. Included in the current budget is \$21,375 for this purpose, composed of the following items of expenditures for part of the current fiscal year.

Travel	\$950
Alterations of space	5,317
Communications	95
Moving records	3,060
Shelving	7,279
Rent of space	1,344
Salaries and wages (part year)	3,240
General expense	90
Total	\$21,375

We are in complete agreement with this expanded program and believe it will result in considerable savings to the State.

We recommend approval of this budget as submitted.

SECRETARY OF STATE

ITEM 37 of the Budget Bill

Budget page 37

FOR PRINTING OF ELECTION PAMPHLETS FROM THE GENERAL FUND

Amount requested	\$262,500
Estimated to be expended in 1961-62 fiscal year	30,000
Increase	\$232,000

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

Election pamphlets are compiled by the Secretary of State prior to each general election. These contain summaries of the proposed constitutional amendments and of the initiative and referendum measures. The summaries are prepared by the Legislative Counsel. Arguments for and against the measures are submitted by interested parties. The full texts of the measures are included.

At the time estimates of printing costs are made it is still possible to qualify measures for the ballot. Projections must be made of the number to be printed, based on population estimates, number of amend-

Secretary of State—Continued

ments, measures and the length of each. The methods used and conclusions reached in estimating requirements appear reasonable.

It is estimated that 8,144,000 copies will be printed.

The report to the Governor by the Director of Finance on the State Printing Office, dated December 18, 1961, cites the high cost of printing these pamphlets in the State Printing Office, based on a bid for printing made in 1960 by a private printing establishment. The reasons for the high cost are enumerated in the report as explained by the State Printing Office. In order to take advantage of the substantial savings which could be obtained by avoiding the present legal requirement that all printing be done in the State Printing Office, the language substantially as follows is proposed for enactment. The savings, based on the 1960 experience, should exceed \$50,000.

“Provided that if the estimate of cost of the State Printing Office for the printing and shipping of these pamphlets exceeds by more than 20 percent a bid for printing and shipping by a private printer, this difference in cost shall be deemed to constitute a practical inability of the State Printing Office to economically furnish the printing services required by this appropriation, and this appropriation shall be reduced to the amount determined by the Director of Finance to be sufficient for contracting for the private printing and shipping of the pamphlets and for other necessary expenses incidental to the preparation and distribution of the pamphlets.”

We recommend approval of the budget as submitted.

DEPARTMENT OF AGRICULTURE

ITEM 38 of the Budget Bill

Budget page 39

FOR SUPPORT OF THE DEPARTMENT OF AGRICULTURE FROM THE GENERAL FUND

Amount requested	\$9,200,633
State employees' retirement	531,856
State employees' health and welfare	59,592
Total	\$9,792,081
Estimated to be expended in 1961-62 fiscal year	9,779,501
Increase (0.1 percent)	\$12,580
TOTAL RECOMMENDED REDUCTION	\$700

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Budget Line</i>
Tape recorder and amplifier-speaker system	\$700	40	64

ANALYSIS

California continues to lead the nation in many phases of agricultural production, with the Department of Agriculture reporting 139 crops grown in commercially significant quantities. Total 1960 cash receipts from California agriculture were \$3,186,778,000, which was 9 percent of the cash receipts from farming for the entire United States, and