

Alcoholic Beverage Control

Item 208

Colorado River Boundary Commission—Continued

The amount of \$25,000 requested for contract services represents services by the following agencies:

United States Coast and Geodetic Survey -----	\$25,000
State Lands Division -----	5,000
Total -----	\$25,000

We recommend that this item be increased by \$12,500 to cover additional services to be performed for the commission by the State Lands Division as follows:

Salary of consultant, transferred to State Lands Division -----	\$10,400
Travel—in-state, transferred to State Lands Division -----	590
Travel—out-of-state, transferred to State Lands Division -----	200
Temporary help, legal services -----	1,310
Total -----	\$12,500

If this recommendation is accepted the foregoing items should be added to the budget of the State Lands Division and offset by an increase of \$12,500 in reimbursements for services to the Colorado River Boundary Commission.

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

ITEM 208 of the Budget Bill

Budget page 566

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

Amount requested -----	\$3,618,464
State employees' retirement -----	212,613
State employees' health and welfare -----	24,864
Total -----	\$3,855,941
Estimated to be expended in 1961-62 fiscal year -----	3,760,031
Increase (2.6 percent) -----	\$95,910

TOTAL RECOMMENDED REDUCTION ----- \$33,739

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Salaries and Wages:			
1 Accounting tabulating machine supervisor II -----	\$6,672	566	64
0.5 Senior tabulating machine operator -----	2,370	566	66
0.5 Temporary help -----	1,950	566	67
2 Intermediate stenographers -----	7,440	567	30
0.4 Janitor -----	1,692	567	30
Operating Expenses:			
General expense -----	5,785	566	75
Printing -----	2,664	566	76
Rent -----	1,132	567	6
Equipment:			
Equipment -----	4,034	567	12
	\$33,739		

Department of Alcoholic Beverage Control—Continued

ANALYSIS

The Department of Alcoholic Beverage Control was formed in 1954 with the passage of Section 22 of Article XX of the State Constitution. The Alcoholic Beverage Control Act implements the Constitution and is found in the Business and Professions Code.

Liquor control in California, as carried out by the Department of Alcoholic Beverage Control, includes the issuance and transfer of licenses to authorize the wholesale and retail sales of alcoholic beverages, enforcement of the Alcoholic Beverage Control Act and the collection of license fees. Revenue from license fees for the fiscal year 1960-1961 totaled \$11,269,560, approximately 10 percent of which was deposited in the State General Fund. The balance was apportioned to local agencies. There were approximately 45,500 active liquor licenses of various types in California during 1960-61. The number of licensees is expected to remain fairly constant except for approximately 297 new licenses which will be issued pursuant to Chapter 783, Statutes 1961. In addition to the issuance of new licenses and the annual renewal of existing ones, there are approximately 15,000 license transfers and other actions annually.

Proposed expenditures for this agency for the fiscal year 1962-63 total \$3,855,941, which represents an increase of (2.6 percent) over the \$3,760,031 estimated to be expended in 1961-62.

Salaries and Wages

The Department of Alcoholic Beverage Control currently has 424.4 authorized positions. This represents a net decrease of 19.7 authorized positions during the fiscal year 1961-62. Most of this decrease is due to the transfer of 8 attorneys, 8 hearing reporters, and 2 clerical positions to the office of Administrative Procedure during 1961-62 in accordance with Chapter 2048, Statutes of 1961. The agency will now contract its hearing services from them.

Thus, while the budget shows a net decrease of 1.7 positions after the transfer of the hearing related positions to the office of Administrative Procedure, the budget shows that this is the result of the elimination of a total of 32.7 authorized positions (including the 18 transferred to OAP) and the establishment of 13 new positions. These deletions and additions have been accomplished administratively. These changes appear in large part to reflect reclassification of clerical and accounting staff, however, some new positions have been added which appear to perform new functions and provide new services which the agency has not previously had authorized. These are:

- 1 Assistant personnel analyst and
- 4 Junior counsel

The financing of these new positions within the limits of the departmental appropriation appears to have been accomplished by the elimination of positions referred to above and the adjustment of salary savings. Differences in rates of pay between deleted and added positions are probably also an additional source of financing.

Department of Alcoholic Beverage Control—Continued

This agency is requesting a total of two new positions for 1962-63. These positions are being requested to begin the conversion of their manual licensing procedure to a mechanized system.

1	Accounting tabulating machine supervisor II (budget page 566, line 64)	\$6,672
0.5	Senior tabulating machine operator (budget page 566, line 66)	2,370
0.5	Temporary help (budget page 566, line 67)	1,950

The above full-time and two half-time positions constitute the two new positions being proposed by the Department of Alcoholic Beverage Control. The cost of these positions has been included as a part of the \$24,607 contained in the 1962-63 Budget for conversion costs to convert the licensing procedure from a manual to a mechanized operation.

We recommend the deletion of the following conversion costs included in the 1962-63 budget to convert the licensing process to a mechanized system:

1	Accounting tabulating machine supervisor II (budget page 566, line 64)	\$6,672
0.5	Senior tabulating machine operator (budget page 566, line 66)	2,370
0.5	Temporary help (budget page 566, line 67)	1,950
	General expense (budget page 566, line 75)	5,785
	Printing (budget page 566, line 76)	2,664
	Rent (budget page 567, line 6)	1,132
	Equipment (budget page 567, line 12)	4,034
	Total	\$24,607

Mechanization of the licensing function in the Department of Alcoholic Beverage Control is, in our opinion, not justified at this time. A recent survey by the Organization and Cost Control Division of the Department of Finance recommended a Remington Rand System, and estimates annual savings of \$15,400. A study submitted to OCC and the Department of Alcoholic Beverage Control by Remington Rand does not indicate any savings from the use of their equipment, according to the OCC study. An analysis of the OCC survey reveals that its estimate of \$15,400 annual savings is largely based on the proposed change to the issuance of a permanent license certificate in place of the annual issuance of a new license, rather than the change to mechanization.

A permanent license can be issued under the present manual system resulting in an annual savings in salaries, postage, and license forms comparable to the annual savings contemplated by OCC under a mechanized system. The department's present manual system is very efficient and future workload is expected to remain relatively stable. If the licensing system is mechanized, the equipment will be idle from one-half to two-thirds of the time. The retention of the manual system will save the conversion costs included in the 1962-63 budget, as well as the annual savings to be realized from a permanent license system.

Department of Alcoholic Beverage Control—Continued

In any event, this agency should not proceed with mechanization until it has a firm decision as to what it wants to do, how much it will cost and what savings will result. Since the publication of OCC Survey No. 1013 in September, 1961, we have seen six different estimates of savings and three estimates of conversion costs. In addition, we understand that negotiations are in process with the Department of Professional and Vocational Standards exploring the possibility of contracting services from them. The department is not prepared to present a firm proposal as of the writing of this analysis.

2 Intermediate stenographers (budget page 567, line 30)----- \$7,440

These two vacant clerical positions are being transferred from the Redding and Los Angeles Metropolitan District offices to Headquarters. They are scheduled to work on the revision of files in preparation for mechanizing the licensing operation. Both positions have been vacant for approximately one year. We recommend the deletion of two intermediate stenographers (budget page 567, line 30) for a reduction of \$7,440.

Since we have recommended the retention of the manual system of licensing the need to revise files in preparation to mechanize is eliminated. The positions are vacant.

0.4 Janitor (budget page 567, line 30)----- \$1,692

This is a part time janitorial position in the Redding District office. We recommend the deletion of 0.4 janitor (budget page 567, line 30) for a reduction of \$1,692.

The position is vacant, as the service is now being provided by the Building and Grounds Division of the Department of Finance.

ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD

ITEM 209 of the Budget Bill

Budget page 569

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

Amount requested	\$103,405
State employees' retirement	4,092
State employees' health and welfare	480
Total	\$107,977
Estimated to be expended in 1961-62 fiscal year	105,284
Increase (2.6 percent)	\$2,693
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

The Alcoholic Beverage Control Appeals Board hears appeals filed by license applicants or holders who are dissatisfied with decisions rendered by the Office of Administrative Procedure acting in behalf of the Department of Alcoholic Beverage Control.

The board was created in 1954 under Article XX, Section 22 of the State Constitution. It consists of three appointed members who serve at

Department of Alcoholic Beverage Control—Continued

the pleasure of the Governor. Board members work part time and receive an annual salary of \$13,230. The staff consists of two attorneys and three secretaries.

An allocation from the Emergency Fund of \$2,445 was granted for 1961-62 due to an inadvertent error in budgeting for salary savings.

Proposition 18 (SCA 9) on the November 1962 ballot, if passed, will increase the powers of the Alcoholic Beverage Control Appeals Board and will also probably increase their workload. If a measurable workload increase occurs during 1962-63, some additional funds may be needed.

CALIFORNIA DISTRICT SECURITIES COMMISSION

ITEM 210 of the Budget Bill

Budget page 570

FOR SUPPORT OF THE CALIFORNIA DISTRICT SECURITIES COMMISSION FROM THE GENERAL FUND

Amount requested -----	\$64,974
State employees' retirement -----	4,742
State employees' health and welfare -----	372
Total -----	\$70,088
Estimated to be expended in 1961-62 fiscal year -----	68,465
Increase (2.4 percent) -----	\$1,623
TOTAL RECOMMENDED REDUCTION -----	None

ANALYSIS

The California Districts Securities Commission is concerned with certain fiscal affairs of irrigation and other water districts of the State by investigation of proposed district construction plans and approval of the financing. In addition, the commission reviews periodic financial reports of the districts and provides information on their financial condition to interested parties. The commission is composed of the Attorney General, the Superintendent of Banks, the Director of Water Resources, and two officials or employees of irrigation districts appointed by the Governor. Headquarters and offices are in San Francisco.

The commission expects to continue its activities in the budget year at essentially the same level as the current year, with proposed 1962-63 expenditures showing a \$1,623 or 2.4 percent increase over 1961-62.

Our analysis of the 1961-62 budget raised a basic policy question regarding the basis for financial support of the commission's activities, and recommended that the commission provide the Legislature with a thorough justification for continued support of its activities from the General Fund, rather than assessment of the benefiting districts.

A report has been submitted by the commission and, in our view it does not present sufficient justification for continued General Fund support of the agency. The commission was originally created to meet specific conditions which existed thirty years ago, but which have changed over the years. Evidence of this is the commission's present workload, which consists substantially of a review of contracts negotiated between the districts and the federal government or the State

Item 211

Horse Racing Board

California Districts Securities Commission—Continued

of California, both of which are concerned about maintaining the financial integrity of their contractees. The balance of commission work consists of a review of district financing not related to other government agencies and is of direct benefit to the districts and interested lending agencies. This view is borne out in the commission's own budget justification which states that "cooperative assistance to banks, investment companies, and other lending agencies is provided by making available factual information regarding the economic and financial condition of the districts. This is of substantial importance to both the investment companies and the districts, for when the financial soundness of a district can be supported, the credit of the district is strengthened and financing can be more readily secured at a reasonable rate of interest."

We recommend approval of the amount of this budget item, but further recommend that the Legislature consider appropriate legislation or policy direction to make this function self-supporting.

HORSE RACING BOARD

ITEM 211 of the Budget Bill

Budget page 571

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

Amount requested	\$195,937
State employees' retirement	8,350
State employees' health and welfare	924
Total	\$205,211
Estimated to be expended in 1961-62 fiscal year	204,139
Increase (0.5 percent)	\$1,072
TOTAL RECOMMENDED REDUCTION	\$5,578

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Temporary help	\$2,700	571	70
Traveling in-state	1,878	572	6
Traveling out-of-state	1,000	572	7

ANALYSIS

Expenditures proposed by the board for fiscal year 1962-63 amount to \$205,211, an increase of \$1,072, or 0.5 percent over estimated expenditures for the current year.

Salaries and Wages

Temporary help (budget page 571, line 70) \$9,040

The item for temporary help has been overbudgeted by this board for the last two years as indicated by the following table:

<i>Fiscal year</i>	<i>Amount proposed</i>	<i>Actual expenditures</i>	<i>Over-budgeted</i>
1959-1960	\$11,928	\$6,863	\$5,065
1960-1961	11,928	5,817	6,111
Two-year average	11,928	6,340	5,588

Horse Racing Board—Continued

We recommend the deletion of \$2,700 to reduce this item to \$6,340.

The actual expenditure for temporary help in fiscal year 1960-1961 was only \$5,817 and it appears that the sum of \$6,340, the average expenditure for the last two actual years, should provide an adequate amount for this purpose, in the absence of any specific justification for an increase in the budget year.

Operating Expenses

Traveling—in-state (budget page 572, line 6) ----- \$29,391

The board has not provided any justification for the proposed increase of \$2,180 in its in-state travel item over the sum of \$27,211 spent in fiscal year 1960-1961 for 539 racing days.

We, therefore, recommend the deletion of \$1,878 in in-state travel to reduce the proposed item to \$27,513.

This reduced amount will allow a proportionate increase at the 1960-1961 rates for the added six days of racing proposed for the budget year.

Traveling—out-of-state (budget page 572, line 7)----- \$2,000

The purpose of this proposed expenditure is to provide expenses for the three board members and the board's secretary to attend the annual convention of National Association of State Racing Commissioners to be held in the eastern portion of the United States during the budget year.

We recommend the deletion of \$1,000 from this item to reduce it to \$1,000.

It appears to us that during the budget year, when the strictest economy should be observed by the board in its operations, the attendance of two persons at the national meeting should be sufficient to further and enhance the interest of the State.

Revenue to the Fair and Exposition Fund is estimated for the budget year at \$41,080,000 which exceeds estimated income of the current year by \$1,784,050 or 4.5 percent. The proposed 1962-1963 cost of operation of this board, which administers the horse racing program, is 0.49 percent of this estimated revenue.

**Department of Investment
BANKING DEPARTMENT**

ITEM 212 of the Budget Bill

Budget page 573

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

Amount requested -----	\$755,170
State employees' retirement-----	43,478
State employees' health and welfare-----	4,200
 Total -----	 \$802,848
Estimated to be expended in 1961-62 fiscal year-----	783,371
 Increase (2.5 percent) -----	 \$19,477
 TOTAL RECOMMENDED REDUCTION-----	 None

Banking Department—Continued

ANALYSIS

The Banking Department in the past has experienced a high vacancy rate which may be attributed to both difficulty in recruiting and overstatement of workload. In addition to the two positions deleted by the Legislature in the 1961-62 Budget, the Department of Finance pursuant to Section 20 of the Budget Act of 1961 abolished two which had been continuously vacant between October 1, 1960, and July 1, 1961. There remained, however, eight such positions which were approved for continuance by the Department of Finance. There were six additional vacant positions as of December 1, 1961, which had been vacant for shorter periods of time.

A list of all vacant positions at December 1, 1961, follows:

<i>Class</i>	<i>Date vacated</i>
Bank examiner II -----	7/ 1/58
Bank examiner II -----	7/ 1/59
Bank examiner II -----	7/ 1/59
Intermediate account clerk -----	4/ 8/60
Bank examiner III -----	7/ 2/60
Bank examiner III -----	9/ 1/60
Intermediate clerk -----	9/10/60
Bank examiner III -----	10/ 1/60
Bank examiner IV -----	12/31/60
Chief deputy superintendent of banks -----	4/14/61
Bank examiner III -----	7/ 1/61
Bank examiner II -----	7/ 1/61
Bank examiner II -----	7/15/61
Intermediate typist-clerk -----	10/31/61

One of the reasons why the agency has had difficulty in recruiting is that recruiting from the outside has been at the Grade II level, the entrance requirements for which include two years' experience in a bank or as a state or federal bank examiner. We believe that the agency might experience less difficulty in filling vacancies if recruiting were done at a lower level, using some general class such as auditor I with emphasis on inservice training to develop the necessary competence needed at the Grade II level and to fill vacancies at that level on a promotional basis rather than from outside sources. Such a procedure is used with considerable success by most other agencies using personnel in comparable technical fields.

The agency indicates that it proposes to fill all existing vacancies at the examiner IV and examiner III levels, of which there are five, as indicated in the foregoing, on a promotional basis, as soon as appropriate examinations can be completed. This will have the effect of creating five additional vacancies at the examiner II level, in addition to the five already existing, as indicated above. Based on past experience it does not appear likely to us that 10 suitable candidates for these positions can be obtained from outside sources through open examinations.

The Banking Department indicates that all 14 of these positions are required during the current and budget year for workload. The superintendent feels that the audit function will require more manpower due to the increase in banking activity and the necessity that the

Banking Department—Continued

quality of the audit be raised to its former level. In addition, investigations of new banks and branches have not kept pace with applications, thereby developing a backlog.

These factors appear to us to be sufficient justification for continuation of the positions. The agency is placing increased emphasis on the recruiting effort in an attempt to fill the vacant positions.

As the major portion of the increased budget request for this agency occurs in the salaries and wages category and reflects the normal merit salary increases and filling of vacant positions, *we recommend approval as budgeted.*

**Department of Investment
DIVISION OF CORPORATIONS**

ITEM 213 of the Budget Bill

Budget page 575

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

Amount requested	\$2,598,339
State employees' retirement	161,697
State employees' health and welfare	23,700
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Total	\$2,783,736
Estimated to be expended in 1961-62 fiscal year	2,708,328
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Increase (2.8 percent)	\$75,408
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TOTAL RECOMMENDED REDUCTION	\$137,880

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
24 Positions, selected by the division and approved by the Department of Finance	\$137,880	575	47

ANALYSIS

The major items of change from the 1961-62 Budget in this request are the normal merit salary increases and provisions for hearing services performed by the Office of Administrative Procedure. These are offset in part by a decrease in equipment and an increase in reimbursements.

The loss of two positions abolished pursuant to Section 20 of the Budget Act of 1961 as continuously vacant between October 1, 1960, and July 1, 1961, and three positions by transfer to the newly created Office of Administrative Procedure has resulted in a net increase of 27 of the 32 positions authorized by the Legislature for the 1961-62 fiscal year. No new positions are requested.

The functions of the Division of Corporations may be divided into two broad categories, that connected with corporate security activity and the regulation and licensing of other specified financial type activities.

Corporate Securities Activity

A new program, continued in this budget, is described as commercial fraud investigation and was initiated during the last half of the fiscal year 1960-61. Nine man-years are devoted to this program, which is discussed in this analysis under the Division of Savings and Loan.

Division of Corporations—Continued

The remaining corporate security activity may be classified as the licensing functions and the issuance of permits and orders relative to securities. The first, licensing, is primarily a clerical function, with renewal of licenses being a major portion of that workload. Of the second, orders written relate in large part to permits and are also primarily clerical. For this yeason, in our 1961-62 Analysis, we proposed that the measure of corporate security workload, in the absence of a more accurate standard, be the number of permits issued.

In reviewing workload data furnished us by the division, we find the following comparisons available:

<i>Period</i>	<i>Permits processed</i>	<i>Total hours</i>	<i>Hours per permit</i>
July 1, 1957-June 30, 1958 (12 months) -----	15,647	212,607	13.6
July 1, 1959-November 30, 1959 (5 months) ----	8,593	129,646	15.1
January 1, 1960-June 30, 1960 (6 months) -----	10,113	186,521	18.4
July 1, 1960-June 30, 1961 (12 months) -----	18,324	419,451	22.9
1961-62 (estimated) -----	21,000	472,218	22.5
1962-63 (estimated) -----	22,500		

Analysis of the fiscal year 1960-61 figures leads us to believe that the increases in hours per permit from 18.4 to 22.9 is not due to maintaining the level of service allowed by the Legislature, but to failure of projected workload to materialize as shown in the following:

	Permits		Decrease
	<i>Fiscal year 1959-60</i>	<i>Fiscal year 1960-61</i>	
Original estimate -----		24,800	
Revised estimate -----		23,928	
Actual -----	20,628	18,324	2,304

Although the workload for 1960-61 fell below that of 1959-60 by 11.2 percent, the number of man-years applied to this work increased by approximately 26 percent. The absence of detail does not allow us to give the exact increase.

In addition, the staff increase required the use of inexperienced personnel. Experience is a key factor in other agencies in budgeting professional help, and should be considered here also.

Regulation and Licensing

The balance of the activity of the division consists of licensing and regulating the following activities, including a field audit, with the number of hours required for proper supervision as estimated by the division for the budget year shown.

Industrial loan -----	19,298
Credit union -----	57,884
Personal property brokers and small loan -----	39,911
Escrow agent -----	26,858
Check sellers -----	2,839
Retirement systems -----	29,287
Brokers -----	19,000
Trading stamps -----	1,550
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	196,627

Division of Corporations—Continued

We do not question the need for the number of hours requested for these activities other than corporate securities during the budget year.

We recommend a reduction of \$137,800 in salaries and wages, budget page 575, line 47, representing 24 positions, to be selected by the agency with the approval of the Department of Finance.

The proposed reduction would allow 18.4 hours per corporate security workload unit, the same as that experienced in the six months from January 1, 1960, to June 30, 1960, which we regard as providing for an adequate level of service, and allow continuation of other functions as projected. We do not feel that this would result in a lower level of services.

Our calculation of this reduction in man-years follows.

Function	Hours	Man-years
Total currently authorized -----		400.0
Proposed: Corporate securities, 22,-		
500 units × 18.4 hours -----	414,000	207.0
Commercial fraud -----	18,000	9.0
Regulation and licensing -----	196,627	98.3
Nontime reporting -----	122,000	61.0
Total -----	750,627	375.3
Recommended reduction -----		24.7

There were 29 vacant positions on December 27, 1961.

Department of Investment
DEPARTMENT OF INSURANCE

ITEM 214 of the Budget Bill

Budget page 576

FOR SUPPORT OF DEPARTMENT OF INSURANCE
FROM THE INSURANCE FUND

Amount requested -----	\$2,293,686
State employees' retirement -----	135,522
State employees' health and welfare -----	15,960
Total -----	\$2,445,168
Estimated to be expended in 1961-62 fiscal year -----	2,248,407
Increase (8.8 percent) -----	\$196,761
TOTAL RECOMMENDED REDUCTION -----	\$14,556

Summary of Recommended Reductions

	Budget		
	Amount	Page	Line
Salaries and wages:			
Chief deputy insurance commissioner -----	\$14,556	577	35

ANALYSIS

The Department of Insurance is headed by the Insurance Commissioner who is appointed by the Governor with approval of the Senate for a term of four years. The present incumbent has served since February 15, 1955, and his present four-year term expires June 15, 1963. (NOTE: Basis for this expiration date is audit report of Department of

Department of Insurance—Continued

Finance, dated March 31, 1961; for period July 1, 1958 to June 30, 1960. His current appointment was confirmed by Senate June 15, 1959, per Senate Journal page 6387).

We recommend elimination of funds for one chief deputy insurance commissioner, budget page 577, line 35, \$14,556.

This is an existing exempt position, which is available pursuant to Chapter 1843, Statutes of 1959, in effect September 18, 1959, which provided for additional deputy directors for certain state departments, including one for the Department of Insurance. The deputy directors are to be appointed by the Governor, upon recommendation of the director of the department involved, and serve at the latter's pleasure.

Since the position has been continuously vacant since September 18, 1959, and the Insurance Commissioner has indicated that he does not believe the position to be necessary and does not intend to request that it be filled, we see no reason for inclusion of these funds in the budget.

This budget request includes provision for 26 new positions which account for the major portion of the increased amount over the 1961-62 Budget. Relatively complete workload data and standards have been provided by the department to substantiate the request for these positions. On the basis of this information we are able to evaluate more accurately the need and justification for the additional positions than has been the case in the past and our reasons for recommending approval of the 26 additional positions requested are given in the following paragraphs.

Compliance and Legal Division

We recommend approval of the following additional positions for the Compliance and Legal Division:

		Budget		
		Amount	Page	Line
3	Junior-assistance counsel -----	\$23,184	578	16
3	Policy examiner -----	18,180	578	17
2	Insurance service officer I -----	13,344	578	18
4	Intermediate typist -----	16,776	578	19
12	Total -----	\$71,484		

Of the 12 additional positions requested for this division eight are for legal work and four for the policy services bureau.

New legislation enacted in 1961 will increase the legal work of the staff in approval of policy forms, particularly Assembly Bill No. 571 enacted as Chapter 998, Statutes of 1961, which added Section 10293 to the Insurance Code and which was a part of the Governor's legislative program. This law which relates to individual hospital, medical and surgical policies requires the Commissioner, after notice and hearing, to withdraw approval of any such policy if he finds that the benefits provided are unreasonable in relation to the premium charged and provides that any such policies issued after June 30, 1962, shall contain detailed information as to the coverage provided.

The agency believes that this and other legislation enacted in 1961, will necessitate almost a complete review of all forms used by all

Department of Insurance—Continued

insurers issuing individual disability, group life and disability or fraternal life policies.

The three junior-assistance counsels, three policy examiners and two of the clerical positions are requested for this purpose as well as for increased workload.

The agency has requested that a new class be established, that of policy examiner (\$505-613), to reduce the number of more highly paid legal positions required.

The workload of the policy service's bureau, for which the two insurance service officers and two of the clerical positions have been requested shows a continuing increase. This bureau handles complaints and problems involving the general public and the insurance industry, and the request for the additional positions appears to be adequately supported by workload data.

During the 1960-61 fiscal year this section experienced a substantial increase in policy service matters introduced by the public. Eight positions added during that year on a temporary basis and authorized and approved as proposed new for the 1961-62 fiscal year are not sufficient to meet the anticipated workload for the budget year.

License Division

One clerk is requested to meet increased workload in the examination of individuals for licenses in the Los Angeles office.

We recommend approval of one intermediate typist-clerk, \$3,996, budget page 578, line 50.

Examination and Financial Analysis Division

We recommend approval of the following additional positions for the Examination and Financial Analysis Division:

	Amount	Budget	
		Page	Line
1 Insurance examiner IV-----	\$10,344	579	7
1 Insurance examiner III-----	8,112	579	8
5 Auditor I—insurance examiner II-----	31,632	579	9
2 Senior insurance rate analyst-----	15,611	579	10
3 Semi-senior insurance rate analyst-----	19,271	579	11
1 Intermediate account clerk-----	3,996	579	12
13 Total-----	\$88,966		

The three bureaus of this division are requesting a total of 13 positions. Six of these positions are to meet backlog and projected increases in workload in the Company Examination Bureau in examining domestic and out-of-state insurers.

The two positions required in the Financial Analysis Bureau will assist in conducting the audit and tax review functions of the department, which require additional staff due to both normal growth in workload and that added by legislation.

The Rate Regulation Bureau is requesting five positions to intensify rate regulation of fire and casualty business as provided by Sections

Department of Insurance—Continued

1857.1 and 1857.2 of the Insurance Code. The additional cost of this activity is recovered through examination fees charged the insurance companies pursuant to Section 1857.4 of the Insurance Code.

Insurance Fund Condition

The agency is supported from the Insurance Fund revenues which include license fees, examination fees, assessments and the surplus line brokers tax. A summary of the fund condition, as shown in more detail on budget page 580 is as follows:

	<i>Actual</i> 1960-61	<i>Estimated</i> 1961-62	<i>Estimated</i> 1962-63
Beginning surplus -----	\$2,002,927	\$2,000,000	\$2,000,000
Revenues -----	2,198,733	2,489,035	2,278,667
Total resources -----	\$4,201,660	\$4,489,035	\$4,278,667
Less expenditures -----	2,110,359	2,248,423	2,445,181
Remainder -----	\$2,091,301	\$2,240,612	\$1,833,486
Less transfer to General Fund pursuant to Section 12974 of the Insurance Code -----	91,301	240,612	---
Ending surplus -----	\$2,000,000	\$2,000,000	\$1,833,486

Section 12974 of the Insurance Code provides that upon executive order of the Director of Finance, the unencumbered balance in the Insurance Fund at June 30th, each year, in excess of \$2,000,000, shall be transferred to the General Fund. This provision was incorporated in Section 12974 by Chapter 99, Statutes of 1953, in effect September 9, 1953.

It will be noted that because of reduced revenues and increased expenditures during 1962-63 no such transfer will be possible during that year on the basis of current revenue estimates and budgeted expenditures.

Such transfers have been as follows since September 9, 1953:

	<i>As originally budgeted</i>	<i>Revised estimate</i>	<i>Actual</i>
1953-54 -----	---	\$709,900	\$827,721
1954-55 -----	\$144,052	166,557	250,163
1955-56 -----	150,926	119,420	270,682
1956-57 -----	53,004	136,988	31,719
1957-58 -----	88,947	109,970	275,871
1958-59 -----	---	221,651	670,800
1959-60 -----	59,634	411,338	510,380
1960-61 -----	463,950	---	91,301
1961-62 -----	49,299	240,612	---
1962-63 -----	---	---	---
Total (actual) -----	---	---	\$2,928,637

**Department of Investment
DIVISION OF REAL ESTATE**

ITEM 215 of the Budget Bill

Budget page 580

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

Amount requested	\$1,971,392
State employees' retirement	102,446
State employees' health and welfare	13,800
Total	\$2,087,638
Estimated to be expended in 1961-62 fiscal year	2,046,244
Increase (2.0 percent)	\$41,394
TOTAL RECOMMENDED REDUCTION	\$18,641

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Elimination of Oakland office:			
1 Deputy commissioner II	\$7,356	582	4
1 Senior typist-clerk	4,512	582	8
Rent	6,773	582	25

ANALYSIS

The total expenditure program of the Division of Real Estate is detailed on pages 580 to 582 of the printed budget, and is supported as follows, including retirement and health and welfare:

<i>Fund</i>	<i>Item No.</i>	<i>Total expenditure</i>		<i>Increase</i>	
		<i>1960-61</i>	<i>1961-62</i>	<i>Amount</i>	<i>Percent</i>
Real Estate	215	\$2,046,244	\$2,087,638	\$41,394	2.0
Real Estate Education and Research	216	279,411	379,170	99,759	35.7
Total		\$2,325,655	\$2,466,808	\$141,153	6.1

The program financed by the Real Estate Education and Research Fund is discussed under item 216 in this analysis.

Oakland Office

In our 1961-62 Analysis on pages 664 and 665, we recommended that the Oakland office of the division be abolished. This office contains a staff of one deputy commissioner II, three deputy commissioners I, and three clerks. The three deputies I under the supervision of the deputy II investigate both subdivisions and complaints in three assigned counties.

We recommend elimination of the Oakland office, including the following items:

<i>Item</i>	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
One deputy commissioner II	\$7,356	582	4
One senior typist-clerk	4,512	582	8
Rent	6,773	582	25
Total	\$18,641		

No compelling reasons for the continuation of this office have been offered by the agency. We feel that the need to provide adequate service

Division of Real Estate—Continued

to the public as well as supervision of employees when travel to San Francisco was difficult, is no longer valid.

By abolishing this office and shifting the existing staff to San Francisco, we feel that a level of supervision and associated expenses can be eliminated and that more accurate and timely service to the public will be available.

Real Estate Financing

The spectacular and continuing growth of the State of California has made real estate financing a critical item in the State's economy. In supplying the need for credit, many promotional schemes have developed. Among these have been the advance fee and "ten-percenters" rackets.

The Division of Real Estate has found that as new problem areas arise, they must be investigated and curtailed as effectively as possible until such time as legislation is enacted to prevent further abuses. However, a continuing regulation of these activities is required.

As a result of this situation a review of the staffing in this division is difficult. No clearly drawn lines are possible to define specific areas of activity. What may be considered new programs are undertaken in the interest of the public. In some instances the authority of the division in these new areas is questioned.

The division anticipates further difficulty in the field of real estate financing.

A more extensive discussion of the approach taken by the Department of Investment as a result of disclosures made during February 1961, regarding "ten-percenters," is contained in our analysis of item 217, Division of Savings and Loan.

Fund Condition

The 1961 Legislature increased the budget of the Division of Real Estate, as originally proposed for 1961-62, by \$202,000 to cover the cost of regulation of real property security dealers, a function added by Chapter 886, Statutes of 1961. As a result, the balance in the Real Estate Fund is expected to fall to \$948,129 at the end of the current fiscal year. The surplus available on June 30, 1963, is projected at \$701,079, as shown on budget page 583, line 26. At the current expenditure level this balance represents approximately four months' funding. Expenditures are expected to exceed revenues by \$247,050 in fiscal year 1962-63.

We feel that there will continue to be increasing pressures for further regulation of real estate financing, with a resultant drain on the fund surplus.

We recommend that immediate consideration be given to correcting this situation before the fund balance is exhausted.

Organization

Section 10077 of the Business and Professions Code establishes the principal office of the Commissioner of Real Estate as Sacramento. This is the headquarters for the division although the Board of Control has

Division of Real Estate—Continued

designated headquarters for present commissioner as Los Angeles for the purpose of claiming travel.

The division is organized into six functional units, four of which are located almost entirely in Sacramento—Administration, Examination, Licensing and Education and Publication. The remaining two, Auditing and Regulation, which contain 58.6 percent of total personnel, have primary offices in both Los Angeles and San Francisco, and each is headed by an individual who reports to Sacramento.

There are, therefore, eight people reporting to the assistant commissioner who holds an exempt position.

We understand that the incumbent will retire during the current year. The highest paid civil service position is that of administrative advisor (\$950-\$1,155) a position which is legal in nature and located in San Francisco.

We believe that the lack of a high level civil service administrative position may cause the Division of Real Estate to experience difficulty in maintaining co-ordination and continuity in the future under this organizational arrangement.

Licensing Section

While there is no quantitative means at our disposal by which we may develop a solution to the staffing problems of this unit, it is evident that our recommendations in the 1961-62 Analysis concerning this section have provoked serious thought. Continuing workload increases of a clerical nature, as have been experienced by this section, if met by repeated personnel additions develop uneconomical operations. Defense of existing procedures should be redirected to a search for improved methods. We understand that the Organization and Cost Control Division of the Department of Finance is currently undertaking a survey of this operation at the request of the Division of Real Estate.

REAL ESTATE EDUCATION AND RESEARCH

ITEM 216 of the Budget Bill

Budget page 583

FOR ADDITIONAL SUPPORT OF DIVISION OF REAL ESTATE AND UNIVERSITY OF CALIFORNIA FROM THE REAL ESTATE EDUCATION AND RESEARCH FUND

Amount requested	\$634,439
State employees' retirement	4,311
State employees' health and welfare	420
Total	\$639,170
Estimated to be expended in 1961-62 fiscal year	481,911
Increase (32.6 percent)	\$157,259
TOTAL RECOMMENDED REDUCTION	\$145,298

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Support, Division of Real Estate	\$88,298	583	45
Support, University of California	57,000	583	46

Real Estate Education and Research—Continued

ANALYSIS

This item proposes an appropriation of \$634,439 from the Real Estate Education and Research Fund to be allocated by the Director of Finance to the University of California and the Division of Real Estate to carry out the provisions of Section 10451.5 of the Business and Professions Code. This section provides that money in the Real Estate Education and Research Fund is available for appropriation to be used by the Real Estate Commissioner in carrying out the provisions of the law relating to licensing of persons in the real estate business and subdivided lands in the advancement of education and research in real estate at the University of California, state colleges and junior colleges.

The item contemplates an allocation of \$374,439 to the Division of Real Estate and \$260,000 to the University of California, which, together with retirement and health and welfare benefits proposes a total expenditure program from the fund of \$639,170, distributed as follows:

	<i>Division of Real Estate</i>	<i>University of California</i>	<i>Total</i>
Budget Act appropriation-----	\$374,439	\$260,000	\$634,439
Retirement-----	4,311	--	4,311
State employees' health and welfare-----	420	--	420
Total-----	\$379,170	\$260,000	\$639,170

In order to adequately evaluate these requests, the fundamentals of the program must be reviewed. The primary objective of the program, as contained in the commissioner's statement of policy of October, 1958, is to assist in upgrading the industry toward professionalization through the advancement of education and knowledge in the field of Real Estate. The requirements for basic or pure research are to support the educational and instructional program and to extend knowledge in the field of real estate. Applied research helps to resolve problems of immediate concern to the real estate industry.

A number of facilities serving these ends are supported by this appropriation. The primary fields of interest of each, described in the statement of policy are as follows:

The junior colleges provide prelicense and postlicense instruction. The state colleges provide specialized degree training and applied research with emphasis on regional problem solving. The University Extension serves those desiring postlicense training and instruction under the Real Estate Certificate Program. The University of California generates basic or pure research.

Division of Real Estate Request

The amount of \$379,170, proposed for the Division of Real Estate and the corresponding amount of \$279,411 estimated to be expended during 1961-62 are detailed in Table 1.

Real Estate Education and Research—Continued

This represents an increase of 35.7 percent over the estimated expenditures for 1961-62 and an increase of 113.1 percent over the actual expenditures of \$177,970 for 1960-61.

Table I

	<i>Estimated</i> 1961-62	<i>Proposed</i> 1962-63	<i>Increase</i>
Salaries and wages -----	\$46,885	\$53,190	\$6,305
Miscellaneous (chiefly operating expenses) -----	25,183	21,249	—3,934
Study of real estate education and research needs --	30,000	30,000	-
Real estate education and research programs			
State colleges -----	110,298	115,000	4,702
Junior colleges -----	46,702	125,000	78,298
Teacher training institutes -----	16,000	20,000	4,000
Allocation for unfinished projects -----	-	10,000	10,000
Subtotal -----	\$275,068	\$374,439	\$99,371
Retirement contribution -----	4,133	4,311	178
Health and welfare contribution -----	210	420	210
	\$279,411	\$379,170	\$99,759

We recommend a reduction of \$88,298, budget page 583, line 45, representing the increase of \$78,298 in the junior college program, and the allocation of \$10,000 for the completion of unfinished state college research projects.

We feel that the role of the junior college should remain primarily one of prelicense instruction since courses towards degrees and real estate certificates, as are intended by this program, are currently available through the University Extension and state colleges. We also feel that budgeting for a contingency such as unfinished research projects is not sound fiscal policy and reflects poor planning.

University of California Request

The University of California has budgeted the following amounts for 1962-63:

Table II

	<i>UC-Berkeley</i>	<i>UCLA</i>	<i>Total</i>
Continuing research projects -----	\$43,000	\$30,000	\$73,000
New research projects -----	20,000	37,000	57,000
Associated operations -----	29,500	25,500	55,000
Subtotal -----	\$92,500	\$92,500	\$185,000
University of California Extension -----			75,000
Total -----			\$260,000

This represents an increase of \$57,500 or 28.4 percent over the amount of \$202,500 authorized for 1961-62.

We recommend a reduction of \$57,000, budget page 583, line 46, representing new research projects.

Item 217

Investment

Real Estate Education and Research—Continued

The new research projects to which we refer are as follows:

Requirements for commercial space (Berkeley)-----	\$8,000	
Fiscal problems of alternative land development policy (Berkeley) -----	12,000	\$20,000
Office building construction in the Los Angeles area (UCLA) -----	\$12,000	
High rise apartment developments in the Los Angeles area (UCLA) -----	8,000	
Consumer decision in the purchase of homes (UCLA)---	17,000	\$37,000
		\$57,000

It appears to us that the original objective of pure research, to support instructional offerings through the accumulation of a body of knowledge has been accomplished. However, we do not believe that the results of previous research have been transmitted to the industry. We feel that further expansion of research should be curtailed until the value of previous research to the program has been analyzed by the industry. Furthermore, it appears that a number of these projects are primarily local interest applied research projects which do not justify use of these real estate license funds paid by the general licensee.

**Department of Investment
DIVISION OF SAVINGS AND LOAN**

ITEM 217 of the Budget Bill

Budget page 583

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

Amount requested -----	\$1,136,473
State employees' retirement -----	60,042
State employees' health and welfare -----	6,720
Total -----	\$1,203,235
Estimated to be expended in 1961-62 fiscal year-----	994,983
Increase (21.0 percent)-----	\$208,252
TOTAL RECOMMENDED REDUCTION-----	\$89,088

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Salaries and Wages			
1 Supervising savings and loan appraiser-----	\$9,384	584	41
1 Senior savings and loan appraiser -----	7,728	584	42
5 Assistant savings and loan appraiser-----	31,800	584	43
6 Auditor I -----	32,184	584	44
2 Intermediate typist-clerk -----	7,992	584	46
Plus related operating expenses and equipment.			

ANALYSIS

The major responsibility of the division is the examination of state-chartered savings and loan associations, to include a sample appraisal of security in loan portfolios. In addition, the approval of new associations and branches, and other miscellaneous functions are assigned to the division under the Savings and Loan Law.

Division of Savings and Loan—Continued

The established workload indicator for the division is the number of associations requiring examination. The following table reflects the increases which have been experienced and are anticipated for 1962-63.

Table 1

	Associations		Staff	
	Number	Percent Increase	Number	Percent Increase
1957-58 actual -----	171		39.3	
1958-59 actual -----	173	1.2	43.1	9.7
1959-60 actual -----	174	0.6	65.4	51.7
1960-61 actual -----	192	10.3	79.6	21.7
1961-62 estimated -----	200	4.1	91.0	14.3
1962-63 proposed -----	208	4.0	115.0	23.1

The 23.1 percent increase in staff for 1962-63 represents 24 positions requested, of which 14 relate to the examination function and seven to appraisals. Three clerical positions are requested to support this staff addition.

Examinations

The division has provided us with workload data to support this request which reflects the number of man-days estimated in 1962-63 for sundry assignments and for the examination of the projected 208 associations. In addition, past accomplishments are given which show that during both 1959-60 and 1960-61, a number of associations were not examined.

We recommend deletion of 6 auditors I, \$32,184 (budget page 584, line 44).

Our reason for this recommendation is that the increase is based generally on the assumption that an average of 55.1 man-days will be required to examine each association during 1962-63 as compared to an average of 48.4 man-days during 1960-61, an increase of 6.7 man-days per association or 13.8 percent, and the agency has given no justification for the proposed increase. In the absence of any justification it appears to us that this represents an increase in the level of service.

The workload calculations involved for the examiner staff are shown in Table 2, and are based on data contained in the detailed justification submitted by the agency.

The man-years shown in column (6) represent time of the examining staff spent in sundry assignments.

If the total examining time required to examine 208 associations in 1962-63 is calculated at the 1960-61 average man-days per association of 48.4, the total required is 10,062 man-days or 44.1 man-years which is 6.1 man-years less than the total of 50.2 man-years requested.

It will be noted that by using an average of 48.4 man-days per examination we are suggesting a higher number than the 43.1 which the agency is projecting for the current year, 1961-62.

Three additional factors lead us to believe that an addition of only eight auditors to the current staff is sufficient. First, the staff is relatively inexperienced due to the recent additions and should gain in proficiency as it seasons. Second, the new associations are considerably

Division of Savings and Loan—Continued

smaller, requiring less examination time than the average in the preceding years. Third, the additional attorney and administrative assistant provided in the 1961-62 Budget should handle a portion of the sundry assignments undertaken in the 1960-61 year by the examiner staff.

Table 2

	(1)	(2)	(3)	(4)	(5)	(6)
	Average man- time in			Examining	Total	Excess
	Examining	No. of	days per	man-years	examiner	of (5)
	time in	associations	association	(1) ÷ 228	staff	over (4)
	man-days	to examine	(1) ÷ (2)	days		
1959-60 (actual)						
Completed	6,463	143 *	45.2	28.4	33.8	5.4
Not completed	1,053	32	32.9	4.6		
Total	7,516	175	42.9	33.0		
1960-61 (actual)						
Completed	7,267	139	52.3	31.9	41.1	9.2
Not completed	2,017	53	38.1	8.8		
Total	9,284	192	48.4	40.7		
1961-62 (estimated)	8,261	200	43.1	36.2	46	9.8
1962-63 (proposed)	11,453	208	55.1	50.2	60	9.8

* One association examined twice.

Appraisals

The following is a summary of the workload projections for the appraisal staff prepared by the division which we have converted to man-years:

Table 3

	Man-years			Increase	
	1960-61	1961-62	1962-63	1962-63 over 1960-61	
	Actual	Estimated	Proposed	Number	Percent
Sundry assignment	4.7	7.4	9.6	4.9	104.26
Appraisals	10.2	11.6	16.4	6.2	60.8
Totals	14.9	19.0	26.0	11.1	74.5

This budget proposes an increase of seven positions over the 19 currently authorized.

We recommend deletion of the following positions:

Position	No.	Amount	Budget	
			Page	Line
Supervising savings and loan appraiser II	1	\$9,384	584	41
Senior savings and loan appraiser II	1	7,728	584	42
Assistant savings and loan appraiser II	5	31,800	584	43
Total	7	\$48,912		

We feel that the 1960-61 level of sundry assignments should be sufficient. The following table shows the division's allocation of 4.7 man-years of the appraisal staff to that function in 1960-61 in man-days. We have no information regarding the proposed increase to 9.6 man-years in 1962-63.

Division of Savings and Loan—Continued

	<i>Man-days</i>	<i>Man-years</i>
Surveys for applications for additional branches and/or new associations -----	81	.36
Supervisory duties -----	319	1.40
Special assignments for Attorney General re: 2d trust deed mortgage company (10 percenters)-----	98	.43
Other sundry assignments, including conferences, course attendance, and office detail work on statistics for reports and budget -----	573	2.51
Total -----	1,071	4.70

By allocating 4.7 man-years to sundry assignments there remain 14.3 man-years of the currently authorized staff of 19 for appraisal activity. According to the division an average of 912 appraisals per man-year is standard. Our calculation which follows shows that the appraisal workload can be accomplished with this existing staff if this allocation of positions is made.

14.3 man-years at 912 appraisals each ----- = 13,042 appraisals possible
 7 percent sample of 162,785 new loans projected = 11,395 appraisals required

Balance ----- 1,647 available for appraisal of delinquent loans

The 7 percent sample is mentioned on Budget page 583, line 80 in the right-hand column of text.

Clerical

We recommend deletion of 2 intermediate typist-clerks (\$7,992) budget page 584, line 46.

As we have recommended that 61.9 percent of the additional examiner and appraiser personnel requested be deleted, this recommendation would in effect reduce by 66.7 percent the clerical support no longer needed.

Ten-percenter Investigation

During 1960-61, the Department of Investment began a crash program to curtail the illegal activities of second trust deed mortgage companies commonly referred to as ten-percenters, which were operating throughout the State. We are informed that the Savings and Loan Commissioner, who was directed by the Governor to initiate this program is preparing a report of the results of this investigation which began in February 1961.

However, due to the budgetary implications, we have included the following table which represents the best available estimates of the time devoted or expected to be devoted to this activity.

<i>Agency</i>	<i>Man-hours</i>		<i>Total</i>
	<i>Year</i>		
Banking -----	1960-61 688	1961-62 234	922
Insurance -----	1,048	992	2,040
Corporations -----	7,992	14,640	22,632
Real estate -----	2,700	1,100	3,800
Savings and loan -----	872	2,472	3,344
	13,300	19,438	32,738

Division of Savings and Loan—Continued

The agency states that the total of 32,738 man-hours represents approximately 18.5 man-years, or \$166,500, at \$9,000 per man-year and is exclusive of any expenditure by the Department of Justice.

The requirement for an integrated effort resulted from the claim expressed by a number of those being prosecuted under the Real Estate Law that they were outside that jurisdiction. However, it became clear that under certain circumstances, those operating in this field could be within the jurisdiction of the Commissioner of Corporations. In addition, many of the defaulted second trust deeds and resales of discounted contracts were subject to first trust deeds held by savings and loan associations.

We are informed that the Department of Justice is now directing this investigation as provided by Chapter 1442, Statutes of 1961, and was granted a budget increase by the 1961 Legislature of approximately \$125,000 over that originally requested to establish an Investment Fraud and Business Crimes Unit within the Department of Justice.

BOARD OF OSTEOPATHIC EXAMINERS

ITEM 218 of the Budget Bill

Budget page 586

**FOR SUPPORT OF THE BOARD OF OSTEOPATHIC EXAMINERS
FROM THE CONTINGENT FUND OF THE BOARD
OF OSTEOPATHIC EXAMINERS**

Amount requested	\$70,156
State employees' retirement	2,551
State employees' health and welfare	342
Total	\$73,049
Estimated to be expended in 1961-62 fiscal year	74,185
Decrease (1.5 percent)	\$1,136
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

Expenditures proposed by this board for fiscal year 1962-63 amount to \$73,049, a decrease of \$1,136, or 1.5 percent, from estimated expenditures for the current year.

The cost of operating this agency is closely related to the number of licensees to be served. In this regard it will be recalled that the Legislature, during the 1961 General Session, enacted Senate Bill 1190 amending the Medical Practice Act under which amendment a licensee of this board may choose to use the title of Doctor of Medicine and thereafter be subject to the supervision of the Board of Medical Examiners. The date by which such choice is to be made is October 31, 1962 which falls within the budget year.

Even if we recognize the annual rate of gain in new licensees the offset in numbers through those who make the permitted choice should result, during the budget year, in a levelling of the agency's workload and possibly later in a decreased workload. It is too early at this time, however, to forecast any measurable change in status.

We recommend approval as budgeted.

BOARD OF PILOT COMMISSIONERS FOR THE HARBOR OF SAN DIEGO

ITEM 219 of the Budget Bill

Budget page 587

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

Amount requested	\$1,435
Estimated to be expended in 1961-62 fiscal year	1,425
Increase (0.7 percent)	\$10
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

Expenditures proposed by this commission for fiscal year 1962-1963 amount to \$1,435, an increase of \$10 or 0.7 percent over estimated expenditures for the current year.

Licenses, penalties and fees collected by the commission are estimated at \$5,400 for the budget year. This revenue is deposited in the General Fund.

We recommend approval as budgeted.

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

ITEM 220 of the Budget Bill

Budget page 588

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

Amount requested	\$28,045
State employees' retirement	428
State employees' health and welfare	60
Total	\$28,533
Estimated to be expended in 1961-62 fiscal year	26,079
Increase (9.4 percent)	\$2,454
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

Expenditures proposed by this commission for fiscal year 1962-1963 amount to \$28,533, an increase of \$2,454 or 9.4 percent over estimated expenditures for the current year.

Expenditures by this commission for the current year reflect an increase due to higher pro rata and hearing fees which will also be carried into the budget year, and a Pilotage Rate Committee, created by Chapter 2227 Statutes of 1961 which becomes effective July 1, 1962, is given responsibilities under the law which require added expenditures estimated at approximately \$2,573 for the budget year including a per diem for the public member of the 5 member committee and hearing and auditing expense.

These items account in the main for the increase in the proposed budget over that of fiscal year 1960-1961.

We recommend approval as budgeted.

Summary

Professional and Vocational Standards

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

Budget page 591

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

Amount requested	\$1,836,659
State employees' retirement	93,495
State employees' health and welfare	11,010
Total	\$1,941,164
Estimated to be expended in 1961-62 fiscal year	1,799,790
Increase (7.9 percent)	\$141,374
TOTAL RECOMMENDED REDUCTION	\$31,261

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Division of Administration :			
1 Intermediate stenographer	\$4,194	591	71
1 Intermediate typist-clerk	4,092	591	62
Data Processing Operation :			
General expense	1,000	593	46
Division of Investigation :			
Equipment	21,975	594	69

ANALYSIS

Expenditures proposed for administration of the department for fiscal year 1962-63 total \$1,941,164, an increase of \$141,374 or 7.9 percent over estimated expenditures for the current year.

The Department of Professional and Vocational Standards consists of two General Fund and 25 special fund agencies. These boards, bureaus, and commissions propose in total to spend \$6,633,064 during the budget year for wages and salaries of the approximately 413 full-time board and commission employees together with related expenses.

To supply a part of the common needs of all these constituent agencies the department provides a Division of Administration, data processing services for agency licensing, a Division of Investigation now being used by 22 of the agencies for investigation of complaints, and also owns and operates the Business and Professional Building Annex.

These common services are paid for by rent, pro rata, and other service charges which are proportioned to the constituent agencies in accordance with their size, use and needs at a cost to the agencies which represents in total 27.6 percent of their total expenditures.

Several important changes with budget implications have been made in the current and past fiscal years as the result of legislative enactment or executive order.

A public board member has been added to each of most of the professional agencies by Chapter 1821, Statutes of 1961, with a consequent increase in per diem expenditures.

Biennial licensing has been provided for most agencies as the result of a series of measures enacted at the 1961 General Session of the Legislature and this procedure is expected to level existing license renewal peaks. Advance revenue collection under this program is already apparent in some agency funds.

Departmental Administration—Continued

The Division of Administrative Procedure, formerly in this department, was transferred to the Department of Finance and renamed the Office of Administrative Procedure as the result of legislative action.

The Athletic Commission was changed from a special fund to a General Fund agency and the Athletic Commission Fund was abolished.

As the result of an executive order, the Division of Investigation was established and was staffed in part by the transfer of approximately 103 investigator and inspector positions from the constituent agencies which had agreed to use this method of complaint and discipline investigation instead of individual agency staffing. We have noted in a number of agency budgets the cost impact of this new division.

For a long time the desirability of centralized administrative and clerical services to be used in common by the several constituent agencies has been apparent. Progress as indicated has been made in recent years but other improvements can well be made. Attention should be given in this department to the establishment of central cashiering. The possibility of permanent licensing subject to biennial renewal by each of the agencies should serve to further reduce the paper workload.

Division of Administration

This division provides centralized accounting, budgeting, internal auditing, legal, management, procedural analysis, and personnel services for the constituent agencies and manages the building.

Expenditures proposed for this division for fiscal year 1962-63 amount to \$469,689, an increase of \$52,028 or 12.4 percent over estimated expenditures for the current year.

Salaries and Wages

A new position of chief deputy director was authorized by Chapter 1663, Statutes of 1961. A secretarial position is proposed in support of the new deputy position. Four fiscal and one supporting clerical positions are proposed for the budget year as the result of studies of the accounting and budget workload problems which have recently characterized this division. We do not oppose these positions for the reason that some method must be used to insure that accounts shall be kept current and budget recommendations be prepared in accordance with required time schedules.

1 Intermediate stenographer (budget page 591, line 71)	-----	\$4,194
1 Intermediate typist-clerk (budget page 591, line 72)	-----	4,092

These positions are proposed as additions to the personnel section. No specific workload requirement has been presented in support of these proposed positions.

We recommend the deletion of these two proposed positions for a saving of \$8,286.

There are already authorized for the division's personnel section, a position of personnel office and two clerical positions. In the absence of special need it appears that the three existing positions should be adequate to provide the necessary services for the approximately 600 positions in this department.

Summary

Professional and Vocational Standards

Departmental Administration—Continued

Data Processing Operation

Expenditures proposed for the data processing services of the division for fiscal year 1962-1963 total \$143,541, an increase of \$17,364 or 13.8 percent over estimated expenditures for the current year. Two new positions are proposed on a workload basis.

Operating Expenses

General expense (budget page 593, line 46) ----- \$8,195

This item covers generally the cost of office supplies and services. The division cites as the reason for the proposed increase of \$1,370 over the current year estimate the need for continuous printed forms and other supplies.

We recommend the deletion of \$1,000 to reduce this item to \$7,195.

According to the estimates of the Department of Finance, the cost of office supplies will be less in the budget year in some instances than in the current year. In the absence of a demonstrated increase in workload our recommendation should leave an adequate amount in this item of expense to provide for normal growth and expansion.

Division of Investigation

The current year is the first full year of operation for this new division.

Expenditures proposed for the division for fiscal year 1962-1963 amount to \$1,033,928, an increase of \$73,349 over estimated expenditures for the current year.

In comparing the proposed cost of operation of this division to the total proposed cost of operation of all the central services the cost of the Division of Investigation amounts to 53.2 percent of that total cost.

When the division was established in 1960-1961 eight new positions were administratively approved on a temporary basis. The department now proposes to make these positions permanent.

We recommend approval of the eight positions as budgeted.

5 Intermediate stenographer (budget page 594, line 50) ----- \$20,980

These five positions are proposed on a temporary basis to terminate on June 30, 1963. A clerical and workload staffing study is being made within this division to more sharply define clerical needs.

We recommend approval of the five proposed clerical positions to terminate on June 30, 1963.

Equipment

Equipment (budget page 594, line 69) ----- \$25,297

The division estimates its equipment expenditures at \$12,137 for the current year. The supporting schedules for the budget requests indicate that this equipment was almost entirely office machines and office furniture.

The division now proposes in the budget year to replace older desks, chairs, and typewriters at an approximate cost of \$5,000, to replace nine automobiles with nine new automobiles at an approximate cost of \$15,975 and has provided no specification as to age or mileage on the

Departmental Administration—Continued

automobiles. In addition an amount of \$1,000 is set aside for "miscellaneous" new equipment.

We recommend the deletion of \$21,975 to reduce this item to \$3,322.

We have not been able to find justification for the equipment purchases proposed for the budget year. It would appear that when the division acquired its personnel by transfer from the agencies within the department, it succeeded to or should have succeeded to the ownership of the equipment then being used by that personnel, apparently with satisfaction.

In a budget year in which economy of operation is indicated requests for new equipment must be based on a clear and demonstrated need. Any expansion of program or enrichment of the level of service should be curtailed.

Department of Professional and Vocational Standards

BOARD OF ACCOUNTANCY

ITEM 221 of the Budget Bill

Budget page 598

FOR SUPPORT OF THE BOARD OF ACCOUNTANCY
FROM THE ACCOUNTANCY FUND

Amount requested	\$291,841
State employees' retirement	4,673
State employees' health and welfare	630
Total	\$297,114
Estimated to be expended in 1961-62 fiscal year	279,927
Increase (6.2 percent)	\$17,217
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

The 6.2 percent increase in this agency's budget is largely accounted for by merit salary increases and the addition of one member to the board as provided for by the 1961 Session of the Legislature, together with related increases to operating expenses.

An emergency authorization in the amount of \$13,062 was allowed the agency in the current year mainly to finance the increased cost of procuring investigative services from the new Division of Investigation and for the cost of printing the directory which had been underestimated by about \$5,000.

The projected accumulated surplus of this agency as of June 30, 1963 is \$619,578. This is an increase of \$183,256 over the estimated accumulated surplus for June 30, 1962. This increase results from the change from an annual to a biennial license period authorized under Chapter 1254, Statutes of 1961.

We recommend approval as budgeted.

Items 222-223

Professional and Vocational Standards

Department of Professional and Vocational Standards

BOARD OF ARCHITECTURAL EXAMINERS

ITEM 222 of the Budget Bill

Budget page 599

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

Amount requested	\$95,987
State employees' retirement	2,644
State employees' health and welfare	468
Total	\$99,099
Estimated to be expended in 1961-62 fiscal year	92,328
Increase (7.3 percent)	\$6,771

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The board examines, licenses, and regulates all architects practicing in California.

Expenditures proposed for this board for fiscal year 1962-63 amount to \$99,099, an increase of \$6,771, or 7.3 percent, of estimated expenditures for the current year.

In accordance with the provisions of Chapter 1821, Statutes of 1961, a public member was added to this professional board, effective January 1, 1962.

The board is one which has retained its two special investigators and does not, therefore, assign its complaint investigations to the department's Division of Investigation.

Proposed budget year increases parallel the estimated gain in workload for fiscal year 1962-63.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

ATHLETIC COMMISSION

ITEM 223 of the Budget Bill

Budget page 600

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

Amount requested	\$178,946
State employees' retirement	7,230
State employees' health and welfare	780
Total	\$186,956
Estimated to be expended in 1961-62 fiscal year	153,154
Increase (22 percent)	\$33,802

TOTAL RECOMMENDED REDUCTION..... \$30,062

Athletic Commission—Continued

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
2 Staff assistant -----	\$17,220	601	6
1 Investigator -----	7,542	601	8
General expense -----	1,000	601	18
Printing -----	800	601	19
Communications -----	1,000	601	20
Traveling—in-state -----	1,000	601	21
Traveling—out-of-state -----	1,000	601	22
Examination -----	500	601	25

ANALYSIS

The Athletic Commission regulates all boxing and wrestling matches in the State.

General Fund expenditures proposed by the Commission for fiscal year 1962-1963 amount to \$186,956, an increase of \$33,802 or 22 percent over estimated General Fund expenditures for the current year and \$36,956 or 24.6 percent more than is estimated to accrue to the General Fund from related revenues in the budget year.

The workload of this agency has declined substantially over the past seven years as shown by the following table:

	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61
Licenseses -----	1950	1797	1497	1686	1660	1492	1454
Shows -----	1475	1365	1218	1049	948	888	823

The agency's estimates of workload on which their budget requests have been based are shown below for the same years:

	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61
Licenseses -----	--- ¹	--- ¹	2074	1874	1600	1662	1622
Shows -----	1700	1500	1600	1600	1350	1250	1000

¹ Number of licenses not estimated for these years.

In view of this consistent record of over optimism, the agency's present estimates of an increase in number of licenses to a total of 1712 and to 1000 shows can only be termed unrealistic. The probability is that the actual numbers of both licenses and shows will be less in both the current year and the budget year than the actual figures for 1960-1961. Revenue estimates are based on the same unrealistic estimates and consequently must also be considered to be overstated. Actual revenue for 1960-61 amounted to only \$133,373 and if the agency is fortunate enough to even achieve this figure, which is unlikely, the actual deficit which will have to be made up out of the General Fund will be \$53,583 rather than \$36,956 as is shown in the budget.

The decline in workload for this agency dates from the extensive investigation of boxing conducted by the Department of Professional and Vocational Standards in 1955-56. As a result of that investigation, the permanent staff of the agency was approximately doubled, for the avowed purpose of insuring that boxing in California was free from racket and gangster control. To the best of our knowledge, the agency has succeeded, but it is also apparent there has been a steadily declining interest on the part of promoters to stage boxing shows. It should be equally apparent that after 5 years of intensive activity along these

Athletic Commission—Continued

lines, some relaxation of the intensity of that effort can be tolerated particularly since the greatly enlarged staff has substantially fewer licensees and shows to be concerned about. At the very least, an adequate level of enforcement should be obtainable at no greater cost than has been experienced in recent years, and preferably the cost should not exceed the revenue obtainable from the business itself.

4 Staff assistants (budget page 601, line 6) ----- \$33,060

These four positions together with the Executive Officer comprise the presently authorized administrative staff of the agency. They supervise the activity of four investigators, two of which are senior special investigators who normally carry some responsibility for supervision themselves, and four clerical positions as well as 6 man-years of Intermittent Inspector activity. This latter function only occurs when shows are actually held, with inspectors being assigned to specific shows from a roster of qualified and available inspectors. Thus, five positions supervise the activities of eight permanent positions and a group of intermittent positions of varying size. If the two senior investigators are in fact assuming some supervisory responsibility, the ratio is even richer, being seven supervisors to six permanent employees and the intermittent inspectors.

We recommend the deletion of 2 staff assistants for a savings of \$17,220.

We are not aware of any other state agency which has such a large complement of top level administrative staff in relation to the remainder of the staff and in relation to its workload. While this staffing pattern may have been justified in the critical days following the departmental investigation referred to above, the need for it after this lapse of time and in the face of the consistent decline in workload responsibility is hardly apparent.

Investigator (budget page 601, line 8) ----- \$27,454

The agency is currently authorized four investigator positions. Two of these are senior special investigators and two are special investigators.

We recommend the deletion of 1 senior special investigator position to reduce this item by \$7,542.

During 1960-61 the agency operated, apparently without serious deficiency, with only 2.3 man-years of investigator time actually available to it out of the four positions which were authorized. Our recommendation would allow more investigator time than was actually utilized in 1960-61. Three positions of investigator should be able to accomplish a sufficient amount of investigatory activity to satisfy the agency's needs in view of the decline in workload which has occurred since the original authorization of the four positions. This position was vacant as of July 1, 1961, and may still be.

General expense (budget page 601, line 18) ----- \$4,116

The agency actually spent \$2,668 for this item in 1960-61. There have been no price increases for the usual kind of supplies and mate-

Athletic Commission—Continued

rials purchased with this appropriation and, in fact, some price declines since 1960-61 are noted in the Department of Finance price letter.

We recommend the deletion of \$1,000 from this item to reduce it to \$3,116.

The agency was apparently able to operate without serious detriment during 1960-61 with the same level of staffing as they are requesting in the budget year and with a heavier workload than can be reasonably anticipated in the budget year. Consequently, our recommendation of \$3,116, which is \$450 more than was needed in 1960-61 should be an ample allowance for this item for the budget year.

Printing (budget page 601, line 19) ----- \$2,600

The agency actually spent \$1,723 for printing in 1960-61. No explanation of any need for an increase or expansion has been submitted by the agency.

We recommend the deletion of \$300 to reduce this item to \$1,800.

According to the Department of Finance price letter, allowance can be made for a minor price increase for printing in the 1962-63 Budget. Our recommendation will allow the agency the same level of printing service as it had in 1960-61 after making allowance for this price increase and the agency's decreasing workload trend.

Communications (budget page 601, line 20) ----- \$8,250

This item is budgeted at \$1,209 more than was actually spent in 1960-61. No explanation of any need for this increase has been submitted by the agency.

We recommend the deletion of \$1,000 to reduce this item to \$7,250.

The Department of Finance price letter indicates that postage rates are expected to be the same in 1962-63 as they were in 1960-61, with the same being true for telephone rates. Under these circumstances our recommended reduction will still permit the agency the level of service which it had in 1960-61 despite the declining workload trend and in addition allow a small increase for contingencies.

Traveling—in-state (budget page 601, line 21) ----- \$11,750

No explanation of a need for an increase in the amount of allowable travel has been submitted by the agency.

We recommend the deletion of \$1,000 to reduce this item to \$10,750.

Our recommendation takes into account the fact that all of the agency's authorized traveling positions were not filled during the 1960-61 fiscal year and allows an increase of \$1,470 over the \$9,280 actually spent in that year to cover the contingency that all positions might be filled in the budget year as well as certain minor price increases.

Traveling—out-of-state (budget page 601, line 22) ----- \$1,500

No explanation of the reason for a requested increase of \$1,147 over the amount actually spent in 1960-61 has been submitted by the agency.

We recommend a deletion of \$1,000 from this item to reduce it to \$500.

Athletic Commission—Continued

Our recommendation will permit the agency to do the same amount of out-of-state travel which it apparently thought was necessary in 1960-61. Apparently no detriment was suffered by either the agency or the public as a result of the limited amount of out-of-state travel actually undertaken in that year, and there appears to be no reason why the agency cannot continue to operate successfully under that pattern.

Examination (budget page 601, line 25) ----- \$500

This is a new item of expense not previously budgeted by the agency although it appears in the current revised budget as if it had been requested and approved last year. No explanation of what the money is to be spent for or of a need for such services has been submitted.

We recommend the deletion of the item to save \$500.

In view of the kind of licenses issued by the agency for such activities as boxing, wrestling, managing, promoting, refereeing, etc., it is not clear how the expenditure of these funds for an examination procedure will benefit the general public in California. In any event, the declining workload trend of this agency would indicate that very few new licenses are being issued.

Department of Professional and Vocational Standards

BOARD OF BARBER EXAMINERS

ITEM 224 of the Budget Bill

Budget page 602

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

Amount requested -----	\$211,037
State employees' retirement -----	3,690
State employees' health and welfare -----	570
Total -----	\$215,297
Estimated to be expended in 1961-62 fiscal year -----	207,830
Increase (3.6 percent) -----	\$7,467
TOTAL RECOMMENDED REDUCTION -----	None

ANALYSIS

The Board of Barber Examiners examines, licenses and regulates all barbers in the State.

Expenditures proposed by the board for fiscal year 1962-63 total \$215,297, an increase of \$7,467, or 3.6 percent over estimated expenditures for the current year.

Chapter 1821, Statutes of 1961 added a public member and the fourth barber member to this board, effective January 1, 1962. The two new members will receive per diem only, in contrast to the other members who are paid a salary for their services.

During the current year eight positions were transferred to the department's Division of Investigation and a half position to the Board of Cosmetology reducing the number of authorized positions from 14.7 to 9.5.

Board of Barber Examiners—Continued

Estimated costs of the services of the Division of Investigation to this board account for almost half of the estimated total operating expenses of the board both for the current and budget year.

We recommend approval as budgeted.

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

ITEM 225 of the Budget Bill

Budget page 603

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

Amount requested	\$59,500
State employees' retirement	2,242
State employees' health and welfare	240
Total	\$61,982
Estimated to be expended in 1961-62 fiscal year	59,794
Increase (3.7 percent)	\$2,188
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

The Cemetery Board administers the Cemetery Act under which cemeteries, salesmen and brokers are licensed and interment contract practices are regulated.

A public member was added to this board, effective January 1, 1962, by the provisions of Chapter 1821, Statutes of 1961.

Expenditures proposed by the board for fiscal year 1962-63 amount to \$61,982, an increase of \$2,188 or 3.7 percent over estimated expenditures for the current year.

We recommend approval as budgeted.

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

ITEM 226 of the Budget Bill

Budget page 604

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

Amount requested	\$98,832
State employees' retirement	1,826
State employees' health and welfare	240
Total	\$100,898
Estimated to be expended in 1961-62 fiscal year	95,617
Increase (5.5 percent)	\$5,281
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

Under the 1922 Initiative Act the Board of Chiropractic Examiners examines, licenses and regulates chiropractors in the State.

Board of Chiropractic Examiners—Continued

Expenditures proposed by this board for fiscal year 1962-63 total \$100,898, an increase of \$5,281, or 5.5 percent, over estimated expenditures for the current year.

Two positions were transferred during the current year to the department's Division of Investigation whose services in the budget year are estimated to cost this board \$24,137, more than one-third of the board's fiscal year estimated operating expenses.

The Chiropractic Examiners' Fund which supports this board continues to decline. Estimated expenditures for the budget year exceed estimated income by \$18,648 and the estimated current year surplus of \$30,009 must defray this excess expenditure. Accumulated surplus of \$11,361 as estimated for June 30, 1963 will be a reserve of little more than one month's cost of operation. It appears, therefore, that the board must shortly raise its fees, reduce its costs or the fund will be insolvent.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF REGISTRATION FOR CIVIL AND PROFESSIONAL ENGINEERS

ITEM 227 of the Budget Bill

Budget page 606

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

Amount requested	\$356,158
State employees' retirement	12,708
State employees health and welfare	1,530
Total	\$370,396
Estimated to be expended in 1961-62 fiscal year	356,221
Increase (4 percent)	\$14,175
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

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

Expenditures proposed by this board for fiscal year 1962-63 amount to \$356,158, an increase of \$14,175, or 4 percent over estimated expenditures for the current year.

Chapter 1821, Statutes of 1961, added a public member to this professional board effective January 1, 1961.

The larger than average income to the Professional Engineers' Fund estimated for the budget year reflects for the first time collections under the new biennial licensing system instituted for this agency by Chapter 1252, Statutes of 1961.

We recommend approval as budgeted.

**Department of Professional and Vocational Standards
COLLECTION AGENCY LICENSING BUREAU**

ITEM 228 of the Budget Bill

Budget page 607

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

Amount requested	\$194,491
State employees' retirement	5,484
State employees' health and welfare	870
Total	\$200,845
Estimated to be expended in 1961-62 fiscal year	209,030
Decrease (3.9 percent)	\$8,185
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

This bureau examines, licenses, registers and regulates collection agencies and their officers and employees; examines licensee accounts and appoints conservators for liquidations.

Expenditures proposed for the bureau for fiscal year 1962-1963 total \$200,845, a decrease of \$8,185, or 3.9 percent, from estimated expenditures for the current year.

One position was transferred to the Department's Division of Investigation during fiscal year 1960-1961. One and one-half additional positions have been temporarily approved to handle increased workload and complete registration of collection agency employees. An added one-half position was transferred to the bureau from the Bureau of Private Investigators and Adjusters in the current year.

As we have pointed out in previous analyses, the Collection Agency Fund is in serious difficulty. It is estimated that the fund deficit at the end of the current year will amount to \$23,440. The bureau proposes to introduce legislation at the 1962 Session of the Legislature to increase fees sufficiently to place the bureau in a self-supporting position. If such legislation is approved and the estimated revenue for the budget year actually accrues the agency can show a small surplus at the end of 1962-1963.

We recommend approval as budgeted.

**Department of Professional and Vocational Standards
CONTRACTORS' LICENSE BOARD**

ITEM 229 of the Budget Bill

Budget page 609

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

Amount requested	\$1,409,233
State employees' retirement	59,006
State employees' health and welfare	7,380
Total	\$1,475,619
Estimated to be expended in 1961-62 fiscal year	1,234,625
Increase (19.5 percent)	\$240,994
TOTAL RECOMMENDED REDUCTION	None

Contractors' License Board—Continued

ANALYSIS

The Contractors' License Board examines, licenses, and regulates contractors in the various branches of the construction industry.

Expenditure proposed by the board for the fiscal year 1962-1963 total \$1,475,619, an increase of \$240,994, or 19.5 percent, over estimated expenditures for the current year.

A substantial portion of the budget year increase is contained in salaries for 22 new positions proposed as the result of a recent survey of management and workload by the Division of Organization and Cost Control.

A public member was added to this board by Chapter 1821, Statutes of 1961. Four positions have been temporarily approved to handle increased workload and five man-years of temporary help has been provided to reduce backlog and revise the filing system.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF COSMETOLOGY

ITEM 230 of the Budget Bill

Budget page 611

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

Amount requested	\$447,915
State employees' retirement	7,429
State employees' health and welfare	870
Total	\$456,214
Estimated to be expended in 1961-62 fiscal year	418,055
Increase (9.1 percent)	\$38,159

TOTAL RECOMMENDED REDUCTION

None

ANALYSIS

The Board of Cosmetology examines, licenses and regulates the various practitioners in the field of cosmetology as well as cosmetology schools.

Expenditures proposed by the board for fiscal year 1962-1963 total \$456,214, an increase of \$38,159, or 9.1 percent, over estimated expenditures for the current year.

A public member was added to this board by Chapter 1821, Statutes of 1961. Thirteen positions were transferred to the department's Division of Investigation during 1960-1961.

Estimated charges by the Division of Investigation both for the current and budget years amount to more than 40 percent of the board's estimated operating expenses for these years.

The substantial accumulated surplus in the Cosmetology Contingent Fund, estimated at \$712,738 as of the end of fiscal year 1962-1963, includes for the first time receipts under the biennial licensing program established for this board by Chapter 1635, Statutes of 1961. A portion of the surplus, therefore, must be applied to costs in the succeeding fiscal year.

We recommend approval as budgeted.

Board of Cosmetology—Continued

Agency's Budgeting Practices

In the analysis of the board's 1961-1962 budget proposals attention was called to the consistent under-budgeting which has characterized this board for a number of years. In the table below there are noted the amounts of emergency augmentations to the agency's budget each year for expenditures in excess of the amounts appropriated by the Legislature.

<i>Fiscal year</i>	<i>Amount</i>
1955-1956 actual	\$5,889
1956-1957 actual	17,671
1957-1958 actual	13,881
1958-1959 actual	10,782
1959-1960 actual	45,887
1960-1961 estimated in the 1961-62 Budget	32,391
1960-1961 actual	62,616
1961-1962 estimated	41,739

Over the seven-year period covered by the table, the board has spent substantial amounts of money without resort to normal legislative review. Under budgeting and the subsequent use of emergency authorizations to cover going costs is not realistic budgeting practice.

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

ITEM 231 of the Budget Bill

Budget page 612

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

Amount requested	\$148,366
State employees' retirement	4,521
State employees' health and welfare	600
Total	\$153,487
Estimated to be expended in 1961-62 fiscal year	152,125
Increase (0.9 percent)	\$1,362
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

The Board of Dental Examiners examines, licenses and regulates dentists and dental hygienists.

Expenditures proposed by this board for fiscal year 1962-1963 total \$153,487, an increase of \$1,362 over estimated expenditures for the current year.

A public member was added to this professional board by Chapter 1821, Statutes of 1961.

The accumulated surplus in the State Dentistry Fund continues to decline. While at the end of fiscal year 1962-1963 it is estimated that the accumulated surplus will amount to \$133,574, this amount will include advance revenues under the biennial licensing program established by Chapter 364, Statutes of 1961, which must be applied to the future fiscal year.

Board of Dental Examiners—Continued

At the current rate of annual expenditure by the board, two years costs will reach \$306,974. However, biennial revenues, based on current estimates, will total only \$262,796. Such continuing deficiency will require action by the board either to reduce its expenditures or to raise fees if the fund is to remain solvent.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF DRY CLEANERS

ITEM 232 of the Budget Bill

Budget page 615

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

Amount requested	\$280,989
State employees' retirement	4,162
State employees' health and welfare	540
Total	\$285,691
Estimated to be expended in 1961-62 fiscal year	285,821
Decrease (0.1 percent)	\$130
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

This board regulates the dry cleaning industry through a program of licensing, inspection, and the enforcement of rules and regulations.

Expenditures proposed by the board for fiscal year 1962-1963 total \$285,691, a decrease of \$130 or 0.1 percent from estimated expenditures for the current year.

Chapter 1821, Statutes of 1961, added a public member to the board effective January 1, 1961. During fiscal year 1960-1961, 12 positions were transferred to the department's Division of Investigation.

The estimated cost of services rendered by the Division of Investigation represent approximately one-half of the board's estimated operating expenses for both the current and the budget years.

Chapter 1541, Statutes of 1961, provided for research expenditures of \$15,000 annually by the board for each of fiscal years 1961-1962 and 1962-1963 and these expenditures are included with the estimated operating expenses for each year, although not included in the budget bill.

In addition to the annual support of the board, the Dry Cleaners' Fund provides reimbursements to the State Fire Marshal for support of that agency. The estimated amount to be transferred from the fund for this purpose in the budget year is \$91,030.

Fee increases enacted at the 1961 General Session of the Legislature do not appear to be sufficient to support the 1962-1963 level of board expenditure and added revenue will be sought in the 1962 Session.

The accumulated surplus in the Dry Cleaners' Fund as of June 30, 1963 is estimated to amount to \$494,478 but this amount includes anticipated advance revenues under the biennial licensing program established for this board by Chapter 899, Statutes of 1961.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF FUNERAL DIRECTORS AND EMBALMERS

ITEM 233 of the Budget Bill

Budget page 615

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

Amount requested	\$72,781
State employees' retirement	2,916
State employees' health and welfare	336
Total	\$76,033
Estimated to be expended in 1961-62 fiscal year	75,851
Increase (0.2 percent)	\$182
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

The Board of Funeral Directors and Embalmers examines, licenses and regulates funeral directors and embalmers.

Expenditures proposed by this board for fiscal year 1962-1963 total \$76,033, an increase of \$182 or 0.2 percent over estimated expenditures for the current year.

A public member was added to this board by Chapter 1821, Statutes of 1961.

The accumulated surplus in the Funeral Directors' Fund, estimated to amount to \$86,622 on June 30, 1963 includes for the first time advance revenues resulting from the biennial licensing program instituted for this board by Chapter 1249, Statutes of 1961.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BUREAU OF FURNITURE AND BEDDING INSPECTION

ITEM 234 of the Budget Bill

Budget page 617

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

Amount requested	\$456,316
State employees' retirement	8,009
State employees' health and welfare	900
Total	\$465,225
Estimated to be expended in 1961-62 fiscal year	438,638
Increase (6.1 percent)	\$26,587
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

This bureau licenses and regulates sellers and processors of furniture and articles of bedding.

Expenditures proposed by the bureau for the fiscal year 1962-1963 amount to \$465,225, an increase of \$26,587, or 6.1 percent, over estimated expenditures for the current year.

Bureau of Furniture and Bedding Inspection—Continued

Twenty-seven positions were transferred to the department's Division of Investigation during 1960-1961.

Principal increases in the proposed budget are composed of the salary for a new laboratory position, and increases in pro-rata charges and for services by the Division of Investigation. These increases are partially offset by reductions in other items of expense.

The accumulated surplus in the Bureau of Furniture and Bedding Inspection Fund estimated at \$735,697 as of July 1, 1963 includes for the first time anticipated advance revenues under the biennial licensing program provided in Chapter 1255, Statutes of 1961.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF GUIDE DOGS FOR THE BLIND

ITEM 235 of the Budget Bill

Budget page 618

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

Amount requested	\$3,466
Estimated to be expended in 1961-62 fiscal year	3,478
<hr/>	
Decrease (0.3 percent)	\$12
TOTAL RECOMMENDED REDUCTION	\$861

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
General expense	\$500	619	10
Traveling—in-state	361	619	13

ANALYSIS

Expenditures proposed by this board for fiscal year 1962-63 amount to \$3,466, a decrease of \$12 or 0.3 percent of estimated expenditures for the current year.

The decrease from the amount of \$4,866 appropriated for the current year results from the elimination of the amount heretofore pro-rated for Office of Administrative Procedure disciplinary hearings. In the history of the board only one such matter has ever been processed through that office. We are advised that no disciplinary matters are now pending and that with only nine long-term licensees the possibility of a hearing during the budget year is extremely remote.

Operating Expenses

General expense (budget page 619, line 10) \$600

As a part of general expense the agency proposes to spend \$500 for legal advertising, hearing, and evidence.

We recommend the deletion of \$500 to reduce this item to \$100.

In view of the remote possibility of administrative hearings and the consequent elimination of any estimated pro rata charges, it appears unnecessary to include related general expenditures for legal advertising and the securing of evidence to support such hearings.

Board of Guide Dogs for the Blind—Continued

Traveling—In-state (budget page 619, line 13)----- \$1,361

We recommend the deletion of \$361 to reduce this item to \$1,000.

The amount of \$1,000 provides a nominal increase over the actual expenditure of \$882 noted for fiscal year 1960-61 to provide for price increases. No specific justification for an increase in funds for travel has been submitted.

We further suggest, a matter for consideration of the Legislature at an appropriate time. The costs of this program, which involves only nine licensees, appear to be excessive, considering the current estimated unit cost of \$385 per licensee, for program administration. It should be noted that revenue from license fees is estimated at \$50 or an average of \$5.55 from each licensee per year. It further appears to us that the same or an improved degree of supervision of the guide dogs for the blind program could be provided administratively by either the Department of Education or the Department of Social Welfare, both of which have responsibilities in connection with the problems of blindness and licensing, at a substantially reduced cost. There can obviously be very little for a board of seven members to do at meetings which affect only nine licensees and little, if any, justification for the holding of such meetings can be found. Occasional attention from the qualified staff of either of the above two agencies should be adequate to insure compliance with the law and the continued flow of the benefits of the guide dog training program to blind persons.

Department of Professional and Vocational Standards

BOARD OF LANDSCAPE ARCHITECTS

ITEM 236 of the Budget Bill

Budget page 619

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

Amount requested	\$27,869
State employees' retirement.....	418
State employees' health and welfare.....	60
Total	\$28,347
Estimated to be expended in 1961-62 fiscal year.....	26,172
Increase (8.3 percent)	\$2,175

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

This board examines, licenses and regulates landscape architects in the State.

Expenditures proposed by the board for the fiscal year 1962-1963 amount to \$27,869, an increase of \$2,175, or 8.3 percent, over estimated expenditures for the current year.

Board of Landscape Architects—Continued

A public member was added to this board by Chapter 1821, Statutes of 1961 and a biennial licensing program was established by Chapter 1248, Statutes of 1961.

The accumulated surplus in the State Board of Landscape Architects' Fund, estimated at \$9,490 as of June 30, 1963, will be sufficient to maintain the board's current level of expenditure for only four months. Annual revenues appear to be insufficient to maintain this board on a self-supporting basis and the board must reduce expense or increase revenues if the fund is to be solvent.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF MEDICAL EXAMINERS

ITEMS 237, 238 and 239 of the Budget Bill

Budget page 621

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

Amount requested	\$594,171
State employees' retirement	8,349
State employees' health and welfare	1,200
Total	\$603,720
Estimated to be expended in 1961-62 fiscal year	568,795
Increase (6.1 percent)	\$34,925
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

The Board of Medical Examiners examines, licenses or certifies, and regulates physicians and surgeons, podiatrists, drugless practitioners, midwives, physical therapists, and psychologists.

Expenditures proposed by the board for the fiscal year 1962-1963 total \$603,720, an increase of \$34,925, or 6.1 percent, over estimated expenditures for the current year.

The enactment of Chapters 1821 and 2232 provided for the addition of public members to the board and to each of the podiatry, psychology, and therapy examining committees which operate within the board's jurisdiction.

During fiscal year 1960-1961, 15½ positions were transferred to the department's Division of Investigation. Two new clerical positions are requested for the budget year to handle increased workload.

The Physical Therapy Fund was placed on a biennial licensing basis by Chapter 400, Statutes of 1961. The board proposes to raise fees to increase the fund under provision of existing law.

We recommend approval as budgeted.

Department of Professional and Vocational Standards
BOARD OF NURSING EDUCATION AND NURSE REGISTRATION

ITEM 240 of the Budget Bill

Budget page 624

**FOR SUPPORT OF THE BOARD OF NURSING EDUCATION AND
 NURSE REGISTRATION FROM THE BOARD OF NURSING
 EDUCATION AND NURSE REGISTRATION FUND**

Amount requested	\$422,651
State employees' retirement	12,697
State employees' health and welfare	1,590
Total	\$436,938
Estimated to be expended in 1961-62 fiscal year	403,521
Increase (8.3 percent)	\$33,417

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The name of this agency was changed from that of Board of Nurse Examiners to the Board of Nursing Education and Nurse Registration by Chapter 1823, Statutes of 1961. The board examines, licenses and regulates nurses and schools of nursing.

Expenditures proposed by the board for fiscal year 1962-1963 total \$436,938, an increase of \$33,417, or 8.3 percent, over estimated expenditures for the current year.

Chapter 1821 added a public member to this board effective January 1, 1962. During 1960-1961 nine positions were transferred to the department's Division of Investigation. Costs of the investigation services as estimated for the budget year amount to approximately one-third of the board's proposed operating expenses.

We recommend approval as budgeted.

Department of Professional and Vocational Standards
BOARD OF OPTOMETRY

ITEM 241 of the Budget Bill

Budget page 626

**FOR SUPPORT OF THE BOARD OF OPTOMETRY, FROM THE
 STATE OPTOMETRY FUND**

Amount requested	\$57,876
State employees' retirement	1,273
State employees' health and welfare	120
Total	\$59,269
Estimated to be expended in 1961-62 fiscal year	53,787
Increase (10.2 percent)	\$5,482

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Board of Optometry consists of 6 members appointed by the Governor for four year terms. Effective January 1, 1962, one public board member has been added in accordance with Chapter 1821, Statutes of 1961. This board is responsible for examining, licensing, and regulating optometrists. The budgeted increase for 1962-63 is largely due to an increase in temporary help plus increases in operating expenses.

We recommend approval as budgeted.

Department of Professional and Vocational Standards
BOARD OF PHARMACY

ITEM 242 of the Budget Bill

Budget page 627

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

Amount requested	\$366,814
State employees' retirement	12,717
State employees' health and welfare	1,260
Total	\$380,791
Estimated to be expended in 1961-62 fiscal year	369,024
Increase (3.2 percent)	\$11,767

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

The Board of Pharmacy consists of eight members appointed by the Governor for four-year terms, one of which is a public board member in accordance with provisions of Chapter 1821, Statutes of 1961. The purpose of the board is to examine, license, and regulate pharmacists, pharmacies, manufacturers and wholesalers of drugs, general dealers and itinerant vendors. It issues permits for hypodermics and licenses and regulates the sale of poisons and dangerous drugs throughout the State. Investigative functions were shifted to the Division of Investigation with the transfer of four positions during 1960-61.

The proposed expenditures for 1962-63 of \$380,791 represents a 3.2 percent or \$11,767 increase over the \$369,024 estimated expenditures for 1961-62. The increased amount is due to increases in operating expenses.

The increase in level of fees provided by Chapter 9, Statutes of 1960, is finally being realized in accumulated surpluses in the Pharmacy Board Contingent Fund. The actual accumulated surplus as of July 1, 1960 was \$81,147. The estimated accumulated surplus as of June 30, 1963 is estimated to be \$121,160.

We recommend approval as budgeted.

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

ITEM 243 of the Budget Bill

Budget page 628

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

Amount requested	\$125,070
State employees' retirement	2,565
State employees' health and welfare	300
Total	\$127,935
Estimated to be expended in 1961-62 fiscal year	127,269
Increase (0.5 percent)	\$666

TOTAL RECOMMENDED REDUCTION None

Bureau of Private Investigators and Adjusters—Continued

ANALYSIS

The Bureau of Private Investigators and Adjusters has as its function the examining, licensing and regulation of private detectives, adjusters, repossessioners and officers and employees of private investigation agencies. The bureau chief is appointed by the Governor and serves under the supervision of the department director. The bureau chief serves in the same capacity for the collection agency licensing bureau with salary costs shared equally by the two agencies.

The \$127,935 proposed for 1962-63 represents a 0.5 percent or \$666 increase over the \$127,269 estimated to be expended in 1961-62.

The revenue from licenses, fees, penalties, and fines budgeted in the 1962-63 budget shows the collection of a biennial basis in accordance with the provisions of Chapter 1251, Statutes of 1961. The fund balance is steadily decreasing and revenue will either have to be increased to supplement present revenue or expenses will have to be reduced.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

CERTIFIED SHORTHAND REPORTERS BOARD

ITEM 244 of the Budget Bill

Budget page 630

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

Amount requested	\$27,786
Estimated to be expended in 1961-62 fiscal year	26,481
Increase (4.9 percent)	\$1,305

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Certified Shorthand Reporters' Board examines, certifies and regulates shorthand reporters.

Expenditures proposed by this board for the fiscal year 1962-1963 total \$27,786, an increase of \$1,305, or 4.9 percent, over estimated expenditures for the current year.

The annual rate of expenditure by this board continues to rise while at the same time the accumulated surplus available for appropriation each year shows a decline. The accumulated surplus estimated at \$37,334 as of June 30, 1963, includes advance revenues collected under the biennial licensing program instituted under Chapter 1258, Statutes of 1961. Annual revenues for 1960-1961 and estimated revenues for the current year are less than actual and estimated expenditures for these years.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF SOCIAL WORK EXAMINERS

ITEM 245 of the Budget Bill

Budget page 631

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

Amount requested	\$30,076
State employees' retirement	1,303
State employees' health and welfare	120
Total	\$31,499
Estimated to be expended in 1961-62 fiscal year	35,731
Decrease (6.6 percent)	\$2,232

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

The Board of Social Work Examiners, consisting of 7 members appointed by the Governor, administers a noncompulsory program of registration and certification of social workers.

Proposed expenditures for the budget year are \$31,499, a decrease of \$2,232 or 6.6 percent over estimated expenditures for the current year.

The accumulated surplus of the Registered Social Workers Fund is estimated to decrease from \$22,038 to \$13,607 during the current year. In 1962-63 the decrease is expected to continue from \$13,607 to \$8,046. Although budgeted expenditures for 1962-63 reflect a 6.6 percent decrease, unless expenditures are further reduced or revenue increased, the board cannot remain solvent.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

STRUCTURAL PEST CONTROL BOARD

ITEM 246 of the Budget Bill

Budget page 632

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

Amount requested	\$265,395
State employees' retirement	6,104
State employees' health and welfare	1,020
Total	\$272,519
Estimated to be expended in 1961-62 fiscal year	251,046
Increase (8.6 percent)	\$21,473

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

The Structural Pest Control Board examines, licenses and regulates operators, salesmen, and establishments engaged in pest control.

Expenditures proposed by the board for the fiscal year 1962-1963 amount to \$272,519, an increase of \$21,473, or 8.6 percent, over estimated expenditures for the current year.

Chapter 1821, Statutes of 1961, added a public member to this board effective January 1, 1962. During 1960-1961 four investigator positions were transferred to the department's Division of Investigation.

Structural Pest Control Board—Continued

Chapters 1568 and 1704, Statutes of 1961, added a new program and a substantially increased workload to this board involving the filing of all pest control reports made by operators and the issuance of certified copies thereof to escrow holders and real estate brokers where property including structures is being transferred. Thirteen and one-half positions, two years of temporary help, and a number of items of equipment were approved to handle the new workload. Filing and certification fees are estimated to offset increased costs.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF EXAMINERS IN VETERINARY MEDICINE

ITEM 247 of the Budget Bill

Budget page 633

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

Amount requested	\$34,740
Estimated to be expended in 1961-62 fiscal year	32,111
Increase (8.2 percent)	\$2,629

TOTAL RECOMMENDED REDUCTION

None

ANALYSIS

The Board of Examiners in Veterinary Medicine consists of six members appointed by the Governor, one of which is a public board member whose position became effective January 1, 1962 in accordance with provisions of Chapter 1821, Statutes of 1961. The purpose of the board is to examine and license veterinarians and regulate the practice of veterinary medicine in the State of California.

Expenditures for fiscal year 1962-63 total \$34,740 which represents an increase of \$2,629 or 8.2 percent over the current year.

Most of the increase is in operating expenses and is due to the increase in number of examination days from six to eight per year and other changes in the examination procedures as a result of the enactment of Chapter 1958, Statutes of 1961.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF VOCATIONAL NURSE EXAMINERS

ITEMS 248 and 249 of the Budget Bill

Budget page 635

FOR SUPPORT OF THE BOARD OF VOCATIONAL NURSE EXAMINERS, FROM THE VOCATIONAL NURSES EXAMINERS FUND

Amount requested	\$137,788
State employees' retirement	4,850
State employees' health and welfare	540
Total	\$143,178
Estimated to be expended in 1961-62 fiscal year	131,878
Increase (8.6 percent)	\$11,300

TOTAL RECOMMENDED REDUCTION

None

Board of Vocational Nurse Examiners—Continued

ANALYSIS

The Board of Vocational Nurse Examiners administers two programs, one for vocational nurses and one for psychiatric technicians under both of which it establishes courses of study and examines, licenses, and regulates applicants and licentiates.

Expenditures in total, from both sources of revenue, proposed by this board for fiscal year 1962-1963 amount to \$143,178, an increase of 8.6 percent over estimated expenditures for the current year.

During 1960-1961 one special investigator position was transferred from the psychiatric program to the department's Division of Investigation.

Chapter 363, Statutes of 1961, placed the vocational nurse program on a biennial licensing basis. The accumulated surplus in the Vocational Nurse Examiners' Fund estimated at \$129,971 as of June 30, 1963, reflects the collection of advance revenues under the biennial licensing program and also a transfer of \$20,000 to the General Fund in repayment of a 1959-1960 loan used to establish the psychiatric technician program.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

YACHT AND SHIP BROKERS' COMMISSION

ITEM 250 of the Budget Bill

Budget page 637

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

Amount requested	\$21,529
State employees' retirement	1,341
State employees' health and welfare	120
 Total	 \$22,990
Estimated to be expended in 1961-62 fiscal year	22,391
 Increase (2.7 percent)	 \$599
 TOTAL RECOMMENDED REDUCTION	 None

ANALYSIS

The Yacht and Ship Brokers Commission consisting of 5 members appointed by the Governor examines, classifies, and regulates brokers and salesmen of yachts and ships.

Expenditures proposed for this commission for fiscal year 1962-63 amount to \$22,990, an increase of \$599 or 2.7 percent over estimated expenditures for the current year.

Certain functions of the commission are combined for administrative purposes with those of the Board of Landscape Architects, the Certified Shorthand Reporters Board, and the Board of Examiners in Veterinary Medicine utilizing the same personnel and facilities with costs allocated between these four regulatory agencies.

We recommend approval as budgeted.

PUBLIC UTILITIES COMMISSION

ITEM 251 of the Budget Bill

Budget page 639

FOR SUPPORT OF PUBLIC UTILITIES COMMISSION
FROM THE GENERAL FUND

Amount requested	\$3,556,851
State employees' retirement	206,391
State employees' health and welfare	21,779
Total	\$3,785,021
Estimated to be expended in 1961-62 fiscal year	3,709,433
Increase (2.0 percent)	\$75,588
TOTAL RECOMMENDED REDUCTION	\$54,199

Summary of Recommended Reductions

Utilities Division:	Budget		
	Amount	Page	Line
Reduction in level, 2 positions	\$11,239	640	79
Transportation Division—License and Compliance Branch			
2.5 Intermediate stenographer clerk	10,230	642	67
Legal Division			
4 Junior-counsel	27,990	643	49
1 Senior legal stenographer	4,740	643	54

ANALYSIS

The Public Utilities Commission consists of 5 members appointed by the Governor for six-year staggered terms subject to confirmation by the Senate. The commissioners elect one of their number president, who presides at all meetings and in addition to his duties as a member of the commission acts as the chief administrative officer of the agency.

The agency maintains its headquarters office in San Francisco, as required by Section 306 of the Public Utilities Code. The staff is distributed, however, among offices in San Francisco and Los Angeles and 13 small branch offices in other cities throughout the State. Approximately 20 percent of the total staff is in Los Angeles.

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.

From 80 to 85 percent of the workload of the commission's staff results from so-called formal matters, such as applications for rate increases and certificates of convenience and necessity which may be characterized as the "obligatory workload." The commissioners themselves, however, except for the president, devote the better part of their time to formal matters.

The number of formal matter filings is as follows:

Year	Number
1957-58	1,493
1958-59	1,394
1959-60	1,574
1960-61	1,830
1961-62	1,750 (est.)
1962-63	1,800 (est.)

Public Utilities Commission—Continued

Data such as the foregoing is not particularly helpful in forecasting workload because, as we stated on page 704 of our Analysis for 1961-62:

“The ‘formal matter’ workload is difficult to anticipate even where the number of filings may be accurately estimated. This is because the processing time per case varies from a few man-days to a number of man-years, so that an increase in formal filings could actually result in a decrease in workload and vice versa depending on the nature of the matters filed.”

The total expenditure program for the agency is detailed on pages 639 to 646 of the budget, although funds for its support come from two separate appropriations, as follows:

Fund	Bill Item No.	Total expenditures		Increase	
		1961-62	1962-63	Amount	Percent
General	251	\$3,709,433	\$3,785,021	\$75,588	2.0
Transportation rate	252	3,035,331	3,130,107	94,776	3.1
Total		\$6,744,764	\$6,915,128	\$170,364	2.5

Regulatory activities relating to the transportation of property by rail, truck, and water for compensation are supported by the Transportation Rate Fund, all others by the General Fund, with total activities being distributed between the two funds under a plan of financial adjustment.

An allocation of \$7,077 from the Emergency Fund is proposed during 1961-62, budget page 642, line 46, to cover the establishment of an additional associate transportation engineer position in the engineering branch of the transportation division during the current year. This position was established to handle increased workload under Chapter 2146, Statutes of 1961 in effect September 15, 1961, which added Sections 5351 to 5419 to the Public Utilities Code providing for the regulation of charter party passenger carriers, hitherto not subject to regulation by the commission.

Natural Gas Matters Before the Federal Power Commission

From both public interest and budgetary standpoints, natural gas matters represent the most important new commission activity in recent years. In our analyses for 1960-61 and 1961-62 we described the problem in some detail which may be briefly summarized as follows:

1. California gas utilities purchase 74.3 percent of their natural gas from interstate pipeline companies.
2. When an interstate pipeline company applies to the Federal Power Commission for a raise in rate, the raise (subject to refund) goes into effect almost immediately even though the Federal Power Commission may not rule thereon for several years.
3. In 1954 the Supreme Court of the United States ruled that the Federal Power Commission had jurisdiction to set the rates of producers as well as pipelines which added several thousand producers to the comparatively few pipelines it had regulated theretofore.

Public Utilities Commission—Continued

4. The situation described in (2) above also applies to producers. As a consequence a chain reaction has developed where the producers obtain automatic raises which result in automatic raises for the pipelines, which in turn require the Public Utilities Commission to grant rate raises to gas utilities in California.

5. On September 28, 1960 the Federal Power Commission formulated so-called "area price standards" whereunder it will automatically and without extensive examination, deny rate increase requests above certain percentages prescribed for various producing areas and about which it has said:

"In our opinion, the price standards established by this statement will aid in effectively applying the provisions of the act to independent producers on a simple, clear and administratively feasible basis, and in a manner fair to all whose interests are affected by commission regulation."

6. For 1960-61 the Legislature, in order to allow the commission to effectively intervene in the above "producer" cases, authorized 21 new positions which, with related expenses, are costing in excess of \$250,000 each year.

Since our 1961-62 report, the following developments have taken place:

1. The United States Court of Appeals has approved in principle the new area price standards.

2. The Federal Power Commission has started hearings to set ceilings on producer rates in the Permian Basin which is located in Texas and New Mexico and is probably the most important natural gas area in the nation.

3. The Public Utilities Commission has adopted a policy of opposing area price standards and is planning on appealing the decision in (1) above to the Supreme Court and intervening vigorously in the hearings described in (2) above.

4. During 1960-61 the Public Utilities Commission authorized gas rate increases of \$57,484,083, of which about \$20 million was due to the increase in cost of out-of-state natural gas.

5. The total subject to refund paid prior to June 30, 1961, by California utilities to interstate pipelines for purchases of natural gas amounts to \$283,007,246.

6. The commission is adhering to its practice of appearing before the Federal Power Commission in all gas matters which affect California interests.

Utilities Division

The Utilities Division is responsible for the staff work concerning all but transportation utilities, i.e., gas, electric, telephone, telegraph, and water companies.

Utility Customer Service Unit

This unit is charged with substantially all contact with the public concerning rate quotations and other requests for information, complaints, and disputed utility bills. Most of such matters are handled en-

Public Utilities Commission—Continued

tirely by the unit but in a few of the more complex cases the technical branch concerned will participate. For example, the Gas and Electric Branch would normally intervene where a serious gas leakage problem was disclosed.

We recommend a reduction of \$11,239 in salaries, budget page 640, line 79.

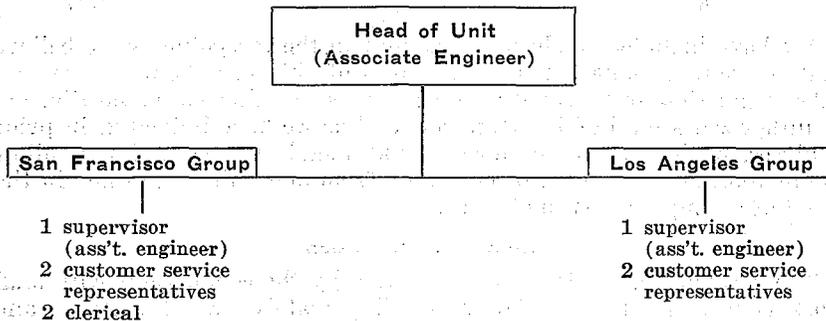
As stated in our Analysis for 1961-62:

“Separate reports issued in 1958 as a result of surveys of the operations of the commission by this office and the Department of Finance recommended that the practice of staffing the unit primarily with engineers be discontinued for the reason that much of its activity was clerical in nature. In fact, at the time the unit was established and staffed with engineers, the Department of Finance in a prior organization study stated that ‘Ultimately, it is believed that these engineering positions may be replaced by investigators or adjustors of subprofessional level.’ ”

As a consequence of the identical findings of the two independent surveys, the 1959-60 and 1961-62 Legislatures each provided for the replacement of an engineering position by a customers service representative, the recent personnel history and our recommended staffing of the unit for 1962-63 being as follows:

Class	Salary range	1958-59 actual	1959-60 and 1960-61 actual	1961-62 actual	1962-63 Recommended
Senior engineer	\$821-998	1	1	1	—
Associate engineer	710-862	2	2	2	1
Assistant engineer	584-710	4	3	2	2
Customer service representative	436-530	—	1	2	4
Clerical	325-415	2	2	2	2
Totals		9	9	9	9

The recommended 1962-63 staff would be organized as follows:



Public Utilities Commission—Continued

The savings would be accomplished as follows:

Eliminate:

1 senior engineer -----	\$11,897
1 associate engineer -----	9,806
Total -----	\$21,703
Substitute 2 customer service representatives -----	10,464
Net saving -----	\$11,239

Salaries shown for the engineers are the averages budgeted for 1962-63 for each of the classes involved, while those for the customer service representatives are at the minimum step.

Our original proposal for 1961-62 was to replace three engineering positions. The agency insisted, however, that the two surveys made in 1958 did not accurately indicate the current engineering workload and as a consequence only one position was replaced pending a re-evaluation of the problem.

The new material submitted by the agency does not, in our opinion, establish a current engineering workload warranting more than a total of three engineers in the unit, nor its being headed by a senior engineer (\$821-998). We have been supplied with data indicating the number of cases handled by the engineers but it does not show the nature of the matters so we must assume that they are substantially the same as at the time of the original recommendations.

Furthermore, the one specific item cited by the commission in relation to the engineering workload tends to support our recommendation, i.e., that for 1960-61 the engineers made 82 field trip investigations. The actual time involved has not been supplied but we believe that an average of one day per trip is reasonable. On the basis of a staff of three engineers, this would work out as follows:

<i>Total annual working days</i>	<i>Days of field trips</i>	<i>Percent of total</i>
<i>(3 × 228 average working days)</i>		
684	82	12%

We have included the head of the unit in the foregoing as we believe that the actual management of a group of this size should leave him substantial time to personally process cases. Furthermore, the division is authorized a total of 104 engineers and as we have indicated in prior analyses, we believe this number provides sufficient flexibility to allow the temporary assignment of engineers from one unit to another in the event of a temporary rush of work.

Transportation Division

The Transportation Division is charged by the commission with staff work concerning the regulation of all privately owned utilities and permitted carriers engaged in the transportation of passengers or property by air, sea or land, including related activities such as motor transportation brokers, warehouses and wharfingers.

Public Utilities Commission—Continued

License and Compliance Branch

Field Section

This section includes 13 small field offices exclusive of those in San Francisco and Los Angeles. Its principal function is the enforcement of laws, rules and tariffs as they relate to the trucking industry. The work is done by a class of employees designated as "Transportation Representatives" and is mainly in the field so that such representatives are not often in the offices except when handling correspondence or preparing reports.

Eight of these offices are provided with full-time clerical help and are open full time, while the five smallest offices are each provided with an intermediate stenographer-clerk on a half-time basis, and are closed when the half-time stenographers are not on duty. During the time that the offices are closed a telephone answering service is provided which indicates to callers that the transportation representative will return their calls when he returns.

The agency is requesting 2.5 man-years of additional clerical personnel to place these offices on a full-time basis in order to better serve the public, and submits the following data as additional justification:

Description	Eureka	Santa Barbara	Santa Ana	San Diego	El Centro
Clerks -----	½	½	½	½	½
Transportation Representatives -----	2	2	2	2	1
Carriers in territory at 5/1/61 -----	719	396	447	296	278
Number of vehicles operated by carriers at 5/1/61 -----	2,970	2,527	2,256	2,796	1,287
Office callers during 1960-61:					
In person -----	1,257	555	598	418	385
Average per day (250 day yr.) -----	5.0	2.2	2.4	1.7	1.5
By phone -----	1,647	1,054	1,256	2,034	324
Average per day (250 day yr.) -----	6.6	4.2	5.0	8.1	1.3

We recommend disapproval of the request for 2.5 additional intermediate stenographer-clerk positions, budget page 642, line 67, \$10,230.

Our reasons for this recommendation are that:

(1) there is no showing that merely by having full-time clerical personnel on duty in these offices the public would receive better service or that such personnel would be qualified to handle inquiries in the absence of transportation representatives, and (2) there is no indication that the clerical workload resulting from the activities of one or two transportation representatives cannot be handled under the existing arrangement.

Prior to 1957-58 these five offices were each staffed with a single transportation representative and had no clerical help. The 1957-58 Legislature approved the agency's request for a half-time clerical position in each office, a request in which we concurred.

Public Utilities Commission—Continued

We believe the request is for an increase in the level of service which can well be postponed to a later date.

Legal Division

In accordance with Section 307 of the Public Utilities Code, the commission has established its own legal staff and relies on such staff for all needed legal services to the exclusion of the Attorney General.

We recommend deletion of four existing junior counsel positions, budget page 643, line 49, \$27,990.

Included in the 21 new positions authorized for 1960-61 for work in connection with natural gas producer matters (see general summary), were six junior counsels. The agency informs us, however, that only two are engaged in the work for which they were specifically authorized, the other four being assigned to general work of the division. We recommend their deletion because:

1. They have not been used for the purposes for which established.
2. With respect to the general activities to which the four positions have been assigned, the division has in recent years received additional lawyer personnel at a rate of almost six times that of the rest of the commission staff with no comparably greater increase in workload, i.e.,

Description	Year		Increase	
	1955-56	1961-62	Number	Percent
Lawyer Staff -----	11	26	15	136.3%
Total Staff -----	560	694.5	134.5	24.0
Lawyer staff after elimination of the four positions -----	11	22	11	100.0

We recommend disapproval of the senior legal stenographer position, budget page 643, line 54, \$4,740.

The recommendation is made for two reasons:

1. The agency has not submitted any workload justification for the position.
2. Elimination of the four junior counsel positions will reduce the need for supporting clerical help.

PUBLIC UTILITIES COMMISSION

ITEM 252 of the Budget Bill

Budget page 639

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

Amount requested -----	\$2,940,383
State employees' retirement -----	171,615
State employees' health and welfare -----	18,109
Total -----	\$3,130,107
Estimated to be expended in 1961-62 fiscal year -----	3,035,331
Increase (3.1 percent) -----	\$94,776
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 251. 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 253 of the Budget Bill

Budget page 648

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

Amount requested	\$3,976,532
State employees' retirement and health and welfare	272,174
Federal aid funds	2,709,184
Total	\$6,957,890
Estimated to be expended in 1961-62 fiscal year	6,436,413
Increase (8.1 percent)	\$521,477
TOTAL RECOMMENDED REDUCTION	\$301,238

Summary of Recommended Reductions

<i>Salaries and wages</i>		<i>Amount</i>	<i>Budget</i>	
			<i>Page</i>	<i>Line</i>
	Departmental Administration			
Director's Office:				
1 Intermediate typist-clerk		\$4,980	649	38
	Community Welfare Services			
Administration:				
1 Administrative assistant		8,112	650	56
Direct Operations:				
2 Child welfare specialist I		11,130	650	62
3 Medical social work consultant II		23,184	650	64
	Management Services			
Fiscal Office:				
1 Supervising clerk II		6,360	651	85
Case Management Positions:				
1 Associate administrative analyst		8,520	652	51
1 Associate social research technician		8,112	652	55
1 Division chief		13,200	656	68
1 Intermediate stenographer		4,194	656	70
Personnel:				
1 Associate personnel analyst		8,112	652	52
Research and Statistics:				
1 Associate social research technician		8,112	652	55
1 Assistant research technician		6,672	652	57
System Programming:				
1 Associate administrative analyst		8,112	652	62
	Program Development			
Administration:				
1 Administrative assistant		8,112	656	50
Division for the Blind:				
1 Program specialist		8,384	655	33