

**Military Department—Continued**

**Military Retirement**

The item for military retirement proposes an increase of \$29,093 or 70.2 percent from \$41,437 estimated to be expended in current fiscal year to \$70,530 estimated for the budget year. These costs are relatively automatic and are based on provisions of the Military and Veterans Code which cover about 70 existing full-time military positions in the National Guard which were on duty prior to 1961 and are therefore covered under this separate military retirement. All full-time positions entering service since that time have become and must become members of SERS. Ultimately as these existing positions retire this item will rise to a peak and then finally close out entirely. It has been estimated, on the basis of certain actuarial assumptions, that the total cost to the State of retirement for these positions may be something between six and seven million dollars. However, these assumptions may not prove to be valid, one way or the other.

*We recommend approval of the item.*

**DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL**

ITEM 206 of the Budget Bill

Budget page 565

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

Amount requested .....	\$4,541,501
Estimated to be expended in 1963-64 fiscal year.....	4,492,079
<b>Increase (1.1 percent).....</b>	<b>\$49,422</b>
<b>Increase to maintain existing level of service....</b>	<b>\$49,422</b>

**TOTAL RECOMMENDED REDUCTION.....** None

**ANALYSIS**

The Department of Alcoholic Beverage Control was created by Article XX, Section 22 of the State Constitution in 1954 to enforce the Alcoholic Beverage Control Act. A current staff of 465.4 positions issues, renews and transfers licenses and collects license fees for 34 different types of retail, manufacturing and wholesale liquor, beer and wine licenses. Departmental investigators investigate possible violations and gather evidence necessary for formal disciplinary action. In larger metropolitan areas the department receives assistance from local law enforcement agencies. The department is headed by a director serving at the pleasure of the Governor. The agency includes three areas subdivided into a total of 18 district and 6 local offices.

The Department of Alcoholic Beverage Control's 1964-65 budget request of \$4,541,501 represents a \$49,422 (1.1 percent) increase over the \$4,492,079 estimated to be expended in 1963-64. The budget maintains the same level of service as the current fiscal year. No new positions have been requested.

*We recommend approval as budgeted.*

**Item 207**

**Alcoholic Beverage Control**

**Department of Alcoholic Beverage Control—Continued  
New Services**

A new business practices unit was established in the Department of Alcoholic Beverage Control (Chapter 1026, Statutes of 1963) to intensify fair trade and price posting enforcement. The cost of the 32.6 new positions to carry out the enforcement is offset by increased license fees which flow directly to the General Fund, thus avoiding sharing with local jurisdictions in the usual manner. The cost of this new service during the current fiscal year is estimated to be \$283,000. If it is the intent of the Legislature to fully implement the increased enforcement of the fair trade and price posting sections of the Alcoholic Beverage Control Act, the number of positions established in the new business practices unit is reasonable.

**ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD**

ITEM 207 of the Budget Bill

Budget page 567

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

Amount requested .....	\$121,434
Estimated to be expended in 1963-64 fiscal year .....	118,627

Increase (2.4 percent) .....	\$2,807
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Increase to maintain existing level of service.....	\$2,807
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<b>TOTAL RECOMMENDED REDUCTION.....</b>	<b>\$500</b>
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**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
General Expense .....	\$500	567	46

**ANALYSIS**

The Alcoholic Beverage Control Appeals Board was created in 1954 under Article XX, Section 22, of the State Constitution. The board consists of three members who serve at the pleasure of the Governor. The staff of four includes two attorneys and two stenographers. The purpose of the board is to hear appeals of license applicants or holders from decisions (imposing a penalty or affecting the status of a license), rendered by the Department of Alcoholic Beverage Control.

The scope of review is limited to determining that (a) the department has jurisdiction, (b) lawful procedures were followed, (c) the department's findings supported its decision, and (d) there is substantial evidence to support the findings. No new evidence can be submitted. If the board feels that relevant evidence exists which was improperly excluded from the department's hearing or could not have been produced with reasonable diligence, the case may be remanded to the department. In all other appeals, the board either reverses or affirms the department's decision.

The proposed budget for 1964-65 totals \$121,434 and represents a \$2,807 (2.4 percent) increase over the \$118,627 estimated to be ex-

**Department of Alcoholic Beverage Control—Continued**

pendent during the 1963-64 fiscal year. Of the increase, \$866 is due to merit salary and staff benefit increases, \$53 is for equipment, and \$1,888 is attributed to price increases and the cost of binding board decisions. It should be noted that one senior stenographer position was administratively abolished when it became vacant during 1963.

*General expense (budget page 567, line 46)----- \$4,246*

Generally, this item includes only office supplies and printing but the proposed 1964-65 budget contains two additional requests. One request is for \$720 to bind three sets of all of the board's past decisions and the second is for \$500 to update an old set of Deering's Codes.

*We recommend a decrease in general expense to \$3,746 for a savings of \$500.*

It is unnecessary to update the old set of Deering's Codes if it is going to cost \$500 to do so because their law library maintains a set of West's Codes. Since there are only two staff attorneys, one set of codes is sufficient.

**DISTRICTS SECURITIES COMMISSION**

ITEM 208 of the Budget Bill

Budget page 568

**FOR SUPPORT OF THE DISTRICTS SECURITIES COMMISSION  
FROM THE GENERAL FUND**

Amount requested -----	\$72,713
Estimated to be expended in 1963-64 fiscal year -----	71,751
<b>Increase (1.3 percent) -----</b>	<b>\$962</b>
Increase to maintain existing level of service-----	\$962

**TOTAL RECOMMENDED REDUCTION----- None**

**ANALYSIS**

The California Districts Securities Commission was created in 1931 (Chapter 1073) to help solve the acute economic problems that irrigation and water districts were experiencing during the depression. It was instrumental in refinancing 59 irrigation and water districts, which was an important factor in restoring the confidence of the investor. The commission consists of the Attorney General, the Director of Water Resources, the Superintendent of Banks, and two representatives at large appointed by the Governor, and has a supporting staff consisting of 6.2 positions including an executive secretary, an assistant executive secretary, a senior hydraulic engineer, a hearing reporter, and 2.2 clerical positions.

Only 174 out of a total of 500 districts concerned primarily with the conservation and/or distribution of water are subject to any regulation by the Districts Securities Commission either on a mandatory or voluntary basis. The Water Code requires commission regulation of plans for long term indebtedness of irrigation districts, California water

**Districts Securities Commission—Continued**

districts (except revenue bond issues) and permits districts organized under 22 various general district acts to request regulation by the commission. Practically none of the general districts have requested commission participation in their financial affairs. Districts receiving commission certification of bond issues receive favorable interest rates but also become subject to commission regulation as long as the bonds remain outstanding.

The current workload of the commission's staff consists of:

1. Reviewing plans submitted by districts to issue bonds, warrants, or proposed contracts with the United States government for loans, construction of facilities, or other services;
2. Maintaining records reflecting the financial status and physical development of the 174 irrigation districts, California water districts, and general act districts within the jurisdiction of the commission;
3. Analyzing water supply contracts between various districts and the State Department of Water Resources;
4. Cooperative assistance to potential investors investigating the financial soundness of districts within the commission's jurisdiction.

The proposed budget for 1964-65 totals \$72,713 or \$962 (1.3 percent) more than the \$71,751 estimated to be expended during the current fiscal year. *The budget request maintains the existing level of service and we recommend its approval as budgeted.*

*We also recommend that the Legislature review the statutory responsibilities of this agency.* It was originally created in 1931 to meet a crisis and its success in meeting this crisis is unquestioned. However, there is a need to identify and evaluate its current contribution to the development of water resources. For example, there are several questions that can be raised about the current workload of the Districts Securities Commission:

1. Is it necessary for a third governmental agency, the commission, to approve contracts between the United States government and various districts? What purpose is served?
2. Why should not all water districts be subject to the same degree of control as irrigation districts?
3. Should any districts be subject to control by the commission?
4. Is it appropriate for the commission to review water supply contracts between various districts and the State Department of Water Resources when a member of the commission is also the director of the department?
5. Who should pay for services provided by the commission, the investors, the districts, the General Fund or all of these?

HORSE RACING BOARD

ITEM 209 of the Budget Bill

Budget page 569

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

Amount requested .....	\$217,698
Estimated to be expended in 1963-64 fiscal year.....	217,027
<hr/>	
Increase (0.3 percent) .....	\$671
Increase to maintain existing level of service....	\$671
<b>TOTAL RECOMMENDED REDUCTION.....</b>	<b>\$700</b>

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Travel—out-of-state .....	\$700	569	47

ANALYSIS

The California Horse Racing Board licenses all horserace meetings in California where there is parimutuel betting. It licenses all persons who conduct these meetings or who participate in them. The board promulgates rules and regulations which govern race meetings and the activities of the licensees. It has investigative powers to determine whether or not there is compliance with rules and regulations.

The board is composed of three members appointed by the Governor for four-year terms and is a constitutional agency.

The board's staff consists of a secretary, an investigative group of six positions and a licensing group of five positions plus accountants and clerical positions for a total of 16 full time employees. Several of the positions are assigned to be in attendance at Northern California tracks. The remainder work out of the board's headquarters office which is in Los Angeles.

Expenditures proposed by the board for fiscal year 1964-65 total \$217,698, an increase of \$671 or 0.3 percent over estimated expenditures for the current year.

The budget request continues activity at current levels. Since all board employees are at maximum salary range no merit salary increases are included in the request. The principal item of increase is for pro rata charges assessed against the board's operation.

*Traveling—out-of-state (budget page 569, line 47)..... \$1,800*

The board proposes the expenditure to take three board members and the board secretary to attend the five-day annual convention of the National Association of State Racing Commissioners in New York City in March 1965.

*We recommend the deletion of \$700 to reduce this item to \$1,100.*

The board's request for out-of-state travel money for fiscal year 1964-65 exceeds by \$800 the amount which the Legislature allowed for this purpose in the current budget. We have increased the allowance in our recommendation to cover the 7-percent increase in travel expenses under new Board of Control rules. Other than this change, there has been no increase in travel costs.

Horse Racing Board—Continued

While it is possible that the State may secure advantage by the participation of board representatives in the annual racing officials' convention, it appears to us that two representatives—a policy man and an operating man—is an adequate number to make such a trip at state expense.

State revenue from wagering on horse races, derived in accordance with statutory formulas, is collected by the board after each day's races. Horse racing during fiscal year 1962-63 produced revenue for the State in the sum of \$41,637,710.74, distributed \$22,120,261.76 to the Fair and Exposition Fund, \$18,767,448.98 to the General Fund and \$750,000 to the Wildlife Restoration Fund.

Department of Investment

BANKING DEPARTMENT

ITEM 210 of the Budget Bill

Budget page 571

FOR SUPPORT OF THE BANKING DEPARTMENT  
FROM THE BANKING FUND

Amount requested .....	\$961,294
Estimated to be expended in 1963-64 fiscal year .....	850,014
<hr/>	
Increase (13.1 percent) .....	\$111,280
Increase to maintain existing level of service.....	\$85,420
Increase to improve level of service.....	20,640
Increase for new service.....	5,220

TOTAL RECOMMENDED REDUCTION..... \$30,102

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
1 Senior economist .....	\$10,440	571	51
1 Associate counsel .....	10,968	571	53
1 Intermediate stenographer .....	4,452	571	54
1 Intermediate typist-clerk .....	4,242	571	58

ANALYSIS

The Banking Department is charged with the enforcement of Division 1 of the Financial Code, commonly referred to as the Banking Law. The jurisdiction of the Banking Law extends to all corporations engaged in the banking or trust business. Primary workload consists of chartering new state banks, trust companies or branches, an annual examination of state-chartered financial institutions within the jurisdiction of the Banking Law, and occasionally taking over control of banks to either liquidate or attempt to save them. The headquarters office of the department is located in San Francisco and a branch office is maintained in Los Angeles. The agency has 74 authorized positions.

A special fund called the Banking Fund supports the Banking Department. Over 90 percent of the revenue is derived from assessments, licenses and other fees levied against state-chartered banking institutions. A favorable fund condition currently exists as current revenues continue to exceed expenditures.

## Banking Department—Continued

Fiscal year	Banking Fund Condition Fiscal Years 1961 to 1965			Ending balance
	Beginning balance	Revenue	Expenditures	
1964-65-----Proposed	\$756,104	\$1,030,560	(—\$961,294)	\$825,370
1963-64-----Estimated	676,619	929,499	(—850,014)	756,104
1962-63-----Actual	667,124 *	823,794	(—814,299)	676,619
1961-62-----Actual	611,358	743,705	(—687,129)	667,934

\* Adjusted

• However bright the Banking Fund condition may appear, there are inequities in the current fees and assessments. According to the latest report from the Audits Division of the Department of Finance, fees have not been revised since 1947 and do not reflect the actual cost of processing applications for new banks or branches. It was also pointed out that the five largest state banks were carrying 75 percent of the assessment load and assessments of smaller banks do not approximate even the cost of their annual examinations. Although the Superintendent of Banks has discretionary authority on the matter of assessments, it is unreasonable for large banks to pay more than their share.

This agency is requesting \$961,294 for 1964-65 which represents a \$111,280 (13.1 percent) increase over the \$850,014 estimated expenditure level for the current fiscal year. Of this increase, \$85,420 relates to maintaining the existing level of service, \$20,640 to improve the level of service, and \$5,220 is being requested for new services. The increase may be reconciled as follows:

Budget Increase Reconciliation  
1964-65

Item	Level of service		
	Maintain	Improve	New service
Salaries and wages			
Merit salary increases -----	\$15,050	-	-
Proposed new positions			
1 Senior economist -----	-	\$5,220	\$5,220
1 Associate counsel -----	-	10,968	-
1 Intermediate stenographer -----	-	4,452	-
5 Bank examiner II -----	35,400	-	-
1 Intermediate typist-clerk -----	4,242	-	-
Operating expenses			
General expense -----	2,699	-	-
Printing -----	163	-	-
Communications -----	1,871	-	-
Traveling—in-state -----	5,497	-	-
Pro rata charges -----	1,271	-	-
Equipment -----	169	-	-
Totals -----	\$85,420	\$20,640	\$5,220

## Banking Department—Continued

## Personal Services

1 Senior economist (budget page 571, line 51) ----- \$10,440

This position is being requested to provide economic research and general statistical services for the department. The following were listed for this position as typical tasks:

1. Research studies on a wide range of bank practices and policies. For example, bank lending and investment policies.
2. A comparison of other financial institutions to banks.
3. Analyses of general economic conditions and trends in the banking industry.
4. The analysis of economic effects of legislation and regulations.
5. Preparing statistical data for the annual report, budget requests, etc.

*We recommend the deletion of the senior economist position for a savings of \$10,440.*

The justification submitted to support this request is only a duty statement and does not identify the specific problems and needs of the agency which have led to this proposal. Additionally, it does not discuss why the agency feels that the establishment of a full-time economist position is the best alternative for performing the above duties. Since further communication with this agency has failed to clarify the purpose for this type of position, we recommend its deletion.

1 Associate counsel (budget page 571, line 53)----- \$10,968

1 Intermediate stenographer (budget page 571, line 54)----- 4,452

The Governor's budget states that the position of associate counsel is needed on a workload basis due to the increase in the number of banks and their resources and the increase in applications for new banking offices. Additional justification received from the Banking Department states that the position is also needed to prepare regulations (the Banking Department has no regulations currently) and provide legal work related to special hearings called by the Superintendent of Banks. Hearings are called in selected cases to obtain additional information to supplement applications for new banks or branches.

*We recommend the deletion of 1 associate counsel and 1 intermediate stenographer for a savings of \$15,420.*

Last year the Legislature approved the establishment of the Banking Department's first legal position, an associate counsel. At that time, the department requested an additional counsel position which the Legislature deleted since the need for two positions could not be established. The counsel position requested in this budget is the same position deleted last year.

We cannot recommend approval of the proposed counsel position since we have not been presented any information showing the relationship of the estimated increased workload in bank applications to the

## Banking Department—Continued

amount of attorney time that is needed for that workload. In regard to the preparation of regulations we cannot see where a permanent position is needed for that function. It would be desirable and appropriate to secure services on a fee basis from the Attorney General's office for this purpose. As far as hearings are concerned, we suggest that services of professional hearing officers be contracted from the Office of Administrative Procedure.

5 Bank examiner II (budget page 571, line 56)----- \$35,400

3 Bank examiner I (budget page 571, line 57)----- 17,496

1 Intermediate typist-clerk (budget page 571, line 58)----- 4,242

These positions are being requested on the basis that the bank examination workload will increase 12 percent in 1964-65 over the current budget year.

We recommend approval of the 5 bank examiner II and 3 bank examiner I positions, however, we recommend the deletion of the intermediate typist-clerk for a savings of \$4,242.

The best single measure of workload appears to be total bank resources. Total resources of state-chartered banks have continued to increase at a high rate since 1960.

State Chartered Banks			
Total Resources			
(Billions)			
	Dollars	Percent increase	Authorized positions
1962-63	\$10.64	+13.7%	54
1961-62	9.36	+11.7	54
1960-61	8.38	+12.2	54
1959-60	7.57	+ 3.8	54
1958-59	7.29		51

Even with the substantial increase in total assets we have, in past years, recommended the deletion of proposed new bank examiner positions because of a high vacancy pattern in authorized positions. However, we have been informed that all field positions except one were filled as of December 19, 1963, thus we are recommending approval of the proposed examiner positions.

The deletion of the accompanying clerical position is recommended because the workload of existing clerical staff in Los Angeles is minimal during periods of the year when the bank examiners travel to Northern California for several months to be in the San Francisco office of the department. Until an optimum use of existing clerical personnel is achieved, no more clerical positions should be established.

**Department of Investment  
DIVISION OF CORPORATIONS**

ITEM 211 of the Budget Bill

Budget page 572

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

Amount requested .....	\$3,006,673
Estimated to be expended in 1963-64 fiscal year .....	2,820,608
<b>Increase (6.6 percent) .....</b>	<b>\$186,065</b>

Increase to maintain existing level of service .....	\$176,712
Increase to improve level of service .....	9,353

**TOTAL RECOMMENDED REDUCTION .....** **\$9,751**

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
General expense .....	\$4,343	573	40
Printing .....	1,902	573	41
Equipment .....	3,506	573	52

**ANALYSIS**

The Division of Corporations is the only Department of Investment agency currently financed from the General Fund. Its staff of 407 authorized positions is headed by a Corporations Commissioner who serves at the pleasure of the Governor. Offices are located in Sacramento, San Francisco, Los Angeles and San Diego. The primary work of the division is to issue permits to sell securities upon verification that proposed security issues are fair, just and equitable; license and regulate securities brokers, agents and investment counselors; and enforce laws regulating various smaller financial industries such as credit unions, personal property brokers, escrow agents, and others.

The 1964-65 proposed request for the Division of Corporations totals \$3,006,673 or \$186,065 (6.6 percent) higher than the \$2,820,608 of estimated expenditures for 1963-64. A total of \$176,712 of the increase relates to the maintenance of the existing level of service and \$9,353 is for improvement of service.

**Revenues and Reimbursements**

General Fund revenues from license and investigation fees continue to exceed expenditures after various reimbursements have been deducted from the expenditures.

Table 1  
Revenue and Reimbursements

	<i>Actual 1962-63</i>	<i>Estimated 1963-64</i>	<i>Proposed 1964-65</i>
Expenditures .....	\$3,270,024	\$3,570,158	\$3,787,157
Reimbursements .....	-647,357	-749,550	-780,484
<b>General Fund expenditures .....</b>	<b>\$2,622,667</b>	<b>\$2,820,608</b>	<b>\$3,006,673</b>
<b>General Fund revenue .....</b>	<b>3,218,874</b>	<b>3,447,717</b>	<b>3,643,612</b>
<b>Excess revenue .....</b>	<b>+\$596,207</b>	<b>+\$627,109</b>	<b>+\$636,939</b>

## Department of Investment—Continued

## Workload Data

Approximately 70 percent of the workload of this agency relates to the enforcement of the Corporate Securities Law. Corporate securities workload statistics gathered by the division serve as trend indicators and include such activities as permits, licenses and orders issued.

The remaining 30 percent of this agency's workload relates to the licensing, periodic financial examination and investigation of organizations or individuals regulated by one or more of the following laws:

Personal Property Brokers Law  
 Credit Union Law  
 Industrial Loan Law  
 Check Sellers and Cashers Law  
 Escrow Law  
 Security Holders Protective Committee Law  
 Retirement Systems Law  
 Trading Stamp Law  
 Small Loan Law

Projected manpower needs are estimated by multiplying the projected number of licenses in effect (one license in effect equals one workload unit) by a man-hours per unit factor (usually the last fiscal year's actual production rate unless the level of service is being increased). There are seven different factors for the nine laws cited above.

One of the goals of the agency relating to corporate security work is to issue permits within three working days after an application for a permit is received. In order to accomplish this and also increase the level of service in examination and investigative responsibilities, the staff of the Division of Corporations was doubled between 1958-59 and 1961-62. The growth in authorized positions is reflected in Table 2.

Table 2  
 Total Authorized Positions

General Classification	Fiscal years					
	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64
Commissioner and assistants	4	4	5	5	5	5
Attorneys	33	62	74	79	72	69
Investigators	11	21	27	30	30	30
Examiners	51	76	83	94	94	112
Technical and clerical	98	154	181	189	182	188
Other	2.9	3	3	3	3	3
Totals	199.9	320	373	400	386	407

As can be seen in the above table, the Legislature in 1959 added 120 new positions to the division in order to speed the process of issuing permits to sell stock and improve other services.

The number of days to issue a permit was reduced from an average of 7.04 days in 1959 to 3.45 days in 1960. The average from January through November 1963 was 2.90 days per permit. The reduction of the number of days of processing time has not been accomplished entirely as a result of doubling the staff. The 1961-62 Analysis of the

## Department of Investment—Continued

Budget Bill points out that the installation of a teletype system reduced the elapsed time by two days. Initially, a backlog existed, but by November 1962 the goal of three days processing time per permit issued was achieved.

The following table compares the increase in workload units to the increase in filled positions. The increase in level of service approved by the Legislature in 1959 is illustrated by the fact that actual staff has increased 89 percent between 1958-59 and 1962-63 compared to a 26 percent growth in workload units.

Fiscal year	Corporate securities workload	Other workload	Total	Index	Total filled positions	Index
	units	units		1958-59=100		1958-59=100
1962-63	54,413	2,964	57,377	126	368.4	189
1961-62	55,639	2,761	58,400	129	359.9	185
1960-61	50,280	2,644	52,924	116	342.2	176
1959-60	49,850	2,515	52,365	115	285.9	147
1958-59	43,068	2,368	45,436	100	194.5	100

The budget increase for 1964-65 by category and level of service is shown below:

Item	Budget Increase Reconciliation 1964-65		Level of service	
			Maintain	Improve
Personal services				
1. Merit salary increases -----			\$108,033	
2. Staff benefit increases -----			13,521	
3. Proposed new positions				
4 auditors I -----			25,104	
4 intermediate typist-clerks -----			16,968	
4. Decreased Salary Savings -----			10,000	
Operating Expenses				
1. General expense -----			977	\$4,343
2. Printing -----			3,700	1,902
3. Communications -----			14,035	
4. Traveling—in-state -----			8,136	
5. Traveling—out-of-state -----			147	
6. Rent -----			6,682	
7. Prorate charges -----			600	
Equipment -----			—257	3,108
Increased reimbursements -----			—30,934	
Totals -----			\$176,712	\$9,353

## Personal Services

4 Auditors I (budget page 573, line 26) ----- \$25,104

Four auditor I positions are requested to meet projected workload increases in financial examinations of licenses. Escrow agents, check sellers and cashers and retirement systems are examined at the discretion of the Commissioner of Corporations; all others must be examined annually.

We recommend approval of the four auditors.

There are currently 112 examiner positions and the division's estimate of noncorporate security law workload trends reflects a growing

## Department of Investment—Continued

number of licenses that justifies four new positions. Approximately 60 percent of workload relating to examiner positions consists of examining licensees licensed under the nine laws listed previously. The estimated increase in this noncorporate security law workload appears in Table 5. The remaining 40 percent of examiner workload relates to the corporate securities law.

Table 5  
Noncorporate Security Law Workload  
Total Licenses in Effect

Year	Number	Percent increase
1964-65 (projected) -----	3,442	+6.8%
1963-64 (estimated) -----	3,222	+8.7%
1962-63 -----	2,964	+7.4%
1961-62 -----	2,761	+4.4%
1960-61 -----	2,644	

4 Intermediate typist-clerks (budget page 573, line 27)----- \$16,968

These positions are requested on the basis of both corporate security law and other workload increases and are not necessarily related to the four proposed new auditor positions.

We recommend approval of four new clerical positions.

A total of 269,093 man-hours will be needed to complete the projected clerical workload for 1964-65, according to data submitted by the Division of Corporations. This is equivalent to 134 positions or four more than the 130 existing authorized positions. The man-hours per unit factor relating to corporate securities work was reduced to force a more efficient rate of production than was experienced in 1962-63. Any actual increase in efficiency will depend upon management control, the accuracy of workload projections, and other factors. We encourage the continuation of this practice until a standard of efficiency can be determined.

## Operating Expenses

General expense (budget page 573, line 40)----- \$49,045

This item includes office supplies, freight, fingerprinting and various other expenses.

We recommend a reduction in general expense to \$44,702 for a saving of \$4,343.

A review of the 14 categories of expense indicate that allowances for increased expenditures are excessive. Our recommendation would allow a 14.7 percent increase over the \$38,950 of actual expenditures in 1962-63. Estimated expenditures for 1963-64 total \$43,725.

The major element of our recommended reduction is the request for 225 Corporation and Financial Codes at a cost of \$2,025. The division already has the 1963 Corporations Code, and the 1963 supplement to the Financial Code is available. We can see no justification for the

## Department of Investment—Continued

purchase of a complete set of codes just prior to or during a general session of the Legislature. Other reductions are for freight, hearing notices, and miscellaneous.

*Printing (budget page 573, line 41)----- \$25,126*

The proposed request for printing is 43.1 percent higher than actual expenditures of \$17,554 in 1962-63.

*We recommend a reduction in printing to \$23,224 for a saving of \$1,902.*

This proposed request also appears excessive, especially in view of the fact that actual expenditures for printing have been decreasing slightly for the past two years.

## Printing Expenditures

	<i>Actual cost</i>	<i>Amount budgeted</i>
1962-63 -----	\$17,554	\$21,600
1961-62 -----	18,766	36,522
1960-61 -----	18,857	23,300

Our recommendation includes a \$3,700 increase over estimated expenditures of \$19,524 for 1963-64 to cover additional printing costs relating to workload increases.

*Equipment (budget page 573, line 52)----- \$19,559*

Many new items of equipment are being requested for 1964-65, over and above new equipment needed for proposed new positions. Of the \$19,559 requested for equipment, \$11,358 is for new equipment and \$8,201 for equipment replacement.

*We recommend a reduction in the equipment request to \$16,053 for a saving of \$3,506.*

Our recommended reduction consists of two items. The first concerns a request for 14 additional 10-key adding machines to supplement the 57 machines currently available. These are used by 112 corporation examiners and auditors. To grant this request for additional machines would increase the ratio of positions to machine to approximately 1.5 positions per machine. This is an unusually high ratio, especially in view of the fact that these are primarily field positions. Our recommended action would provide two additional new adding machines to correspond with the four proposed auditor positions and delete the other 12 for a savings of \$3,108.

The second part of our proposed recommended reduction in equipment relates to a replacement request for typewriter No. 7254042. This machine is scheduled for replacement in the 1963-64 budget and this should not appear in subsequent budgets as a replacement item. The saving is \$398.

**Department of Investment  
DEPARTMENT OF INSURANCE**

ITEMS 212 and 213 of the Budget Bill

Budget page 574

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

Amount requested .....	\$2,985,829
Estimated to be expended in 1963-64 fiscal year .....	2,724,568

Increase (9.6 percent) .....	\$261,261
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Increase to maintain existing level of service.....	\$261,261
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TOTAL RECOMMENDED REDUCTION .....	\$500,000
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Summary of Recommended Reductions

	Amount	Page	Line
Delete General Fund appropriation (Item 213) .....	\$500,000	578	21

**ANALYSIS**

The Department of Insurance enforces the Insurance Code which regulates the insurance industry. The organization of the department consists of four functional divisions: Administration, License Division, Compliance and Legal Division, and the Examination and Financial Analysis Division. It is supported by the Insurance Fund which receives revenues through its licensing function, penalties, examinations, certificates of authority and filing fees. Until October 1963 revenue from a surplus line brokers tax was also deposited into the Insurance Fund. There are currently 274.5 authorized positions maintaining offices in San Francisco, Sacramento, Los Angeles and San Diego. The Insurance Commissioner serves a four-year term and is appointed by the Governor subject to the approval of the Senate.

Primary departmental functions by division include:

1. *Administration*—This division performs the general administrative services of the department and administers any conservations or liquidations of insurance companies. Departmental actuaries are also located in this division.

2. *License Division*—The principal function of this division is to examine and license insurance brokers and agents.

3. *Examination and Financial Analysis Division*—A Bureau of Insurance Examinations examines the financial and business affairs of insurance companies to verify compliance with the law. The Bureau of Financial Analysis audits annual financial statements and tax returns. A Rate Regulation Bureau examines insurers to verify compliance with the Insurance Code's rating law (McBride-Grunsky Insurance Regulatory Act of 1947).

4. *Compliance and Legal Division* — The Compliance Bureau performs the legal work related to the issuance of stock permits; the admission of insurers and underwriters; the approval of mergers, consolidations and sale of insurance companies; approval of insurance policy forms; and many other functions. A Policy Services Bureau investigates complaints of policyholders against insurance companies and an Investigation Bureau investigates complaints against licensees. Dis-

Department of Insurance—Continued

ciplinary proceedings against individual licensees or companies are handled by the Disciplinary Proceedings Bureau.

This agency's 1964-65 proposed budget totals \$2,985,829 which is \$261,261 or 9.6 percent more than the amount estimated to be expended during the current fiscal year. A total of 30 new positions is being requested on the basis of workload increases.

Revenue

Excesses of current expenditures over current revenue since 1962-63 have resulted in acute funding problems which will be critical by the end of the 1964-65 fiscal year if they are not corrected immediately.

The problem has been intensified by the fact that the funds derived from the surplus line brokers tax will now be deposited in the General Fund rather than the Insurance Fund. This results from action taken at the 1963 First Extraordinary Session of the Legislature.

The effect on the Insurance Fund of the loss of the surplus line brokers tax as shown on page 578 of the 1964-65 Budget is as follows:

Table 1  
Insurance Fund

	1962-63 Actual	1963-64 Estimated	1964-65 Proposed
Beginning balance, July 1	\$2,004,576	\$1,643,953	\$1,440,018
Revenues:			
License and miscellaneous fees, penalties and income	888,381	1,316,697	1,121,310
Financial examination charges	683,668	763,936	766,488
Surplus line brokers tax	496,511	500,000	-
Total current revenues	\$2,068,560	\$2,520,633	\$1,887,798
Total resources	\$4,073,136	\$4,164,586	\$3,327,816
Expenditures	-2,429,183	-2,724,568	-2,985,829
Ending balance, June 30	\$1,643,953	\$1,440,018	\$341,987
Proposed General Fund appropriation	-	-	500,000
Surplus	\$1,643,953	\$1,440,018	\$841,987

Prior to 1962-63 actual current revenues always exceeded expenditures. Ending surpluses have not exceeded \$2 million since 1953 because such excesses were transferred to the General Fund (Section 12974—Insurance Code).

The magnitude of this agency's funding problems becomes clearer when it is seen in Table 1 that 1964-65 proposed expenditures will exceed anticipated revenues by nearly \$1.1 million. Thus, a severe problem would exist even if the surplus line brokers tax had not been transferred to the General Fund. Current expenditures for 1963-64 and proposed expenditures for 1964-65 do not include the salary increase which became effective January 1, 1964.

The surplus line brokers tax, as currently provided for under Section 1775.5 of the Insurance Code has been imposed at the rate of 3 percent of the gross premiums of surplus line brokers ever since 1911.

## Department of Insurance—Continued

Surplus line insurance is high risk insurance business which has been rejected by insurance companies that do business in California and is placed by brokers with nonadmitted insurers. Risks assumed by surplus line companies may only be those which are not acceptable by admitted firms. Since they are not permitted to conduct direct business in this State, the surplus line companies write their policies through surplus line brokers who are licensed and regulated by the Insurance Commissioner.

The gross premium insurance tax imposed on admitted insurers is temporarily established at 2.33 percent from 1964 to 1967 and then goes back to the previous rate of 2.35 percent. Surplus line insurance firms are not subject to this tax, being nonadmitted insurers, but are taxed indirectly through the surplus line brokers tax.

Prior to 1963 the surplus line brokers tax went into the Insurance Fund which supports the Department of Insurance. Because the surplus line brokers tax is imposed as a complement to the regular gross premiums tax on admitted insurers the Legislature in 1963 enacted Chapter 4, 1963 First Extraordinary Session, which provided that the surplus line tax be directed to the same purpose as the gross premiums tax; that is, that it should constitute a General Fund revenue source rather than a source of revenue for regulation purposes by the Department of Insurance.

*Budget Act appropriation (budget page 578, line 21)----- \$500,000*

This item proposes an appropriation from the General Fund to partially finance the operations of this special fund agency during 1964-65. The appropriation request approximates the revenue which would have been received by the Insurance Fund in 1964-65 as a tax from surplus line brokers.

*We recommend the deletion of the request for \$500,000 from the General Fund and further recommend that action be taken during this budget session to solve the funding problems of this agency.*

An appropriation from the General Fund will not be necessary to help finance this agency's operations in 1964-65. Excluding the \$500,000 General Fund request the budget shows an estimated surplus in the fund of \$341,987. This should be ample to finance the January 1, 1964 salary increases through the 1964-65 fiscal year. We are concerned with the precedent that would be established in supplementing the Insurance Fund resources with General Fund money to finance the Insurance Department. Moreover, this action would in effect undo the legislation passed in the 1963 session. At the time the Legislature considered the surplus brokers tax bill last year the administration made the presentation that the loss to the Insurance Fund should be made up by increasing insurance license fees. There was never any intention expressed that the General Fund would support the department in the same amount that was transferred to the General Fund from the Insurance Fund. With the establishment of this precedent the General Fund could be supporting the Insurance Department by almost \$1.2 million in 1965-66 and thereafter.

Department of Insurance—Continued

It is noted that the agency requested and received license fee increases effective in 1964, (Statutes 1963, Chapter 1917). The proposed and subsequently enacted increases did not consider the loss of surplus line tax revenue even though it was a part of the Governor's program.

Estimated increased revenue for 1964-65 from all 1963 fee increases totals approximately \$300,000 and is included in the 1964-65 budget. Major 1963 fee increases are listed in Table 2.

Table 2  
Major Insurance Fee Increases—Statutes of 1963, Chapter 1917

	Old fee	New fee
1. Insurance brokers -----	\$10.00	\$12.50
2. Fire and casualty agents -----	4.00	5.00
3. Life and disability agent -----	4.00	5.00
4. Examination fees, life and disability --	3.00	6.00—1st exam. 10.00—repeats

The new fee for insurance brokers is the same as real estate broker fees. However, real estate salesmen fees are \$7.50 or \$2.50 per year more than insurance agent fees. An immediate \$2.50 annual fee increase for all life and disability and fire and casualty agents would increase revenue by approximately \$430,000 in 1964-65 (86,000 life and disability licenses × \$2.50 per year for a two-year license) and \$660,000 in 1965-66 (132,000 fire and casualty licenses × \$2.50 per year for a two-year license). If all departmental services, other than those with reimbursable costs such as examinations of insurance companies, are to be supported from license fees, then a much higher fee increase than \$2.50 will have to be proposed as soon as possible.

Proposed New Positions

1 Actuary (budget page 575, line 73)-----	\$12,096
2 Senior stenographers (budget page 575, line 74)-----	9,776
4 Insurance officers III (budget page 576, line 52)-----	28,320
2 Insurance officers II (budget page 576, line 53)-----	10,560
2 Senior stenographers (budget page 576, line 55)-----	9,576
2 Intermediate typist-clerks (budget page 576, line 56)---	9,006
2 Temporary help (budget page 576, line 57)-----	10,560
4 Intermediate typist-clerks (budget page 577, line 8)---	17,142
1 Insurance examiner II (budget page 577, line 37)-----	7,225
4 Insurance examiners I-II (budget page 577, line 38)---	23,328
1 Accounting technician II (budget page 577, line 39)---	4,788
1 Intermediate stenographer (budget page 577, line 40)---	4,636

The above list of positions represents all proposed new positions in the 1964-65 budget except three positions which have been established during the current year administratively and one position approved last year by the Legislature for one year only for which permanent status is being requested. All of the above positions are being requested on a workload basis. None are requested for new or increased levels of service.

## Department of Insurance—Continued

We recommend that all of the above positions be approved, but only on condition that they not be filled until a solution to the Insurance Department's funding problems has been presented to and acted upon by the Legislature.

It is not sound budget practice to continue to increase expenditures by filling new positions when the source of this department's revenue for 1965-66 has not been established. Any savings that can be realized during 1964-65 will provide more surplus in the Insurance Fund to offset possible deficits in 1965-66. If none of these proposed new positions are filled during 1964-65, the savings to the Insurance Fund will be \$147,013 plus additional savings in operating expenses and equipment.

Total expenditures of the Department of Insurance have increased in proportion to the growth of the insurance industry. Since the best single statistical measure of industry growth is total premiums written, the following table compares the growth in total premiums written to total expenditures from 1954-55 to 1964-65.

Table 3  
Comparison of Rate of Insurance Industry Growth to Total Actual Expenditures of the Department of Insurance

<i>Fiscal year</i>	<i>Industry growth<sup>1</sup> (millions)</i>	<i>Index Jan. 1, 1955=100</i>	<i>Department expenditures (thousands)</i>	<i>Index 1954-55=100</i>
1964-65 (Prop.)	\$4,416	231.0	\$2,986	223.8
1963-64 (est.)	4,127	216.0	2,725	204.3
1962-63	3,857	201.8	2,429	182.1
1961-62	3,540	185.2	2,209	165.6
1960-61	3,318	173.3	2,110	158.2
1959-60	3,058	160.0	1,920	143.9
1958-59	2,767	144.8	1,807	135.5
1957-58	2,536	132.7	1,740	130.4
1956-57	2,265	118.5	1,570	117.7
1955-56	2,076	108.6	1,350	101.2
1954-55	1,911	100.0	1,334	100.0

<sup>1</sup> Total premiums written in millions of dollars.

## Administration Division

Three new positions are being requested for this division, one actuary and two clerks. The actuary will conduct actuarial appraisals of life insurance companies required before companies can be admitted to do business in California. Actuarial workload in the San Francisco office has increased to the point that one new position is justified. One secretary is requested to serve the existing chief actuary and the proposed actuary.

The second clerical position is already authorized by Section 11202 of the Government Code to serve a chief deputy Insurance Commissioner position which has been vacant for several years but will be filled again.

## Department of Insurance—Continued

## Compliance and Legal Division

This division has justified 16 new positions, four of which were established during 1963-64. A reorganization of the Los Angeles office of the department has resulted in the reclassification of an assistant chief to associate chief because of added administrative duties. A junior-assistant counsel position approved in 1963-64 for one year only is requested as a permanent position. It is justified on the basis of an increasing backlog in applications for admission of new insurers and applications for stock permits.

Two insurance officers I-II and two clerical positions are being requested for the Investigation Bureau. Data indicates that backlog is increasing and one position is justified for each of the offices in San Francisco and Los Angeles.

The Policy Services Bureau is experiencing the largest workload increase in the department. In the Los Angeles office the rate of increase is averaging nearly 20 percent per year. Five positions of insurance officer III and three clerks are requested for 1964-65. One insurance officer and one clerk were established on an emergency basis during the current year.

Since the Policy Services Bureau serves individual policyholders, the potential growth in workload is not subject to estimate, especially when it is considered that the department has stated that not too many dissatisfied policyholders are aware that they can obtain services from the Department of Insurance. Approximately 10,000 cases were received during 1962-63.

*We recommend that the department carefully review services offered by this bureau and be prepared to recommend priorities, define limitations, or rejustify the existing level of service in conjunction with the formulation of its budget for 1965-66.*

The equivalent of two positions of temporary help is requested to aid in the liquidation or conservation of insurance companies. The costs of liquidation or conservation are reimbursable.

## License Division

A total of four new clerical positions is requested because of an increase in the number of applications for licenses. License applications received have increased from 51,627 in 1960-61 to a projected 79,000 for 1964-65.

Licensing records at present are manually maintained even though they must be referred to or amended several hundred thousand times per year. The department has been attempting to have its licensing process studied to determine the economic feasibility of mechanizing their procedures but little progress has been made.

The issuance of licenses and the maintenance of license records is a common problem to many Department of Investment agencies. The limited magnitude of licensing operations in the past has not justified mechanized operations for individual agencies. Because of the improvement of communications media it may now be feasible to establish cen-

**Department of Insurance—Continued**

tralized licensing and record referral operations in Sacramento to serve regulatory agencies, especially the Divisions of Real Estate and Corporations and the Department of Insurance.

*We recommend that the Board of Investment explore the feasibility of centralized licensing and recordkeeping and report their findings to the Legislature by December 1, 1964.*

**Examination and Financial Analysis Division**

The increase in the number and size of insurance companies authorized to do business in California is increasing the auditing and examination workload performed by this division. A total of seven positions is requested to meet this increase. The cost of four positions of examiner I-II is reimbursable from the companies being examined. The current policy of the department is to examine each company once every three years.

The reimbursable costs relating to insurance company examinations includes direct and indirect factors. The direct cost is the actual time spent by insurance examiners on the examination. Indirect costs include clerical support, supervision and an overhead charge. The current overhead charge of 36 percent of direct costs is not adequate to cover overhead expenses according to the method prescribed by Section 9585 of the State Administrative Manual.

For example, a review of the department's calculation for 1962-63 revealed that the actual overhead cost equalled 51.6 percent of direct costs. Had actual overhead costs been changed, increased revenue to the Insurance Fund would have been approximately \$75,000.

*We recommend that the Department of Insurance review its overhead charge factor and have it conform to the method prescribed in Section 9585 of the State Administrative Manual.*

**Department of Investment  
DIVISION OF REAL ESTATE**

ITEM 214 of the Budget Bill

Budget page 579

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

Amount requested .....	\$2,603,452
Estimated to be expended in 1963-64 fiscal year .....	2,438,688
Increase (6.8 percent) .....	\$164,764
Increase to maintain existing level of service .....	\$134,308
Increase for new service .....	30,456

**TOTAL RECOMMENDED REDUCTION .....** \$3,666

**Summary of Recommended Reductions**

	<i>Budget</i>	
	<i>Amount</i>	<i>Page Line</i>
1 Junior intermediate clerk .....	\$3,666	580 81

**ANALYSIS**

The Division of Real Estate is responsible for administering and enforcing Parts 1 and 2 of Division 4 of the Business and Professions Code known as the Real Estate Law. A Real Estate Commissioner,

**Division of Real Estate—Continued**

who is appointed by the Governor for a term of four years with the advice and consent of the Senate, heads the division. There are currently 245.4 authorized positions performing the various required functions including: the examining, licensing, and regulation of real estate business opportunity, mineral, oil and gas salesman or brokers, the regulation of subdivisions and real property securities dealers, and the coordination of the real estate research and education program.

New laws were passed during the last general session which will affect the workload of the division, especially in the areas of subdivisions (Chapter 927, Statutes of 1963), out-of-state land promotions (Chapter 1819, Statutes of 1963) and condominiums (Chapter 860, Statutes of 1963). Also, Chapter 1426, Statutes of 1963, broadens the use of the Real Estate Education and Research Fund (now Real Estate Education, Research and Recovery Fund), to provide for the payment of unsatisfied judgments against licensed real estate brokers or salesmen for the recovery of damages because of fraud, misrepresentation or deceit resulting from real estate transactions.

The Division of Real Estate is requesting a total of \$2,603,452 from the Real Estate Fund for 1964-65 which represents a \$164,764 or 6.8 percent increase over the current fiscal year. Estimated expenditures from the Real Estate Education, Research and Recovery Fund are discussed separately in the next item of the budget analysis.

The Division of Real Estate is requesting a total of 16.5 new positions, of which 11.5 are due to normal workload increases and five are related to a new or increased level of service due to legislation passed in 1963. Besides the proposed new positions, a total of eight positions were established administratively during the current year to meet subdivision workload increases resulting from the strengthening of subdivision laws (Chapter 927, Statutes of 1963). Although no augmentation was requested during the consideration of the new subdivision laws, the division estimated it would need eight new positions to enforce the proposed provisions.

The Division of Real Estate is again experiencing funding problems as expenditures from the Real Estate Fund are expected to exceed revenue in both the current and 1964-65 fiscal years. Proposed expenditures for 1964-65 will exceed estimated revenue by \$143,977.

There were some minor adjustments in fees during the 1963 General Session (Chapter 1550), including the establishment of separate examination fees, however, the basic four-year fees for real estate brokers and salesmen have not been changed since July 1, 1956. It is not possible to continue to have a balanced budget when expenditures consistently exceed revenues and we suggest that this division solve its funding problems prior to the time the Legislature considers the 1965-66 Budget.

Basic statistical data related to the workload of the Division of Real Estate reflect that the total number of in-state and out-of-state subdivisions has decreased since 1959-60 and that the number of licensees increased slightly in 1962-63. The total number of examinations given to license applicants has also decreased.

## Division of Real Estate—Continued

Table 1

Workload Data, 1959-60 to 1962-63						
<i>Fiscal year</i>	<i>Sub-divisions filed</i>	<i>Percent increase (decrease)</i>	<i>Total licensees</i>	<i>Percent increase (decrease)</i>	<i>Total examinations given</i>	<i>Percent increase (decrease)</i>
1962-63	2,861	(-1.1%)	144,246	+2.0%	43,429	(-2.2%)
1961-62	2,893	(-4.0%)	141,443	-	44,398	(-9.4%)
1960-61	3,014	(-3.8%)	*	-	43,992	+10.0%
1959-60	3,135	-	*	-	44,546	-

\* Data not comparable to subsequent years.

Although the number of subdivisions filed has decreased, the Legislature continues to increase the responsibilities of the commissioner and generally requires a more intensive investigation before issuing a subdivision public report. Without unit time data, it is not possible statistically to illustrate whether the subdivision workload is actually decreasing.

Workload estimates for 1963-64 and 1964-65 received from the Division of Real Estate anticipate an increase in total subdivisions filed to 2,990 in the current year and 3,150 for 1964-65. According to information received by the Division of Savings and Loan, housing economists predict that there will be a general lull in the housing market until 1966. We see no basis for increased projections for subdivisions filed for the current and proposed fiscal years.

Total licenses in effect is another basic workload statistic. Because of changes in licensing requirements, data for 1961-62 and subsequent years is not comparable to prior years' statistics. Division workload estimates for the current and 1964-65 fiscal years for total licenses in effect are 147,000 and 149,900 respectively. This represents an annual increase of 2 percent.

The third workload statistic contained in Table 1 is total examinations given. Division estimates assume that the number of examinations given in 1963-64 and 1964-65 will level off at 43,500 per year.

The most significant increase in workload relates to the regulation of licensees. A basic statistic reflecting workload growth is the number of complaints received.

Table 2. Complaints Received

<i>Fiscal year</i>	<i>Authorized positions*</i>	<i>Complaints received</i>	<i>Percent year-to-year increase</i>
1962-63	137	7,117	19.8%
1961-62	139	5,941	4.6%
1960-61	115	5,678	17.4%
1959-60	102	4,838	-

\* Positions related to regulation workload.

Complaints continue to increase in number. The division estimates that 7,188 will be received during the current fiscal year and 7,300 in 1964-65.

## Division of Real Estate—Continued

## Personal Services

1	Senior stenographer (budget page 580, line 77)	\$4,788
0.5	Temporary help (budget page 580, line 78)	2,022
1	Junior-intermediate clerk (budget page 580, line 81)	3,666
1	Junior-intermediate typist-clerk (budget page 581, line 5)	3,852
1	General auditor II (budget page 581, line 7)	7,080
4	Deputy real estate commissioners I (budget page 581, line 8)	28,320
4	Junior-intermediate typist-clerks (budget page 581, line 9)	15,208

The above 12.5 positions are being requested on the basis of increases in either the volume or the complexity of the licensing, examination, regulatory, or administrative workload.

We recommend the approval of 11.5 of the above 12.5 positions and the deletion of 1 junior-intermediate clerk for a savings of \$3,666.

Sufficient increases in workload have been presented to justify 11.5 proposed new positions relating to the licensing, administration and regulatory functions.

One junior-intermediate clerk is proposed on a workload basis to handle the estimated increase in the examination function. We recommend the deletion of the position on the basis that no positions are justified for examination workload increases since the total number of examinations given has not increased during the last two fiscal years, as illustrated by Table 1. The division does not anticipate any increase above the current level.

1 Junior-intermediate typist-clerk (budget page 580, line 82) \$3,852

This proposed new position is related to changes in examination procedure brought about by legislation passed in 1963 (Chapter 1550).

We recommend approval of 1 junior-intermediate typist-clerk.

1	Deputy real estate commissioner III (budget page 581, line 11)	\$9,480
1	Senior counsel (budget page 581, line 13)	12,096
1	Senior stenographer (budget page 581, line 15)	5,028

A total of three proposed new positions is included in the budget due to legislation passed in 1963 (Chapter 1426) establishing a recovery program. The new program extends the use of any balance in excess of \$600,000 of the Real Estate Research and Education Fund to aggrieved persons having unsatisfied judgments against real estate brokers or salesmen because of fraud, misrepresentation or deceit involved in real estate transactions up to \$10,000 per judgment.

We recommend approval of the three proposed positions.

**Department of Investment**  
**REAL ESTATE EDUCATION, RESEARCH AND RECOVERY**

ITEM 215 of the Budget Bill

Budget page 579

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

Amount requested -----	\$664,926
Estimated to be expended in 1963-64 fiscal year -----	552,333
<hr/>	
Increase (20.4 percent) -----	\$112,593
Increase to maintain existing level of service ----	\$20,888
Increase to improve level of service -----	61,705
Increase for new service (estimated) -----	30,000

**TOTAL RECOMMENDED REDUCTION** ----- **\$27,000**

**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Real estate education and research programs, state colleges and junior colleges -----	\$27,000	581	39

**ANALYSIS**

The Real Estate Research and Education Fund was created (Chapter 4, Statutes of 1956) to aid in the advancement of education and research in the field of real estate. In order to finance research projects, college courses, adult education and other programs 25 percent of the revenue from real estate license fees is credited to this special fund. The Legislature makes appropriations annually from the fund and amounts of money are allocated to the University of California and the Division of Real Estate. The Division of Real Estate supervises research and education programs in state and junior colleges.

Legislation passed in 1963 (Chapter 1426) extended the use of the fund to make any balance in excess of \$600,000 available to aggrieved persons having unsatisfied judgments against real estate brokers or salesmen because of fraud, misrepresentation or deceit involved in real estate transactions up to \$10,000 per judgment. The name of the fund was changed to Real Estate Education Research, and Recovery Fund. The administration of the recovery program will be by the division and paid for from the research fund. A total of three proposed new positions is included in the 1964-65 budget of the division for this purpose including: one deputy real estate commissioner III, one senior counsel and one senior stenographer. The extent of the initial workload for the first fiscal year is unknown. We have recommended approval of the three requested positions.

**Research and Education**

The 1963-64 analysis of the Budget Bill pointed out that allocations for research and education projects have always exceeded actual expenditures in many of the various programs. Accordingly, the Legislature last year reduced the proposed research and education budget by \$94,530 or 14.6 percent. Actual expenditures in 1962-63 were closer to budget allocations than in prior years for all segments of the research

## Real Estate Education, Research and Recovery—Continued

and education program except for allotments to state and junior colleges, as illustrated in Table 1.

Table 1  
Comparison of Allotments to Actual Expenditures  
1962-63

Program	Allotment	Expenditures	Unexpended balance	
			Amount	Percent
Real estate education needs.....	\$30,000	\$26,069	\$3,931	13.1%
Administration — Division of Real Estate .....	85,447	84,035	1,412	1.7%
University of California .....	260,000	259,623	377	—
State and junior college programs....	270,000	199,930	70,070	25.9%
<b>Totals .....</b>	<b>\$645,447</b>	<b>\$569,657</b>	<b>\$75,780</b>	<b>11.7%</b>

*Real estate education and research programs, state colleges and junior colleges (budget page 581, line 39).....*\$255,115

The total 1964-65 proposed budget request of \$255,115 for state and junior college education and research programs includes \$110,115 for state colleges. Research proposals for state colleges are initially submitted by state colleges to a Real Estate Advisory and Screening Committee of the California State Colleges which is composed of faculty representatives. Research proposals approved by this committee are then submitted to the commissioner's Real Estate Education and Research Advisory Committee which includes representatives from the real estate industry, the University of California, state colleges, junior colleges and the Division of Real Estate. This committee is responsible for making final recommendations to the commissioner.

The \$110,115 for state college proposals are quoted as they are listed in a summary received by the Division of Real Estate:

Schedule 11  
Research Proposals Approved by the Real Estate Advisory and  
Screening Committee of the California State Colleges  
(1964-1965)

*Cal Poly State*

Recommended gathering of selected basic data relative to real estate supply and demand with the view of establishing a continuing study and dissemination of information under an optional activities program \$4,700

*Fresno State*

A study of real estate investment returns to capital and management..... 9,000  
A regional study of the flow of funds into real estate investment..... 9,000  
Optional activities program..... 5,000

*Humboldt State*

Effective methods and techniques for attracting industrial, commercial and recreational development..... 8,415  
Optional activities program..... 5,000

*Los Angeles State*

A study of institutional mortgage lending in the Los Angeles Metropolitan Area from 1950 to 1960..... 4,650

*Orange State*

Recommended a study of research needs in Orange County under optional activities program to determine critical areas for research in depth..... 5,000

**Investment**

**Item 215**

**Real Estate Education, Research and Recovery—Continued**

*Sacramento State*

Recommended that Sacramento State submit a new proposal of wider significance to the real estate industry and to set aside----- 9,000

*San Francisco State*

A study of procedures and trends in financing various types of property transactions ----- 13,850

*Optional Activities Program:*

Recommended an initial \$2,000 for small scale research or educational conference with proviso for \$5,000 for optional activities program should San Francisco State submit new acceptable proposals----- 5,000

*San Jose State*

The characteristics, preferences, and home buying intensions of apartment residents in the City of San Jose----- 6,000

Optional activities program ----- 3,000

*Additional Recommendations*

Recommended that in lieu of proceeding with the previously approved San Jose State project for 1963-64 "An Annotated Bibliography or Real Estate Research Projects Prepared By State Colleges Under Financial Grants From the Office of the Real Estate Commissioner" that the Division of Real Estate contract for summaries of selected reports by the authors and that \$2,500 be set aside for that purpose----- 2,500

Recommended that for budget purposes \$10,000 be provided for additional or revised projects to be submitted at a later date----- 10,000

State college travel contracts----- 5,000

Subtotal ----- \$105,115

*San Diego State*

Carry-over allocation for 1964-65 to complete "Factors Contributing to Successful Investment Experience in Multiple Unit Housing"----- 5,000

Total ----- \$110,115

*We recommend the reduction of the proposed allocation for state and junior colleges to \$228,115 for a savings of \$27,000.*

The bases for our recommendation are as follows:

1. The recommendation for Sacramento State College is not related to any specific project. The allocation of an arbitrary amount deviates from the normal project screening process;—\$9,000.

2. Various amounts have been allocated to Fresno State, Humboldt State, San Francisco State, and San Jose State for "optional activities programs." Funds allocated under this category would provide flexibility to finance short term studies and publications designed in general to benefit local licensees. We agree with the principle but feel that funds should not be allocated in this manner to specific state colleges.

Since this is the first year that the concept of optional activities programs is being explored, the \$10,000 emergency fund maintained by the Division of Real Estate should be used to finance such optional activity programs. Consequently the reduction would be as follows:

Fresno State -----	—\$5,000
Humboldt State -----	—5,000
San Francisco State -----	—5,000
San Jose State -----	—3,000
<b>Total -----</b>	<b>—\$18,000</b>

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

ITEM 216 of the Budget Bill

Budget page 583

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

Amount requested -----	\$1,526,405
Estimated to be expended in 1963-64 fiscal year -----	1,328,991
<b>Increase (14.9 percent) -----</b>	<b>\$197,414</b>
Increase to maintain existing level of service ----	\$197,414
Increase for new service (fully reimbursed) -----	(180,000)

**TOTAL RECOMMENDED REDUCTION ----- \$14,160**

Summary of Recommended Reductions	<i>Amount</i>	<i>Page</i>	<i>Line</i>
2 Savings and loan examiner II -----	\$14,160	584	31

**ANALYSIS**

The Commissioner of the Division of Savings and Loan is responsible for administering Division 2 of the Financial Code known as the Savings and Loan Law. He serves at the pleasure of the Governor and has broad discretionary authority in the regulation of the savings and loan industry. He is responsible for denying or approving applications for new savings and loan associations or branches and may refuse to renew annual licenses or revoke or suspend the license of any association determined to be in willful violation of any provision of the Savings and Loan Law. Compliance with savings and loan laws is tested by conducting annual financial examinations of all associations and sampling the accuracy of appraisals made to establish collateral for loans. Various transactions such as association mergers, liquidations, or name changes are also subject to approval by the Commissioner.

During 1963 there were some basic changes in policies and procedures of the division. For example, in March 1963 a new policy was adopted on mergers based on recommendations made by Professor Edward S. Shaw in a special report titled "Savings and Loan Market Structure and Market Performance." A revision of licensing standards for approving new associations and branches was implemented late in 1963 following a recommendation included in a special report by Professor F. E. Balderston. Finally a special examination program was developed to examine more frequently than once a year and in more depth associations making high risk loans or offering higher interest rates on savings than those prevailing in the same area.

Policies and procedures have been reviewed and changed because of the phenomenal growth of the savings and loan industry in California. The best illustration of this growth appears in Table 1 which lists and indexes year-to-year increases in total assets of state-licensed savings and loan associations. The average annual rate of growth from 1954 through 1962 was 25.4 percent.

## Division of Savings and Loan—Continued

Table 1

Total Assets of State Chartered Savings and Loan Associations			
Calendar year	Total assets (billions)	Index (1954-55 = 100)	% Year-to-year increase
1962	\$10.21	611	27.5%
1961	8.01	480	29.2
1960	6.20	371	21.6
1959	5.10	305	25.9
1958	4.05	243	22.0
1957	3.32	199	23.0
1956	2.70	162	23.8
1955	2.18	131	30.5
1954	1.67	100	---

The growth in the number of associations and branches has not increased at the same rate as total assets. The number of associations and branches licensed as of the end of each fiscal year since 1959-60 is listed in Table 2.

Table 2

## Number of Associations and Branches

Year	Associations	Branches	Total	Percent increase
1963-64 (est.)	219	220	439	7.9%
1962-63	208	199	407	8.5
1961-62	189	186	375	6.2
1960-61	192	161	353	9.3
1959-60	174	149	323	---

Only a small percentage of applications to establish new associations or branches are approved by the Commissioner. In 1962 for example, there were 73 hearings held by the Division of Savings and Loan to consider articles of incorporation for new associations. Nine, or 12 percent, were approved. Similarly, out of 113 hearings for new branch offices, 19, or 17 percent were approved.

The growth of the Division of Savings and Loan has paralleled the growth of the savings and loan industry. The increase in the division's authorized positions and total expenditures since 1954-55 is reflected in Table 3.

Table 3

Authorized Positions and Total Expenditures  
Fiscal Years 1954-55 to 1964-65

Fiscal year	Authorized positions	Index (1954-55=100)	Total expenditures	Index (1954-55=100)
1964-65 (prop.)	149.5	498	\$1,526,405	691
1963-64 (est.)	117.5	392	1,323,991	602
1962-63	115.5	385	1,222,615	554
1961-62	91.0	303	988,644	448
1960-61	86.1	287	840,859	381
1959-60	82.1	274	709,395	321
1958-59	46.1	154	431,851	196
1957-58	44.1	147	333,795	176
1956-57	41.0	137	331,815	150
1955-56	38.0	127	291,973	132
1954-55	30.0	100	220,819	100

## Division of Savings and Loan—Continued

The Division of Savings and Loan is a special fund agency which obtains most of its income from an annual pro-rata assessment of associations. Estimated revenue exceeds proposed expenditures for 1964-65. The rate of assessment levied in December 1963, was 11.3 cents per \$1,000 of association assets which represents a decrease from the December 1962 assessment rate of 13.6 cents.

The 1964-65 budget request of \$1,526,405 represents an increase of \$197,414 (14.9 percent) over the \$1,328,991 estimated to be expended in 1963-64. There are 32 proposed new positions, 16 of which represent workload positions needed to maintain the existing level of service.

## Personal Services

1 Associate counsel (budget page 584, line 28)-----	\$10,968
1 Intermediate stenographer (budget page 584, line 33)---	4,452

These positions are being requested for the San Francisco office to assume the legal workload that heretofore has been carried out by the assistant commissioner. Due to the increased demands of administering the San Francisco office and the time necessary to supervise the savings and loan associations in Northern California, the San Francisco assistant commissioner will no longer be able to continue the counsel duties of that office.

*We recommend approval of the associate counsel and the intermediate stenographer.*

1 Senior research analyst (budget page 584, line 27)----	\$10,440
1 Intermediate stenographer (budget page 584, line 33)---	4,452

A research analyst is requested to analyze additional economic and performance data now accompanying applications for new associations and branches.

*We recommend approval of the senior research analyst and the supporting clerical position.*

The type of information required in applications for new associations and branches was changed as a result of recommendations made in February 1963 by a special consultant to the Division of Savings and Loan. Applicants are now required to submit more data demonstrating the soundness of management and the adequacy of capital. The new method of applying the criteria of financial soundness, effective competition, convenience of services, evidence of operating efficiency and quality of incorporators and management, is designed to be more comprehensive and avoid restricting the entry of qualified new associations into the industry. Former standards fostered protected markets by spacing offices on the basis of population and thus restricted competition and entry into the field.

1 Supervising savings and loan examiner (budget page 584, line 29)-----	\$9,480
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This position is being requested for the San Francisco office because the increase in examiner and auditor positions now justifies two super-

## Division of Savings and Loan—Continued

visors. Currently, 20 examiners and auditors are supervised by 1 supervising examiner.

*We recommend approval of one supervising savings and loan examiner.*

*1 Intermediate clerk (budget page 584, line 35)----- \$4,242*

This position is requested for the Los Angeles office due to the increase in use of this agency's public files as a result of the revised application standards.

*We recommend approval of the intermediate clerk position.*

*6 Savings and loan examiners II (budget page 584, line 31) \$42,480*

*2 Assistant real property appraisers (budget page 584, line 32) ----- 13,488*

*2 Intermediate typist-clerks (budget page 584, line 34)---- 8,484*

Three examiners, two appraisers and two clerical positions are requested on the basis of workload increases. The remaining three examiners are requested to assist the senior research analyst compile and analyze the increase in data related to the new application standards which have been developed over the past two years.

*We recommend the approval of four savings and loan examiners II, two assistant real property appraisers, and two intermediate typist-clerks, and the deletion of two savings and loan examiners for a reduction of \$14,160.*

There is no way of accurately estimating how many examiners will be needed to assist the senior research analyst. The Division of Savings and Loan has requested three positions; but until the research position is filled and a request can be made on the basis of actual experience, we feel that one supporting position is sufficient for the first year.

Three new examiners and related clerical support are justified on the basis of workload increases related to the growth of total assets in savings and loan associations, plus estimated increases in nonexamination activities such as training and conferences. Two new appraisers are justified because of the estimated increase in number of loans to be appraised on a 10 percent sampling basis.

## New Program

## Special Examination Program

*4 Savings and loan examiners III (budget page 584, line 37) ----- \$34,416*

*3 Savings and loan examiners II (budget page 584, line 38) ----- 21,240*

*6 Associate real property appraisers (budget page 584, line 39) ----- 49,176*

*3 Intermediate typist-clerks (budget page 584, line 40)--- 12,726*

A total of 16 proposed new positions is requested to intensify the enforcement of the savings and loan law by conducting special exam-

**Item 217**

**Board of Pilot Commissioners**

**Division of Savings and Loan—Continued**

inations of associations making a large number of high risk loans or paying a higher rate of interest on savings than the prevailing rate in the general area. These examinations would be in addition to the required annual examination and would thus constitute a new level of service. Such special examinations are already being made on a joint basis with the Federal Home Loan Bank by sacrificing normal duties.

*We recommend approval of the 16 proposed new positions relating to the special examination program.*

A crash program of special examinations of certain savings and loan associations is justified in order to detect financial practices that may be unsound and in violation of the Savings and Loan Law. The intent of such a program is to counteract unsound practices of the particular association directly involved, and also maintain the general public's faith in the savings and loan industry.

We are recommending the approval of the new program. However, for budgetary control we believe the special examination unit should be kept separate since the problem for which the unit is being established may not be permanent.

**BOARD OF PILOT COMMISSIONERS FOR THE HARBOR OF SAN DIEGO**

ITEM 217 of the Budget Bill

Budget page 585

**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 1963-64 fiscal year -----	1,435
<hr/>	
Increase -----	None
<b>TOTAL RECOMMENDED REDUCTION-----</b>	<b>None</b>

**ANALYSIS**

The Board of Pilot Commissioners for the Harbor of San Diego consists of the Mayor of San Diego as an ex officio member, a nautical man and a citizen appointed by the Governor for four-year terms. Appointees must be residents of San Diego. The board licenses pilots and fixes pilotage rates for San Diego Bay. Currently four pilots are licensed by the board.

Expenditures proposed for fiscal year 1964-65 total \$1,435, identical in amount with estimated expenditures for the current year.

This agency is supported by the General Fund. Licenses and fees anticipated to be collected during the budget year are estimated at \$5,800.

*We recommend approval of this item as budgeted.*

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

ITEM 218 of the Budget Bill

Budget page 586

**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 .....	\$26,512
Estimated to be expended in 1963-64 fiscal year.....	25,950
<hr/>	
Increase (2.1 percent) .....	\$562
Increase to maintain existing level of service.....	\$562

**TOTAL RECOMMENDED REDUCTION.....** None

**ANALYSIS**

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun licenses pilots and regulates the practice of piloting on these bays. The board is composed of three commissioners appointed by the Governor.

There is within this agency a Pilotage Rate Committee of five members, two representing shipping, two the licensed pilots, and one the public. The public member is entitled to a per diem payment of \$50 a day for time spent in the committee's work; the other members serve without compensation. This committee, on petition of interested parties, meets after August 1st of the year prior to a general session of the legislature. It may hold hearings, obtain audits and is to report to the two houses of the legislature in the month of November prior to a general session.

The commission proposes to spend the sum of \$26,512 during fiscal year 1964-65, an increase of \$562 or 2.1 percent over estimated expenditures for the current year.

Fiscal year 1964-65 will contain a general session of the Legislature. The last portion of 1964 will be a period within which activity of the Pilotage Rate Committee will take place if requested. We identify the increased amount of \$562 as being requested to cover possible committee activity. Otherwise, the request of the agency continues service at the current level.

*We recommend approval of this item as budgeted.*

**Department of Professional and Vocational Standards**

**DEPARTMENTAL ADMINISTRATION**

ITEM 219 of the Budget Bill

Budget page 590

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

Amount requested .....	\$2,283,704
Estimated to be expended in 1963-64 fiscal year.....	2,317,031
<hr/>	
Decrease (1.4 percent) .....	\$33,327

**TOTAL RECOMMENDED REDUCTION.....** None

## Departmental Administration—Continued

## ANALYSIS

The Department of Professional and Vocational Standards consists presently of 30 separate agencies which examine, license and regulate specified occupational and professional activities within the State of California.

Each agency is headed by a board or commission appointed by the Governor or by a Governor-appointed administrator who is usually counselled by an advisory committee appointed from within the agency. The boards and commissions vary in size from 5 to 12 members. In most instances there is both occupational and lay representation on the boards. It is estimated by the department that more than 600,000 individuals are licensed by these department agencies. There are 211 governing board and committee members.

The budget proposes an appropriation of \$2,283,704 for the 1964-65 fiscal year for the support of the departmental administration of the Department of Professional and Vocational Standards which is a decrease of \$33,327 or 1.4 percent below what is estimated to be expended during the current fiscal year.

Each of the 30 agencies within the department administers at least one act of the Business and Professions Code. In a few instances, several acts and programs are administered by one board.

Administration of a licensing and regulatory act involves several distinct types of activity. Qualifications of applicants must be reviewed to determine eligibility for examination or licensing. Examinations must be given. Over 1,000 part-time specialists and proctors are employed by the boards and commissions for examination purposes. In a number of instances board members themselves prepare examination questions, supervise the examinations, and score the results. These board members receive per diem compensation for this activity.

Licenses must be issued to successful applicants and these licenses renewed at appropriate periods. Many board licenses are now renewed on a biennial basis. Biennial collections of fees poses a money handling problem upon which we comment later.

Licensing would be relatively ineffective without regulation or "enforcement of the act," as the process is sometimes called. Regulation is based upon the provision of information both to licensees and to the public. Licensee activities must be inspected to observe whether or not there is compliance with the law. Complaints against licensees and others must be carefully investigated.

In fiscal year 1960-61 by executive order a central division of investigation was established within the department by bringing together inspector and investigative personnel from the separate agencies within the department. Five of the agencies refused to join the new central division. The nonparticipating group is as follows:

## Departmental Administration—Continued

<i>Agency</i>	<i>Number of full-time inspectors or investigators</i>
Board of Architectural Examiners-----	2
Athletic Commission -----	7
Board of Registration for Civil and Professional Engineers-----	5
Contractors' License Board -----	77
Board of Dental Examiners-----	3
<b>Total -----</b>	<b>94</b>
Number of similar positions, Division of Investigation-----	107

The cost of the Division of Investigation is pro rated to the using boards and commissions on the basis of formally assigned cases or units of service rendered. Prior to the establishment of the division, each board had its own limited group of investigators with which to cover assigned cases statewide. While the quality of work under the former pattern is not questioned, the fact is that a substantial volume of complaints against agencies was not liquidated until the present investigation division became operational.

The rising cost of enforcement of the various regulatory acts should be a matter of increasing concern. Not only is investigative time involved in discipline cases but also required are the legal services of the Attorney General and the hearing services of officers provided by the Office of Administrative Procedure. Both of these agencies are compensated from the several special funds on a pro rata basis.

Each of the boards and commissions has a staff. Staff size varies from that of the Contractors' License Board currently authorized at 131.5 positions down to some of the small agencies which employ part-time help only. Each board staff is occupied primarily with the board's technical activities. Common services are provided for all boards and commissions by Departmental Administration. Departmental Administration begins with the department director who is charged with specific responsibilities with reference to many of the licensing acts. Administrative services include limited legal advice; fiscal services, accounting and budgeting work; personnel services and central business services including supply and duplication; and internal auditing.

In addition to the supply of administrative services, data processing is provided; the department-owned building is managed and maintained and investigation activity is carried forward by the Division of Investigation described above.

The total number of positions of all classes authorized for the department including all boards is 661.6 for the current year. This figure includes some temporary positions administratively provided to meet emergency needs for example, the new agencies—the Bureau of Electronic Repair Dealer Registration and the Bureau of Marriage Counselors—established by legislation enacted at the 1963 General Session of the Legislature. The Board of Osteopathic Examiners joined the department during the 1962-1963 fiscal year, bringing the current list of agencies to the total of 30 as noted above.

## Departmental Administration—Continued

It should be noted that only 3 of the 211 board and committee members are paid salaries—3 of the 5-member board of barber examiners. Remaining board and commission or committee members receive a \$25 per diem plus a daily expense of \$21 for food and lodging for days served plus necessary traveling expenses.

With the exception of the Athletic Commission and the Board of Guide Dogs for the Blind, each agency within the department is supported by a special fund which is derived from licenses, fees, penalties and fines assessed against those who are licensed by the particular board. It is noted that a license permits a person to conduct occupational activity which in most instances would be illegal without such license. The granting of a license is an exercise of the police power of the State. To the extent that the license protects the public interest by insuring a minimum competence to practice the art or trade in question, the protective use of the police power would appear to be a justified cost. However, to the extent that the police power is used to restrict competition by making entry into an occupation unnecessarily difficult, the true cost of the regulation to the public may well exceed the budget of the regulatory agency and such cost does not appear to be justified by any public interest. The point of public interest thus becomes important to our consideration of the current cost of board operation.

Twenty-five years ago the then existing licensing agencies within the department for the most part showed fund surpluses. Today a number of the special funds are perilously close to insolvency. Cost of operation has caused the boards to come to the Legislature repeatedly with requests for fee increases. Loans from the General Fund have been made to boards in some instances. General state employee salary increases impose new and unanticipated fiscal burdens on the special funds. None of the board or bureau fund statements as shown in the budget document provide for the 5- or 10-percent salary increases granted by the State Personnel Board for the last half of the 1963-64 fiscal year and the full 1964-65 fiscal year. Thus where some budgets appear to be in the black, they in fact may be in a deficit condition. We have discussed specific current fund problems in the individual analysis of each board's budget request.

The biennial renewal of licenses results in collection at one time of a substantial portion of a board's projected two-year income. While it is apparent that expenditures from these funds must be spread over a two-year period, we have noted a tendency to expand budget requests for the first year of the particular biennium. The department must provide tight controls over the budgeting process to offset such over-expenditure of currently available funds.

## Departmental Administration—Continued

Another overexpenditure characteristic of department agencies appears in the use of emergency authorizations. On several occasions we have called attention to the excessive use of emergency authorizations during the budget year after the budget figure has been set by legislative action. Action of the Legislature in establishing a budget sum is modified when an agency proceeds to secure an authorization for additional expenditure which is never clearly identified to legislative committees. The extent to which this process occurs is illustrated in the following current year table:

Department of Professional and Vocational Standards  
1963-64 Fiscal Year  
Emergency Authorizations

<i>Agency</i>	<i>Amount</i>
<b>GENERAL FUND AGENCIES</b>	
Athletic Commission -----	\$1,510
Board of Guide Dogs for the Blind -----	-
<b>SPECIAL FUND AGENCIES</b>	
Board of Accountancy -----	-
Board of Architectural Examiners -----	9,828
Board of Barber Examiners -----	2,639
Cemetery Board -----	-
Board of Chiropractic Examiners -----	3,565
Board of Registration for Civil and Professional Engineers -----	8,647
Collection Agency Licensing Bureau -----	32,427
Contractors' License Board -----	77,271
Board of Cosmetology -----	22,327
Board of Dental Examiners -----	4,604
Board of Dry Cleaners -----	12,446
Bureau of Electronic Repair Dealers Registration -----	-
Board of Funeral Directors and Embalmers -----	-
Bureau of Furniture and Bedding Inspection -----	300
Board of Landscape Architects -----	230
Bureau of Marriage Counselors -----	-
Board of Medical Examiners -----	-
Board of Nursing Education and Nurse Registration -----	38,111
Board of Optometry -----	4,649
Board of Osteopathic Examiners -----	3,132
Board of Pharmacy -----	20,333
Board of Private Investigators and Adjusters -----	12,022
Certified Shorthand Reporters Board -----	-
Board of Social Work Examiners -----	-
Structural Pest Control Board -----	19,355
Board of Examiners in Veterinary Medicine -----	-
Board of Vocational Nurse Examiners -----	17,137
Yacht and Ship Brokers' Commission -----	-

As has been stated, the cost of operating Departmental Administration and its constituent and related services is pro rated to the member agencies of the department. Department overhead is prorated on a ratio basis between department costs and a particular agency's expendi-

## Departmental Administration—Continued

ture for a given year. Data processing is charged to agencies on a "machine time" basis. Building operation appears as a rent charge against agencies in proportion to space occupied. The Division of Investigation charges are made on an assigned case or service unit basis.

## Administrative Services

Proposed expenditures for administration for fiscal year 1964-65 amount to \$541,592, an increase of \$4,901 or 0.9 percent over estimated expenditures for the current year. The cost of administrative services is 7.3 percent of the total of the agency expenditures estimated for the current year.

## Data Processing

During fiscal year 1964-65 the data processing activity has been budgeted at \$180,096, an increase of \$7,147 or 4.1 percent over estimated costs for the current year. The \$180,096 is not included in the proposed total appropriation of \$2,283,704 for the departmental administration, since the budget indicates the costs as being "reimbursed" from the various boards of the department.

We do not believe that the above total should be cancelled out of the departmental administrative budget by this "reimbursement" technique. The services provided by this division are basically no different from those supplied by administration, building maintenance and operation, and investigations. As it is now, the exclusion of data processing operation costs does not give a true indication of the total departmental administrative costs.

The costs of data processing during the current year represent 2.3 percent of estimated total expenditures by all agencies.

## Personal Services

1 *Key punch operator (budget page 591, line 49)*----- \$4,140

This position is requested to meet increased workload generated by expanded programs in the Structural Pest Control Board. Offsetting reimbursements are provided in that board's budget.

## Building Maintenance and Operation

The department proposes to spend the sum of \$463,599 for building maintenance and operation during fiscal year 1964-65. This is a decrease of \$89,795 or 16.2 percent under estimated expenditures for the current year. The lower rate of expenditure for these purposes is reflected in the decreased expenditure for departmental administration as proposed by the budget for 1964-65. Expenditures for building maintenance and operation are 7.4 percent of the estimated expenditures for all agencies during the current year.

## Division of Investigation

Expenditures proposed for this division for fiscal year 1964-65 amount to \$1,278,513, an increase of \$51,567 or 4.2 percent over esti-

Departmental Administration—Continued

mated expenditures for the current year. Current year expenditures by this division are 16.5 percent of estimated expenditures by all agencies during the current year.

Personal Services

2 Investigators—Structural Pest Control (budget page 592, line 57) ----- \$12,864

These investigators are proposed to meet the requirements of new workload resulting from expanded programs imposed on the Structural Pest Control Board. Offsetting reimbursements are provided in that board's budget.

In summary, we note that the cost of departmental administration during the current year is estimated at \$2,492,241 as against estimated total expenditures for all purposes by all boards of \$7,409,166 for the same period. The administration cost is 33.6 percent of total cost.

We recommend approval of the departmental administration items as budgeted.

Department of Professional and Vocational Standards  
BOARD OF ACCOUNTANCY

ITEM 220 of the Budget Bill Budget page 594

FOR SUPPORT OF THE BOARD OF ACCOUNTANCY  
FROM THE ACCOUNTANCY FUND

Amount requested .....	\$331,733
Estimated to be expended in 1963-64 fiscal year .....	296,812
Increase (11.8 percent) .....	\$34,921
Increase to maintain existing level of service .....	\$34,921

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS

The Board of Accountancy examines, licenses, and regulates certified public accountants and public accountants in California. Licenses are renewable on a biennial basis. The board consists of five certified public accountants, two public accountants, and a public member, all appointed by the Governor.

During fiscal year 1964-65 this board proposes to spend the sum of \$331,733, an increase of \$34,921 or 11.8 percent over estimated expenditures for the current year.

Due to an increase in workload the board proposes to add a half-time clerical position in its Los Angeles office to make a full-time position out of an existing half-time position left when a half position was transferred to the Division of Investigation in fiscal year 1960-61. This addition would bring the Los Angeles office staff to two positions. As a result of provisions of Chapter 1339, Statutes of 1963, the board pro-

**Board of Accountancy—Continued**

poses \$525 in per diems for the secretary-treasurer. Added per diems in the amount of \$850 are proposed for board members.

The board, in justifying its proposals, points to the increased workload involved in licensing certified public accountants as compared to public accountants. The maintenance of experience records plus examinations are required prior to licensing certified public accountants, whereas in the case of public accountants the only board workload is the renewal of existing registration.

The licensee workload in numbers remains relatively constant. The number of public accountants is decreasing since new licenses are no longer granted for this professional class. The number of certified public accountants however, is increasing.

In addition to personnel requests, a major increase in the budget request covers publication in the budget year of a biennial directory of licensees. The cost of printing and mailing the new directory is estimated to be \$15,000.

*We recommend approval of this item as budgeted.*

**Department of Professional and Vocational Standards**

**BOARD OF ARCHITECTURAL EXAMINERS**

ITEM 221 of the Budget Bill

Budget page 596

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

Amount requested .....	\$125,328
Estimated to be expended in 1963-64 fiscal year .....	117,813
Increase (6.4 percent) .....	\$7,515
Increase to maintain existing level of service.....	\$715
Increase for new service.....	6,800

**TOTAL RECOMMENDED REDUCTION..... None**

**ANALYSIS**

The Board of Architectural Examiners has as its responsibility the determination of qualifications, the examination of applicants, the licensing of architects and the regulation of the practice of architecture in the State.

Expenditures proposed by this board for fiscal year 1964-65 amount to \$125,328, an increase of \$7,515 or 6.4 percent over estimated expenditures for the current year.

By action of the 1963 General Session of the Legislature, Chapter 2133, Statutes of 1963, the licensing and regulation of building designers was added to the board's program. Such designers are to register with the board during the 1963-64 year and may become architects prior to 1972.

**Board of Architectural Examiners—Continued**

Until the effective date of the building designers program the Board of Architectural Examiners consisted of five architects and one public member appointed by the Governor. Added by the legislation were an additional architect and two building designers. A Designers' Qualifications Advisory Committee, to be operative until the end of 1971, was established by the legislation.

During the current year 0.9 of a position of temporary help was provided for the board administratively and is proposed to be continued for the budget year at a cost of \$4,800. Also during the budget year the board proposes to add \$2,000 for intermittent examination commissioners. Both the temporary help position and the funds for the examination commissioners are proposed to meet the added workload under the new building designers' program. It is estimated that new licensees under the new program will increase workload by a third. Most of the increase in expenditures proposed by the board is related to new workload.

*We recommend approval of this item as budgeted.*

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

ITEM 222 of the Budget Bill

Budget page 598

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

Amount requested .....	\$187,095
Estimated to be expended in 1963-64 fiscal year .....	183,243
Increase (2.1 percent) .....	\$3,852
Increase to maintain existing level of service .....	\$3,852

**TOTAL RECOMMENDED REDUCTION** .....

None

**ANALYSIS**

The State Athletic Commission regulates boxing and wrestling matches in California and licenses all participants therein. The commission consists of five members appointed by the Governor.

During fiscal year 1964-65, the commission proposes to expend \$187,095 for its operation, an increase of \$3,852 or 2.1 percent over estimated expenditures for the current year.

Prior to 1961 the commission's costs of operation were met by the Athletic Commission Fund the income to which was provided by license fees, penalties and fines. In 1961 because of declining revenues, the commission by action of the Legislature became a General Fund agency. Revenue actually collected for the past three completed years continues

## Athletic Commission—Continued

to decline and estimated revenue for the current and budget years shows the same decline characteristic. Workload estimates made by this commission are generally too optimistic. Workload continues to decrease. The following table indicates, on the other hand, that expenditures by the commission continue to increase. Two investigative positions, vacant for more than a year, have been abolished. More economies appear desirable in order that the cost of operation of the commission will decline commensurate with the decline in workload.

## State Athletic Commission—Income and Expense

Fiscal year	Cost of operations	Fee revenues	Surplus or deficit
1958-59	\$148,347	\$160,523	+\$12,176
1959-60	161,835	161,968	+133
1960-61	161,475	133,373	-28,102
1961-62	173,920	163,573	-10,347
1962-63	179,135	172,115	-7,020
1963-64	183,243 (est.)	172,175 (est.)	-11,068 (est.)
1964-65	187,095 (est.)	165,200 (est.)	-21,895 (est.)

We recommend approval as budgeted.

## Department of Professional and Vocational Standards

## BOARD OF BARBER EXAMINERS

ITEM 223 of the Budget Bill

Budget page 599

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

Amount requested	\$263,820
Estimated to be expended in 1963-64 fiscal year	256,814
Increase (2.7 percent)	\$7,006
Increase to maintain existing level of service	\$2,554
Increase for new service	4,452
<b>TOTAL RECOMMENDED REDUCTION</b>	<b>None</b>

## ANALYSIS

The Board of Barber Examiners under the law has the responsibility of examining and licensing apprentices, instructors and barbers and of regulating the practice of barbering in California. The board, appointed by the Governor, consists of three barber members who work full time on salary, one barber member and one public member who receive a per diem and expenses only for days served. Licenses issued by the board are renewed on a biennial basis.

The board proposes to expend during fiscal year 1964-65 the sum of \$263,820, an increase of \$7,006 or 2.7 percent over estimated expenditures for the current year.

**Professional and Vocational Standards**

**Item 224**

**Board of Barber Examiners—Continued**

**Personal Services**

<i>Board member per diem (budget page 600, line 4)</i> -----	\$1,050
<i>1 Intermediate clerk (budget page 600, line 5)</i> -----	4,452
<i>0.5 Intermediate stenographer (budget page 600, line 6)</i> -----	2,226
<i>Temporary help (budget page 600, line 7)</i> -----	162

The board cites as justification for the per diem item and for additional temporary help the continuing number of petitions to establish minimum price schedules for barbers in various communities each of which requires hearings and the handling of many documents.

The half-time stenographic position is proposed on a workload basis and would increase to full time an existing half-time position in Los Angeles left when the department's Division of Investigation was established in fiscal year 1960-61.

Legislation enacted in 1963 (Chapters 569 and 960) established new rules and procedures relative to applicants and apprentice barbers, which created new workload, according to the board's statements. The board requests the intermediate clerk position to meet such reported new workload.

*We recommend approval of the positions as requested.*

**Department of Professional and Vocational Standards**

**CEMETERY BOARD**

**ITEM 224 of the Budget Bill**

**Budget page 601**

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

Amount requested -----	\$63,128
Estimated to be expended in 1963-64 fiscal year -----	62,946
<hr/>	
Increase (0.3 percent) -----	\$182
Increase to maintain existing level of service -----	\$182

**TOTAL RECOMMENDED REDUCTION ----- None**

**ANALYSIS**

The Cemetery Board administers the Cemetery Act under which cemeteries, brokers and salesmen, are licensed and interment contract practices are regulated. Licenses are renewed on an annual basis.

The Cemetery Board is appointed by the Governor and consists of five licensees experienced in the management of cemetery enterprises together with a public member.

The board proposes to expend the sum of \$63,128 during fiscal year 1964-65, an increase of \$182 or 0.3 percent over estimated expenditures for the current year.

*We recommend approval as budgeted.*

Department of Professional and Vocational Standards

BOARD OF CHIROPRACTIC EXAMINERS

ITEM 225 of the Budget Bill

Budget page 602

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

Amount requested .....	\$112,398
Estimated to be expended in 1963-64 fiscal year .....	107,946
Increase (4.1 percent) .....	\$4,452
Increase to maintain existing level of service.....	\$2,892
Increase to improve level of service.....	1,560
<b>TOTAL RECOMMENDED REDUCTION</b> .....	<b>\$1,560</b>

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Printing .....	\$1,560	602	68

ANALYSIS

The Board of Chiropractic Examiners administers the 1922 initiative Chiropractic Act which provides for the examination and licensing of persons to practice the profession and the regulation of the teaching of the profession in the State. Licenses are renewed on an annual basis. The board, consisting of five professional members, is appointed by the Governor.

The board proposes to expend during fiscal year 1964-65 the sum of \$112,398, an increase of \$4,452 or 4.1 percent over estimated expenditures for the current year.

We point out that the number of individuals licensed by this board continues to decrease and that annual revenue to the Chiropractic Examiners' Fund continues to be less than the annual expenditures by the board. The board's own estimates show a projected annual decline in the accumulated surplus so that at the end of the budget year it will have been reduced by \$12,864 under the amount shown as available at the end of fiscal year 1962-63. It becomes apparent that the board should consider reduction in the amount of its annual expenditures in order to maintain its activity on a self-supporting basis.

*Printing (budget page 602, line 68)..... \$6,329*

The board proposes to spend \$6,329 for printing in fiscal year 1964-65 an increase of \$1,721 or 37.4 percent over estimated expenditure for this purpose for the current year. The reason given for the increase is that an enlarged directory is to be published together with other printed matter.

*We recommend the deletion of \$1,560 to reduce this item to \$4,869.*

According to the price letter issued by the Department of Finance printing costs will increase only 3.5 percent in the budget year. We have increased the current year's budgeted printing item by 3.5 percent and are recommending deletion of the additional amount requested. With a decreasing workload and declining fund condition the printing item should be retained at the current level of service as are the remainder of the items in the budget request.

Department of Professional and Vocational Standards

BOARD OF REGISTRATION FOR CIVIL AND PROFESSIONAL ENGINEERS

ITEM 226 of the Budget Bill

Budget page 603

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

Amount requested .....	\$439,395
Estimated to be expended in 1963-64 fiscal year.....	430,048
	<hr/>
Increase (2.2 percent) .....	\$9,347
Increase to maintain existing level of service.....	\$9,347

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Board of Registration for Civil and Professional Engineers administers the act under which applicants are examined and licensed for the practice of the various branches of professional engineering in California. The board consists of eight licensees and one public member, all appointed by the Governor. Licenses are renewable on a biennial basis.

For expenditure during fiscal year 1964-65 the board has budgeted \$439,395, an increase of \$9,347 or 2.2 percent over estimated expenditures for the current year.

This agency is one of the five boards and commissions which did not join in the establishment of the department's division of investigation. The board maintains its own investigative staff of five members assigned to Sacramento, San Francisco and Los Angeles.

To meet problems of increasing workload, the board has secured a management survey of its licensing procedures, its clerical and field operations and its organization structure, by the Division of Organization and Cost Control. Adoption of the survey recommendations will involve legal and major policy changes by the board. If the recommendations are implemented, it appears that between two and three presently authorized staff positions will no longer be needed. Three positions newly authorized for the current year have not been filled as a consequence of this survey.

*We recommend that the board take the steps required for implementation of the survey recommendations and on this basis recommend approval of the item as budgeted.*

Professional Engineers' Fund

In our analysis of the current 1963-64 Budget Bill, we called attention to the need for closer control of expenditures from the Professional Engineers' Fund in relation to income. The lack of balance between income and expenditure continues. License and fee income to the fund for the 1962-64 biennium is estimated at \$778,712. Scheduled expenditures for the same period are estimated at \$831,077, a potential overexpenditure of \$52,365 for the biennial period. In the absence of an increase in fees, such a program of expenditure, if continued, will deplete the existing surplus in this board's fund.

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

ITEM 227 of the Budget Bill

Budget page 605

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

Amount requested .....	\$283,571
Estimated to be expended in 1963-64 fiscal year .....	273,169
<b>Increase (3.8 percent) .....</b>	<b>\$10,402</b>
Increase to maintain existing level of service .....	\$3,696
Increase to improve level of service .....	6,706

**TOTAL RECOMMENDED REDUCTION .....** \$5,406

**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
1 Intermediate stenographer .....	\$4,452	605	57
Temporary help .....	454	605	58
Traveling—out-of-state .....	500	605	75

**ANALYSIS**

The Collection Agency Licensing Bureau examines, licenses, registers and regulates collection agencies and their officers and employees. The bureau may examine agency records and accounts and has broad disciplinary powers. The bureau operates with a half-time chief, appointed by the Governor and confirmed by the Senate. The chief serves in a similar capacity with the Bureau of Private Investigators and Adjusters. Within the bureau is the California Advisory Board of Collection Agencies, appointed by the Governor and consisting of five industry members and one public member.

Expenditures proposed for this bureau for fiscal year 1964-65 total \$283,571, an increase of \$10,402 or 3.8 percent over estimated expenditures for the current year.

This agency is having serious financial problems as illustrated in the following table:

<i>Fiscal year</i>	<i>Income</i>	<i>Expenditures</i>	<i>Excess expenditure over income</i>	<i>Fund surplus</i>
1959-60 .....	\$100,867	\$107,468	\$6,601	\$54,366
1960-61 .....	89,583	137,909	48,326	5,090
1961-62 .....	187,982	194,351	6,369	-5,635*
1962-63 .....	204,543	200,385	-4,158	9,304
1963-64 (est.) .....	288,265	277,169	-11,096	24,400
1964-65 (est.) .....	197,000	283,571	86,511	-52,111

\* General Fund loan financed deficiency.

In fiscal year 1961-62, a loan from the General Fund kept the agency in operation and license fees were increased by legislative action. In fiscal year 1962-63, license fees were sharply increased for a one-year period and in the 1963 session this increase was extended for the fiscal year 1963-64.

## Collection Agency Licensing Bureau—Continued

It now appears that revenues for the budget year will be approximately \$80,000 less than sufficient to meet estimated expenditures. Plans are announced to seek legislative action at the 1964 Budget Session to stabilize license fees at a higher level.

Beginning in 1961 we called attention to the fund difficulty and to the necessity of either raising income or curtailing expenditures. Again in 1962 we raised the same issue and at the 1963 session of the Legislature recommended against any bureau staff enlargement. However, at the 1963 General Session, three additional auditor positions were authorized for the bureau bringing the auditing positions of the staff to 11.

## Personal Services

<i>Board members per diem (budget page 605, line 56)</i> .....	\$1,800
<i>1 Intermediate stenographer (budget page 605, line 57)</i> .....	4,452
<i>Temporary help (budget page 605, line 58)</i> .....	454

Prior to legislation enacted in 1963, members of the advisory board served without per diem but received travel and other expenses. The bureau requests per diem compensation now to comply with the provisions of Section 11, Chapter 1814, Statutes of 1963.

The intermediate stenographer position is proposed as clerical help in Los Angeles for the three auditor positions granted in 1963.

*We recommend deletion of the proposed new stenographic and temporary help positions for a saving of \$4,906.*

It is our view, as it was in 1963, that the serious financial condition in which this agency finds itself at the present time should preclude further additions to staff even of temporary help until the condition is corrected.

We note that the bureau now possesses six authorized clerical positions. With only 11 technical positions, even when the recently authorized 3 auditor positions are filled, the clerical to technical position ratio is 1 to 2. This is average in many agencies of state government.

We must note further that Chapter 1815, Statutes of 1963, which becomes effective in June 1964 at approximately the beginning date of this budget, provides for financial statements and public or certified public accountant reports by licensees. This legislation, we are informed, was specifically designed to reduce auditor workload and travel costs.

*Traveling—out-of-state (budget page 605, line 75)*..... \$500

*We recommend the deletion of the \$500 traveling out-of-state item for a saving of \$500.*

The agency has not supplied information which justifies expenditure of any amount for out-of-state travel.

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

ITEM 228 of the Budget Bill

Budget page 606

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

Amount requested .....	\$1,754,029
Estimated to be expended in 1963-64 fiscal year .....	1,598,558
	<hr/>
Increase (9.7 percent) .....	\$155,471
Increase to maintain existing level of service.....	\$155,471

**TOTAL RECOMMENDED REDUCTION**..... **\$36,832**

**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
1 Supervising special investigator I .....	\$5,200	607	35
4 Senior special investigator .....	14,160	607	38
2 Investigator, Contractors' License Board .....	6,432	607	41
5 Intermediate typist-clerk .....	11,040	607	45

**ANALYSIS**

The Contractors' License Board examines applicants and licensees and regulates contractors in the various branches of the construction industry. The board is composed of nine members appointed by the Governor. Eight members represent the building, general engineering and specialty contracting fields and one member represents the public. Licenses are renewed on a biennial basis.

The board has budgeted the sum of \$1,754,029 for expenditure in fiscal year 1964-65, an increase of \$155,471 or 9.7 percent over estimated expenditures for the current year.

In terms of funds expended and in size of staff, this board is the largest agency in the Department of Professional and Vocational Standards, representing approximately one-fourth of the department's total budget and authorized full-time positions.

The Contractors' License Board is one of the five boards and commissions which does not use the services of the Division of Investigation. That division was established in fiscal year 1960-61 by consolidating into one group the inspection and investigation personnel from various agencies within the department. The contractors' board has continued to maintain its own field organization for investigative purposes.

As one of the results of a study by the Division of Organization and Cost Control study made for this board in 1961, the field investigative force was enlarged and redistributed into a series of new districts serving all areas of the State. The following table shows the location of the board's currently authorized 131.5 positions including both clerical and field investigative positions:

## Contractors' License Board—Continued

<i>District offices</i>	<i>Number of employees</i>	<i>Branch offices</i>
Sacramento -----	42.5	Oroville
San Francisco -----	10	Redding
Oakland -----	13	Santa Rosa
Fresno -----	8	Eureka
Van Nuys -----	11	San Jose
Los Angeles -----	19	Salinas
Long Beach -----	12	Modesto
San Bernardino -----	8	Bakersfield
San Diego -----	8	San Luis Obispo
		Ventura
		--
		Santa Ana
		Indio
		--

Rented facilities are maintained in all of the branch office locations except San Luis Obispo and Santa Rosa. Branch offices normally are not manned full time. The number of employees listed in the table above includes 23 positions which were added to the agency in fiscal years 1962-63 and 1963-64 as a result of the Organization and Cost Control study previously mentioned.

## Personal Services

The board, in its request for fiscal year 1964-65, proposes to add the equivalent of 26.8 new positions to the currently authorized 131.5 positions. The 26.8 includes a request for 3.8 positions of temporary help. In addition to the position request is an amount of \$445 for additional board member per diems.

Following is the position request listed as to classification and effective date as shown on budget page 607, lines 34 through 49.

Effective date—July 1, 1964—14.8 positions—1 year	
Board member per diems -----	\$445
1 Supervising special investigator I -----	7,800
2 Senior special investigator -----	14,160
2 Investigators, Contractors' License Board -----	12,864
6 Intermediate typist-clerk -----	24,840
3.8 Temporary help -----	16,867
Effective date—November 1, 1964—7 positions—8 months	
1 Supervising special investigator I -----	5,200
2 Senior special investigator -----	9,440
1 Investigator, Contractors' License Board -----	4,288
3 Intermediate typist-clerk -----	8,280
Effective date—March 1, 1965—5 positions—4 months	
2 Senior special investigator -----	4,720
1 Investigator, Contractors' License Board -----	2,144
2 Intermediate typist-clerk -----	2,760

Twelve investigator and four related clerical positions are proposed for two new branch offices to be established in Southern California, one at Santa Barbara and one in south Los Angeles County. It is proposed to convert the branch office at Santa Ana to a district office. Santa Ana is already maintained as a branch office and we so show it in the position distribution table set forth above.

**Contractors' License Board—Continued**

The board states that seven intermediate clerks are proposed to handle new workload resulting from both an increased number of licensees and recent law changes.

Temporary help in the amount of 3.8 man-years is proposed to handle new licensee bonding requirements which will be effective at the time of license renewal and to complete certain office systems revisions.

*We recommend that the positions scheduled to be effective on November 1, 1964, consisting of one supervising special investigator, two senior special investigators, one investigator, Contractors' License Board, and three intermediate typist-clerk, be deleted for a saving of \$27,208.*

*We further recommend that the positions scheduled to be effective on March 1, 1965, consisting of two senior special investigators, one investigator, Contractors' License Board, and two intermediate typist-clerk be deleted for a saving of \$9,624.*

The reasons for our recommendations follow:

The request for what amounts to quarterly additions to the board's staff during the budget year presupposes that workload is developing at a purely mechanical rate. We do not agree that such is the case. As we understand the board's workload projections, the estimated number of licensees will have increased approximately 7.4 percent in the budget year over fiscal year 1962-63 when 22 new positions were added to the board staff. The 1964-65 proposed increase of 26.8 positions represents an increase of 20.3 percent over the 1963-64 authorized positions. We see no reason why staff should be increased by a greater percentage than 7.4 percent. There is no substantial change in the nature of the workload. A 7.4 increase in regular workload would justify a staff increase of not more than 10 positions.

The clerical staff of this board is an application, examination, license and document processing group. Chapter 1971, Statutes of 1963, provides that new licensees must post bonds beginning January 1, 1964, and renewing licensees must post bonds beginning July 1, 1965. Chapter 1258, Statutes of 1963, provides that disciplinary accusations may be filed against licensees within three years rather than within two years of the alleged infraction of laws or rules and regulations. These two chapters appear to present the only significant law changes added to workload since the Organization and Cost Control study was made. These law changes and workload increases in our judgment do not justify the 20.3 percent addition to staff as requested by the board. The added workload due to legislative changes noted above would justify not more than one position, making a total of 11 new positions. We have noted previously that 11 positions have a July 1, 1964, effective date.

A request for positions to become effective at staggered dates in the future is neither customary nor necessary in an agency of this type. This agency does not provide an emergency service or a custodial service where such a spacing of new positions to become available every few months might be desirable. The positions requested for November

Contractors' License Board—Continued

1, 1964, would become effective just prior to the 1965 General Session of the Legislature and those for March 1, 1965, during that same session. Emergency action could well be taken during such legislative session to cure any serious workload problem. The Legislature at that time would be much closer to and in a better position to review the then current staff needs than it is at this time.

On the basis of unusual and unanticipated workload peaks, emergency orders or administrative adjustments can be made at any time by the Department of Finance pending further legislative review. As a matter of record, during the current year an additional 25-day per diem allotment was made in the sum of \$445, five intermediate typist-clerks were temporarily added to the staff, and 4.2 temporary help were all provided by administrative workload adjustments.

This board is not faced with any financial problem. Its fund appears to be solvent. It would not be necessary therefore to seek emergency legislative action to permit fee increases or to secure loans before emergency staff additions could be made.

Department of Professional and Vocational Standards  
BOARD OF COSMETOLOGY

ITEM 229 of the Budget Bill

Budget page 608

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

Amount requested .....	\$497,349
Estimated to be expended in 1963-64 fiscal year.....	477,655
<hr/>	
Increase (4.1 percent).....	\$19,694
Increase to maintain existing level of service.....	\$19,694

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Board of Cosmetology examines, licenses and regulates the practice of cosmetologists, electrologists, manicurists, beauty shops and cosmetology schools. The board consists of six professional members and one lay member all appointed by the Governor. Licenses are renewed biennially.

During fiscal year 1964-65 the board proposes to spend \$497,349, an increase of \$19,694 or 4.1 percent over estimated expenditures for the current year.

The increase is due in part to merit salary raises, to proposed new positions, and to the inclusion of an amount to cover postage costs for the biennial license renewal in October 1964. Costs of examinations are decreased for the budget year in the amount of \$15,000 since the current pay rate for examiners was arbitrarily set by the board and does not have the approval of the Department of Finance. The payment to the examiners for the 1964-65 fiscal year will revert to that amount paid during the 1962-63 fiscal year.

## Board of Cosmetology—Continued

## Personal Services

0.2 Expert examiner—intermittent (budget page 609, line 34)	\$1,175
0.5 Intermediate stenographer (budget page 609, line 35)-----	2,226
1.5 Temporary help (budget page 609, line 36)-----	6,693

The board requests the intermittent examiners to handle electrologist examination workload and the temporary help item to provide examination proctors. The half clerical position is proposed to make a full-time position out of a half-time stenographic position left in Los Angeles when the department's Division of Investigation was established in fiscal year 1960-61.

We note that a staffing and procedure study is now being made for this board by the Management Planning Section of the Department of General Services. Any request growing out of that study will be presented at a later date.

*We recommend approval as budgeted.*

## Department of Professional and Vocational Standards

## BOARD OF DENTAL EXAMINERS

ITEM 230 of the Budget Bill

Budget page 610

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

Amount requested -----	\$158,232
Estimated to be expended in 1963-64 fiscal year -----	166,160
Decrease (4.7 percent)-----	\$7,928

TOTAL RECOMMENDED REDUCTION----- None

## ANALYSIS

The Board of Dental Examiners examines and licenses dentists and dental hygienists and regulates the practice of dentistry in California. The board consists of 7 dentists and a lay member all appointed by the Governor. Licenses are renewed on a biennial basis. According to board workload statistics, applications for licensing show an annual increase.

During fiscal year 1964-65 the board proposes to spend the sum of \$158,232. This is a decrease of \$7,928 or 4.7 percent less than estimated expenditures for the current year.

The maximum license renewal fee was increased from \$14 to \$24 by Chapter 1250, Statutes of 1963, and this action appears to have remedied a declining fund problem to which we have called attention previously.

A major portion of the reduction in proposed expenditures is in the item for printing. No directory is to be published in the budget year.

The board seeks a 0.1 reduction in authorized temporary help and on a workload basis an additional 0.5 intermediate stenographer in the Los Angeles office. The proposal will make full time an existing half time position left when the other half of the position was shifted to the department's Division of Investigation in fiscal year 1960-61.

*We recommend approval of the proposed position.*

**Professional and Vocational Standards**

**Items 231-232**

**Department of Professional and Vocational Standards**

**BOARD OF DRY CLEANERS**

ITEM 231 of the Budget Bill

Budget page 612

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

Amount requested -----	\$325,026
Estimated to be expended in 1963-64 fiscal year -----	315,207

Increase (3.1 percent) -----	\$9,819
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Increase to maintain existing level of service ----	\$9,819
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<b>TOTAL RECOMMENDED REDUCTION</b> -----	None
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**ANALYSIS**

The Board of Dry Cleaners regulates the dry cleaning industry through licensing, inspection and rule and regulation enforcement. The seven-member board is appointed by the Governor. Its members represent wholesale plants, retail plants, shops and the general public. Licenses are renewable biennially.

The board administers the Dry Cleaner's Fund and from this fund contributes to the support of the office of the State Fire Marshal. The contribution varies from year to year. It currently amounts to approximately 18 percent of the budget of the Fire Marshal's office.

During fiscal year 1964-65 the Board of Dry Cleaners has budgeted \$325,026 for expenditure, an increase of \$9,819 or 3.1 percent over estimated expenditures for the current year.

Increases proposed are the result of growing workload. In the personal services category the increases appear to result from the fact that board membership is full for the first time in the recent period requiring more per diem expenditures and the fact that the number of examination days has been increased creating need for more examiners.

The major item of increase in the budget request is for equipment on which applicants are tested. According to information supplied by the board, one topping press and four utility presses now used in examinations are worn beyond economical repair and must be replaced. The replacement cost is estimated at \$5,768.

*We recommend approval as budgeted.*

**Department of Professional and Vocational Standards**

**BUREAU OF ELECTRONIC REPAIR DEALER REGISTRATION**

ITEM 232 of the Budget Bill

Budget page 613

**FOR SUPPORT OF THE BUREAU OF ELECTRONIC REPAIR  
DEALER REGISTRATION FROM THE ELECTRONIC  
REPAIR DEALER REGISTRATION FUND**

Amount requested -----	\$252,272
Estimated to be expended in 1963-64 fiscal year -----	127,458

Increase (97.9 percent) -----	\$124,814
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Increase to maintain existing level of service ----	\$124,814
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<b>TOTAL RECOMMENDED REDUCTION</b> -----	None
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Bureau of Electronic Repair Dealer Registration—Continued  
ANALYSIS

The Bureau of Electronic Repair Dealer Registration administers the act which regulates service dealers engaged in the repair, servicing or maintenance of television, radio or phonographic equipment normally used or sold for use in the home.

The bureau is managed by a chief, appointed by the Governor with the consent of the Senate and supervised by the department director. Within the bureau is an advisory committee of five members appointed by the Governor. Three members represent the public and two represent the regulated industry.

The bureau was established by Chapter 1492, Statutes of 1963, effective September 20, 1963. It is to be terminated on September 20, 1965, in accordance with the provisions of Section 9880 of the Business and Professions Code.

January 1, 1964, was set as the date after which it is to be unlawful to act as a service dealer without having registered as provided in the act. Offenses against the act are misdemeanors. The director of the department is given broad powers to promulgate rules, gather evidence, make investigations, distribute copies of the act, enforce the law and prepare an annual roster for which a charge may be made. Income for support of the bureau is to be derived from registration fees. The act provides that all costs are to be borne by the Electronic Service Dealer Registration Fund. Money in excess of a year and a half's operating cost is to be transferred to the General Fund.

The bureau proposes to expend \$252,272 for its operations during fiscal year 1964-65, an increase of \$124,814 or 97.9 percent over estimated expenditures for the portion of the current year since the establishment of the agency.

Workload has been estimated by the bureau at 10,000 registrants for the initial registration in the current year and at 10,750 for the budget year. Registration must be renewed annually.

Personal Services

Board member—per diem (budget page 614, line 17)	\$1,500
1 Chief (budget page 614, line 18)	11,520
1 Assistant chief (budget page 614, line 19)	9,948
1 Senior stenographer (budget page 614, line 20)	5,832
1 Senior clerk (budget page 614, line 21)	5,832
4 Intermediate typist-clerks (budget page 614, line 22)	20,112
0.5 Temporary help (budget page 614, line 23)	2,500

The listed positions have been established administratively for the current year and are now requested for authorization on a workload basis.

Operating Expenses

Two items of operating expense are to be noted. Provision is made for publication of the roster required by the act under an amount of \$8,000 for printing.

**Professional and Vocational Standards**

**Items 233-234**

**Bureau of Electronic Repair Dealer Registration—Continued**

The equivalent of 10 field investigative positions is provided in the request of \$120,000 for field services. Thus, the total number of personnel licensing dealers and enforcing the laws pertaining to electronic repair dealers will be 18.5 positions.

**Equipment**

Except for one undercover station wagon, the equipment item is composed of office furnishings for bureau personnel.

Since the operation of this bureau is new and without an accumulation of background, we must wait until experience is acquired before complete judgment may be expressed on bureau needs.

*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 .....	\$84,482
Estimated to be expended in 1963-64 fiscal year .....	83,663
<hr/>	
Increase (0.9 percent) .....	\$769
Increase to maintain existing level of service.....	\$769

**TOTAL RECOMMENDED REDUCTION**..... **None**

The Board of Funeral Directors and Embalmers examines, licenses and regulates funeral directors and embalmers and administers an apprentice embalmer program. The board consists of five licensees and one lay member all appointed by the Governor. Licenses issued by this board are renewed biennially.

Expenditures proposed by this board for fiscal year 1964-65 amount to \$84,432. This is an increase of \$769 or 0.9 percent over estimated expenditures for the current year.

*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 616

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

Amount requested .....	\$521,803
Estimated to be expended in 1963-64 fiscal year.....	503,692
<hr/>	
Increase (3.6 percent) .....	\$18,111
Increase to maintain existing level of service.....	\$18,111

**TOTAL RECOMMENDED REDUCTION**..... **\$1,443**

**Item 234**

**Professional and Vocational Standards**

**Bureau of Furniture and Bedding Inspection—Continued**

**Summary of Recommended Reductions**

	<i>Budget</i>		
	<i>Amount</i>	<i>Page</i>	<i>Line</i>
0.3 Temporary help -----	\$1,443	616	78

**ANALYSIS**

The Bureau of Furniture and Bedding Inspection licenses and regulates the manufacturers, processors, and sellers of articles of furniture and bedding and, under Chapter 2141, Statutes of 1963, the manufacturers and sellers of stuffed, padded or lined toys.

The bureau is managed by a chief who is appointed by the Governor and supervised by the department director. Within the bureau is an eight-member advisory board appointed by the Governor. Members of the board represent the various segments of the regulated industry and the public. Licenses issued by the bureau are renewable on a biennial basis.

As part of its activity the bureau maintains a testing laboratory which also performs services for the State's purchasing division.

For its operations during the 1964-65 fiscal year the bureau has budgeted the sum of \$521,803, an increase of \$18,111 or 3.6 percent over estimated expenditures during the current year.

**Personal Services**

<i>Board members—per diem (budget page 616, line 77)</i> -----	\$350
<i>0.3 Temporary help (budget page 616, line 78)</i> -----	1,443

Additional per diem is requested to provide compensation for a new member of the advisory board representing stuffed toy manufacturers added by Chapter 2141, Statutes of 1963. Such request conforms to departmental practice with reference to all boards.

The request for temporary help is based on a reported need for extra help during the biennial license renewal period.

*We recommend deletion of the requested temporary help item for a saving of \$1,443.*

The bureau presently has at least five stenographic and clerical positions located in Sacramento and authorized temporary help in the sum of \$1,057. By its own estimates it appears that bureau workload has not increased appreciably in recent years. No staffing is requested for the stuffed toy licensing program since workload in this area is as yet unknown. The bureau goes into its second biennial licensing period during the budget year. Since the staff already authorized handled the last licensing rush and workload has remained level, we see no valid reason for added temporary help for licensing purposes. One of the reasons which brought about biennial licensing was the anticipated saving of money and staff time.

**Operating Expenses**

With pro rata charges for the services of the Attorney General budgeted at \$745; for hearing officers of the Office of Administrative Procedure at \$450; and services of the Division of Investigation at \$280,678 for a total of \$281,873; we find that the cost of "policing"

**Bureau of Furniture and Bedding Inspection—Continued**

the industry for complaint and disciplinary purposes is 54 percent of the total estimated cost of operating the agency during the budget year. More than a half of each dollar collected from licensees is devoted to insuring that licensees observe the law. In our judgment the cost of this service is becoming excessive in relation to the other activities of the bureau.

**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 .....	\$2,495
Estimated to be expended in 1963-64 fiscal year .....	2,489
<hr/>	
Increase (0.2 percent) .....	\$6
Increase to maintain existing level of service .....	\$6

**TOTAL RECOMMENDED REDUCTION**.....Transfer function

**ANALYSIS**

The Board of Guide Dogs for the Blind examines, licenses and regulates guide dog trainers and guide dog schools. The board consists of seven members appointed by the Governor. One member must be superintendent of the school for the blind and another the head of vocational rehabilitation in the State. Staff for the board is provided by the Department of Professional and Vocational Standards and the Department of Rehabilitation. There are reported to be 19 licenses in effect. This is a General Fund agency.

Expenditures proposed for this board for fiscal year 1964-65 amount to \$2,495, an increase of \$6 or 0.2 percent over estimated expenditures for the current year.

*Once again we renew our recommendation that this agency be abolished as a separate entity and that its licensing and regulatory functions be attached either to the Department of Rehabilitation or the Department of Social Welfare, both of which have responsibilities relating to the blind.* The annual budget requirements of this agency are small. We can find no compelling reason why it should be continued as a separate General Fund unit.

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 .....	\$24,307
Estimated to be expended in 1963-64 fiscal year .....	24,047

Increase (1.1 percent) .....	\$260
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Increase to maintain existing level of service.....	\$260
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TOTAL RECOMMENDED REDUCTION .....	None
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ANALYSIS

The Board of Landscape Architects has the responsibility of examining, licensing and regulating landscape architects in California. Its licenses are renewable on a biennial basis. The board consists of five professional members and one lay member all appointed by the Governor.

Administrative functions of the board are combined with those of the shorthand reporters, examiners in veterinary medicine and yacht and ship brokers. The current staff serving these four boards consists of four persons. Costs of administration are pro-rated between the four boards.

The board purposes to expend \$24,307 during fiscal year 1964-65, an increase of \$260 or 1.1 percent over estimated expenditures for the current year.

The principal item of increase in the budget request is for this board's share of the salary of a new intermediate typist-clerk position which is to work for all four boards. Salary cost is partially offset by reduction in the temporary help item. The position is requested on the basis of increased workload.

*We recommend approval as budgeted.*

Department of Professional and Vocational Standards

BUREAU OF MARRIAGE COUNSELORS

ITEM 237 of the Budget Bill

Budget page 620

FOR SUPPORT OF THE BUREAU OF MARRIAGE COUNSELORS  
FROM THE MARRIAGE COUNSELORS FUND

Amount requested .....	\$1,775
Estimated to be expended in 1963-64 fiscal year .....	2,495

Decrease (28.8 percent) .....	\$720
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TOTAL RECOMMENDED REDUCTION .....	None
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ANALYSIS

The Bureau of Marriage Counselors is newly established in the Department of Professional and Vocational Standards with initial registration of counselors set for January 1, 1964, pursuant to the

**Bureau of Marriage Counselors—Continued**

requirements of Chapter 1823, Statutes of 1963. According to Chapter 1823, the director of the department, under such rules as may be promulgated, is authorized to license marriage counselors who desire to advertise their services and who otherwise qualify under terms of the chapter. Fees provided by the Act cover licensing, renewals on a biennial basis, and delinquency penalties.

Expenditures proposed for this bureau for fiscal year 1964-1965 total \$1,775 which is \$720 or 28.8 percent less than the amount estimated for expenditure since the effective date of the legislation on September 20, 1963.

There is currently no basis upon which to make a solid estimate of the number of individuals who may seek licensure under the provisions of Chapter 1823. Workload and expenditures based thereon must await experience before they can be stabilized.

The budget request does not include any personnel to staff the bureau. Clerical services are to be provided by existing authorized positions in the department until staffing needs can be determined. The program will be administered by the Board of Social Work Examiners under contract with the department.

*We recommend approval as budgeted.*

**Department of Professional and Vocational Standards**

**BOARD OF MEDICAL EXAMINERS**

ITEMS 238, 239 and 240 of the Budget Bill

Budget page 621

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

Amount requested .....	\$631,397
Estimated to be expended in 1963-64 fiscal year .....	662,187
Decrease (4.6 percent) .....	<u>\$30,790</u>

**TOTAL RECOMMENDED REDUCTION**..... None

**ANALYSIS**

The Board of Medical Examiners examines, licenses and regulates the practice of physicians and surgeons, drugless practitioners, podiatrists, naturopaths, midwives, dispensing opticians, psychologists, registered physical therapists and licensed physical therapists.

The board of 12 members consists of 10 licensees, one public member and one member representing the group which elected to use the title M.D. rather than D.O. This latter board membership is to terminate on January 15, 1971. All members are appointed by the Governor.

Within the board's jurisdiction are three Governor-appointed examining committees each containing a lay member. These committees are the following: Podiatry Examining Committee—six members; Psychology Examining Committee—eight members; and the Physical Therapy Examining Committee—five members.

**Item 241**

**Professional and Vocational Standards**

**Board of Medical Examiners—Continued**

The board administers two funds. The Medical Examiners' Contingent Fund covers activities under the Medical Practice Act and the registered physical therapist program. The Physical Therapy Fund finances licensed physical therapist activity.

During fiscal year 1963-64, the board proposes to expend the sum of \$631,397, a decrease of \$30,790 or 4.6 percent below estimated expenditures for the current year.

The board's basic workload continues to grow at a steady annual pace. The reduction in expenditures during the budget year reflects the effect of two factors, one, a drop of \$52,822 in proposed printing costs since no directory is to be published in the budget year; and, two, a downward estimate of the workload costs related to the absorption of the 2,547 licensees who formerly practiced under the jurisdiction of the Board of Osteopathic Examiners.

We call attention to the fact that estimated biennial expenditures for support of the registered physical therapist program exceed estimated biennial income to the Medical Examiners' Contingent Fund for that purpose. Revenues collected under the registered physical therapy program are deposited in the Medical Examiners' Contingent Fund but are accounted for separately. Section 2614 of the Business and Professions Code requires that all costs of the registered physical therapy program be met only out of revenue derived under such program.

Total income from the registered physical therapy activity is estimated for the biennial period 1963-64, 1964-65 at \$30,164. Expenditures for the same period are estimated at \$34,397, a proposed overexpenditure of \$4,233.

*We recommend approval of this item as budgeted.*

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

ITEM 241 of the Budget Bill Budget page 625

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

Amount requested .....	\$569,018
Estimated to be expended in 1963-64 fiscal year .....	524,595
Increase (8.5 percent) .....	\$44,423
Increase to maintain existing level of service.....	\$44,423
<b>TOTAL RECOMMENDED REDUCTION.....</b>	<b>\$3,000</b>

**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
Traveling—in-state .....	\$3,000	625	64

**ANALYSIS**

The Board of Nursing Education and Nurse Registration establishes courses of study for schools of nursing, examines and licenses nurses

## Board of Nursing Education and Nurse Registration—Continued

and regulates the practice of nursing by registered nurses within the State. The board consists of five licensees and one member representing the public, all appointed by the Governor. Licenses issued by this board are renewable biennially on the birthdate of the licensee.

During fiscal year 1964-65, the board proposes to spend \$569,018, an increase of \$44,423 or 8.5 percent over estimated expenditures for the current year.

## Personal Services

<i>Board member—per diems (budget page 625, line 49)</i> -----	\$2,700
<i>1 Senior clerk (budget page 625, line 50)</i> -----	5,556
<i>2 Intermediate typist-clerk (budget page 625, line 51)</i> -----	8,688
<i>0.3 Temporary help (budget page 625, line 52)</i> -----	1,304

The agency proposes the extra board member per diems to cover full attendance at all board and committee meetings.

The three clerical positions and the provision for added temporary help are requested by the agency on the basis of increased clerical workload related to the processing of applications and licenses. In total number of licenses this board is the largest in the Department of Professional and Vocational Standards. We have reviewed the workload projections and they appear reasonable.

*We recommend approval of the proposed new positions and per diem amount as budgeted.*

## Operating Expenses

The agency proposes to approximately double its printing costs during the budget year. The added amount will cover costs of publishing board rules and regulations.

With the exception of traveling—in-state, the remaining operating expense items reflect the projected workload increase.

*Traveling—in-state (budget page 625, line 64)*-----\$33,117

During fiscal year 1964-65 the agency proposes to expend \$33,117 for traveling—in-state, an increase of \$13,155 or 66 percent over actual expenditures for the most recently completed fiscal year of 1962-63.

According to the information supplied by the agency, it appears that an extra amount is added in the request to cover travel allowance for one position not filled in the current year and to cover full attendance at board and committee meetings. The price letter issued by the Department of Finance notes an increase in travel costs for the budget year of 7 percent.

Allowing for the extra travel by staff and board members and the 7-percent cost increase, it appears to us that the amount budgeted by the agency is excessive.

*We recommend the deletion of \$3,000 from this item to reduce it to \$30,117.*

## Board of Nursing Education and Nurse Registration Fund

While licenses issued by this board are renewed biennially, income to the fund administered by the board must be considered on an annual basis since by law one-half of the licenses become due each year. On

Board of Nursing Education and Nurse Registration—Continued

this type of annual basis the estimated expenditures by the board for the current year and the proposed expenditures for the budget year both exceed estimated income for the respective fiscal years in question. The accumulated fund surplus estimated as of June 30th for fiscal years 1963-64 and 1964-65 shows a downward trend. This trend must be checked if the fund is to remain solvent.

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

ITEM 242 of the Budget Bill Budget page 626

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

Amount requested .....	\$65,378
Estimated to be expended in 1963-64 fiscal year .....	63,992
<hr/>	
Increase (0.2 percent) .....	\$1,386
Increase to maintain existing level of service .....	\$1,386

**TOTAL RECOMMENDED REDUCTION**..... None

**ANALYSIS**

The Board of Optometry examines, licenses and regulates optometrists and the practice of optometry. It also accredits schools teaching optometry. Board licenses are renewed on a biennial basis. The board consists of six members appointed by the Governor. Five of the members are selected from the profession and one member represents the public.

Expenditures proposed by this board for fiscal year 1964-65 total \$65,378, an increase of \$1,386 or 0.2 percent over estimated expenditures for the current year.

The increase requested maintains the current level of service provided by this board.

*We recommend approval as budgeted.*

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

ITEM 243 of the Budget Bill Budget page 628

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

Amount requested .....	\$22,876
Estimated to be expended in 1963-64 fiscal year .....	30,228
<hr/>	
Decrease (24.3 percent) .....	\$7,352

**TOTAL RECOMMENDED REDUCTION**..... None

**ANALYSIS**

The Board of Osteopathic Examiners is now essentially a caretaker organization whose functions since November 1962 are to renew the

Board of Osteopathic Examiners—Continued

licenses of those doctors of osteopathy who did not become medical doctors and to continue regulation of the declining number of osteopathic licentiates estimated for the budget year at 400. The board consist of five osteopathic graduates appointed by the Governor.

Expenditures proposed by the board for fiscal year 1964-1965 total \$22,876, a decrease of \$7,352 or 24.3 percent under estimated expenditures for the current year.

Positions have been reduced from 5.9 authorized to 1.1 and the cost of personal services has been reduced accordingly. The board became part of the Department of Professional and Vocational Standards to avail itself of "housekeeping" services.

One major item of operating expense is for services of the department's investigative division which must be continued as long as the need for regulation continues.

Since no new licenses may be issued, the number of licensees will decline year by year through attrition. Income to the board's fund will also decline. Out of total resources available in fiscal year 1962-63, it is estimated that even with fees collected, the balance in the board's surplus will have fallen to \$16,184 at the end of the budget year.

Since regulation of licensees must be maintained as long as any one is in regular practice, it is likely that in the face of declining fund income the General Fund will eventually be called upon to defray a portion of the cost of operation of this board. When the number of licensees declines to 40, administration of the program is to be transferred to the Board of Medical Examiners.

*We recommend approval of the item as budgeted.*

Department of Professional and Vocational Standards  
BOARD OF PHARMACY

ITEM 244 of the Budget Bill

Budget page 629

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

Amount requested .....	\$448,740
Estimated to be expended in 1963-64 fiscal year .....	426,737
<hr/>	
Increase (5.2 percent) .....	\$22,008
Increase to maintain existing level of service .....	\$12,055
Increase for new service .....	9,948
<b>TOTAL RECOMMENDED REDUCTION .....</b>	<b>\$9,948</b>

Summary of Recommended Reductions

	<i>Budget</i>		
	<i>Amount</i>	<i>Page</i>	<i>Line</i>
1 Assistant secretary .....	\$9,948	629	77

ANALYSIS

The Board of Pharmacy examines, licenses and regulates pharmacists and pharmacies, the manufacturers and wholesalers of drugs, general dealers in and itinerant vendors of drugs. The board also issues

## Board of Pharmacy—Continued

permits for hypodermics and licenses and regulates the sale of poisons and dangerous drugs throughout the State. The board, which is appointed by the Governor, consists of seven licensed pharmacists and one member representing the public. Some of the licenses issued by the board are renewable on a biennial basis; others are renewable on an annual basis.

The pharmacy board proposes to spend the sum of \$448,740 during fiscal year 1964-65, an increase of \$22,003 or 5.2 percent over estimated expenditures for the current year.

## Personal Services

1 Assistant secretary (budget page 629, line 77) \_\_\_\_\_ \$9,948

In its statement proposing the new position, the board states that it will correct a staffing deficiency. There are presently two supervising inspectors in the agency supervising 11 inspectors divided between Northern and Southern California. The board states that pharmacy law has recently become so complex that the supervisors must spend much time in the two board offices answering technical questions rather than inspecting establishments and supervising assigned inspector personnel. It appears that the assistant chief would contribute added inspection and supervision time.

We recommend deletion of the proposed position for a saving of \$9,948.

The same position was proposed in the current budget but on the ground that the executive secretary would be freed to discuss pharmacy problems with local associations and law enforcement officials. The position was denied by the Legislature.

With the title of Area Administrator, the board's secretary serves as the department director's representative in the department's San Francisco office. The secretary spends 2.4 months a year in this special capacity for which service the board will be reimbursed in the sum of \$1,800 during the current year.

We repeat here what we said a year ago: "We suggest that the board require its secretary to devote full time to Pharmacy Board activities in an effort to raise the existing level of service before asking for an additional full-time administrative position for a staff of 24 persons of whom 4 are in supervising positions already."

We note further that this board uses the department's Division of Investigation for case investigations but reserves to its group of inspectors the visits to stores, manufacturers, and others within its jurisdiction to insure compliance with the law. From fiscal year 1960-61 through the budget year, the board's own report of the number of its licenses shows a net gain of only eight licensees. This does not appear to us as a situation reflecting increasing workload. Dangerous drug laws have been on the statute books for many years. We are not able to find increased inspector workload requiring increased supervision, particularly since the number of board licensees remains substantially the same.

Board of Pharmacy—Continued

Fund Condition

We call particular attention to the estimated condition of the Pharmacy Board Contingent Fund as of the end of the budget year—fiscal 1964-65. The estimated surplus at the beginning of that year is \$247,863. At the end of the year it is estimated to be \$85,957. As we calculate biennial income, it appears that this board's expenditures presently are exceeding its income. We suggest, therefore, either a reduction in the level of expenditure or an increase in license fees to insure continual self-support by this agency.

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

ITEM 245 of the Budget Bill

Budget page 631

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

Table with 2 columns: Description and Amount. Rows include: Amount requested (\$158,064), Estimated to be expended in 1963-64 fiscal year (\$156,465), Increase (1.0 percent) (\$1,599), and Increase to maintain existing level of service (\$1,599).

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

The Bureau of Private Investigators and Adjusters examines, licenses and regulates private detectives, insurance adjusters and repossessors, and registers certain employees of those licensees.

The bureau operates under the direction of a part-time chief who is appointed by the Governor and supervised by the director of the department. The bureau chief also operates the Collection Agency Licensing Bureau. That bureau pays half of the salary of the chief as shown by the reimbursement item of the budget request. Licenses issued by the bureau are renewed on a biennial basis.

During fiscal year 1964-65 this bureau proposes to spend \$158,064, an increase of \$1,599 or 1 percent over estimated expenditures for the current year.

The principal portion of the increase is for merit salary raises.

The budget request shows that 87.55 percent of the proposed expenditure for fiscal year 1964-65 is included within three items listed below:

Table with 3 columns: Item, Amount, and Percent. Rows include: Personal services (\$53,363, 33.76%), Administrative pro rata charges (14,956, 9.46%), Investigations and disciplinary activities (70,083, 44.33%), and Totals (\$138,402, 87.55%).

## Bureau of Private Investigators and Adjustors—Continued

## Personal Services

The staff of this agency is authorized at 7.1 positions. With the exception of the chief and his assistant, the positions are clerical in nature. The number of licensees has not increased in recent years. The ratio of clerks to licensees is approximately 1 to 300 which is lower than many others in the department.

## Administrative Pro Rata Charges

Pro rata charges for the budget year are estimated as follows:

<i>Item</i>	<i>Amount</i>
Departmental Administration .....	\$10,700
General Administration .....	4,256
<b>Total</b> .....	<b>\$14,956</b>

## Investigations and Disciplinary Activities

It is clear that the cost of investigations, hearings and related activities within this bureau is substantial. The cost of such activity is shown below:

<i>Item</i>	<i>Cost</i>
Division of Investigation .....	\$39,643
Attorney General—pro rata charge .....	19,130
Administrative Procedure—pro rata charge .....	11,310
<b>Total</b> .....	<b>\$70,083</b>

The cost of investigation and disciplinary activities amounts to 44.33 percent of the total cost of operation of the bureau. This represents an exceedingly high percentage for the policing activity of the bureau.

The agency has an increasing fund problem which is apparent from the following table:

<i>Fiscal Year</i>	<i>Income</i>	<i>Expenditures</i>	<i>Excess Expenditure Over Income</i>	<i>Fund Surplus</i>
1959-60 .....	\$45,195	\$100,747	\$55,552	\$116,510
1960-61 .....	62,795	95,528	32,733	86,668
1961-62 .....	103,991	122,493	18,502	64,104
1962-63 .....	180,680*	139,286	—41,394	107,152
1963-64 est. ....	34,080	156,465	122,385	—15,233†
1964-65 est. ....	191,156	158,064	—33,092	17,859

\* First revenue received on biennial basis.

† Loan from General Fund will be required to finance operations until 1964-65 biennial revenues are received during July 1964.

With the exception of fiscal year 1962-63, the first year of the biennial period and the budget year of 1964-65, the first year of the second biennial period annual expenditures by this bureau have exceeded annual income. Total biennial income for the period 1962-64 averaged \$107,380 a year with annual expenditures for the same period averaged at \$147,875 a year.

It becomes essential that revenues be stabilized at a higher level or that expenditures by the bureau be reduced to stay within income if this agency is to become self-supporting once again.

*We recommend approval as budgeted.*

Department of Professional and Vocational Standards

CERTIFIED SHORTHAND REPORTERS' BOARD

ITEM 246 of the Budget Bill

Budget page 632

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

Amount requested -----	\$26,141
Estimated to be expended in 1963-64 fiscal year -----	24,828
<hr/>	
Increase (5.3 percent) -----	\$1,313
Increase to maintain existing level of service -----	\$1,313

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS

The Certified Shorthand Reporters' Board examines, certifies and regulates shorthand reporters who serve the courts, commissions, and other bodies where a record is kept which may later be publicly reported. The board is composed of two lawyers and three licensees all appointed by the Governor. Licenses are renewable on a biennial basis.

This agency combines its administrative functions on a shared cost basis with the landscape architects, examiners in veterinary medicine and yacht and ship brokers.

Expenditures proposed by this board for fiscal year 1964-65 total \$26,141, an increase of \$1,313 or 5.3 percent over estimated expenditures for the current year.

The total staff serving all four boards consists of four positions. Workload increases are offered in justification for one new clerical position which is to serve the four boards. Chapter 1703, Statutes of 1963, removes residential qualifications for licensure by this board. As a result it is anticipated that the board's application and examination workload will increase substantially since there is a current scarcity of shorthand reporters.

Principal items of increase are for a share of the clerical salary; for one out-of-state trip; and for equipment which will be utilized by the boards under the sharing arrangement. A reduction in the temporary help item is to offset costs for this board's share of the salary of the proposed new position.

*We recommend approval as budgeted.*

Department of Professional and Vocational Standards

BOARD OF SOCIAL WORK EXAMINERS

ITEM 247 of the Budget Bill

Budget page 634

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

Amount requested -----	\$33,793
Estimated to be expended in 1963-64 fiscal year -----	35,667
<hr/>	
Decrease (5.3 percent) -----	\$1,874

TOTAL RECOMMENDED REDUCTION ----- None

Board of Social Work Examiners—Continued

ANALYSIS

The Board of Social Work Examiners administers a noncompulsory program of registration and certification of social workers. The board is composed of seven members appointed by the Governor with the consent of the Senate. Two of the members must be lay persons, the remainder must be registered social workers. Registration is renewed annually.

The board proposes to spend \$33,793 during fiscal year 1964-65, a decrease of \$1,874 or 5.3 percent under estimated expenditures for the current year.

The reduction in proposed expenditures for the budget year results from the fact that no directory of members is to be published during 1964-65.

We call attention to the fact that revenue to the fund administered by this board is declining. Expenditures for the budget year, in spite of the 5.3 percent reduction, will exceed estimated income for that year. The board must continue to decrease annual expenditures or seek a revenue increase if it is to remain self supporting.

*We recommend approval as budgeted.*

Department of Professional and Vocational Standards

STRUCTURAL PEST CONTROL BOARD

ITEM 248 of the Budget Bill

Budget page 635

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

Amount requested	-----	\$417,948
Estimated to be expended in 1963-64 fiscal year	-----	310,940
Increase (34.4 percent)	-----	\$107,008
Increase to maintain existing level of service	-----	\$45,394
Increase for new service	-----	61,614

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS

The Structural Pest Control Board examines, licenses and regulates operators, salesmen and establishments engaged in the control of structural pests. The board is composed of five licensees of the board and a member representing the public, all appointed by the Governor. Licenses issued by this board must be renewed annually.

Legislation enacted in 1961 increased the board's responsibility by requiring the filing of every operator's inspection report with the board and providing that certified copies could be secured by real estate brokers and escrow holders. The activity was supported by a schedule of fees and the Legislature at that time provided 13½ positions and temporary help to the board to handle the new responsibility.

## Structural Pest Control Board—Continued

Chapter 1960, Statutes of 1963, further extended the program by requiring work completion reports to be filed by all operators and providing that any one interested might secure certified copies of reports on payment of required fees. Four and seven-tenths positions were provided administratively during the current year to implement beginnings of the latest program.

The board proposes to expend the sum of \$417,948 during fiscal year 1964-65, an increase of \$107,008 or 34.4 percent over estimated expenditures for the current year.

## Personal Services

Board members—per diem (budget page 636, line 17)-----	\$350
1 Supervising clerk II (budget page 636, line 18)-----	6,432
7 Intermediate clerks (budget page 636, line 19)-----	29,694
2 Temporary help (budget page 636, line 20)-----	8,484

Information supplied by the board indicates that the added amount of per diem for board members reflects experience and is not a new level of board meeting attendance.

The board states that the staff has reached a size where it is no longer possible for the registrar to provide continuous supervision and that a supervising clerk position is required. With the addition of the clerical position proposed in the budget year there will be approximately 15 clerical positions on the board staff. The supervising clerk position and the registrar will be the only supervising personnel over these positions.

The board proposes the use of the requested clerk positions as follows: three to search files and provide certified copies of reports; one to carry forward the file purging job required by law; three clerks and the temporary help to handle completion report filing.

In addition to these positions, two operating expense items are increased to provide added staff in other sections of the department. Two structural pest control investigators costing \$12,864 would be added to the Division of Investigation and one key punch operator at \$4,140 to the department's data processing section to handle the workload generated by the board's new program. These positions bring the total new position request to 13.

The number of licensees of this board and the applicants for licensure show a normal growth over the most recently completed three-year fiscal period. The number of reports filed and certified copies requested, however, show an approximate 50 percent gain over the first year of the program. On the basis of these completed figures, the board's estimates of this portion of the budget year mandatory workload appear reasonable.

*We recommend approval as budgeted.*

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

ITEM 249 of the Budget Bill

Budget page 637

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

Amount requested .....	\$39,364
Estimated to be expended in 1963-64 fiscal year .....	37,965
Increase (3.7 percent) .....	\$1,399
Increase to maintain existing level of service.....	\$1,399

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Board of Examiners in Veterinary Medicine examines and licenses veterinarians and regulates the practice of veterinary medicine in this State. The board consists of five members licensed by the board and one public member all appointed by the Governor. Licenses issued by this board are renewable biennially.

Together with the boards regulating landscape architects, shorthand reporters and yacht and ship brokers, this board shares a common administrative arrangement. The equivalent of four full-time positions is part of that arrangement.

The expenditure of \$39,364 is proposed by the board for fiscal year 1964-65, an increase of \$1,399 or 3.7 percent over estimated expenditures for the current year.

It is anticipated that the increase in fees provided by Chapter 594, Statutes of 1963, will cure the financial stringency which beset the Veterinary Examiners' Contingent Fund during the last fiscal year.

Principal items of increase in the budget request are this board's share of salary cost for a new clerical position to be used by the four cooperating boards noted above and for added equipment to be employed likewise. The position request is based on reported workload increases.

*We recommend approval as budgeted.*

Department of Professional and Vocational Standards  
BOARD OF VOCATIONAL NURSE EXAMINERS

ITEM 250 of the Budget Bill

Budget page 638

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

Amount requested .....	\$150,444
Estimated to be expended in 1963-64 fiscal year .....	142,488
Increase (5.6 percent) .....	\$7,956
Increase to maintain existing level of service.....	\$7,956

TOTAL RECOMMENDED REDUCTION..... None

Board of Vocational Nurse Examiners—Continued  
ANALYSIS

The Board of Vocational Nurse Examiners administers the Vocational Nursing Practice Act under which nursing schools are approved, nurse applicants are examined and licensed and the practice of the vocation is regulated.

The board consists of a doctor, a registered nurse, a hospital administrator, a public school administrator, five licensed vocational nurses, and two psychiatric technicians, all appointed by the Governor.

The psychiatric technicians were added to the board by Chapter 2048, Statutes of 1963. This board has the responsibility for administering a voluntary certification program for psychiatric technicians. The program was established by legislation in 1959, but became inactive in fiscal year 1962-63 due to lack of income from licensees.

Expenditures proposed for the vocational nurse program for fiscal year 1964-65 total \$150,444, an increase of \$7,956 or 5.6 percent over estimated expenditures for the current year.

The requested increase is based on workload. More per diems are required due to the addition of the two new board members and the fact that more examination proctors will be used due to the increase in number of applicants. Increases in operating expense items are related directly to the number of applicants, meetings, and licensing. Actual experience beginning with fiscal year 1960-61 carried into projections for the budgeted year shows a better than 45-percent growth in the number of licensees and a better than 80-percent growth in the annual number of those applying for licensing.

We call attention to the fact that biennial license renewal calculations indicate that annual expenditures from the Vocational Nurse Examiners' Fund are exceeding income to the fund averaged on an annual basis. The estimated accumulated surplus in the fund on July 1, 1964, will amount to \$82,445, slightly more than enough to cover expenditures at the current rate for six months only.

*We recommend approval of this item as budgeted.*

Department of Professional and Vocational Standards  
YACHT AND SHIP BROKERS' COMMISSION

ITEM 251 of the Budget Bill

Budget page 641

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

Amount requested .....	\$23,704
Estimated to be expended in 1963-64 fiscal year .....	23,734
Decrease (0.1 percent) .....	\$30

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Yacht and Ship Brokers' Commission examines, classifies and licenses brokers and salesmen and administers the law regulating practices of yacht and ship brokers and salesmen. The commission is com-

## Yacht and Ship Brokers' Commission—Continued

posed of four licensees and one public member all appointed by the Governor. Licenses are renewed on an annual basis.

Administrative functions of the commission are combined with those of agencies licensing landscape architects, shorthand reporters, and veterinarians. As part of the arrangement four positions are shared jointly.

During fiscal year 1964-65 the commission has budgeted \$23,704 for expenditure, a decrease of \$30 or 0.1 percent below estimated expenditures for the current year.

The commission's share of the salary of a one clerical position request made jointly by the four cooperating boards is offset by some reduction in the temporary help item. The principal decrease for the budget year is in the item for equipment.

*We recommend approval of this item as budgeted.*

## PUBLIC UTILITIES COMMISSION

ITEM 252 of the Budget Bill

Budget page 643

FOR SUPPORT OF THE PUBLIC UTILITIES COMMISSION  
FROM THE GENERAL FUND

Amount requested .....	\$4,363,194
Estimated to be expended in 1963-64 fiscal year .....	4,094,401
Increase (6.6 percent) .....	\$268,793

Increase to maintain existing level of service..... \$268,793

**TOTAL RECOMMENDED REDUCTION .....** \$12,300

## Summary of Recommended Reductions

	Amount	Page	Line
1 Assistant secretary .....	\$7,800	644	24
1 Intermediate stenographer .....	4,500	649	66

## ANALYSIS

The Public Utilities Commission is charged under the Constitution and provisions of the Public Utilities Code with the regulation of certain privately owned utilities and with securing adequate service to the public at rates which are reasonable both to customers and owners of the utilities.

The commission is composed of five members, appointed by the Governor with the consent of the Senate, for terms of six years.

The commission reports that it has under regulation more than 1,500 companies including those providing services of gas, electricity, water, telephones, telegraph. Included also are railroads, buses, trucks and vessels transporting passengers or freight for hire, warehousemen, wharfingers, pipelines companies, and airlines operating intrastate.

An extensive technical staff is provided for the commission and is divided into the following divisions: administration, utilities, finance and accounts, transportation, legal and examiner. The commission as a body is both a department administrator and a combined legislative-judicial agency. We have recommended many times that the organi-

**Public Utilities Commission—Continued**

zation structure of the commission be improved by interposing an executive officer between the commissioners and staff groups.

Activities of the commission are financed both from the General Fund and the Transportation Rate Fund. The Transportation Rate Fund, as changed by Chapter 1756, Statutes of 1963, is composed of a \$4 quarterly payment from all carriers of property for hire plus a one-third of one percent charge against gross earnings of highway carriers. The budget request of the commission proposes to allocate 48.3 percent of the expenditures for support during the budget year to the Transportation Rate Fund.

Expenditures from all funds proposed by the Public Utilities Commission for fiscal year 1964-65 total \$8,454,471, an increase of \$569,650 or 7.2 percent over estimated expenditures for the current year.

Wage, salary, retirement and health and welfare benefits proposed for the budget year amount to \$6,925,208, an increase of \$312,005 or 4.7 percent over current year estimates. Included in the increase is a request by the commission for 51 new positions. We note that personal services in this agency account for about 81 percent of budgeted expenditures with operating expenses scheduled at approximately 18 percent and equipment costs at one percent.

Operating expenses for the budget year are estimated at \$1,543,350, an increase of \$152,610 or 11 percent over estimated expenditures for the current year. The commission estimates equipment expenditures for the budget year at \$85,913, an increase of \$27,835 over current year estimates.

Reimbursements for reporting services to litigants are estimated at \$100,000 for the budget year. This amount should be added to the budget year's cost of operation in order to obtain a true total cost figure since it has been deducted from proposed budget costs.

The commission estimates that it will collect revenues from various fees and document sales during fiscal year 1964-65 amounting to \$152,000 which will be remitted to the General Fund.

**ADMINISTRATIVE DIVISION**

The Administrative Division is headed by the commission secretary and has staff responsibility in the following areas: receiving and docketing all filings, arranging meeting agendas, distribution of commission orders and decisions, making formal certificates, accounting and budgeting, business affairs and personnel, supply, mail, duplication of documents, and keeping of records. The Division of Administration has the third largest expenditure program within the commission staff.

During fiscal year 1964-65 the Division of Administration proposes to expend the sum of \$995,232, an increase of \$43,895 or 4.6 percent over estimated expenditures for the current year. Of the total budgeted expenditure, \$447,854 or 45 percent is to be charged to the Transportation Rate Fund.

## Administrative Division—Continued

Proposed for the San Francisco General Office are the following new positions:

1 Assistant secretary (budget page 644, line 24).....	\$7,800
1 Senior stenographer (budget page 644, line 25).....	5,028
1 Intermediate stenographer (budget page 644, line 26).....	4,560

The commission proposes the assistant secretary as an assistant to the existing assistant secretary to aid with the preparation of certifications and with the disposition of official records. The senior stenographer is proposed to serve half-time as one of the commission president's secretarial staff with the remainder of time to be devoted to the requested position of assistant secretary. The intermediate stenographer is requested to provide assistance in the division's personnel section.

We recommend deletion of the requested position of assistant secretary for a saving of \$7,800.

Our objection to the proposed position of assistant secretary is that it further adds to the confused organization structure which presently characterizes the general administrative level of the commission.

Two surveys of commission operations made in 1958 by our office and the Department of Finance in effect recommended the creation of a strong executive officer position which would provide authoritative and unified direction of the commission staff divisions, freeing the commission's attention for its more important duties.

The establishment of a "third level" assistant secretary who will assist an assistant secretary appears to us to provide a high-level position to accomplish a clerical job. Dilution of the assistant secretary's job so that he may devote more attention to administrative responsibilities does not, in our opinion, meet the organization problem which now besets the commission.

## SOUTHERN CALIFORNIA OFFICE

While headquarters offices have long been established by the Public Utilities Commission in San Francisco as required by law, a "district" office for service to the Southern portion of the State is maintained in Los Angeles. Each of the commission's divisions is represented in the Los Angeles office. The office is headed by a director for Southern California. It is estimated that approximately 45 percent of total filings received statewide are filed in the Los Angeles office.

We are informed by the commission that approximately 135 of the agency's currently authorized 734 positions are stationed in Southern California. Of this number approximately 120 are headquartered in Los Angeles. The latter number is approximately 16 percent of the total number of commission authorized staff positions.

The Southern California District Office is not separately identified in the budget document. However, one position is sought for the Division of Administration in Los Angeles.

1 Intermediate clerk (budget page 644, line 28).....	\$4,344
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## Southern California Office—Continued

The position is requested to handle duties now occupying some of the time of technical personnel. The administrative unit staff in the Southern California District has been reorganized during the current year to provide assistance to segments of the commission's other five divisions which are represented at the district level in Los Angeles. The requested new position will assume some of the shifted workload, releasing technical personnel for regular duties. The operating expense item for alterations in the Los Angeles office also results from the reorganization and the establishment of pool operations for clerical administrative staff.

*We recommend approval of the position as requested.*

## UTILITIES DIVISION

To the Utilities Division is assigned staff work with regard to the tariff, service, facility and construction requirements, public safety, valuation certification and status work in connection with the regulation of gas, electric, communications, water and steam heat utilities. The following branches are maintained within the division: gas and electric, gas producer cost, hydraulic, communications, general engineering and the utility consumer service unit. The utility consumer service unit handles most contacts with the public with reference to complaints and disputed bills, rate questions, and requests for information.

In expenditures, this is the commission's second largest division. All division expenditures are charged to the General Fund.

Expenditures proposed for the Utilities Division during fiscal year 1964-65 total \$1,885,324, an increase of \$81,799 or 4.5 percent over estimated expenditures for the current year.

1 Senior utilities engineer (budget page 645, line 29)-----	\$10,968
2 Associate utilities engineer (budget page 645, line 30)-----	18,960
1 Assistant utilities engineer (budget page 645, line 31)-----	7,800
1 Intermediate typist-clerk (budget page 645, line 32)-----	4,344

The senior and assistant engineers and the typist-clerk are requested to handle workload generated by the recently assumed regulation of the Mobile Radiotelephone utilities of which there are currently 44 in the State. Such regulation is one of the staff responsibilities of the division's communications branch.

One associate engineer is requested for the gas and electric branch of the division to handle workload resulting from the establishment and increased use of atomic power in California.

The other associate engineer is sought for the hydraulic branch to assist with workload occasioned by the growth in number and size of water utilities. Workload is expected to continue to increase as the California Water Plan continues to develop.

*We recommend approval of the above positions as requested.*

## FINANCE AND ACCOUNTS DIVISION

The commission's Division of Finance and Accounts has the responsibility of preparing financial analyses, cost of money and rate of return

**Finance and Accounts Division—Continued**

studies as well as the preparation of exhibits for formal rate proceedings. It performs necessary staff work on proposed utility security issues, required accounting procedures, consolidations and mergers and related matters which come before the commission. Utility annual and financial reports are reviewed. Division representatives spend appreciable time in making company audits particularly with respect to returns to the Transportation Rate Fund. Approximately 22 percent of the expenditures made by this division are charged to the Transportation Rate Fund. In terms of annual expenditures, this is the commission's fifth largest staff division.

Proposed expenditures for the Finance and Accounts Division for fiscal year 1964-65 are budgeted at \$531,739, an increase of \$19,175 or 3.7 percent over estimated expenditures for the current year.

2 Accountant I (budget page 646, line 36)..... \$11,664  
 1 Intermediate stenographer (budget page 646, line 37)---- 4,560

The accountant I class is a new one for this division. The positions are requested on a workload basis as a recruiting and training class. Such positions are proposed for the review of annual and financial reports, the compiling of data from these reports, and performance of other less technical but nondeferrable commission staff work. Such use of these positions would release other higher classes of technical personnel from these tasks and permit full attention to their normal professional duties.

The intermediate stenographer position is also sought on a workload basis.

*We recommend approval of the positions as requested.*

**TRANSPORTATION DIVISION**

The Transportation Division is assigned staff work by the commission with reference to cost factors service rates and regulations which apply to the movement of freight and passengers by railroad, highway, airlines, water carriers, express corporations, freight forwarders, warehousemen, wharfingers and carloaders.

Attention within the division is given to tariffs, audits, valuation of utility property, safety of operations, and related matters. The division includes four branches: engineering economics, engineering operations, licensing, and compliance and rate.

Fifteen field offices, several with full-time clerical staff, are maintained by the division. Personnel operating out of these field offices are engaged in securing compliance with the law and with rules and regulations by a system of constant checks upon regulated companies. Accounts of these companies are audited from time to time to insure against irregularities. An additional office is proposed for Oakland.

This division administers a railroad grade crossing protection program and participates with the Division of Highways in a grade separation program, both of which are financed out of State Highway Funds and appear as separate appropriations in the Governor's Budget. Under

## Transportation Division—Continued

these programs the State matches funds with cities and counties to assist with the local agency's share of the improvement costs.

The Transportation Division in terms of number of positions and annual expenditures is the commission's largest. It deals with subject matter which was the first concern of the commission when it was first organized as the California Railroad Commission.

Expenditures proposed for the Transportation Division during fiscal year 1964-65 total \$3,853,555, an increase of \$374,314 or 10.7 percent over estimated expenditures for the current year. Of the total proposed expenditure, it is anticipated that 79.8 percent will be charged to the Transportation Rate Fund.

## Engineering Economics Branch

1 Assistant transportation engineer (budget page 647, line 51) ----- \$7,800

In the material supplied in support of its position request, the commission notes that the number of airlines operating in California has increased recently as has the transportation of passengers and freight. Considerable study is required to determine revenue, expenses and investment properly assignable to intrastate business over which the commission has regulatory powers. The assistant engineer is requested on the basis of this workload increase.

## Engineering Operations Branch—Traffic Engineering Section

1 Supervising transportation engineer (budget page 647, line 54) ----- \$12,696  
 1 Senior transportation engineer (budget page 647, line 56) 10,968  
 2 Associate transportation engineers  
 (budget page 647, line 58) ----- 18,960  
 1 Auditor 1 (budget page 647, line 60) ----- 5,832

The supervising and senior transportation positions are now scheduled for termination on June 30, 1964. These are two of four temporary positions authorized for the commission's rate making automation feasibility study set up by an augmentation to the current budget. The commission requests the extension of the two temporary positions for another year to terminate on June 30, 1965, for completion of the study and pilot tests.

The two associate transportation engineer positions stand at or near the top of the commission's own priority list. They are sought to give attention to deferred studies relative to railroad crossings both public and private, and to the removal of hazards along routes followed by carriers of explosives. Likewise, a high priority is attached to the auditor I position which is scheduled to work with the Grade Crossing Protection Fund.

## Operations Safety Section

1 Associate transportation operations supervisor  
 (budget page 647, line 62) ----- \$9,480  
 3 Assistant transportation operations supervisors  
 (budget page 647, line 64) ----- 23,400

**Transportation Division—Continued**

The requested positions are sought to absorb workload created by the commission's acceptance of safety responsibility for 20,000 nonoperating railroad employees and for the development of safety operations comparable to those provided for 9,500 operating employees.

**Rate Branch**

1 Staff transportation rate expert (budget page 647, line 67)	\$12,076
1 Senior transportation rate expert (budget page 647, line 69)	10,440

The above rate expert positions are now scheduled to terminate June 30, 1964. They are two of the four temporary positions authorized for the commission's rate making automation feasibility study provided by an augmentation of the current budget act. An extension for an additional year to terminate June 30, 1965 is now requested by the commission for the purpose of completing the study and the pilot tests of material accumulated.

**Licensing and Compliance Branch—Licensing Section**

1 Senior clerk (budget page 647, line 73)	\$5,028
1 Intermediate file clerk (budget page 647, line 74)	4,344
1 Intermediate stenographer (budget page 647, line 75)	4,560

The above positions are requested to handle increased workload in the division's mail and clerical pool, to staff the proposed Oakland field office and to provide support for the division's proposed new technical and professional positions.

*We recommend approval of the position requests of the division as budgeted.*

**TRANSPORTATION DIVISION****Feasibility Study****Personal Services**

22 Temporary help (budget page 647, line 76)	\$165,000
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**Operating Expense**

Electronic data processing (budget page 648, line 13)	\$230,000
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The Legislature, at its 1963 General Session, appropriated \$100,000 to the Public Utilities Commission as an augmentation to its support budget, to enter into or contract for study of the feasibility of automating rate studies and converting such study from manual to machine computation. Contract services were to be paid from the Transportation Rate Fund.

The commission has budgeted for fiscal year 1964-65 an item for the equivalent of 22 positions of temporary help and a sum to cover electronic data processing. The temporary positions include such specialties as transportation, rates and research.

During the current year studies have been made under contract and the commission has also used four temporary positions. The budget year temporary positions will be used to complete office and field work on

## Transportation Division—Continued

the feasibility study. The amount of money requested for electronic data processing machine time will provide a pilot study to verify conclusions which have been reached by the project.

*We recommend approval of the feasibility study requests as budgeted.*

## LEGAL DIVISION

The commission's Legal Division is headed by the commission's chief counsel. The division provides staff legal service. Members of the division are assigned to major proceedings before the commission to insure that all essential testimony will be secured. Division representatives appear before state and federal courts in numerous proceedings involving public interest in utility matters. Proposed orders, decisions and proceedings are reviewed. Division personnel are presently engaged in frequent appearances before federal regulatory bodies such as the Interstate Commerce Commission, the Federal Power Commission and the Federal Communication Commission. A number of natural gas issues are still pending. The division, on occasion, offers advice to consumers and to public officials with reference to problems with which the commission is concerned.

This division is the smallest within the commission staff structure in terms of annual expenditure of funds.

Expenditures proposed for this division for fiscal year 1964-65 amount to \$478,104, an increase of \$20,609 or 4.5 percent over estimated expenditures for the current year. Of the total anticipated expenditure, 28.9 percent is to be charged to the Transportation Rate Fund.

1 Senior legal stenographer (budget page 649, line 12)----- \$5,280

The senior legal stenographic position is sought on a workload basis.

*We recommend approval of the position as requested.*

The addition of the stenographic position will bring the ratio to one secretary to three lawyers, a ratio which has been found acceptable in other legal agencies in state government.

## EXAMINER DIVISION

The Public Utilities Commission, as provided in the Constitution, exercises both legislative and judicial powers. The Examiner Division and the commissioners together exercise the judicial power. Every formal matter requiring a hearing is heard by a commissioner and examiner jointly or by an examiner sitting alone. A majority of the examiners are lawyers; others are engineers or rate experts. Formal matters which come before the commission are one of three types— an application, a case, or an investigation. Each filing is assigned to a commissioner and an examiner.

In expenditures, this is the commission's fourth largest division.

Expenditures proposed for the Examiner Division during fiscal year 1964-65 amount to \$551,366, an increase of \$11,507 or 2.1 percent over estimated expenditures for the current year. It is estimated that 42.9

Examiner Division—Continued

percent of the budgeted expenditures for this division will be charged to the Transportation Rate Fund.

1 Intermediate stenographer (budget page 649, line 66)----- \$4,560

The division proposes this position on the basis that two technical positions were added in the current budget without corresponding clerical support.

*We recommend deletion of the stenographic position for a saving of \$4,560.*

A check of the authorized positions in the division roster shows that currently there are 14 clerical positions and 28 technical positions, a ratio of 1 to 2, which seems a satisfactory ratio for this division.

**REPORTING SECTION**

The Reporting Section provides reporters and transcribers for all proceedings conducted by the commission. While separately shown in the budget, the section is actually supervised by the Administrative Division. Approximately 40 percent of the cost of this section is reimbursable as reporting services to litigants.

Expenditures proposed for this section for fiscal year 1964-65 are budgeted at \$159,151, an increase of \$18,387 or 13 percent over estimated expenditures for the current year. The proposed expenditure is the amount remaining after deducting estimated reimbursements of \$100,000. The Transportation Rate Fund is to be charged approximately 45.5 percent of the budget cost.

*We recommend approval of the budget of this section as requested.*

**PUBLIC UTILITIES COMMISSION**

ITEM 253 of the Budget Bill

Budget page 643

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

Amount requested .....	\$4,091,277
Estimated to be expended in 1963-64 fiscal year .....	3,790,420
Increase (7.9 percent) .....	\$300,857

Increase to maintain existing level of service---- \$300,857

**TOTAL RECOMMENDED REDUCTION**----- None

**ANALYSIS**

This appropriation is for costs of administration and enforcement of the acts, rules and regulations primarily affecting highway carriers of property for compensation. The appropriation provides for nearly one-half of the support cost of the Public Utilities Commission for the budget year.

*We recommend approval as budgeted subject to any adjustments made in the General Fund appropriation to the commission.*