

**Military Department—Continued**

70 full-time military positions that are not in the State Employees' Retirement System but are eligible under the Military Retirement System. The amount proposed in the budget is an actuarial determination, based on information obtained from military employees expressing retirement plans and dates.

**REVIEW OF ACCOMPLISHMENTS**

In the 1964-65 Budget Act there was provided \$70,530 for anticipated military retirement purposes. Apparently some of the retirements anticipated have not materialized so that the current expectation for the current fiscal year is now \$48,770 with the balance of the appropriation reverting at the end of the fiscal year.

**ANALYSIS AND RECOMMENDATIONS**

The proposal for the 1965-66 fiscal year is \$64,321 which appears reasonable based on expressed intentions of retirement plans. *We recommend approval.*

**DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL**

ITEM 186 of the Budget Bill

Budget page 650

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

|  |             |
|--|-------------|
| Amount requested .....                               | \$4,693,531 |
| Estimated to be expended in 1964-65 fiscal year..... | 4,616,392   |
| Increase (1.7 percent) .....                         | \$77,139    |

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

**PROGRAM PLANS AND BUDGET**

The Department of Alcoholic Beverage Control is administered by a director who is appointed by the Governor with the consent of the Senate. The director serves at the Governor's pleasure.

The department has as its purpose the enforcement of the Alcoholic Beverage Control Act. This act regulates within the state the manufacture, importation and sale of alcoholic beverages. The department has 465.4 currently authorized employee positions and conducts its operations through the Sacramento headquarters and field offices located in 23 California cities.

In fulfilling its responsibility the department pursues three programs —(1) administration, (2) licensing, and (3) enforcement.

1. Administration. By department definition this program provides "policy interpretation of law and housekeeping services for the licensing and enforcement programs." Units included within this program area include, director, lawyers, hearing unit, business officer, accounting, personnel, price posting, area and district administrators.

Work load estimates for these supporting services are not currently available. Cost estimates of the administrative program were forecast by the department for the budget year as follows:

**Item 186**

**Alcoholic Beverage Control**

**Department of Alcoholic Beverage Control—Continued**

|                         | <i>Current year</i><br>1964-65 | <i>Budget year</i><br>1965-66 |
|-------------------------|--------------------------------|-------------------------------|
| Salaries and wages----- | \$173,101                      | \$176,384                     |
| Operating expense-----  | 42,557                         | 44,768                        |
| Equipment-----          | 2,134                          | 2,686                         |
| <b>Total-----</b>       | <b>\$217,792</b>               | <b>\$223,838</b>              |

2. Licensing. The department's licensing program involves the renewal of licenses, the transfer of licenses from one ownership to another, and the issuance of new licenses where permitted by law. Applicants are interviewed and premises are inspected. Fund sources are investigated together with stock transfers and escrows if the applicant is a corporation.

For the budget year 1965-66 the department estimates its licensing work load as compared with the current and past year's estimates as follows:

|                                  | <i>Fiscal years</i> |         |         |
|----------------------------------|---------------------|---------|---------|
|                                  | 1963-64             | 1964-65 | 1965-66 |
| Number active licensees-----     | 45,428              | 45,710  | 45,900  |
| New on-and off-sale general----- | 297                 | 302     | 300     |

The department estimates its licensing program costs for the 1965-66 budget year compared to the current year as follows:

|                         | <i>Current year</i><br>1964-65 | <i>Budget year</i><br>1965-66 |
|-------------------------|--------------------------------|-------------------------------|
| Salaries and wages----- | \$2,077,257                    | \$2,116,609                   |
| Operating expense-----  | 510,689                        | 537,210                       |
| Equipment-----          | 25,613                         | 32,233                        |
| <b>Total-----</b>       | <b>\$2,613,559</b>             | <b>\$2,686,052</b>            |

3. Enforcement. The objective of this program is "to regulate licensees of the department and to discipline licensees who violate the Alcoholic Beverage Control Act." Complaints are received, some from local law enforcement agencies, and investigated. Problem premises are observed. Records of wholesalers and retailers are examined with reference to fair trade, rebates, free goods. Special emphasis was placed on this latter activity by Chapter 1026, Statutes of 1963 which appropriated \$283,000 to the department, raised fees to cover costs and resulted in adding 35 new positions to the department staff. In appropriate cases the department files accusations against licensees.

The enforcement work load of the department is noted below in the comparison of estimates for the current year, budget year 1965-66, and 1963-64, the most recent fiscal year completed.

|                             | <i>Fiscal years</i> |         |         |
|-----------------------------|---------------------|---------|---------|
|                             | 1963-64             | 1964-65 | 1965-66 |
| Accusations-----            | 2,021               | 2,200   | 2,250   |
| Petitions and protests----- | 575                 | 600     | 600     |
| Applications denied-----    | 560                 | 650     | 650     |
| Accusations dismissed-----  | 267                 | 210     | 210     |

**Department of Alcoholic Beverage Control—Continued**

Comparative estimates by the department of the cost of the enforcement program are tabulated below :

|                          | <i>Current year</i><br>1964-65 | <i>Budget year</i><br>1965-66 |
|--------------------------|--------------------------------|-------------------------------|
| Salaries and wages ----- | \$1,432,687                    | \$1,459,859                   |
| Operating expense -----  | 352,223                        | 370,523                       |
| Equipment -----          | 17,665                         | 22,231                        |
| <b>Total -----</b>       | <b>\$1,802,575</b>             | <b>\$1,852,613</b>            |

Both the licensing and enforcement programs of the department are carried forward by personnel in the district and branch offices. Special investigators of the department are regularly rotated from one program to the other. We cannot therefore on the basis of the department's estimates separate the field staff into separate component parts for purposes of this analysis.

The department proposes to spend \$4,693,531 for all purposes during budget year 1965-66. This amount exceeds estimates of current year expenditures by \$77,139 or 1.7 percent. This proposed expenditure would continue the existing level of service.

We note here that the total of the department estimates of program costs exceed the actual budget request by \$68,972 representing reductions in proposed expenditures made in the interim between proposed request and actual request.

**REVIEW OF AGENCY ACCOMPLISHMENTS**

Data supplied by the department for fiscal year 1963-64 is incomplete due to the fact that a new statistical reporting system is being developed. Department program performance can now be measured for the period January 1, 1964 through June 30, 1964.

**2. Licensing Program**

|                    | <i>Applications</i>      |               |
|--------------------|--------------------------|---------------|
|                    | <i>Pending and filed</i> | <i>Denied</i> |
| Original -----     | 3,430                    | 116           |
| Transfer -----     | 6,479                    | 81            |
| Other -----        | 130                      | 5             |
| <b>Total -----</b> | <b>10,139</b>            | <b>202</b>    |

|                    | <i>Licenses</i> |                 |              |
|--------------------|-----------------|-----------------|--------------|
|                    | <i>Original</i> | <i>Transfer</i> | <i>Other</i> |
| Issued             |                 |                 |              |
| On sale -----      | 1,123           | 2,949           | --           |
| Off sale -----     | 690             | 1,389           | --           |
| Other -----        | --              | --              | 185          |
| <b>Total -----</b> | <b>1,813</b>    | <b>4,338</b>    | <b>185</b>   |

**3. Enforcement Program**

|                   | <i>Pending and filed</i> | <i>Cleared</i> |
|-------------------|--------------------------|----------------|
| Accusations ----- | 2,103                    | 1,021          |
| Appeals -----     | 195                      | 131            |
| Court cases ----- | 68                       | 9              |

We cannot at this time do more than observe the character of one-half year's workload for two department programs. Comparisons year to

**Department of Alcoholic Beverage Control—Continued**

year and projections for future activity will become meaningful only with the accumulation of more statistical material. Attention is called to the number of transfer applications and transfer licenses. This activity is taking increasing investigator time but exact measurement has not been available heretofore.

It should be noted that the two business practices units until recently located in San Francisco and Los Angeles have been dissolved and the personnel engaged in this special fair trade wholesale activity have been transferred statewide and attached to appropriate offices.

To finance its activity during the past year 1963-64 the department requested \$4,215,790 in the Governor's Budget. During that year the department actually expended \$4,423,198 which exceeded the original request by \$207,408 or 4.9 percent. This increase reflected salary increases and the new business practices program.

For expenditure during the current year the department requested \$4,541,501, and expenditures are now estimated at \$4,616,392 which is \$74,891 or 1.6 percent in excess of the original request. This excess is due to salary increases granted during the current year.

**ANALYSIS AND RECOMMENDATIONS**

The department decided administratively to break up the Business Practice units and assign personnel to district offices. It is our understanding that the department felt closer supervision appeared desirable and that too much travel time was being accumulated. The department, we are informed, intends to give this subprogram reasonable priority. It seems appropriate to suggest that the Legislature at the 1967 General Session request a report from the department describing the activity being carried forward in the Business Practices field as that activity is defined by the statute.

No new level of service is proposed in the request.

*We recommend approval of the item as budgeted.*

**POLICY OPTION**

In the interests of economy and public policy, changes in the fair trade and price posting sections of the Alcoholic Beverage Control law might be considered. As to economy, conservative estimates indicate that price posting and fair trade enforcement generates direct costs in excess of \$110,000 per year to the Department of Alcoholic Beverage Control; this amount does not include costs of hearings by the Office of Administrative Procedures and the legal costs incurred by the Department of Justice when prosecuting alcoholic beverage control cases.

As concerns public policy, on the basis of study by our office we find no evidence that price posting and fair trade implement the legislative statement of purpose which is to "foster and promote temperance" (Business and Professions Code Section 24749). Rather it appears that price posting and fair trade serve to protect the liquor industry from the vagaries of the free market and may thus deny the public the inherent advantages found in free and open competition. It might also be a matter of legislative interest to note that the State of New York has recently eliminated price posting for, among other reasons, those cited above.

**ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD**

ITEM 187 of the Budget Bill

Budget page 652

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

|   |                |
|---|----------------|
| Amount requested .....                                | \$124,368      |
| Estimated to be expended in 1964-65 fiscal year ..... | 125,711        |
| Decrease (1.1 percent) .....                          | <u>\$1,343</u> |
| <b>TOTAL RECOMMENDED REDUCTION</b> .....              | <b>None</b>    |

**PROGRAM PLANS AND BUDGET**

The Alcoholic Beverage Control Appeals Board, created by the Constitution, is composed of a chairman and two members appointed by the Governor subject to Senate confirmation and serving at the pleasure of the Governor. The authorized board staff consists of two lawyers and two stenographers. The board meets in Sacramento, San Francisco and Los Angeles monthly.

The Appeals Board has but one program responsibility, that of considering appeals from decisions of the Department of Alcoholic Beverage Control with reference to penalties and licenses. Orders of this board are subject to judicial review.

The Appeals Board does not publish any forward estimates of its workload.

For fiscal year 1965-66 the board proposes expenditure of \$124,368 which is less than the estimated expenditures for the current year by \$1,343 or 1.1 percent.

**REVIEW OF AGENCY ACCOMPLISHMENTS**

Magnitude of the Alcoholic Beverage Control Appeals Board workload is illustrated by the following fiscal year statistics:

| <i>Fiscal year</i>     | <i>Appeals received</i> | <i>Decisions issued</i> | <i>Remand or reversal</i> |
|------------------------|-------------------------|-------------------------|---------------------------|
| 1962-63 .....          | 196                     | 185                     | 25                        |
| 1963-64 .....          | 215                     | 240                     | 47                        |
| 1964-65 (½ year) ..... | 141                     | 101                     | 18                        |

It is too early to comment on the current year in the absence of board estimates. On the basis of limited statistics and without exact case figures, it appears that the department is sustained in approximately 80 percent of the decisions rendered by the board.

Budget performance records show that for the last completed fiscal year 1963-64 the board requested the sum of \$116,394 and actually expended an amount of \$117,702 exceeding the request by \$1,308 or 1.1 percent. The budget request for the current year was for the sum of \$121,434 and the board now estimates its current year costs at \$125,711 exceeding the estimate by \$4,277 or 3.5 percent. This increase results primarily from salary raises.

**ANALYSIS AND RECOMMENDATIONS**

The budget request proposes services at the ongoing level.

*We recommend approval as budgeted.*

**DISTRICTS SECURITIES COMMISSION**

ITEM 188 of the Budget Bill

Budget page 653

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

|   |           |
|---|-----------|
| Amount requested .....                                | \$133,471 |
| Estimated to be expended in 1964-65 fiscal year ..... | 84,743    |
| <hr/>   |           |
| Increase (65.2 percent) .....                         | \$48,728  |
| Increase to improve level of service .....            | \$25,560  |

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

**PROGRAM PLANS AND BUDGET**

The Districts Securities Commission consists of the Attorney General, the Director of Water Resources, and the Superintendent of Banks. It has a currently authorized staff of 6.2 positions.

The commission has as its function the direction and supervision of certain fiscal and physical affairs of irrigation districts, water storage districts and other entities including cities and counties. In some instances activity by the commission is mandatory and in other cases it is voluntary acting at the request of any district within the 22 categories of agencies listed by law.

The entities, certain of whose acts this commission is authorized to regulate, fall generally into the following classes: water conservation, water storage; land reclamation, drainage; irrigation, domestic water supply; and utility and power districts.

The commission in the discharge of its responsibilities follows two programs, each composed of a number of subactivities:

1. The commission makes engineering, economic and financial feasibility studies relative to bond issues for land acquisition, construction and other purposes. Under 1963 legislation it makes similar studies for cities and counties relative to land reclamation. It certifies for investment bond issues of irrigation and water storage districts and may upon request certify bond issues of other districts.

2. The commission supervises the fiscal affairs, including approval of state and federal water contracts, of the districts over which it has acquired jurisdiction until indebtedness is discharged. The commission maintains close relationships with banks and financial institutions as a part of its activity.

Set forth in the following table are the commission's estimates of activity, both in number of items and in dollar value, for the budget year. Past and current year figures are included for comparison.

|  | <u>1963-64 actual</u>   |   | <u>1964-65 estimated</u> |   | <u>1965-66 estimated</u> |   |
|--|-------------------------|---|--------------------------|---|--------------------------|---|
|  | <i>No. of<br/>appl.</i> | <i>Dollar value<br/>involved in<br/>comm. actions</i> | <i>No. of<br/>appl.</i>  | <i>Dollar value<br/>involved in<br/>comm. actions</i> | <i>No. of<br/>appl.</i>  | <i>Dollar value<br/>involved in<br/>comm. actions</i> |
| Approval of feasibility of projects and authorization of bond elections        | 5                       | \$39,930,000.00                                       | 8                        | \$210,000,000.00                                      | 8                        | \$50,000,000.00                                       |
| Approval of bonds for certification by State Controller                        | 6                       | 59,800,000.00   | 12                       | 80,000,000.00   | 12                       | 130,000,000.00  |
| Approval of expenditures from proceeds of sale of bonds                        | 7                       | 138,331,007.55  | 20                       | 60,000,000.00   | 20                       | 130,000,000.00  |
| Approval of completed projects   | 2                       | 1,733,238.99  | 2                        | 10,000,000.00   | 2                        | 70,000,000.00   |
| Approval to transfer of bond proceeds on completion of project                 | 1                       | 200,000.00  | 1                        | 300,000.00  | 1                        | 300,000.00  |
| Authorizations to issue warrants   | 5                       | 5,493,850.00  | 6                        | 2,000,000.00  | 6                        | 2,000,000.00  |
| Approval of warrants for certification by State Controller                     | 1                       | 2,000,000.00  | 2                        | 1,800,000.00  | 2                        | 1,800,000.00  |
| Approval of expenditures from proceeds of sale of warrants                     | 1                       | 3,600,000.00  | 2                        | 5,000,000.00  | 2                        | 1,800,000.00  |
| Approval of contracts between districts and the United States Govern-<br>ment: |                         |   |                          |   |                          |   |
| Total maximum payments approved for water service 9(e)                         | 9                       | 29,291,330.00   | 4                        | 300,000.00  | 4                        | 1,000,000.00  |
| Construction of distribution system 9(d)                                       | 1                       | 2,967,000.00  | 1                        | 15,000,000.00   | 1                        | 15,000,000.00   |
| U.S. loans   | 3                       | 160,570,400.00  | 2                        | 22,000,000.00   | 2                        | 22,000,000.00   |
| Miscellaneous repayment contracts  | 10                      | 5,854,101.57  | 3                        | 10,000,000.00   | 3                        | 10,000,000.00   |
| Approval of contracts between districts and State of California:               |                         |   |                          |   |                          |   |
| Estimated maximum payments for contract period                                 | 2                       | 13,361,444.00   | 2                        | 16,000,000.00   | 2                        | 16,000,000.00   |
| Miscellaneous  | 7                       | 112,500.00  | 2                        | 300,000.00  | 2                        | 300,000.00  |
| Totals   | 60                      | \$463,294,872.11                                      | 67                       | \$432,700,000.00                                      | 67                       | \$450,200,000.00                                      |

Districts Securities Commission—Continued

For the fiscal year 1965-66 the commission proposes to expend the sum of \$133,471, which exceeds estimated expenditures of \$84,743 for the current year by \$48,728 or 65.2 percent. Excluded in the 1964-65 budget totals is a sum of \$15,027 in reimbursements from local districts, thus the actual level of expenditure by the commission is \$99,770 for the current year.

The proposed increased expenditure during the budget year results from (1) increased workload added by statute with reference to reclamation studies for cities and counties and (2) a shift of financial supervision of water storage districts from the Department of Water Resources.

REVIEW OF AGENCY ACCOMPLISHMENTS

Commission performance for the past fiscal year 1963-64 has for the most part been illustrated in the forecast table shown above in the plans section of this analysis.

Performance as measured by the number of districts being supervised appears below:

| <i>Fiscal year</i> | <i>Number of districts supervised</i> |
|--------------------|---------------------------------------|
| 1961-62            | 172                                   |
| 1962-63            | 173                                   |
| 1963-64            | 177                                   |

ANALYSIS AND RECOMMENDATIONS

Change in Agency Financing

In preceding years this agency has been supported in part by the General Fund and in part by payments or "reimbursements" from agencies served. At the 1965 General Session legislation will be proposed which if enacted will provide that the commission be totally supported by the districts which it regulates.

The proposed change in the basis for commission financial support is one which is in line with past recommendations made by this office.

Chapter 1607, Statutes of 1963, increased the responsibilities of water storage district directors, required certification of district bonds by the commission before issue, and gave the commission responsibility for fiscal supervision of water storage districts similar to that already possessed with respect to irrigation districts. Two positions are being transferred to the commission from the Department of Water Resources where the fiscal supervision responsibility formerly resided. Measured by estimated reimbursable dollars the new responsibility represents approximately 20 percent of the proposed cost of commission operations for the budget year.

Chapter 133, Statutes of 1964, provides that before a city or a county undertakes a project to reclaim land it must secure a feasibility report from the Districts Securities Commission. Such report, however, is not binding upon the local agency.

Transferred Position Equivalents

|   |          |
|---|----------|
| 1 Senior hydraulic engineer (budget page 654, line 11)----- | \$11,520 |
| 1 Financial analyst (budget page 654, line 12)-----         | 9,480    |

Districts Securities Commission—Continued

Prior to the transfer of fiscal supervision of water storage districts to the commission the Department of Water Resources devoted two man-years of engineering time to this responsibility. Subsequent to the transfer one position will be reclassified as a financial analyst as set forth above.

*We recommend approval as requested.*

Proposed New Position

1 Intermediate stenographer (budget page 654, line 17)\_\_\_\_\_ \$4,560

This position is proposed on a workload basis as supporting clerical assistance for the two transferred technical positions as well as for the workload increases provided by the new statutory requirements.

*We recommend approval as budgeted.*

HORSE RACING BOARD

ITEM 189 of the Budget Bill

Budget page 655

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

|   |           |
|---|-----------|
| Amount requested _____                                | \$219,802 |
| Estimated to be expended in 1964-65 fiscal year _____ | 218,822   |
| <hr/>   |           |
| Increase (0.4 percent) _____                          | \$980     |

TOTAL RECOMMENDED REDUCTION \_\_\_\_\_ None

PROGRAM PLANS AND BUDGET

The California Horse Racing Board consists of three members appointed by the Governor for four-year terms and a staff of 17.1 authorized positions.

The function of this board is to administer the Horse Racing Law and regulate horseracing in this state whenever there is parimutuel betting. This function includes promulgation of rules for the conduct of horseracing, licensing of participants and supervision of wagering.

In discharging this function the board pursues the two programs set forth below.

1. It licenses racing associations and fairs to conduct horserace meetings, establishing the number of days and the dates thereof. It licenses all participants in these established meetings—owners, trainers, jockeys, parimutuel employees, stewards and other persons who take part in the race meeting.

The number of racing days set for the budget year is 570 as follows:

|                     |     |
|---------------------|-----|
| Thoroughbred _____  | 296 |
| Harness _____       | 55  |
| Quarter horse _____ | 55  |
| Combination _____   | 55  |
| Fairs _____         | 109 |
| <hr/>               |     |
| Total _____         | 570 |

The number of licensees of all types is projected at 10,750 for the budget year as compared to the estimated number of 10,500 for the

## Horse Racing Board—Continued

current year. Five clerical positions are specifically assigned to the licensing program at a total budget year estimated payroll cost of \$32,880.

2. The board enforces compliance with the law, rules and regulations through constant inspection, investigation, veterinary tests and special audits. Six investigative positions on the staff are assigned to this program. Payroll cost of this group for the budget year is estimated at \$56,700. An operating expense item of \$10,000 is requested to cover the special audits of track accounts. Workload statistics are not supplied for this function.

Total requested expenditures proposed for the Horse Racing Board during budget year 1965-66 amount to \$219,802, which is greater by \$980 or 0.4 percent than estimated expenditures for the current year. The board will continue its services at the existing level with the increased expenditure apparently reflecting only minor cost increases.

## REVIEW OF AGENCY ACCOMPLISHMENTS

The following table serves as a measure of the board's licensing estimates and subsequent experience:

|                 | Racing Days         |         |         |         |
|-----------------|---------------------|---------|---------|---------|
|                 | <i>Fiscal years</i> |         |         |         |
|                 | 1962-63             | 1963-64 | 1964-65 | 1965-66 |
| Estimated ----- | 546                 | 560     | 567     | 570     |
| Actual -----    | 545                 | 572     | 568     | -       |

  

|                 | Number of Licensees |         |               |         |
|-----------------|---------------------|---------|---------------|---------|
|                 | <i>Fiscal years</i> |         |               |         |
|                 | 1962-63             | 1963-64 | 1964-65       | 1965-66 |
| Estimated ----- | 9,700               | 10,741  | 11,000        | 10,750  |
| Actual -----    | 10,241              | 10,316  | 10,500 (est.) | -       |

It is observed that workload shows a small but continuous gain under the licensing program and from the table we note that the board's estimates and experience show some but not very large differences.

As was noted above enforcement workload statistics for this agency are not available. The enforcement program is constant; routine varies but little from racing season to racing season.

The licensing and enforcement staffs are each split into two sections, one operating in the northern part of the state and one in the south. Each group moves from track to track as the season progresses. The administrative staff is small in number and remains at the Los Angeles headquarters.

Overall board performance for the most recently completed fiscal year of 1963-64 can be measured by budget estimates and expenditures. For 1963-64 the board requested the sum of \$217,331 to cover the cost of its proposed operations for that year. Actual expenditures for the year totaled \$212,069 which is \$5,267 or 2.4 percent less than the estimate.

For the current year the board requested the budget sum of \$217,698 and now estimates that its expenditures will be in the sum of \$218,822

**Horse Racing Board—Continued**

which exceeds the estimate by \$1,124 or 0.5 percent. This budget over-run is caused by salary increases.

The Horse Racing Board is the collecting agency for the license fees from horse racing in which the state shares with the racing associations in accordance with formulas prescribed by law. Total income collected for 1963-64 amounted to \$43,442,630. A portion of the state's share is transferred directly to the General Fund. Another portion is distributed to the Fair and Exposition Fund, which supports this board and in part the county and other fairs held in the state. Any balance in the fund is transferred into the General Fund also.

For fiscal year 1963-64 income to the Fair and Exposition Fund amounts to approximately \$23,148,475 and of this amount \$14,704,426 was transferred to the General Fund after support and capital outlay estimated costs for citrus, agricultural and other fairs of \$8,447,049 had been paid.

**ANALYSIS AND RECOMMENDATIONS**

*The budget request for fiscal year 1965-66 is based on the existing level of service. The procedures followed in performing the work of the agency are in our opinion efficient, and accordingly we recommend that the item be approved as requested.*

**Department of Investment**

**BANKING DEPARTMENT**

**ITEM 190 of the Budget Bill**

**Budget page 657**

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

|   |                 |
|---|-----------------|
| Amount requested .....                                | \$1,086,556     |
| Estimated to be expended in 1964-65 fiscal year ..... | 1,064,708       |
| <b>Increase (2.1 percent) .....</b>                   | <b>\$21,848</b> |

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

**PROGRAM PLANS AND BUDGET**

The Banking Department is responsible for safeguarding depositors' funds in the state banking system. The department carries out its responsibilities and duties pursuant to Division I of the Financial Code (Sections 99-3541). This division is commonly known as the Banking Law. The department is supported by the Banking Fund.

The headquarters for the Banking Department is located in San Francisco with a branch office located in Los Angeles. The department is currently authorized 83 positions. In carrying out its responsibilities as provided in the Financial Code the department conducts two definable programs: (1) bank examination, and (2) approval or disapproval of new bank and new branch office applications. These programs are discussed below.

**1. Bank Examination**

Each state bank is examined once during each fiscal year. The examiner is required to determine the condition and resources of the bank,

**Banking Department—Continued**

the mode of managing its affairs, the investment and disposition of its funds, the prudence of its management, the security afforded its depositors and creditors, and whether its articles of incorporation and all applicable provisions thereof are being compiled with and into such other matters as may seem necessary or expedient.

The examination program is by far the major program of the department. The department cannot supply a cost breakdown of the two programs it administers since their accounting system has not been set up for such recordkeeping. However, we have estimated the cost of the examination program by allocating various personal services and operating expenses shown in the budget and department work papers. For the 1965-66 fiscal year we have estimated that approximately 82.5 percent of the Bank Department activity is devoted to its bank examination responsibilities.

|                                       |           |
|---------------------------------------|-----------|
| Program expenditures -----            | 1965-66   |
| Program workload:                     | \$896,369 |
| Bank loans (billions) -----           | \$9.3     |
| Total resources (billions) -----      | \$14.4    |
| Examination workload, man-hours ----- | 120,500   |

Within the examination program, Section 1583 of the Banking Law provides that the Superintendent of Banks is required to examine the court trust business of banks and trust companies. Assets in these accounts have increased 33 percent in a four-year period. One position of bank examiner is requested for this increased workload.

## 2. Investigates applications for new banks or branches

Each application for a new state bank, branch, or trust company entails a field survey and investigation to determine among other things, that a need exists for the banking or trust facility applied for, giving consideration to (1) competition offered by existing banks and other financial institutions; (2) the opportunity for profitable employment of bank's funds, etc.; and (3) whether or not conditions in the locality, in which the proposed bank or trust company will transact business, afford reasonable promise of successful operation.

As stated previously, the Banking Department does not maintain cost records by program, thus it is not possible to place a precise figure on this program. The Superintendent of Banks often uses the reports prepared by bank examiners when he is reviewing applications for branch offices of a specific bank. He spends a considerable amount of his time in this program since he makes the sole determination if a new charter is to be granted or if a new branch of an existing bank is to be approved. The estimated number of new applications for banks and new branch offices are shown below for the budget year.

|   |         |
|---|---------|
| Estimated new bank applications -----   | 1965-66 |
| Estimated new branch applications ----- | 34      |
|   | 122     |

Coupled with this program is the general administration of the Banking Department. It is not possible to separate the program of new

## Banking Department—Continued

bank and branch office application approval from the administrative function of the department since the top staff people are so directly tied to that program. For the 1965-66 fiscal year we have estimated the bank and branch application program and the administration of the department to be \$190,187.

The total amount proposed for the 1965-66 fiscal year is \$1,086,556, which is \$21,848 or 2.1 percent more than is estimated to be expended during the current year.

## REVIEW OF AGENCY ACCOMPLISHMENTS

During the past fiscal year, 1963-64, the Legislature appropriated \$841,761 to the Banking Department to carry out its program. During the year \$28,805 in an emergency authorization and \$26,119 in salary increase funds were granted the department. There were also savings of \$23,358 resulting in a net expenditure of \$873,327.

For the current year \$937,871 was appropriated and \$36,239 in emergency authorizations and \$96,098 in salary increase funds were granted the department. Estimated savings of \$5,500 will result in a total expenditure for the current year of \$1,064,708.

## 1. Examination program

|                                  | Actual    |           |           | Estimated |           |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
|                                  | 1961-62   | 1962-63   | 1963-64   | 1964-65   | 1965-66   |
| Program expenditures -----       | \$559,130 | \$635,900 | \$693,330 | \$871,959 | \$896,369 |
| Program workload:                |           |           |           |           |           |
| Total bank loans (billions) ---- | \$5.1     | \$6.2     | \$7.0     | \$8.1     | \$9.3     |
| Total bank resources (billions)  | \$9.4     | \$10.6    | \$11.7    | \$13.0    | \$14.4    |
| Examiner man-hours -----         | 77,383    | 90,828    | 103,604   | 111,164   | 120,500   |
| Total banks and branches -----   | 570       | 631       | 697       | 760       | 823       |

It is evident from the above table that the workload of the Banking Department has been consistently rising. It appears that the most meaningful statistic is the total resource figure. The department must examine each bank annually as required by law, thus with the increase in total resources there is a direct corresponding increase in the man-hours of examiner time.

## 2. Investigation of Applications for New Bank or Branches and Administration

|                            | Actual    |           |           | Estimated |           |
|----------------------------|-----------|-----------|-----------|-----------|-----------|
|                            | 1961-62   | 1962-63   | 1963-64   | 1964-65   | 1965-66   |
| Program expenditures ----- | \$127,999 | \$178,399 | \$179,997 | \$192,749 | \$190,187 |
| Program workload:          |           |           |           |           |           |
| New banks:                 |           |           |           |           |           |
| Approved -----             | 12        | 12        | 10        | 12        | 12        |
| Rejected -----             | 9         | 38        | 16        | 22        | 22        |
| New branches:              |           |           |           |           |           |
| Approved -----             | 49        | 57        | 71        | 85        | 85        |
| Rejected -----             | 9         | 29        | 38        | 37        | 37        |

The program expenditures shown above include both the cost of reviewing new bank and new branch applications and administrative costs. The workload involved with the approval of new bank applications has been fairly constant. During 1962-63 a large number of appli-

**Banking Department—Continued**

cations were rejected. During the past year there was only a total of 26 new bank applications proposed, 10 of which were approved.

The number of new branch office applications has been increasing at a very rapid rate (27 percent more applications in 1963-64 than in the previous fiscal year).

**ANALYSIS AND RECOMMENDATION**

The budget for the 1965-66 fiscal year for the Banking Department proposes one new bank examiner position requested on a workload basis. There is no proposed increase in the level of service provided by the department.

*We recommend approval as budgeted.*

**Department of Investment  
DIVISION OF CORPORATIONS**

ITEM 191 of the Budget Bill

Budget page 659

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

|   |             |
|---|-------------|
| Amount requested                                | \$3,252,472 |
| Estimated to be expended in 1964-65 fiscal year | 3,081,045   |
| Increase (5.6 percent)                          | \$127,427   |

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

**PROGRAM PLANS AND BUDGET**

The Division of Corporations has a twofold responsibility: first, that of protecting the public in the sale of securities and, second, that of preventing fraudulent and usurious transactions by any of a series of loan and related type agencies.

It is estimated that approximately 70 percent of the division's activity is devoted to the matter of corporate securities.

Exempt from regulation by the division are securities issued by government; by bank, savings and loan, and insurance corporations; securities approved for issuance by utilities subject to the Public Utilities Commission and similar federal agencies; securities certified for bank investment by such agencies as the Districts Securities Commission.

Evidence of the span of regulatory responsibility of the division is indicated in the following list of separate acts enforced. It is estimated that approximately 30 percent of division workload is derived from these acts.

- |                           |                               |
|---------------------------|-------------------------------|
| Personal Property Brokers | Escrow Law                    |
| Small Loan Law            | Check Sellers and Cashers Law |
| Industrial Loan Law       | Retirement Systems Law        |
| Credit Union Law          | Trading Stamp Law             |

The division is headed by a commissioner who is appointed by the Governor and serves at his pleasure. Headquarters of the division is established in Sacramento and branches are maintained in San Francisco, Los Angeles and San Diego. The commissioner is served by a staff

## Division of Corporations—Continued

of 414 currently authorized positions consisting principally of attorneys, examiners, investigators, auditors and clerical help.

From the standpoint of programs the division's work may be classified into two broad types of activity, (1) licensing and (2) enforcement. The types of activity so classified are discussed below.

1. Licensing. Licensing activity may be divided into two categories: (a) that dealing with corporate securities and (b) that dealing with the noncorporate security agencies.

a. Corporate Security Licensing. This activity includes receipt of application, investigations, escrows, and the issuance of permits, licenses and orders with reference to securities. Three laws are included in this work area. Agents, brokers, and investment counsel are licensed.

b. Noncorporate Security Licensing. The acts listed above are included in this work area. Activity includes receipt of applications, investigations, hearings and issuance of licenses. Estimated workload for the budget year appears below.

2. Enforcement. The purpose of regulation in the securities field is to insure that offerings are fair, just and equitable. The commission has authority to investigate and to examine books. It is a violation of the law to sell securities without authorization or to sell those authorized in a manner other than as authorized. Acts by sellers may be enjoined.

## Division Workload

Workload estimates both for licensing and enforcement activity by the division are shown below as license and permit totals. Estimates are given for budget year 1965-66 and are compared with the current year and past year 1963-64.

The first estimates refer to corporate security workload and the second to the noncorporate security workload.

## Corporate Security Law Workload

| <i>Number of:</i>                 | <i>Actual</i><br><i>1963-64</i> | <i>Estimated</i><br><i>1964-65</i> | <i>Budget year</i><br><i>1965-66</i> |
|-----------------------------------|---------------------------------|------------------------------------|--------------------------------------|
| Permits and licenses issued ----- | 52,897                          | 55,080                             | 57,317                               |

## Noncorporate Security Law Workload

| <i>Number of:</i>        | <i>Actual</i><br><i>1963-64</i> | <i>Estimated</i><br><i>1964-65</i> | <i>Budget year</i><br><i>1965-66</i> |
|--------------------------|---------------------------------|------------------------------------|--------------------------------------|
| Licences in effect ----- | 3,199                           | 3,460                              | 3,690                                |

Cost allocations for the separate workload categories are not available at this time. The general budget proposal for 1965-66, however, appears as follows:

The division for 1965-66 has requested the sum of \$3,252,472 which exceeds estimated expenditures for the current year by \$171,427 or 5.6 percent. The request includes eight proposed positions.

The division estimates that General Fund revenues collected by it from fee payments will exceed expenditures proposed for the budget year as noted below.

**Item 191**

**Investment**

**Division of Corporations—Continued**

| <i>Item</i>                          | <i>Amount</i> |
|--------------------------------------|---------------|
| Estimated income, 1965-66 _____      | \$3,675,035   |
| Estimated expenditure, 1965-66 _____ | 3,252,472     |
| Net to General Fund, 1965-66 _____   | \$422,563     |

**REVIEW OF AGENCY ACCOMPLISHMENTS**

The number of corporate security and noncorporate security permits and licenses issued over the three most recently completed fiscal years are shown in the following tabulation as compared with current and budget year estimates:

| <i>Fiscal year</i> | <i>Corporate security<br/>permits and licenses<br/>issued</i> | <i>Noncorporate<br/>security licenses<br/>in effect</i> |
|--------------------|---|---|
| 1961-62 _____      | 55,639  | 2,761   |
| 1962-63 _____      | 54,413  | 2,964   |
| 1963-64 _____      | 52,897  | 3,199   |
| 1964-65 _____      | 55,080 (estimated)  | 3,460 (estimated)                                       |
| 1965-66 _____      | 57,317 (estimated)  | 3,690 (estimated)                                       |

The table shows a three-year decline through 1963-64 in corporate security activity with an increase forecast for the current year and 1965-66. In the noncorporate security operation the growth pattern continues and support data indicates to us an equal growth in all types of agencies regulated.

**Revenue Collection**

Two types of revenues are collected by the Division of Corporations. Licensing revenues are collected for applications, escrows, investigations. Collection of such revenue for the past three fiscal years is noted below together with comparisons with current and budget estimates:

| <i>Fiscal year</i> | <i>Revenue collected</i> |
|--------------------|--------------------------|
| 1961-62 _____      | \$3,694,455              |
| 1962-63 _____      | 3,218,874                |
| 1963-64 _____      | 3,458,664                |
| 1964-65 _____      | 3,563,240 (estimated)    |
| 1965-66 _____      | 3,675,035 (estimated)    |

The second type of revenue is represented in budget schedules as "reimbursements" and is collected in payment of out-of-pocket costs for enforcement activities such as examinations of accounts, hearings, and other administrative costs. Experience with this type of revenue, which results from constant compliance checking by the division, is tabulated below. These funds are applied to reimbursement of appropriation expenditures.

| <i>Fiscal year</i> | <i>Reimbursements</i> |
|--------------------|-----------------------|
| 1961-62 _____      | \$632,474             |
| 1962-63 _____      | 647,357               |
| 1963-64 _____      | 777,228               |
| 1964-65 _____      | 821,782 (estimated)   |
| 1965-66 _____      | 869,250 (estimated)   |

**Budget Performance**

For fiscal year 1963-64 the division's budget request was reduced by \$24,521 which amount included four positions and related expense. The

Division of Corporations—Continued

appropriation was augmented by a salary increase authorization of \$71,348. Savings for the year were estimated at \$139,882 resulting in a net expenditure of \$2,770,492.

For the current year, 1964-65, the division's budget request was reduced by \$2,802 in line item operating expense. An allocation for salary increases of \$208,630 was added and savings are now anticipated in the sum of \$131,456 resulting in a net expenditure of \$3,081,045.

ANALYSIS AND RECOMMENDATIONS

Proposed New Positions

|  |          |
|--|----------|
| 8 Auditors I (budget page 659, line 50)          | \$50,208 |
| 1 Intermediate typist (budget page 659, line 51) | 4,344    |

The division requests the above proposed new positions on a workload basis. It cites an estimate of 230 new licensees for fiscal year 1965-66 and states that the proposed positions will be reimbursed in part by the licensees examined.

*We recommend approval as requested.*

The proposed positions are to be used generally in the noncorporate security area of work. We have already referred to the continued growth in this activity in a foregoing part of this analysis. We have reviewed workload data submitted and agree with the division's request.

Department of Investment  
DEPARTMENT OF INSURANCE

ITEM 192 of the Budget Bill

Budget page 660

FOR SUPPORT OF THE DEPARTMENT OF INSURANCE FROM  
THE INSURANCE FUND

|   |             |
|---|-------------|
| Amount requested                                | \$3,227,431 |
| Estimated to be expended in 1964-65 fiscal year | 3,171,566   |

Increase (1.8 percent) \$55,865

TOTAL RECOMMENDED REDUCTION None

PROGRAM PLANS AND BUDGET

The Department of Insurance is established under provisions of Section 12906 of the Insurance Code. Its purpose is to protect the general public, insurance policyholders and the rights of beneficiaries in California. The department has the responsibility for enforcing the many and varied provisions of the Insurance Code.

The budget proposes an expenditure of \$3,227,431 for the 1965-66 fiscal year which is \$55,865, or 1.8 percent, more than estimated to be expended during the current year. The sources of funds will be the Insurance Fund and the General Fund. The proposed General Fund amount is \$110,000. This is the first time that General Fund money is being requested for support of the tax collection responsibilities of the department. General Fund money in the amount of \$500,000 was appropriated to the department for the current year. However, that was a one-time situation resulting from the transferring of Surplus Line Broker's Tax revenue from the Insurance Fund to the General Fund.

## Department of Insurance—Continued

In carrying out its responsibility, the Department of Insurance administers the following programs:

## 1. Licensing

All persons wishing to sell insurance in California and all insurance brokers must be licensed by the State of California. All applications are screened to determine eligibility for a license and the necessary examinations are held throughout the state to qualify the applicants for licenses. Upon the successful completion of the examination by the applicant license documents are then issued.

|                              | 1965-66   |
|------------------------------|-----------|
| Program expenditure .....    | \$321,675 |
| Program workload             |           |
| Examinations scheduled ..... | 28,791    |
| Examinations given .....     | 23,357    |
| Licenses issued .....        | 95,161    |

The Department of Insurance has been in the process of studying its licensing program in an attempt to possibly mechanize the operation, thus saving money and increasing efficiency. The Management Services Unit of the Department of General Services has been making a lengthy study of the procedure, but has produced no recommendations at this time.

The department states that legislation will be introduced during the 1965 General Session to raise license fees by approximately 40 percent in order to bring the revenues to the Insurance Fund up to the point where the fund will adequately support the operations of the department.

## 2. Examination of Insurers

In order to protect the public interest from loss by insolvency or loss by improper or unlawful operations the department conducts an examination of the records of each domestic insurance company every three years. The department is reimbursed for its examination activities. It also reviews all financial analysis statements of both domestic and foreign firms. These statements follow a format established by the National Association of Insurance Commissioners and are used by regulatory bodies in all 50 states.

Included within the examination program is a subprogram of auditing and collecting premiums, retaliatory and surplus line brokers' taxes which go into the General Fund. The budget proposes that the General Fund support this tax collection activity in the amount of \$110,000. For the budget year it is estimated that over \$103 million will be collected in these various taxes.

|   | 1965-66     |
|---|-------------|
| Program expenditures .....  | \$1,097,174 |
| (Administration expenditures supporting this program cannot be separated at this time.) |             |
| Program workload (estimated)  |             |
| Total premiums written (billions) .....   | \$4.8       |
| Total assets (billions) .....   | \$190       |
| Insurers authorized in California .....   | 874         |

## Department of Insurance—Continued

The budget proposes the reduction of two examiner positions for a savings of \$20,063 in accordance with plans to install improved tax collection procedures.

## 3. Compliance and Legal

Applications for certificates of authority of insurance companies to do business in California are reviewed and either approved or rejected under this program. Also permits to issue securities and proposed amendments to certificates of authority are handled within the program. As part of the compliance program a subprogram of policy services is provided wherein complaints against insurers are handled. Investigations are made to check the activities of licensees for compliances with all insurance laws.

|  |           |
|--|-----------|
|  | 1965-66   |
| Program expenditure .....                        | \$985,927 |
| Program workload                                 |           |
| Estimated investigations .....                   | 5,880     |
| Estimated applications for admission .....       | 62        |
| Estimated applications for stock permits .....   | 98        |
| Cases received, policy services subprogram ..... | 11,650    |

The budget proposes no increase in the level of service for this program nor any positions for workload increases since the total workload for the budget year is anticipated to be approximately the same as during the current year.

## 4. Administration

Under the general heading of administration are included fiscal and personnel management, office services, actuarial studies, the administration of insurance companies in conservation or liquidation, and the operation of district offices in Sacramento and San Diego. The headquarters office for the Department of Insurance is in San Francisco with an office of comparable size in Los Angeles.

For the 1965-66 fiscal year the budget proposes an expenditure of \$822,655 which includes many items that are not pro rated to other programs. The department was not able to make the proration at this time but is in the process of conducting studies for such purposes.

The budget proposes the addition of one insurance officer III and a stenographer for the San Diego office. The positions are budgeted in administration since it is within this program that district offices are budgeted. The positions are requested due to the steady increase in inquiries and complaints in the San Diego area that have occurred in recent years.

## REVIEW OF AGENCY ACCOMPLISHMENTS

For the 1963-64 fiscal year the Department of Insurance was appropriated \$2,622,453. An emergency authorization of \$49,061 and salary increase funds of \$94,644 were provided during the year. Estimated savings of \$96,525 brought total expenditures to \$2,669,633 for the year, \$47,180 or 1.8 percent above the amount appropriated. The emergency authorization was made to handle the big increase in policy services workload in Los Angeles.

## Department of Insurance—Continued

For the 1964-65 fiscal year \$2,985,829, including \$500,000 from the General Fund, was appropriated to the Department of Insurance. An emergency authorization of \$30,800 and salary increase authorization of \$182,856 have been approved during the year. Estimated savings of \$27,919 will bring the total estimated expenditures to \$3,171,566 for the year, \$185,734 or 6.2 percent above the amount appropriated. The emergency authorization was made to adjust for cost increases which were not budgeted.

Program accomplishments are outlined below:

## 1. Licensing

It is difficult to compare current or projected licensing workload statistics with past performance because legislation from time to time has changed licensing requirements. Starting in 1959, fire and casualty licenses were renewed every other year alternating with life and disability renewals. Previously renewal for all categories had been on an annual basis. Then during the 1962-63 fiscal year the requirement that a person have a license for each company he sold insurance for was dropped, but a new workload factor was added. Each company is to notify the department of the appointment or termination of licensees. For 1963-64 there were 138,779 such notifications received by the department.

An indication of the continuing increased workload of this program, however, can be seen by the following:

|                      | <i>Actual</i>  |                |                | <i>Estimated</i> |                |
|----------------------|----------------|----------------|----------------|------------------|----------------|
|                      | <i>1961-62</i> | <i>1962-63</i> | <i>1963-64</i> | <i>1964-65</i>   | <i>1965-66</i> |
| Program expenditures | \$264,887      | \$288,409      | \$296,361      | \$319,166        | \$321,675      |
| Program workload     |                |                |                |                  |                |
| Examinations         |                |                |                |                  |                |
| scheduled            | 23,091         | 24,948         | 26,114         | 27,420           | 28,791         |
| Examinations given   | 18,698         | 20,338         | 21,186         | 22,245           | 23,357         |
| License renewals     | 50,441         | 44,808         | 50,993         | 47,048           | 53,543         |

## 2. Examination of Insurers

As in the licensing program the workload of the examination program continues to grow with the growth in the total insurance premiums written in the state, the total assets and number of companies authorized to do business in California.

|                      | <i>Actual</i>  |                |                | <i>Estimated</i> |                |
|----------------------|----------------|----------------|----------------|------------------|----------------|
|                      | <i>1961-62</i> | <i>1962-63</i> | <i>1963-64</i> | <i>1964-65</i>   | <i>1965-66</i> |
| Program expenditures | \$761,719      | \$804,832      | \$890,828      | \$1,107,771      | \$1,097,174    |
| Program workload     |                |                |                |                  |                |
| Total premiums       |                |                |                |                  |                |
| written (billions)   | \$3.5          | \$3.8          | \$4.1          | \$4.5            | \$4.8          |
| Total assets         |                |                |                |                  |                |
| (billions)           | \$147          | \$157          | \$168          | \$179            | \$190          |
| Number of insurers   |                |                |                |                  |                |
| authorized to do     |                |                |                |                  |                |
| business in Cali-    |                |                |                |                  |                |
| fornia               | 795            | 813            | 830            | 853              | 874            |

## Department of Insurance—Continued

## 3. Compliance and Legal

Portions of this program of the department have been more static than other programs. The number of investigations has actually been declining, however, the number of complaints by the public and subsequent workload of the policy services subprogram have been increasing. The following workload figures clearly show the trend during the past year and that which is estimated for the budget year.

|  | <i>Actual</i>  |                |                | <i>Estimated</i> |                |
|--|----------------|----------------|----------------|------------------|----------------|
|  | <i>1961-62</i> | <i>1962-63</i> | <i>1963-64</i> | <i>1964-65</i>   | <i>1965-66</i> |
| Program expenditures                       | \$650,280      | \$760,978      | \$828,511      | \$972,511        | \$985,927      |
| Program workload                           |                |                |                |                  |                |
| Investigations                             |                |                |                |                  |                |
| received                                   | 6,124          | 5,918          | 5,331          | 5,400            | 5,880          |
| Applications for admission                 | 60             | 59             | 62             | 62               | 62             |
| Applications for stock permits             | 83             | 82             | 98             | 98               | 98             |
| Cases received, policy services subprogram | 8,487          | 10,052         | 10,753         | 11,170           | 11,650         |

The reason for the decline in the investigations received is due to a change in the licensing requirement in 1963.

In our 1964-65 Analysis of the Budget Bill we recommended that the department carefully review services offered in the policy services subprogram and make efforts to hold down the workload since the growth of this type of program could be unlimited. The department has informed us that steps have been taken which will accomplish a decrease in the number of complaints and a decrease in the cost of handling the complaints.

## 4. Administration

There are no definable program workload statistics that can be shown in the administration program, however, program expenditures are shown below:

|                      | <i>Actual</i>  |                |                | <i>Estimated</i> |                |
|----------------------|----------------|----------------|----------------|------------------|----------------|
|                      | <i>1961-62</i> | <i>1962-63</i> | <i>1963-64</i> | <i>1964-65</i>   | <i>1965-66</i> |
| Program expenditures | \$531,798      | \$574,951      | \$654,023      | \$772,118        | \$822,655      |

## ANALYSIS AND RECOMMENDATION

The budget proposes the addition of two positions for the San Diego branch office.

|  |                 |
|--|-----------------|
| 1 Insurance officer II (budget page 661, line 42)      | \$7,428         |
| 1 Intermediate stenographer (budget page 661, line 43) | 4,674           |
| <b>Total</b>   | <b>\$12,102</b> |

Presently there is only one insurance officer in the San Diego office to handle the complaints coming into that office. The backlog of cases pending in that office has risen from 42 at the end of the 1961-62 fiscal year to 162 at the end of the 1963-64 fiscal year. The stenographer

**Department of Insurance—Continued**

position is requested on the basis of the increased workload of form and paper processing in the San Diego area.

*We recommend approval as budgeted.*

**Department of Investment  
DEPARTMENT OF INSURANCE**

ITEM 193 of the Budget Bill Budget page 660

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

Amount requested ----- \$110,000

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

**ANALYSIS AND RECOMMENDATION**

This item provides for first time a transfer of \$110,000 from the General Fund to the Insurance Fund for the support of the tax collection activities of the Department of Insurance. We have discussed this proposal in the analysis of Item 192.

*We recommend approval as budgeted.*

**Department of Investment  
DIVISION OF REAL ESTATE**

ITEM 194 of the Budget Bill Budget page 664

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

Amount requested ----- \$2,942,086

Estimated to be expended in 1964-65 fiscal year ----- 2,684,094

Increase (9.6 percent) ----- \$257,992

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

**PROGRAM PLANS AND BUDGET**

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, who is appointed by the Governor for a term of four years with the advice and consent of the Senate, heads the division.

In carrying out its responsibilities under the law the Real Estate Division carries out programs of (1) licensing, (2) regulation (enforcement) including regulation of subdivision offerings, (3) education and publications, and (4) administration. We will discuss each program and budget proposal separately. The division is not able to break out its cost of operation by program. It is in the process of compiling such figures for future program budget presentations. We will, however, show the percentage of personal services allocated to each program since this is readily available from the budget.

1. Licensing (26.8 percent of total personal services)

The licensing program has three subprograms within it, prequalification, examination and license issuance.

## Division of Real Estate—Continued

The division estimates it will prequalify approximately 57,000 applicants for licensure in 1965-66 through verification that applications are complete and, if applicable, verify that academic and/or experience requirements are met by the individual applicant for licensure.

It will examine approximately the same number of applicants as above. The examination consists of written, practical, and/or oral examination of the applicant's knowledge and ability.

During 1965-66 the division estimates it will issue approximately 83,000 licenses including both original and renewal licenses, for both salesmen and brokers and including real estate, business opportunity, and mineral, oil and gas.

For 1965-66 the division anticipates the following workload in the licensing program. Shown also are the figures for the actual past year and the estimated current year:

|                                   | <i>Actual</i><br>1963-64 | <i>Estimated</i><br>1964-65 | <i>Estimated</i><br>1965-66 |
|-----------------------------------|--------------------------|-----------------------------|-----------------------------|
| Licenses in effect, June 30 ----- | 153,676                  | 162,896                     | 172,670                     |
| Licenses issued -----             | 63,920                   | 75,500                      | 83,000                      |
| Examinations -----                | 47,799                   | 53,900                      | 57,000                      |
| Applications -----                | 46,687                   | 55,920                      | No estimate                 |

Seven additional clerical positions are proposed in the 1965-66 budget for the increased workload in the licensing program.

## 2. Regulation and Enforcement (62 percent of total personal services)

The division will review complaints from the public and initiate approximately 9,000 investigations relating to the activities of licensees. It will make investigations to determine the background of applicants and review investigation reports and initiate appropriate disciplinary hearings or criminal actions and adopt or reject findings of hearing officers.

An integral part of the regulation program is the requirement that subdividers file information before offering for sale real property securities and lands divided into five or more parcels, pursuant to the Real Estate Law.

For the 1965-66 fiscal year the division anticipates the following workload in its regulation and enforcement programs. We also show the actual past year and estimated current year figures:

|                                   | <i>Actual</i><br>1963-64 | <i>Estimated</i><br>1964-65 | <i>Estimated</i><br>1965-66 |
|-----------------------------------|--------------------------|-----------------------------|-----------------------------|
| Complaints -----                  | 7,623                    | 8,345                       | 9,300                       |
| Formal hearings -----             | 729                      | 800                         | 900                         |
| Subdivisions—in and out of state: |                          |                             |                             |
| Filings -----                     | 3,041                    | 3,409                       | 3,655                       |
| Reports -----                     | 4,517                    | 4,860                       | 5,060                       |
| Acres -----                       | 56,624                   | 70,000                      | 72,000                      |
| Lots -----                        | 142,514                  | 137,000                     | 142,000                     |

A total of 15 new positions is requested for 1965-66 to handle the increased workload in the regulation program. Of the 15 positions, 7 are deputy commissioner positions, and 6 are clerical positions re-

## Division of Real Estate—Continued

requested for the increase in complaints being lodged against licensees, and an associate counsel and one legal stenographer are requested due to the anticipated increase in workload of formal hearings.

3. Education and Publications (2.7 percent of total personal services)

The division administers the "Real Estate Education, Research and Recovery Fund" and during the 1965-66 fiscal year will enter into 40 to 70 contracts with junior colleges, state colleges and with the University of California.

A total of \$605,037 is budgeted for the education and recovery program for fiscal year 1965-66. The funds will be allocated as follows:

|   |                  |
|---|------------------|
| Divisional administration .....   | \$119,537        |
| Real estate education needs—division .....                                  | 25,000           |
| Real estate education and research—state colleges and junior colleges ..... | 200,500          |
| University of California .....  | 260,000          |
| <b>Total .....</b>  | <b>\$605,037</b> |

The \$260,000 amount for the University of California is not included in the budget total of support for the division since it is appropriated directly to the university from the Real Estate Education, Research and Recovery Fund.

4. Administration (8.5 percent of total personal services)

The administration program will provide general administration which includes managerial and advisory functions, and staff, fiscal and business services required for all departmental programs. For the 1965-66 fiscal year 24 positions, or 8.5 percent, are budgeted for the administration activities.

## REVIEW OF AGENCY ACCOMPLISHMENTS

For the 1963-64 fiscal year the Division of Real Estate was appropriated a total of \$2,602,600 from the Real Estate Fund and the Real Estate Education, Research, and Recovery Fund for its support activities. During the 1963-64 fiscal year emergency authorizations totaling \$173,723 and salary increase authorizations totaling \$32,636 were granted. Savings of \$123,064 were realized during the year to bring the total expenditure to \$2,685,895, which was 3.2 percent above the original appropriation. The emergency authorizations for the 1963-64 fiscal year were for two purposes. A total of \$100,560 was used to implement the new subdivision laws enacted at the 1963 General Session and \$73,163 was authorized to pay the Department of Justice for finger printing service, which heretofore had been provided at no cost.

For the current year, 1964-65 the division received a total of \$3,008,378 in appropriations, emergency authorizations of \$15,108, salary increase funds of \$124,992 and is estimated to save \$54,634 for a total estimated expenditure of \$3,093,844.

As we had stated earlier in this analysis, the division is in the process of preparing a cost breakdown for its various programs and does not

## Division of Real Estate—Continued

have the cost figures available at this time. We show the program performance in the following paragraphs.

## 1. Licensing

The following table shows a comparison of the original workload estimate, second workload estimate and actual workload for the past two fiscal years, the current year and the budget year.

| <i>Fiscal year</i>        | <i>Original estimate<br/>(made 12 months prior<br/>to start of fiscal year)</i> | <i>Second estimate<br/>(made during second<br/>month of fiscal year)</i> | <i>Actual</i> |
|---------------------------|---|--|---------------|
| <i>Licenses in effect</i> |   |  |               |
| 1962-63 -----             | 160,265   | 143,000  | 144,246       |
| 1963-64 -----             | 145,000   | 147,000  | 153,676       |
| 1964-65 -----             | 149,900   | 162,896  | ---           |
| 1965-66 -----             | 172,670   | ---  | ---           |
| <i>Licenses issued</i>    |   |  |               |
| 1962-63 -----             | Not available   | 52,000   | 59,061        |
| 1963-64 -----             | 52,000  | 60,400   | 63,920        |
| 1964-65 -----             | 61,600  | 75,500   | ---           |
| 1965-66 -----             | 83,000  | ---  | ---           |
| <i>Examinations</i>       |   |  |               |
| 1962-63 -----             | 51,349  | 45,000   | 43,429        |
| 1963-64 -----             | 45,000  | 43,500   | 47,799        |
| 1964-65 -----             | 43,500  | 53,900   | ---           |
| 1965-66 -----             | 57,000  | ---  | ---           |

In the 1962-63 fiscal year the division greatly overestimated its original workload estimates. However in the two fiscal years since then, 1963-64 and the current year 1964-65, the division has tended to underestimate its original estimates with the exception of the examination category. During the past year, 1963-64, even the second estimates, made two months after the start of the fiscal year, underestimated the program workload. Because of this we have checked the actual workload of the licensing program for the first six months of 1964-65 (July 1 to December 31, 1964), in an attempt to validate the most recent estimates. This review indicates that the estimates that have been made approximate the workload actually being experienced by the division.

It can be noted that the estimates for 1965-66 are considerably higher than the most recent estimates for the current year, 1964-65.

*We are in agreement with these estimates.*

## 2. Regulation and Enforcement

At the end of the past fiscal year, 1963-64, the division completed a major reorganization of its regulatory activities. A new position of Assistant Commissioner, Regulatory Operations, was created headquartered in Sacramento. The reorganization has brought about uniform law enforcement procedures and policies throughout the state. The new subdivision responsibilities of the division are also under the direct supervision of the new assistant commissioner. An indication of the effectiveness of the reorganization is the fact that for the first six months of the current year (July 1 to December 31, 1964), the number

## Division of Real Estate—Continued

of formal hearings (orders of accusations and statements of issues) either held or scheduled was 525 compared to 266 held or scheduled during the same period the previous year.

One of the major workload factors of this program is in the area of complaints received and subsequent investigations. The following table shows the original estimates, second estimates and actual experience in the complaints received.

| Fiscal year | Complaints   |   | Actual |
|-------------|--|---|--------|
|             | Original estimate<br>(made 12 months prior<br>to start of fiscal year) | Second estimate<br>(made during second<br>month of fiscal year) |        |
| 1962-63     | Not available  | 6,200   | 7,117  |
| 1963-64     | 6,500  | 7,188   | 7,623  |
| 1964-65     | 7,300  | 8,345   | --     |
| 1965-66     | 9,300  | --  | --     |

As in other areas of the division programs the workload in the complaint program has been underestimated both originally and the second time. For the current year a recent check indicates that the 8,345 estimates may be closer than other past estimates have been.

The other major workload factor of the regulation program is that connected with the filing of in-state and out-of-state subdivisions. Major changes which were made by the enactment of Chapters 860, 927, and 1819, Statutes of 1963, have changed the division's responsibility concerning the filing of proposed subdivisions and the subsequent issuance of reports by the division. Past workload figures are not too meaningful in light of the changes that have been made in the law.

## 3. Education and Publications

The activities of the education and publications program of the division are primarily supported from the Real Estate Education, Research, and Recovery Fund. The following table shows the support given the various activities connected with the education and publication program.

|   | Actual      |             |             | Estimated   |           |
|---|-------------|-------------|-------------|-------------|-----------|
|   | 1961-62     | 1962-63     | 1963-64     | 1964-65     | 1965-66   |
| Divisional administration   | \$48,560    | \$84,035    | \$85,047    | \$124,635   | \$119,537 |
| Real estate education needs—<br>division                                      | 18,489      | 26,069      | 18,620      | 30,000      | 25,000    |
| Real estate education and re-<br>search—state colleges and<br>junior colleges | 129,239     | 199,930     | 180,904     | 255,115     | 200,500   |
| University of California  | 186,157     | 259,623     | 242,060     | 260,000     | 260,000   |
| Total   | \$382,445   | \$569,657   | \$526,631   | \$669,750   | \$605,037 |
| (Originally budgeted)   | (\$478,665) | (\$639,170) | (\$646,863) | (\$664,926) |           |

In the divisional administration category the cost of salaries of the personnel preparing publication material, such as the *Real Estate Bulletin* and the *Reference Book* comes from the Education Fund and the cost of materials and printed matter comes from the Real Estate Fund.

There has consistently been less expended on the education and research program than was originally budgeted. For the past three years the percentage spent less than budgeted has been 25 percent in 1961-62,

## Division of Real Estate—Continued

12 percent in 1962-63, and 23 percent in 1963-64. The primary reason for this has been the fact that projects that are approved at a specific school 12 to 18 months prior to the fiscal year often do not materialize due to the professor's changing interest or his movement to another institution. The division is attempting to correct this by establishing approval of projects by priority, thus, if one falls to the wayside another can take its place.

The workload of the education and publications program has been steadily increasing as can be seen by the following table:

| Program workload                  | Actual  |         |         | Estimated |         |
|-----------------------------------|---------|---------|---------|-----------|---------|
|                                   | 1961-62 | 1962-63 | 1963-64 | 1964-65   | 1965-66 |
| Publications                      |         |         |         |           |         |
| <i>Real Estate Bulletin</i> ----- | 836,000 | 840,000 | 851,000 | 919,000   | 927,000 |
| <i>Reference Book</i> -----       | 24,000  | 9,000   | 30,000  | 20,000    | 35,000  |
| Student workbooks-----            | N.A.    | 4,706   | 9,842   | 15,706    | 25,000  |
| Student enrollments               |         |         |         |           |         |
| University extension-----         | 8,416   | 9,874   | 12,591  | 14,000    | 14,000  |
| State colleges-----               | 1,437   | 1,681   | 1,909   | 2,190     | 2,300   |
| Junior colleges-----              | 11,852  | 16,689  | 26,140  | 30,000    | 30,000  |

The research projects conducted by the University of California and the state colleges for each of the past three years have been averaging approximately 35 completed studies at the University and eight at the state colleges.

## ANALYSIS AND RECOMMENDATION.

The Division of Real Estate is requesting a total of \$2,942,086 from the Real Estate Fund for 1965-66 which is an increase of \$257,992, or 9.6 percent over the amount estimated to be expended during the current fiscal year.

The major increases for the budget year are in new positions requested on a workload basis and the rental of building space. The division will be forced to leave its headquarters building in Sacramento in 1965. Comparable space to what they have had will be more costly since the present facilities have been rented at a rate that is lower than average.

The budget proposes workload position for the following programs or activities:

## 1. Licensing program

Administration:

2 Junior-intermediate typist-clerks—  
(budget page 665, line 64)----- \$7,896

Licensing Division:

7 Junior-intermediate typist-clerks—  
(budget page 665, line 66)----- 27,636

Total----- \$35,532

In addition to the increase in the workload in examinations given and licenses issued, shown previously in this analysis, the number of

## Division of Real Estate—Continued

applications for an original license has been increasing at a rapid rate. The actual number of applications submitted during the past year, 1963-64, was 46,687. For the first six months of the current year (July 1 to December 31, 1964) the number of applications received exceeds the same period of last year by 19.8 percent. There is no indication that this increase will diminish.

## 2. Regulation and Enforcement Program

|   |          |
|---|----------|
| 1 Associate counsel (budget page 665, line 68)-----                       | \$12,096 |
| 2 Deputy real estate commissioner III (budget page 665,<br>line 69) ----- | 17,208   |
| 3 Deputy real estate commissioner II (budget page 665, line<br>71) -----  | 22,248   |
| 2 Deputy real estate commissioner I (budget page 665, line<br>73) -----   | 11,664   |
| 1 Senior legal stenographer (budget page 665, line 74)-----               | 5,556    |
| 6 Junior-intermediate typist-clerks (budget page 665, line<br>75) -----   | 23,688   |
| <hr/>   |          |
| 15 Total -----  | \$92,460 |

As we pointed out in the Review of Agency Accomplishments section of this analysis the regulation program of the division has been recently reorganized and appears to be doing a more efficient job than had been done heretofore. The increase in complaints being received and the increase in the number of formal hearings has caused the backlog in complaints to rise to 1,564 currently. In addition, the additional responsibilities connected with the new subdivision laws have created a situation where 15 new positions are necessary.

*We recommend approval of the proposed new 24 positions on the condition that immediate steps be taken to correct what we consider to be a very serious fund condition problem.*

## Fund Condition

For the 1965-66 fiscal year the budget shows the estimated income into the Real Estate Fund to be \$2,606,100 whereas the proposed expenditure is estimated to be \$2,942,186. Thus for the budget year the Division of Real Estate will be expending \$336,086 more than the Real Estate Fund will receive. Revenues to the fund are derived from examination fees, license fees, subdivision filing fees and miscellaneous other fees.

It is estimated that the surplus in the fund will diminish from \$715,817 on June 30, 1964, to only \$248,435 on June 30, 1966. At the current level of expenditure the Real Estate Fund will not have enough revenues to finance the operations of the division through the 1966-67 fiscal year.

*We recommend that the Division of Real Estate and the administration propose a revision in the fee schedule that will more accurately reflect the cost of operation of the division.*

## Department of Investment

## REAL ESTATE EDUCATION, RESEARCH AND RECOVERY

ITEM 195 of the Budget Bill

Budget page 667

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

|   |           |
|---|-----------|
| Amount requested .....                                | \$605,037 |
| Estimated to be expended in 1964-65 fiscal year ..... | 669,750   |
| Decrease (9.7 percent) .....                          | \$64,713  |

TOTAL RECOMMENDED REDUCTION..... None

## ANALYSIS AND RECOMMENDATION

This appropriation is to support the real estate education and research programs of the University of California and the Division of Real Estate. We have discussed these programs in the previous item of this analysis.

*We recommend approval of the item as budgeted.*

## POLICY OPTION

This research projects portion of this program could be discontinued in lieu of a fee increase.

## Department of Investment

## DIVISION OF SAVINGS AND LOAN

ITEM 196 of the Budget Bill

Budget page 667

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

|   |             |
|---|-------------|
| Amount requested .....                                | \$2,427,691 |
| Estimated to be expended in 1964-65 fiscal year ..... | 1,980,595   |
| Increase (22.6 percent) .....                         | \$447,096   |

TOTAL RECOMMENDED REDUCTION..... None

## PROGRAM PLANS AND BUDGET

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. The Division of Savings and Loan is a special fund agency which obtains most of its income from an annual assessment of associations. The rate of assessment levied in December 1964 was 14.7 cents per \$1,000 of association assets which is an increase from the December 1963 rate of 11.3 cents.

The 1965-66 budget proposes an appropriation of \$2,427,691 which is an increase of \$447,096, or 22.6 percent above that which is estimated to be expended during the current year. The reasons for the large increase are threefold: (1) full implementation of the holding company examination program established pursuant to Chapter 103, Statutes of 1964, (2) the continued workload increase brought about by the growth in association assets, and (3) cost increases.

**Division of Savings and Loan—Continued**

The division has three clearly definable programs in addition to its program of general administration of the division. These programs are (1) examination, (2) appraisal, and (3) facilities licensing. As in other financial regulation agencies the examination program of the division is the largest of those it administers.

**1. Examination Program**

There are four subprograms within the total examination program, as follows:

**A. Regular Examination Subprogram**

This program produces information about management and financial operations and practices of associations to determine whether such operations and practices are unsafe and/or detrimental to investors and stockholders. The basic activities entail the annual examination of all books and records that indicate: (1) financial condition, (2) operating results, and (3) extent of compliance with law, regulations and directives. The examination is also concerned with the accuracy and integrity of the accountancy records and adherence to accepted accounting standards.

For 1965-66, \$829,958 will be expended for 15,470 man-days of examining total association assets of \$21,480,000,000. The budget proposes the addition of 16 positions in this subprogram. The positions are requested on a workload basis. The anticipated increase in total assets of savings and loan associations for 1965-66 over 1964-65 is 15 percent.

**B. Interim Examination Subprogram**

This program embraces a special form of examination which is initiated when an association adopts policies considered potentially dangerous or where the accumulative results of policies are of such concern making it imperative that up-to-the-minute information be obtained. Based on findings drawn from the specific area of inquiry, the examination can become an in-depth probe, it can merely note matters to be covered in the next regular examination, or it can simply determine that there is no need for further inquiry.

For 1965-66, \$180,000 will be expended for approximately 1,596 man-days of examiner time. This cost is reimbursed by the examined associations.

**C. Holding Company Examination Subprogram**

Under the new Savings and Loan Association Law, effective August 22, 1964, the Savings and Loan Commissioner has been given certain responsibilities concerning savings and loan holding companies and their subsidiaries. The act will be largely administered through these activities: (1) receipt and processing of registration applications, (2) collection of fees, (3) issuance of Certificate of Registration, (4) hearings for determination of whether persons or companies are holding companies as defined, (5) analysis of reports, (6) examination of books and records, and (7) enforcement of violations.

The budgeted amount for this program is \$665,526 for the 1965-66 fiscal year. These funds will provide for 52 positions and operating expenses.

## Division of Savings and Loan—Continued

## D. Information Subprogram

Information is generally produced in the form of reports, some for internal use only, others for association use and public consumption. These reports include various analytical and statistical measures and indexes to portray operational efficiency and financial conditions of associations individually and in aggregate groupings by time periods. These reports provide much of the information supporting supervisory actions. Activities of the program include collecting and processing data inflow, tabulating and analyzing the information, and releasing the information in the form of reports.

For the 1965-66 fiscal year the information program will cost an estimated \$63,077. The budget proposes to install a minimum amount of data-processing equipment and three key punch operators to prepare and process data currently prepared by four examiner positions. The four examiners will be transferred back to the examination staff. The four positions are taken into consideration in computing the positions necessary for the increased workload of the regular examination program.

## 2. Appraisal Program

This program is concerned mainly with the appraisal of real property securing loans made by associations since last examination to determine reasonable value. For loans considered in excess of legal limitations, the division requires the establishment of specific reserves.

The appraisal activity can be generally described as field appraising the security underlying loans chosen from a representative sampling of all loans with the exception of those loans selected specifically for appraisal because of questionable quality.

For the 1965-66 fiscal year it is estimated that the division will use 6,384 man-days conducting 25,500 appraisals at a cost of \$480,618.

## 3. Facilities Licensing Program

This program is mainly concerned with controlling the entry of new and branch associations and with association mergers, dissolution, conversions and liquidations. The basic activities can be described as: (1) receiving applications, (2) setting applications that have been filed for hearing, (3) hearing and deciding on applications, (4) issuing findings and decisions, and (5) issuing license and annual renewals.

For the 1965-66 fiscal year it is estimated the division will conduct 80 hearings on the applications for 51 new associations and 50 branch offices at a cost of \$72,095.

## 4. General Administration Programs

General administration includes executive level staff and functions and staff and services concerned with personnel, fiscal and office services required for all line programs. Stenographic and other related office personnel executing service functions in the holding company program have not been included here.

For the 1965-66 fiscal year a total of \$585,031 is budgeted for the general administration program.

Division of Savings and Loan—Continued  
 REVIEW OF AGENCY ACCOMPLISHMENTS

For the 1963-64 fiscal year the Division of Savings and Loan was appropriated \$1,297,873. During the year an emergency authorization of \$25,950, a salary increase authorization of \$41,793, and an OASDI authorization of \$7,300 were approved for the division. The emergency authorization resulted from increased operating expenses arising from legislative action. During the year there were savings of \$55,212 resulting in a total expenditure for the year of \$1,317,704, which was \$19,831, or 1.5 percent, more than was appropriated to the division.

For the current year, 1964-65, a total of \$1,526,405 was appropriated to the division. During the year an emergency authorization of \$351,444 was provided the division for the new holding company examination program. A total of \$109,800 salary increase authorization was provided and \$7,054 in anticipated savings will bring the estimated total expenditure for the current year to \$1,980,595.

### 1. Examination Program

The principal program of the division is the regular examination program it conducts. The holding company examination program has just started and the division has not added the necessary personnel to the staff yet. The interim examination program was also authorized for the current year, thus there are no performance data for either of these examination subprograms.

#### Workload Data for Regular Examination Program

|  | <i>Actual</i> |         |           | <i>Estimated</i> |           |
|--|---------------|---------|-----------|------------------|-----------|
|  | 1961-62       | 1962-63 | 1963-64   | 1964-65          | 1965-66   |
| Program expenditure -----                    | N.A.          | N.A.    | \$521,330 | \$657,425        | \$829,958 |
| Program workload                             |               |         |           |                  |           |
| Total association assets<br>(billions) ----- | 8.9           | 11.7    | 14.6      | 18.6             | 21.4      |
| Examiner man-days -----                      | 8,888         | 9,612   | 9,455     | 13,452           | 15,470    |

During the past year the assets of associations grew more rapidly than had been originally estimated and the division was not staffed to adequately examine all of the associations. The division was authorized seven new examiner positions for the current year which should be adequate to meet the workload that is materializing.

### 2. Appraisal Program

|                           | <i>Actual</i> |         |           | <i>Estimated</i> |           |
|---------------------------|---------------|---------|-----------|------------------|-----------|
|                           | 1961-62       | 1962-63 | 1963-64   | 1964-65          | 1965-66   |
| Program expenditure ----- | N.A.          | N.A.    | \$319,195 | \$417,687        | \$480,618 |
| Program workload          |               |         |           |                  |           |
| Number of appraisals --   | 14,849        | 19,161  | 17,845    | 17,794           | 25,500    |

There has been a gradual decrease in the number of appraisals from the 1962-63 fiscal year to the current year. This is due to the fact that there recently has been a much greater emphasis in the construction of multifamily structures. Thus, savings and loan association investment has been greater in that area than it had been previously. Much more time is necessary on the appraisal of the larger property than is necessary for the single family residence.

## Division of Savings and Loan—Continued

## 3. Facilities Licensing Program

|                            | Actual  |         |          | Estimated |          |
|----------------------------|---------|---------|----------|-----------|----------|
|                            | 1961-62 | 1962-63 | 1963-64  | 1964-65   | 1965-66  |
| Program expenditures ----- | N.A.    | N.A.    | \$45,170 | \$72,549  | \$72,095 |
| Program workload           |         |         |          |           |          |
| Applications               |         |         |          |           |          |
| Associations -----         | 68      | 66      | 53       | 52        | 51       |
| Branches -----             | 115     | 93      | 63       | 51        | 50       |
| Hearings -----             | 100     | 84      | 78       | 82        | 80       |

The type of information required in applications for new associations or branches has changed as a result of recommendations made in February 1963 by a special consultant to the Division of Savings and Loan. A revision of licensing standards for approving new associations and branches was implemented late in 1963. The new regulations have brought about a reduction in the number of applications, but they have necessitated more staff time in reviewing those applications which are submitted.

## ANALYSIS AND RECOMMENDATION

The 1965-66 budget request of \$2,427,691 for the Division of Savings and Loan is \$447,096, or 22.6 percent, more than is estimated to be expended during the current year.

The increase is in the following three areas:

|   |                  |
|---|------------------|
| 1. Full implementation of the holding company examination program ----- | \$263,728        |
| 2. Increased workload in examination program -----                      | 138,048          |
| 3. Increased costs -----  | 45,320           |
| <b>Total -----</b>  | <b>\$447,096</b> |

The current year cost of implementing the holding company examination program is \$401,798 for eight months. It is estimated that the full year cost will be \$665,526, thus the increased cost for the full year operation will be \$263,728.

The following positions are requested for the increasing workload in the examination program:

|  |                  |
|--|------------------|
| 1 Supervising saving and loan examiner II (budget page 668, line 60) ----- | \$11,520         |
| 2 Savings and loan examiner III (budget page 668, line 61) -----           | 18,960           |
| 3 Savings and loan examiner II (budget page 668, line 62) -----            | 23,400           |
| 4 Associate real property appraiser (budget page 668, line 63) -----       | 34,144           |
| 3 Assistant real property appraiser (budget page 668, line 64) -----       | 22,284           |
| 3 Intermediate typist-clerks (budget page 668, line 65) -----              | 12,708           |
| 3 Key punch operators (budget page 668, line 66) -----                     | 13,032           |
| <b>Total -----</b>   | <b>\$138,048</b> |

We have reviewed the workload estimates and are in agreement with the projections. We recommend approval of the budget as submitted.

**BOARD OF PILOT COMMISSIONERS FOR THE HARBOR OF SAN DIEGO**  
 ITEM 197 of the Budget Bill Budget page 670

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

|  |             |
|--|-------------|
| Amount requested-----                                | \$1,375     |
| Estimated to be expended in 1964-65 fiscal year----- | 1,375       |
| <hr/>  |             |
| Increase-----  | None        |
| <b>TOTAL RECOMMENDED REDUCTION-----</b>              | <b>None</b> |

**PROGRAM PLANS AND BUDGET**

The Board of Pilot Commissioners of the Harbor of San Diego is composed of the Mayor of San Diego ex officio and two residents of that city appointed by the Governor for four-year terms. One of the appointed commissioners must be a nautical man. Board members receive a per diem of \$25 for days served. A part-time secretary is employed by the commission.

The board is charged with three primary responsibilities:

1. It examines and licenses not to exceed six pilots for the waters of San Diego Bay. Four pilots are currently licensed.
2. It sets pilotage fees within the range established by law and requires the licensees to account for their collections, five percent of which are paid to the board for deposit in the General Fund in compensation for the board's services.
3. It may suspend or revoke pilot licenses for cause after administrative hearing.

Essentially the board's workload amounts to the annual renewal of four licenses and its costs per diem charges for meetings averaging once a month and secretarial help for one month.

During the budget year 1965-66 the board proposes to expend \$1,375 which is identical in amount with estimated expenditures for the current year.

**REVIEW OF AGENCY ACCOMPLISHMENTS**

Revenue collected by the board and transmitted to the General Fund for 1963-64 and estimated for the current and budget years is indicated below:

| <i>Fiscal year</i> | <b>Revenue</b> | <i>Amount</i>     |
|--------------------|----------------|-------------------|
| 1963-64-----       |                | \$5,799 (Actual)  |
| 1964-65-----       |                | 5,800 (Estimated) |
| 1965-66-----       |                | 5,800 (Estimated) |

It will thus be seen that this activity is more than self-supporting.

**ANALYSIS AND RECOMMENDATION**

*We recommend that this item be approved as budgeted.*

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

ITEM 198 of the Budget Bill

Budget page 670

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 .....                               | \$26,226       |
| Estimated to be expended in 1964-65 fiscal year..... | 30,377         |
| Decrease (13.7 percent) .....                        | <u>\$4,151</u> |
| <b>TOTAL RECOMMENDED REDUCTION .....</b>             | <b>None</b>    |

**PROGRAM PLANS AND BUDGET**

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun is composed of three Governor-appointed members who draw part-time salaries of \$300 a month and a staff consisting of one full-time secretary.

The board has the following program responsibilities under the law.

1. It examines and licenses not more than 25 nor less than 20 pilots for San Francisco and adjacent bays. A total of 25 pilots are now licensed.

2. It provides staff services to the Pilotage Rate Committee. This committee must report to each general session of the Legislature its recommendations as to pilotage rates for the area served. The committee is composed of five members appointed by the Governor as representatives of the pilots, the shipping industry and the public. The committee authorizes audits and conducts hearings in order to determine its recommendations. The pilot and industry members serve without pay. The public member of the committee receives a \$50 per diem and travel expenses for days served in committee work.

3. It may suspend or revoke pilot licenses after administrative hearings.

Board workload consists principally of promulgating rules for the operation of the pilot organization, the setting of some fees, and the annual renewal of pilot licenses.

The board for budget year 1965-66 is requesting the sum of \$26,226 to cover its proposed expenditures for all purposes. This amount is \$4,151 or 13.7 percent less than estimated expenditures for the current year. The reason for the 13.7 percent reduction in the budget year is that no activity will be required of the Pilotage Rate Committee. This group's activity as represented in budget costs appears only in alternate years.

**REVIEW OF AGENCY ACCOMPLISHMENTS**

The Board of Pilot Commissioners is supported by the Pilot Commissioners' Special Fund. This fund is derived from a percentage of gross pilotage fees collected by and accounted for by individual pilots. A rate as high as 5 percent may be charged. The current rate is 2 percent reduced from 3 percent during 1963-64. Fund experience actual and estimated is illustrated below:

**Item 199**

**Professional and Vocational Standards**

**Board of Pilot Commissioners—Continued**

|                    | <i>Fiscal years</i> |                 |                |
|--------------------|---------------------|-----------------|----------------|
|                    | <u>1963-64</u>      | <u>1964-65</u>  | <u>1965-66</u> |
| Revenues -----     | \$27,494 (act.)     | \$25,000 (est.) | \$21,000       |
| Expenditures ----- | 23,877 (act.)       | 30,377 (est.)   | 26,226         |

Regardless of the size of the accumulated surplus in this fund, it is obvious that if the rate of expenditure continues to exceed the rate of income the fund situation can become unfavorable. The Pilot Commissioners' Special Fund is estimated to have a balance of \$34,403 on June 30, 1966.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval of this item as budgeted.*

**Department of Professional and Vocational Standards**

**DEPARTMENTAL ADMINISTRATION**

ITEM 199 of the Budget Bill

Budget page 674

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

|   |             |
|---|-------------|
| Amount requested -----                                | \$2,824,690 |
| Estimated to be expended in 1964-65 fiscal year ----- | 2,709,810   |

Increase (4.2 percent) ----- \$114,880

Increase to improve level of service ----- \$21,576

**TOTAL RECOMMENDED REDUCTION ----- \$21,576**

**Summary of Recommended Reductions**

|   | <i>Amount</i> | <i>Page</i> | <i>Line</i> |
|---|---------------|-------------|-------------|
| From amount requested for new or improved services: |               |             |             |
| 1 Training officer I -----                          | \$9,480       | 676         | 8           |
| 1 Associate counsel -----                           | 12,096        | 676         | 9           |

**PROGRAM PLANS AND BUDGET**

Occupational licensing presents a complex pattern. It is one of the ways in which society attempts to protect itself in the areas of public health, public safety, public hygiene and against fraud and incompetence. Complexity results from the differences within and between the regulated groups. The professions, for example, are concerned with increasing the level of education prior to application for licensure and dealing with professional misconduct after admission to practice. Business groups require only simple registration and subsequent to license seek to prevent fraudulent practices. The craft type of group is more concerned with quality of workmanship, and is tending now to eliminate disputes by means of field conciliation. All groups avoid the courts where possible and use the Administrative Procedure Act generously.

Regulation in the case of these agencies really means (1) that the state has taken jurisdiction over an occupation and (2) imposes a discipline over that occupation to the extent that violators of the rules may be stripped of a license, meaning the permission to practice the given vocation or profession.

**Departmental Administration—Continued**

Fundamentally each regulatory agency follows two programs, one of licensing those who practice the occupation and one of disciplining those who are proved to be violators of rules of conduct or penal provisions of the law which regulates the profession or vocation.

Departmental Administration provides the following services for each of the 30 bureaus, boards or commissions within the department:

1. Centralized accounting
2. Budgeting
3. Personnel services
4. Data processing
5. Internal auditing
6. Limited legal counsel
7. Management analysis
8. Bookkeeping
9. Property management
10. Investigation except for a few boards

Departmental Administration has an unusual appropriation service. The funds for its support activities are derived from a pro rata assessment against each subordinate agency. In the case of data processing and investigation reimbursements depend on services used.

Departmental Administration as such has no programs of its own. Approval or modification of the budgets of each constituent agency means approval or modification of the funds which will be available to Departmental Administration for a given budget year. Administration needs should reflect the size and estimates of service orders from the agencies.

For fiscal year 1965-66 Departmental Administration is requesting \$2,824,690. This amount exceeds estimated expenditures for the current year by \$114,880 or 4.2 percent. Thirteen new positions are requested, the salaries for which represent nearly three-quarters of the proposed cost increase for the budget year.

**REVIEW OF AGENCY ACCOMPLISHMENTS**

Departmental Administration is not a separate agency, as such, in that the performance of the boards and commissions, most of them small, is keyed into the performance of Departmental Administration beginning with the director, who together with his two exempt deputies, is appointed by the Governor to serve at the pleasure of the Governor. The administrative staff now consists in total of 210.8 authorized positions distributed as follows: Sacramento 91.8, San Francisco 33, Los Angeles 63, San Diego 8, Fresno 8, and Riverside 7. The largest individual segment of administration is the Division of Investigation with 130.7 authorized positions.

**Budget Performance**

The proposed departmental appropriation for fiscal year 1963-64 was increased \$20,000 by the Legislature to provide for two added barber inspectors in the Division of Investigation. In the past year augmentations totaled \$273,967 and savings were estimated at \$99,316.

## Departmental Administration—Continued

For the current year the appropriation was made as requested. Augmentations have totaled \$426,106. No savings are anticipated at this time.

## ANALYSIS AND RECOMMENDATIONS

Administration  
Position Transfer

One of the assistant chief positions has been transferred from investigation to administration to become a business development specialist engaged in developing statistical reporting systems for the several boards and commissions. We call attention repeatedly to the lack of program measurement statistics in the analyses of boards and bureaus which follow immediately hereafter. We approve of the position transfer and its work assignment.

## Proposed New Positions

|  |         |
|--|---------|
| 1 Secretary II (budget page 675, line 6)-----                    | \$6,562 |
| 2 Assistant administrative analysts (budget page 675, line 7)--- | 15,600  |
| 1 Intermediate stenographer (budget page 675, line 10)-----      | 4,560   |

The secretarial position was established administratively during the current year 1964-65 as an exempt confidential secretary to the chief deputy director.

The proposed two assistant administrative analysts are requested as the result of transfers of two positions from constituent agencies. For lack of workload an administrative assistant position is transferred from the Board of Dry Cleaners. Reduction in staff for financial reasons has caused transfer of the position of assistant chief of the Bureau of Private Investigators and Adjusters to departmental administration. These two positions will be used for systems and management analysis for the department's 30 bureaus and boards, replacing the service formerly provided by the Division of Organization and Cost Control of the Department of Finance. The clerical position is proposed on a workload basis.

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

|   |         |
|---|---------|
| 1 Training officer I (budget page 675, line 8)----- | \$9,480 |
| 1 Associate counsel (budget page 675, line 9)-----  | 12,096  |

The training officer is proposed primarily for two operations: (1) Training of investigative staff, and (2) orientation of new board and commission members. Other proposed duties include the standard routine of dissemination of information to employees.

We do not agree that the need for the proposed training officer position has been demonstrated. We are not aware that the turnover in investigative employees is so great that supervisors cannot train their men. This type of training is a technical specialty. Investigators and inspectors of the Division of Investigation require police-type training. Deputy registrars of the Contractors' License Board are basically complaint settlers rather than investigators and require a different type of training. We think that the authorization of a training

## Departmental Administration—Continued

officer in this department would be premature, and that the intended program for this one proposed officer would be ineffective. Orientation of new board and commission members must be conducted by a high-level position, not by a grade I training officer. These individuals are appointees of the Governor. The proper training officer for them is the exempt executive secretary of the board on which they serve.

We do not agree that the need for an associate counsel has been demonstrated. A position of associate counsel existed previously and has been allowed to lapse. We note no deterioration in service due to the cessation of use of the position. The one position of administrative adviser is already established. Beyond the use of that position as an aid to management decisions resort should be had to use of the services of the Attorney General as required by law and as presently done. We do not agree with the concept of house counsel in each department at current levels of activity. Workload will eventually build a legal staff in this department if a beginning is made under the house counsel concept. The net cost will be the same on the average whether counsel sits in the department or in the Attorney General's Office.

*We recommend deletion of the proposed positions of training officer and associate counsel for an annual saving of \$21,576.*

## Data Processing, Proposed New Position

1 Key punch operator (budget page 675, line 57)----- \$4,560

This position was established administratively during the current year to take care of workload increases resulting from the filing of completion reports in the Board of Structural Pest Control. In our workload analysis of pest control reports we note the growth in number of such reports. We agree with the request.

*We recommend approval of the position as requested.*

## Investigation, Positions Established

In the budget appropriation implementing the Bureau of Electronic Repair Dealer Registration for the current year the sum of \$120,000 was included for field investigative work. Eight investigative positions have now been established administratively within the division during the current year as well as two field representatives working directly out of the bureau. These steps appear to be within the agreed schedules for bureau operation.

## Proposed New Positions

2 Special investigators (budget page 676, line 70)----- \$13,488  
4 Intermediate typist clerks (budget page 676, line 71)----- 17,736

The special investigators are requested on a workload basis and the request is supported with the following data:

|  |        |
|--|--------|
| New cases estimated for budget year 1965-66-----         | 12,632 |
| Average case closures per man-year, current-----         | 222    |
| Man-years currently authorized-----                      | 55     |
| Needed to handle estimated new workload, additional----- | 2      |

We agree with the request for special investigators.

With reference to the request for clerical help we calculate the current ratio of clerical to technical positions as approximately one

**Item 200****Professional and Vocational Standards****Departmental Administration—Continued**

clerical to five technical positions. New investigative positions have been added since establishment of the division. This is the first increment of clerical help sought. The division cites backlog and workload stating that some investigators are doing their own clerical work.

*We recommend approval of the positions as requested.*

**Suggested Further Improvements**

The following suggestions are made for further improvements in this department:

1. Continue the program of making the bureau, board and commission laws as identical as practical including the setting of fee ranges.
2. Work toward elevating the boards to advisory status removing from them as much administrative detail as possible.
3. Look toward consolidation of boards serving similar occupations.
4. Centralize the handling of funds.
5. Strengthen the responsibility of the director by giving him more administrative control over board operations.

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

ITEM 200 of the Budget Bill

Budget page 679

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

|   |             |
|---|-------------|
| Amount requested .....                                | \$341,096   |
| Estimated to be expended in 1964-65 fiscal year ..... | 353,387     |
| <hr/>   |             |
| Decrease (3.5 percent) .....                          | \$12,291    |
| <b>TOTAL RECOMMENDED REDUCTION .....</b>              | <b>None</b> |

**PROGRAM PLANS AND BUDGET**

The Board of Accountancy consists of five certified public accountants, two public accountants and a public member all appointed by the Governor for terms of four years. The board has a staff of 12.7 currently authorized positions including provision for temporary help distributed between Sacramento (7), San Francisco (2) and Los Angeles (2).

This board, established in 1901, has as its function the licensing and regulation of certified public accountants and public accountants.

In the discharge of its responsibilities under the law, the board operates under two programs, (1) licensing and (2) enforcement as described below:

1. **Licensing.** This program involves investigation of education, experience, and character qualifications of applicants; examination; issuance of certificate; registration, issuance and renewal of permits to practice as a Certified Public Accountant. Permits are renewed biennially in January of each odd-numbered year. The law provides that new public accountants may not be licensed. The permits to practice of those public accountants already licensed are renewable. This situa-

## Board of Accountancy—Continued

tion is causing a shift in workload since the number of CPA's is increasing and attrition is decreasing the number of public accountants.

The board estimates its 1965-66 budget year workload under the licensing program as compared with current and past year figures as follows:

|                                    | <i>Actual<br/>past year<br/>1963-64</i> | <i>Estimated<br/>current year<br/>1964-65</i> | <i>Estimated<br/>budget year<br/>1965-66</i> |
|------------------------------------|---|---|--|
| Applications, CPA .....            | 4,938                                   | 5,400   | 5,800  |
| Licenseses, CPA .....              | 10,474                                  | 11,050  | 11,300                                       |
| Licenseses, public accountant..... | 15,173                                  | 15,150  | 15,000                                       |

We estimate that the cost of the licensing program including board administration is about 80 percent of the total budgeted cost of board operation. The board has not supplied a cost breakdown as between the two programs.

2. Enforcement. This program includes the screening and investigation of complaints, the filing of accusations charging violation of rules, and any court actions which may be necessary. Complaint workload for the budget year is indicated in the following table.

|                  | <i>Current year<br/>1964-65</i> | <i>Budget year<br/>1965-66</i> |
|------------------|---------------------------------|--------------------------------|
| Complaints ..... | 750                             | 750                            |

By combining charges for hearings, fingerprint reports, Attorney General's fees and charges by the department's Division of Investigation, we estimate that enforcement accounts for approximately 20 percent of the costs of this board.

For the budget year 1965-66 the board is requesting the total sum of \$341,096 to cover its proposed cost of operation. The budget request indicates that the existing level of service will be maintained. The sum requested is \$12,291 or 3.5 percent less than estimated expenditures for the current year. One new clerical position is requested on a workload basis.

## REVIEW OF AGENCY ACCOMPLISHMENTS

## 1. Licensing program.

The following table shows the board's actual experiences under its licensing programs for the last three completed fiscal years and its estimates for the current and budget years.

| <i>Fiscal year</i> | <i>Applications</i> |               | <i>Licenseses</i> |               |
|--------------------|---------------------|---------------|-------------------|---------------|
|                    | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i>  | <i>Actual</i> |
| 1961-62.....       | 4,500               | 4,134         | 24,500            | 25,159        |
| 1962-63.....       | 4,500               | 4,416         | 25,000            | 25,020        |
| 1963-64.....       | 4,300               | 4,938         | 25,500            | 25,647        |
| 1964-65.....       | 5,400               | -             | 26,200            | -             |
| 1965-66.....       | 5,800               | -             | 26,300            | -             |

Although the board underestimated the number of applications during the 1963-64 fiscal year it appears that the estimated number of 5,800 applications for 1965-66, is reasonable on the basis of recent actual experience.

**Item 201**

**Professional and Vocational Standards**

**Board of Accountancy—Continued**

**2. Enforcement program.**

No statistical measurements are presently available for past performance under this program. Noted under the enforcement program description earlier in this analysis were complaint estimates. These are included in board workload projections for the first time.

For fiscal year 1963-64 the Board of Accountancy requested a budget amount of \$304,821. Its actual expenditures for that year totaled \$295,581 which is \$9,240 or 3 percent less than the amount requested in the Governor's Budget. The budget request for the current year amounted to \$331,733. Expenditures for the current year are now estimated at \$353,387 an amount which exceeds the request by \$21,654 or 6.5 percent. The increase results from a salary increase of \$3,786 and an emergency authorization of \$17,868.

**Fund Condition**

For the combined current year and budget year, estimated and proposed expenditures by this board on an annual basis exceed estimated annual income by \$46,481 for each year. While the estimated accumulated fund surplus as of June 30, 1966 is sufficient to cover the cost of operation of the board at the current rate of expenditure for one year without any added funds, it is apparent that continued over-expenditure could jeopardize the solvency of the Accountancy Fund.

**ANALYSIS AND RECOMMENDATIONS**

**Proposed New Positions**

|   |       |
|---|-------|
| <i>Committee member per diem (budget page 679, line 61)</i> -----   | \$325 |
| <i>1 Intermediate typist-clerk (budget page 679, line 62)</i> ----- | 4,236 |
| <i>0.4 Temporary help (budget page 679, line 63)</i> -----          | 1,945 |

The agency states that the added committee per diem and the requested temporary help were approved administratively for the current year to meet increased examination work load. The board now requests that these two personnel units be made permanent.

The intermediate typist position is requested on the basis of workload growing out of need for reviewing added qualifying educational material resulting from Chapter 158, Statutes of 1963. We have reviewed the workload statements and agree that the requested position is sufficiently justified. *We recommend approval of the item as budgeted.*

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

ITEM 201 of the Budget Bill

Budget page 681

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

|  |           |
|--|-----------|
| Amount requested-----                                | \$135,827 |
| Estimated to be expended in 1964-65 fiscal year----- | 135,493   |
| Increase (0.2 percent)-----                          | \$334     |
| <b>TOTAL RECOMMENDED REDUCTION</b> -----             | None      |

Board of Architectural Examiners—Continued  
PROGRAM PLANS AND BUDGET

It is the function of the Board of Architectural Examiners to regulate the practice of architecture and the work of building designers within the State of California.

The board which was established in 1901 now has 9 members—6 architects, 2 building designers, and one member representing the public. The board currently is served by an authorized staff of 9.1 positions distributed as follows: Sacramento 7.1, San Francisco 1, and Los Angeles 1.

The board's activities are encompassed in two broad programs plus related administrative operations: (1) licensing and (2) enforcement. These programs together with the board's 1965-66 budget requests are described in detail hereinafter.

1. Licensing. Under the board's program an applicant, before examination, must give evidence of eight years of training. Following the passing of the examination a permanent certificate is issued. The licensee however pays renewal license fees in September of odd-numbered years.

A Designer's Qualifications Advisory Committee of six members is appointed by the Governor to pass upon the qualifications of applicants for registration as building designers. Registrants under this act may become architects if qualifications are completed by December 31, 1971, when the building designers' registration program is scheduled to expire.

For budget year 1965-66 the board has made licensing estimates which we compare below with current year estimates and the past year's performance.

|                                       | <i>Actual<br/>past year</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>budget year</i> |
|---------------------------------------|-----------------------------|-----------------------------------|----------------------------------|
| Applications—architects -----         | 1,816                       | 1,700                             | 1,800                            |
| Licensees—architects -----            | 4,303                       | 4,600                             | 4,800                            |
| Applications—building designers ----- | 1,800                       | --                                | --                               |
| Registrants—building designers -----  | 900                         | 1,000                             | 1,000                            |

We estimate that the licensing program plus all ascertainable administrative costs will account for approximately 80 percent of the total budgeted cost of board operation for fiscal year 1965-66. We have not been supplied by the board with any segregation of costs between programs.

2. Enforcement. This board is one of five in the department which employs its own investigators. It does not use the services provided by the department's Division of Investigation. The enforcement program includes complaint investigation, possible suspension of certificates of architects or the filing of accusations seeking revocation of certificates for violation of the law or rules and regulations. Like procedures are provided for disciplining building designers.

We have totaled hearing costs, charges by the Attorney General, charges for time of hearing officers, and salaries of the investigative staff to arrive at our estimate that enforcement activity represents about 20 percent of the annual cost of board operation.

## Board of Architectural Examiners—Continued

We are not provided with any estimates or experience in reference to complaint and investigative workload.

For the budget year 1965-66 the sum of \$135,827 has been requested by this board to meet the estimated costs of its budget year operation. This amount exceeds the estimated expenditure for the current year by \$334. The board intends to continue the existing level of service through the budget year.

The budget request reduces per diems of board members by \$300 and increases per diems of advisory committee members by a like amount. One clerical position is sought to meet workload added by the building designers' activity. Some intermittent examinations and temporary help were added for the current year. The position request is new this year.

## REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing Program. The following table indicates the board's licensing program experience for the last three complete fiscal years, its current year estimates and the budget year forecasts.

| Fiscal year | Applications |        | Licensees |        |
|-------------|--------------|--------|-----------|--------|
|             | Estimated    | Actual | Estimated | Actual |
| 1961-62     | 1,650        | 1,400  | 3,400     | 3,791  |
| 1962-63     | 1,800        | 1,685  | 3,700     | 3,979  |
| 1963-64     | 1,575        | 1,816  | 4,100     | 4,303  |
| 1964-65     | 1,700        | --     | 4,600     | --     |
| 1965-66     | 1,800        | --     | 4,800     | --     |

From the above table it appears that since the staff is small and not divided to cover segments of the board's activity, phases of the licensing workload which may be overestimated tend to balance out against portions which are underestimated.

2. Enforcement Program. Since we are not supplied with enforcement statistics we have no measurement of this program and can therefore make no review comment with respect to it.

For the past fiscal year, 1963-64, the board's request in the Governor's Budget was for the sum of \$108,285. Actual expenditures for that year are reported as \$108,888, exceeding the budget request by \$603. For the current year the budget request amounted to \$125,328 while estimated expenditures are expected to reach \$135,493. This amount will exceed the budget request by \$10,165 or 8.1 percent. The increase represents an emergency authorization of \$8,094 and salary increases of \$2,071.

## ANALYSIS AND RECOMMENDATIONS

## Proposed New Positions

*Designers' committee per diem (budget page 681, line 61) --- \$300*  
*1 Intermediate account clerk (budget page 681, line 62) ----- 4,524*

As was noted in the first section of this analysis, the designers' committee per diem is a transfer of the sum of \$300 from projected use by board members to anticipated use by members of the designers' qualifications advisory committee.

Board of Architectural Examiners—Continued

The board explains that the proposed account clerk position will be used for statistical work and arithmetical calculations and will also assist with clerical duties which have been increased by the requirement of more documentation of records by applicants. This board now has but two authorized clerical positions. *We have reviewed the anticipated workload and we recommend approval of this item as budgeted.*

Department of Professional and Vocational Standards  
ATHLETIC COMMISSION

ITEM 202 of the Budget Bill

Budget page 683

FOR SUPPORT OF THE ATHLETIC COMMISSION  
FROM THE GENERAL FUND

|   |             |
|---|-------------|
| Amount requested -----                                | \$186,095   |
| Estimated to be expended in 1964-65 fiscal year ----- | 185,290     |
| <hr/>   |             |
| Increase (0.4 percent) -----                          | \$805       |
| <b>TOTAL RECOMMENDED REDUCTION</b> -----              | <b>None</b> |

PROGRAM PLANS AND BUDGET

The State Athletic Commission was created originally by a 1924 initiative act. The commission now has five members who are appointed by the Governor for four-year terms. The commission staff consists of 11 authorized full-time positions stationed in Sacramento (4), San Francisco (3), and Los Angeles (4). In addition six intermittent athletic inspectors are employed. Authorized temporary help amounts to 0.2 of one full-time position.

The Athletic Commission is responsible for the regulation of boxing, sparring and wrestling matches and wrestling exhibitions in California.

The commission discharges its responsibility through two programs of activity: (1) licensing of clubs and match participants, and (2) enforcement of laws and rules applying to these sport contests. These two programs and the commission's budget request for their continuance in fiscal year 1965-66 are described below.

1. Licensing Program. With the exception of certain school, fraternal and similarly sponsored events the commission has the authority to and must license the sponsoring clubs, associations, and promoters and all of the participants including boxers, wrestlers, managers, booking agents, trainers and seconds. License renewal fees are collected annually in January.

Licensing estimates made by the commission for budget year 1965-66 are compared below with past year experience and current year estimates.

|                           | <i>Actual<br/>past year</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>budget year</i> |
|---------------------------|-----------------------------|-----------------------------------|----------------------------------|
| Number of shows -----     | 852                         | 900                               | 900                              |
| Number of licensees ----- | 1,166                       | 1,469                             | 1,469                            |

The commission has not supplied us with any program cost allocations. However, by calculating ascertainable enforcement costs we esti-

## Athletic Commission—Continued

mate that they are approximately 40 percent of total expenditures. Sixty percent of the commission's budgeted expenditures would therefore under this estimate represent both licensing program and administrative costs.

2. Enforcement Program. This commission is one of the agencies within the department which employs its own investigators and inspectors. It does not use the services of the department's Division of Investigation. Enforcement activity includes inspections and investigations. Licenses may be suspended or revoked. Fines may be assessed. Penalties may be imposed which are collectable by the Attorney General.

The only enforcement measurement provided is the number of investigations conducted. Budget and current year estimates and prior experience are as follows:

|                                | <i>Actual<br/>past year</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>budget year</i> |
|--------------------------------|-----------------------------|-----------------------------------|----------------------------------|
| Number of investigations ----- | 128                         | 250                               | 250                              |

The commission is requesting for expenditure during budget year 1965-66 the sum of \$186,095 which exceeds estimated current year expenditures by \$805 or 0.4 percent. This is a General Fund agency and has been such since 1961. The proposed expenditure for the budget year will maintain the current level of service.

## REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing Program. In the following table we compare the commission's program experience for the three most recently completed fiscal years with its estimates for the current and budget years.

| <i>Fiscal year</i> | <i>Shows</i>     |               | <i>Licensees</i> |               |
|--------------------|------------------|---------------|------------------|---------------|
|                    | <i>Estimated</i> | <i>Actual</i> | <i>Estimated</i> | <i>Actual</i> |
| 1961-62 -----      | 1,000            | 1,074         | 1,662            | 1,545         |
| 1962-63 -----      | 1,000            | 845           | 1,712            | 1,285         |
| 1963-64 -----      | 1,000            | 852           | 1,564            | 1,166         |
| 1964-65 -----      | 1,000            | n.a.          | 1,565            | n.a.          |
| 1965-66 -----      | 900              | n.a.          | 1,469            | n.a.          |

We have noted many times before in our annual analysis of this commission's budget request that the commission's workload forecasts are generally overly optimistic and are seldom reached in actual experience. This request for budget year 1965-66 again cites renewed activity and interest in recent months as the basis for continuing the current level of service.

2. Enforcement Program. Since the number of investigations has been presented for the first time in the budget request for 1965-66 we are not able to show or comment upon enforcement performance. We estimate that enforcement costs are about 40 percent of the total budgeted expenditures.

## Revenue Experience

Fees, fines and penalties collected as the result of commission activity are now deposited in the General Fund. Because of a slow decline

**Athletic Commission—Continued**

in boxing and wrestling in California revenues from the sport which formerly provided the entire support for the commission reached a point by 1961 that caused the Legislature to transfer the commission's support to the General Fund in order to preserve the regulatory operation. Revenues for the last fiscal years as compared to budget requests are set forth below:

| <i>Fiscal year</i> | <i>Budget request</i> | <i>Revenue</i> |
|--------------------|-----------------------|----------------|
| 1961-62 -----      | \$188,864             | \$163,573      |
| 1962-63 -----      | 186,956               | 172,115        |
| 1963-64 -----      | 193,446               | 131,773        |
| 1964-65 -----      | 187,095               | 130,410 (est.) |
| 1965-66 -----      | 186,095               | 125,460 (est.) |

If estimates reach the amounts forecast for the budget year the General Fund will have paid out \$60,635 over income received from licensees. This is approximately 32 percent of the commission's cost of operation.

**Budget Performance**

For past fiscal year 1963-64 the commission in the Governor's Budget requested the sum of \$193,446. Actual expenditures for 1963-64 totaled \$162,243. This amount was \$31,203 or 16.1 percent below the request.

For the current year's expenditure program the commission requested the sum of \$187,095. It now estimates that it will spend \$185,290. This is less than the requested amount by \$1,805 or 0.9 percent. The commission appears to have a tendency to overestimate workload and to budget accordingly.

**ANALYSIS AND RECOMMENDATIONS**

In the following section of this analysis we propose policy alternatives for consideration by the Legislature. No increase in the level of service rendered by the commission is proposed for the budget year.

*We recommend approval of this item as budgeted.*

**POLICY OPTIONS**

In former sections of this analysis we have called attention to declining workload resulting in declining revenues and increased cost to the General Fund. We have noted that the commission appears to have a built-in optimism with reference to workload. The Legislature might appropriately consider increasing fees to a level which will provide sufficient income to make the activity self-supporting, after revising budget expenditure estimates to be in accord with accurate workload projections.

We have made this recommendation in the past and now renew it for this budget year.

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

ITEM 203 of the Budget Bill

Budget page 684

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

|   |                |
|---|----------------|
| Amount requested -----                                | \$315,373      |
| Estimated to be expended in 1964-65 fiscal year ----- | 285,884        |
| <hr/>   |                |
| Increase (10.3 percent) -----                         | \$29,489       |
| Increase to improve level of service -----            | \$7,960        |
| <b>TOTAL RECOMMENDED REDUCTION -----</b>              | <b>\$7,960</b> |

**Summary of Recommended Reductions**

|   | <i>Budget</i> |             |
|---|---------------|-------------|
| From amount requested for new or improved services: | <i>Page</i>   | <i>Line</i> |
| Board member per diem -----                         | \$950         | 684 51      |
| 1 Intermediate typist-clerk -----                   | 4,344         | 684 52      |
| Temporary help—limited to June 30, 1966 -----       | 2,666         | 684 53      |

**PROGRAM PLANS AND BUDGET**

The Board of Barber Examiners has as its purpose the regulation of the training of barbers, the practice of barbering and the establishment of minimum price schedules on request.

This board was one of several licensing agencies established in 1901. It is composed of five members. Three barber members occupy full time, fully compensated positions. One of the three is chairman at a new (1964 act) salary of \$8,900; the other two receive salaries of \$8,400 under the 1964 act. A remaining barber member and the member representing the public receive a per diem for days worked. According to our calculations the members paid a per diem are working approximately two days a week.

In addition to salaried board members, the board has a staff of nine authorized positions, eight located in Sacramento and one in Los Angeles.

Activities of the board may be classified into two broad programs, (1) licensing and (2) enforcement, together with related administrative operations.

These two programs and the budget request by the board for fiscal year 1965-66 are outlined briefly in the following paragraphs:

1. Licensing Program. The law plus board rules provide for the regulation of barber schools and apprenticeship training. After examination certificates for the practice of barbering are issued to successful applicants.

In the following tabulation the board's workload estimates for budget year 1965-66 are compared with current year estimates and the actual experience of the last completed fiscal year of 1963-64.

|                               | <i>Actual</i><br>1963-64 | <i>Estimated</i><br>1964-65 | <i>Estimated</i><br>1965-66 |
|-------------------------------|--------------------------|-----------------------------|-----------------------------|
| Applications—journeyman ----- | 2,134                    | 2,150                       | 2,200                       |
| Applications—apprentice ----- | 1,821                    | 1,850                       | 2,000                       |
| Other -----                   | 2,291                    | 1,928                       | 3,300                       |
| Licensees—journeyman -----    | 21,059                   | 21,353                      | 22,553                      |
| Licensees—apprentice -----    | 8,152                    | 9,045                       | 10,295                      |
| Other -----                   | 11,650                   | 10,402                      | 9,652                       |

## Board of Barber Examiners—Continued

It is noted that the "other" category in the above table refers to schools, students, instructors and such regulated persons and institutions.

The licensing program, according to the above statistics shows a small but steady upward trend in most items. After subtracting such items as hearing and hearing officer costs, Attorney General's charges, and charges by the departmental division of investigation from the proposed budget total and reducing the figures to percentages, we estimate that the licensing program and costs of board administration account for approximately 60 percent of the board's budgeted cost of operation.

2. Enforcement Program. The board's enforcement program includes shop inspections, complaint investigation, accusations and hearings, supervision, revocation of certificates and the imposition of such other penalties as are provided by law.

We are not supplied with enforcement statistics and consequently can make no comment with reference to program forecasts. We do estimate enforcement cost at 40 percent of the board's annual expenditures.

Under this program we include the establishment and maintenance of price schedules. Violation of such schedules may be enjoined.

For budget year 1965-66 the board is requesting for expenditure the sum of \$315,373 which exceeds current year estimated expenditures by \$29,489 or 10.3 percent. Increased board per diems, more temporary help, and one clerical position are sought for the budget year. In our view the request for added personnel represents an increased level of service.

## REVIEW OF ACCOMPLISHMENTS

1. Licensing Program. The following table shows the board's past experience with reference to estimates of workload and actual developed workload together with projections for the current and budget years.

| <i>Fiscal<br/>year</i> | <i>Applications</i> |               | <i>Licensees</i> |               |
|------------------------|---------------------|---------------|------------------|---------------|
|                        | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i> | <i>Actual</i> |
| 1961-62                | 3,945               | 3,849         | 37,256           | 38,489        |
| 1962-63                | 3,730               | 3,581         | 38,661           | 39,266        |
| 1963-64                | 3,670               | 6,246         | 39,227           | 40,861        |
| 1964-65                | 5,928               | -             | 40,800           | -             |
| 1965-66                | 7,500               | -             | 42,500           | -             |

It will be noted that the board, until the new statutory requirements adopted by the Legislature in 1963, overestimated its application workload and underestimated the number of licensees. The 1963 changes in the law increased the apprentice application workload.

2. Enforcement Program. Enforcement performance cannot be measured with the material supplied. However, we do include in this program the establishment of minimum prices for local areas. The number of petitions for such purposes occupy board members' time. Our figures are incomplete but those available are tabulated below.

## Board of Barber Examiners—Continued

| Fiscal year   | Petitions for minimum prices |        |
|---------------|------------------------------|--------|
|               | Estimated                    | Actual |
| 1961-62 ----- | -                            | 35     |
| 1962-63 ----- | 25                           | 26     |
| 1963-64 ----- | 25                           | 25     |
| 1964-65 ----- | 25                           | -      |
| 1965-66 ----- | 25                           | -      |

It would appear from this table that petition workload has been practically constant since 1961-62.

## Budget Performance

For budgeted expenditure during the past fiscal year 1963-64 the board requested the sum of \$233,231. Actual expenditures for the year totaled \$264,726. This expenditure exceeded the request by \$31,495 or 13.5 percent. The excess represents an increase in the actual appropriation of \$19,000, an emergency authorization of \$14,089 and two minor authorizations totaling \$1,120.

For the current year the board's budget request amounted to \$263,820. The board now estimates its expenditures for the current year at \$285,884. This amount exceeds the current year's request by \$22,064 or 8.3 percent. Involved in the increase is a salary increase of \$6,203 and an emergency authorization for \$15,861.

In a number of analyses we have criticized the use of emergency authorizations as a constant budgeting practice. They are not reviewed by the Legislature. The practice amounts to chronic overspending.

## Fund Condition

It is estimated that as of June 30, 1966, the Barber Examiners' Fund will show an accumulated surplus of \$234,347, an amount sufficient to finance board activity at current rates of expenditure for approximately 10 months without other revenue sources. However, a comparison of board income and expense at current rates shows that this board is spending approximately \$4,000 a year more than it receives in revenue. Income and expense should be brought into balance. Renewal fees are collected in October of odd-numbered years.

## ANALYSIS AND RECOMMENDATION

## Proposed New Positions

|   |       |
|---|-------|
| Board member per diem (budget page 684, line 51)-----                       | \$950 |
| 1 Intermediate typist-clerk (budget page 684, line 52)-----                 | 4,344 |
| Temporary help—limited to June 30, 1966 (budget page 684,<br>line 53) ----- | 2,666 |

Board member per diem is requested on the basis of workload imposed by the 1963 Statutes. The clerical position is sought on the same basis. Temporary license renewal help is requested for the budget period ending June 30, 1966.

In the current year's budget board per diems were increased approximately \$1,000, a new clerical position was added and some temporary help was provided for. The new positions are requested on much the same basis as were the ones secured for the current year.

Board of Barber Examiners—Continued

We do not find in the record of performance as we interpret it sufficient justification for the requested additional personnel.

We recommend deletion of the requested positions, for a saving of \$7,960.

Department of Professional and Vocational Standards  
CEMETERY BOARD

ITEM 204 of the Budget Bill

Budget page 685

FOR SUPPORT OF THE CEMETERY BOARD  
FROM THE CEMETERY FUND

|   |             |
|---|-------------|
| Amount requested -----                                | \$73,700    |
| Estimated to be expended in 1964-65 fiscal year ----- | 74,395      |
| Decrease (0.9 percent) -----                          | \$695       |
| <b>TOTAL RECOMMENDED REDUCTION</b> -----              | <b>None</b> |

PROGRAM PLANS AND BUDGET

The Cemetery Board has as its function the regulation of private cemeteries, cemetery brokers and cemetery salesmen. It enforces sections of the Health and Safety Code dealing with private cemeteries, mausoleums, and columbariums, special care and endowment funds.

This board was established in 1949 and now consists of six members, five of whom must represent cemetery management and one of whom represents the public. Members are appointed by the Governor for four-year terms. Board staff consists of 4.3 authorized positions, 3 located in Sacramento, 1 in Los Angeles, and 0.3 of 1 position is provided as temporary help.

As in the case in most licensing and regulatory agencies, this board's work is contained in two definable programs, (1) licensing and (2) enforcement of the law. These programs together with the 1965-66 budget requested by the board will be described next in this analysis.

1. Licensing Program. Private cemeteries, mausoleums and columbariums may not operate without authorization from this board. Public cemeteries and those operated by religious and fraternal groups are not subject to board regulation. The board is the examining and licensing agency for cemetery brokers and cemetery salesmen. All license renewal fees are collected annually in January.

Licensing estimates as made for the budget year by the board are compared below with past year experience and current year estimates.

|                    | <i>Actual<br/>past year</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>budget year</i> |
|--------------------|-----------------------------|-----------------------------------|----------------------------------|
| Applications ----- | 2,940                       | 3,098                             | 3,146                            |
| Licenses -----     | 1,701                       | 1,750                             | 1,761                            |

We do not have program cost allocations for the activity of this board. However, after subtracting from total proposed expenditures line item expenses which reasonably may be part of enforcement costs, we estimate that the licensing program plus administrative expenses amounts to approximately 80 percent of the board's request for 1965-66.

Cemetery Board—Continued

2. Enforcement Program. The board is authorized by law to suspend licenses of brokers or salesmen and certificates of authority to operate or to revoke such licenses for infractions of the law as set forth in the Business and Professions Code. Hearings are required to be conducted under the Administrative Procedure Act.

The board is required to examine endowment care funds, to determine status and to see that endowment and special care funds are properly invested. Experience in this phase of enforcement is tabulated below and compared with the board's projection for budget year 1965-66.

|                              |                             |                                   |                                  |
|------------------------------|-----------------------------|-----------------------------------|----------------------------------|
|                              | <i>Actual<br/>past year</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>budget year</i> |
| Number of endowment funds--- | 154                         | 162                               | 168                              |

We estimate enforcement program costs at approximately 20 percent of total board expenditures.

For expenditure during fiscal year 1965-66 the Cemetery Board is requesting the sum of \$73,700 to cover all programs. This amount is \$695 less than estimated expenditures for the current year, a decrease of 0.9 percent. The proposed expenditure will maintain the current level of activity. The budget request includes a small item of added temporary help to provide assistance with special care funds.

REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing Program. In the following table we compare the board's licensing program experience for the past three fiscal years with its estimates for the current and budget years.

| <i>Fiscal year</i> | <i>Applications</i> |               | <i>Licenses</i>  |               |
|--------------------|---------------------|---------------|------------------|---------------|
|                    | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i> | <i>Actual</i> |
| 1961-62-----       | 3,604               | 3,046         | 2,200            | 1,764         |
| 1962-63-----       | 4,052               | 3,131         | 2,500            | 1,775         |
| 1963-64-----       | 3,368               | 2,940         | 1,900            | 1,701         |
| 1964-65-----       | 3,098               | -             | 1,750            | -             |
| 1965-66-----       | 3,146               | -             | 1,761            | -             |

It appears from the above tabulation that this board has consistently overestimated its licensing workload.

2. Enforcement Program. We are not supplied with enforcement performance statistics and are not able to comment thereon as a result. The endowment fund workload figures were given to us this year for the first time. As noted below they show continued growth.

| <i>Fiscal year</i> | <i>Number of funds<br/>subject to review</i> |
|--------------------|--|
| 1961-62-----       | 124  |
| 1962-63-----       | 151  |
| 1963-64-----       | 154  |
| 1964-65-----       | 162 (est.)                                   |
| 1965-66-----       | 168 (est.)                                   |

Budget Performance

The board's request in the 1963-64 Governor's Budget totaled \$66,513. Actual expenditures during that year amounted to \$68,135. This

**Cemetery Board—Continued**

latter amount exceeded the request by \$1,622. The excess is attributable to an emergency authorization of \$1,141 plus two other authorizations totaling \$1,129 less estimated savings of \$648.

For the current fiscal year the board's budget request was in the sum of \$63,128. The board now estimates that expenditures for current 1964-65 will reach \$74,395. The latter amount exceeds the request by \$11,267. The increase again includes an emergency authorization, this time in the amount of \$8,737. In addition, there is a salary increase amount of \$2,530. We are critical of the use of emergency authorizations. They represent underbudgeting and they are not easily reviewed by the Legislature.

**ANALYSIS AND RECOMMENDATIONS**

**Proposed New Position**

0.2 Temporary help (budget page 686, line 11) ----- \$816

This increment of temporary help was administratively approved for the current year and is now requested on a permanent basis for assistance in the work entailed by review of the endowment funds. We find no objection to the request.

*We recommend approval of the item as budgeted.*

**Department of Professional and Vocational Standards**

**BOARD OF CHIROPRACTIC EXAMINERS**

ITEM 205 of the Budget Bill

Budget page 687

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

|   |           |
|---|-----------|
| Amount requested -----                                | \$111,247 |
| Estimated to be expended in 1964-65 fiscal year ----- | 110,077   |
| <hr/>   |           |
| Increase (1.1 percent) -----                          | \$1,170   |

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

**PROGRAM PLANS AND BUDGET**

It is the function of the State Board of Chiropractic Examiners to regulate the practice of chiropractic in California.

The board was created by an initiative act in 1922 and began its work in 1923. The board consists of five chiropractors appointed by the Governor for three-year terms. The board is assisted by a staff of four authorized full-time positions plus 0.3 of one position as temporary help.

As a regulatory agency this board follows two definite programs, (1) licensing of chiropractors after examination and (2) enforcement of provisions of the initiative statute. These programs are described in the following paragraphs as is the board's 1965-66 budget request to cover their continuance.

1. Licensing Program. The statute provides that the board shall approve schools for the teaching of chiropractic, examine applicants, and license qualified individuals to practice this healing art.

Board of Chiropractic Examiners—Continued

Licensing workload estimates by the board for budget year 1965-66 are compared in the following table with estimates for the current year and the last completed fiscal year 1963-64.

|                    | <i>Actual<br/>past year</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>budget year</i> |
|--------------------|-----------------------------|-----------------------------------|----------------------------------|
| Applications ----- | 173                         | 160                               | 170                              |
| Licenseses -----   | 4,851                       | 5,025                             | 4,900                            |

The board does not segregate its costs for each of these programs. Our calculations, however, taking into account various line item enforcement costs, result in a licensing and administrative cost estimate of 70 percent of proposed expenditures for the budget year. Licenses are renewed annually in January.

2. Enforcement Program. The board is authorized to conduct investigations, to hold hearings, suspend or revoke licenses. Unlawful practice of the profession is a misdemeanor and the board is authorized to aid district attorneys in prosecuting violations of the act.

We are not provided with any experience tables or estimates of workload in respect to complaints and various enforcement activities. We have estimated enforcement costs at approximately 30 percent of total proposed expenditures for the budget year.

For budget year 1965-66 the Board of Chiropractic Examiners is requesting the sum of \$111,247 to cover all proposed expenditures. This amount exceeds estimated expenditures for the current year by \$1,170 or 1.1 percent. This request indicates continuance of the existing level of service. Noteworthy in the request is a proposed reduction in per diems for board members totaling \$900.

REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing Program. We tabulate below the board's licensing program experience for the past three fiscal years and its estimates for the current and budget years.

| <i>Fiscal year</i> | <i>Applications</i> |               | <i>Licenseses</i> |               |
|--------------------|---------------------|---------------|-------------------|---------------|
|                    | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i>  | <i>Actual</i> |
| 1961-62 -----      | 160                 | 123           | 5,320             | 5,003         |
| 1962-63 -----      | 150                 | 136           | 5,200             | 4,841         |
| 1963-64 -----      | 145                 | 173           | 5,051             | 4,851         |
| 1964-65 -----      | 160                 | -             | 5,025             | -             |
| 1965-66 -----      | 170                 | -             | 4,900             | -             |

It appears to us from the table that the board finds it difficult to make workload estimates with accuracy. It further appears that actual licensee workload is stabilized at a somewhat constant level.

2. Enforcement Program. In the absence of information it is not possible to measure performance under this program.

Fund Condition

We find in our review of the Chiropractic Examiners' Fund that revenues continue to decline slightly each year. Estimated accumulated surplus in the fund as of June 30, 1966, amounts to \$55,441 equivalent to the cost of board operations for a half year. For the current year

Board of Chiropractic Examiners—Continued

and the budget year expenditures are estimated to exceed income from licenses and other sources. Constant overexpenditure will drain a surplus already too small.

Budget Performance

For the most recently completed fiscal year of 1963-64 the board in the Governor's Budget requested the sum of \$106,292. During that year actual expenditures totaled \$100,690. The Legislature reduced the requested appropriation by \$1,500, an emergency authorization of \$3,617 and a salary increase of \$308 were added and the total was then reduced by an unexpended balance of \$8,027.

For the current year the board's budget request amounted to \$112,398. The board now estimates that its expenditures for the current year 1964-65 will total \$110,077. The requested appropriation for printing was reduced by the Legislature in the sum of \$1,560, a salary increase of \$1,146 was added and now there are estimated savings of \$1,907 resulting in the revised expenditure figure.

ANALYSIS AND RECOMMENDATIONS

Except for comments made in the analysis above we find no apparent basis for suggesting operational changes by this board. The budget request continues the existing level of service.

*We recommend approval of the item as budgeted.*

Department of Professional and Vocational Standards

BOARD OF REGISTRATION FOR CIVIL AND PROFESSIONAL ENGINEERS

ITEM 206 of the Budget Bill

Budget page 688

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

|   |           |
|---|-----------|
| Amount requested .....                                | \$496,554 |
| Estimated to be expended in 1964-65 fiscal year ..... | 442,362   |
| <hr/>   |           |
| Increase (12.3 percent) .....                         | \$54,192  |
| Increase to improve level of service.....             | \$11,520  |

TOTAL RECOMMENDED REDUCTION..... \$11,520

Summary of Recommended Reductions

Budget

|   |          |      |      |
|---|----------|------|------|
| From amount requested for new or improved services: | Amount   | Page | Line |
| 1 Senior electrical engineer .....                  | \$11,520 | 689  | 5    |

PROGRAM PLANS AND BUDGET

The Board of Registration for Civil and Professional Engineers regulates the practice of the profession of engineering specifically in the branches of chemical, civil, electrical, mechanical, petroleum and structural engineering. It also regulates the practice of land surveying. Surveyors were regulated in California as early as 1907. The current board of registration as presently constituted is approximately 13 years old. The board now has nine members—seven engineers, one land surveyor and a member representing the public. It is served by a full-time staff of 29 authorized positions distributed between Sacra-

## Board of Registration for Civil and Professional Engineers—Continued

mento (24), San Francisco (2) and Los Angeles (3). In addition there are two positions of temporary help and four of intermittent examiner presently authorized.

In pursuing its responsibility for regulation of the engineering profession the board's activity is divided between two standards regulating programs, (1) the registration of engineers, certification of engineers-in-training and the licensing of land surveyors, and (2) enforcement of the law, rules and regulations pertaining to professional practice. The two programs and the board's budget request for their support during fiscal year 1965-66 are discussed below.

1. Registration and Licensing Program. Certificates are issued to engineers-in-training. Six years of experience are required prior to the examination for registration. Four years of college are accepted as four years of experience. Applicants for registration are examined. Successful candidates are added in the proper category to the roster of engineers which is distributed to all registrants and to public agencies. Applicants for land surveying licenses are examined and licensed. Six years of experience is required in this category also before there is eligibility for examination. The board has authority to establish criteria for curricula in engineering schools.

The following table compares past year licensing experience with current and budget year workload forecasts made by the board.

|                    | <i>Actual<br/>past year</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>budget year</i> |
|--------------------|-----------------------------|-----------------------------------|----------------------------------|
| Applications ----- | 9,191                       | 9,000                             | 9,200                            |
| Examinations ----- | 6,876                       | 7,250                             | 7,500                            |
| Licenses -----     | 44,563                      | 46,000                            | 47,500                           |

Much of the steady increase in workload to be met by this board results from the current pressure to train and license a larger number of engineers each year to meet technological needs of industry and national defense. How long such pressure will be maintained is a forecast beyond the scope of this analysis. As nearly as we can estimate, by eliminating identifiable line item enforcement costs, the licensing program and board administrative costs account for approximately 90 percent of the board's annual expenditures.

2. Enforcement Program. The enforcement program followed by this board is substantially the same as in other regulatory agencies. It includes handling of complaints, investigations, administrative hearings dealing with possible suspension or revocation of registration or license, assistance to local authorities in the prosecution of various misdemeanors listed in the acts under which the board operates.

We have not been supplied with enforcement statistics and are therefore unable to establish any measurement on forecast for this program for the budget year. We understand that such records will be available in the next budget period.

The board's request for budget year 1965-66 amounts to \$496,554 estimated to cover all program expenditures for that year. This amount exceeds estimated expenditures for the current year by \$54,192 or 12.3 percent. Increased board member per diems, two added positions of

## Board of Registration for Civil and Professional Engineers—Continued

intermittent examiner and a senior electrical engineer position are requested. A substantial increase in postage is requested but such increase recurs on a two-year cyclical basis.

## REVIEW OF AGENCY ACCOMPLISHMENTS

1. Registration and Licensing Program. The tabulation below provides a comparison of estimates and experience under the licensing program for the three last completed fiscal years, the current year and the budget year.

| <i>Fiscal year</i> | <i>Applications</i> |               | <i>Examinations</i> |               | <i>Licenses</i>  |               |
|--------------------|---------------------|---------------|---------------------|---------------|------------------|---------------|
|                    | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i> | <i>Actual</i> |
| 1961-62            | 7,700               | 8,500         | 7,350               | 6,400         | 41,000           | 40,090        |
| 1962-63            | 8,000               | 8,369         | 7,500               | 7,078         | 42,250           | 41,193        |
| 1963-64            | 9,000               | 9,191         | 7,750               | 6,876         | 43,400           | 44,563        |
| 1964-65            | 9,000               | -             | 7,750               | -             | 45,500           | -             |
| 1965-66            | 9,200               | -             | 7,500               | -             | 47,500           | -             |

For the fiscal years recorded the number of applications actually received by the board has exceeded its estimates. The number of examinations given annually has averaged over 700 less than the estimates published. The number of licensees grew at the annual rate of almost 1,500, the actual number not being well related to the estimate for the particular year.

2. Enforcement Program. As noted previously, records upon which to base performance comments regarding this program are not yet available. Our own estimates indicate that enforcement costs run approximately 10 percent of the total cost of board activity for a year. This agency is one of those which does not utilize the services of the department's Division of Investigation in its enforcement work.

## Budget Performance

For the most recently completed fiscal year the board requested through the Governor's Budget the sum of \$422,683 to cover its expenditures. Actual expenditures amounted for that year to \$423,131. The difference is accounted for as follows: The appropriation request for in-state travel was reduced \$650 by the Legislature; an emergency authorization of \$8,853 and a salary increase of \$2,960 were secured; the resulting total was then further reduced by estimated savings of \$10,725.

For the current year's operations the board requested the sum of \$439,395. The appropriation was augmented by an emergency authorization of \$11,971 and a salary increase authorization of \$10,117. It is now estimated by the board that there will be a saving of \$19,121 and that total expenditures for the year will be \$442,362.

## ANALYSIS AND RECOMMENDATION

The board requested, and in September 1963 received, a management survey from the then existing Division of Cost Control of the Department of Finance. As we noted in our Analysis of the 1964-65 Budget Bill, the proposals in the survey suggested policy changes which if adopted should eventually lead to a reduction in clerical staff.

Board of Registration for Civil and Professional Engineers—Continued

The board states that examinations are now given every eight months rather than every six months which the board would deem more desirable. The examination problem faced by the board is one of the subjects of the management survey. We note that the board tends to overestimate its examination workload.

Proposed New Positions

|   |         |
|---|---------|
| <i>Board member per diem (budget page 689, line 4)</i> -----        | \$1,700 |
| <i>1 Senior electrical engineer (budget page 689, line 5)</i> ----- | 11,520  |
| <i>2 Expert examiner—intermittent (budget page 689, line 6)</i> --- | 20,960  |

The request states that added board per diems are needed to compensate for increased board attendance. The intermittent examiners are to be used to speed up the examination process. The electrical engineer position is to be used for review of application and preparation of examinations. It is stated that the positions requested are based on recommendations made in the management study to which we have alluded.

*We recommend deletion of the proposed electrical engineer position for a saving of \$11,550.*

We cannot find in the survey report any suggestion of a technical position being added to expedite examinations. The position does not appear to us to be justified on a workload basis.

Department of Professional and Vocational Standards

COLLECTION AGENCY LICENSING BUREAU

ITEM 207 of the Budget Bill

Budget page 690

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

|   |           |
|---|-----------|
| Amount requested -----                                | \$178,598 |
| Estimated to be expended in 1964-65 fiscal year ----- | 244,506   |
| Decrease (27.0 percent) -----                         | \$65,908  |

TOTAL RECOMMENDED REDUCTION----- None

PROGRAM PLANS AND BUDGET

The Collection Agency Licensing Bureau is administered by a chief appointed by the Governor with the consent of the Senate. The bureau chief acts under supervision of the director of the Department of Professional and Vocational Standards. Existing within the bureau is an advisory board composed of five industry members and one member representing the public. All six are appointed by the Governor.

This bureau, established initially in 1927 was located in the Office of the Secretary of State until 1959 when it was transferred to the present department. The headquarters is in Sacramento with branch offices maintained in San Francisco and Los Angeles.

It is the function of the Collection Agency Licensing Bureau to regulate collection agencies in California. In the process of such regulation the bureau follows two definable programs, (1) licensing of the several

## Collection Agency Licensing Bureau—Continued

segments of the industry, and (2) enforcement of the regulatory act and related rules. The programs are outlined below.

1. Licensing Program. The bureau licenses collection agencies, qualifies principals, and registers employees.

The licensing workload as estimated by the bureau for the budget year of 1965-66 is tabulated below in comparison with results of the last completed fiscal year and estimates for the current year.

|                    | <i>Actual<br/>past year</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>budget year</i> |
|--------------------|-----------------------------|-----------------------------------|----------------------------------|
| Applications ----- | 912                         | 800                               | 820                              |
| Licenses -----     | 624                         | 580                               | 580                              |
| Registrants -----  | 3,311                       | 3,000                             | 3,000                            |

As we have noted in previous analyses this bureau has been beset by many serious administrative and fiscal problems in recent years. A segregation of licensing and enforcement costs is in process but will not be completed until too late for inclusion in this analysis. We estimate that licensing and administrative costs represent approximately 75 percent of the cost of operation of the bureau. The various licenses are renewable annually in July.

2. Enforcement Program. The Collection Agency Act and the various rules and regulations under which the agencies conduct business have been materially tightened and strengthened by the Legislature in recent sessions. Agencies must now prepare and file their own financial statements and audits. Enforcement still includes limited field audits, and in addition the securing of compliance with rules, filing accusations, prosecutions, warnings and the administrative procedures available to a regulatory agency.

Enforcement work load is set forth in the table below. Estimates made by the bureau for budget year 1965-66 are compared with past year experience and current year estimates.

|  | <i>Actual<br/>past year</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>budget year</i> |
|--|-----------------------------|-----------------------------------|----------------------------------|
| Violations -----                         | 232                         | 150                               | 150                              |
| Warnings issued -----                    | 83                          | 50                                | 50                               |
| Prosecution or disciplinary action ----- | 55                          | 50                                | 50                               |

This is the first budget request in which enforcement statistics have been available to us for review. We estimate that for the budget year 1965-66 enforcement costs will approximate 25 percent of the total cost of bureau operation.

For expenditure during the budget year the bureau is requesting the sum of \$178,598. This amount is \$65,908 or 27 percent less than estimated expenditures for the current year. While a new full-time position of chief of bureau is added, 11 existing positions are marked for elimination for a net reduction of 10 authorized positions. This reduction is made possible by the change in auditing procedures.

Collection Agency Licensing Bureau—Continued  
 REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing Program. Statistics describing the licensing program carried forward by this agency are set forth below. We have included experience for the last three complete fiscal years and estimates for the current and budget years.

| Fiscal year | Applications |        | Licensees |        | Registrants |        |
|-------------|--------------|--------|-----------|--------|-------------|--------|
|             | Estimated    | Actual | Estimated | Actual | Estimated   | Actual |
| 1961-62     | 850          | 1,129  | 755       | 711    | 1,985       | 2,625  |
| 1962-63     | 950          | 927    | 740       | 660    | 2,280       | 3,173  |
| 1963-64     | 880          | 912    | 637       | 624    | 4,125       | 3,311  |
| 1964-65     | 800          | -      | 580       | -      | 3,000       | -      |
| 1965-66     | 820          | -      | 580       | -      | 3,000       | -      |

As we view totals and averages of the figures in the above table it appears that the bureau has underestimated its application workload by 96 applications a year; overestimated the number of licensees by 45 a year and has underestimated the number of registered employees by 239 a year. Our calculations are rounded to the nearest full number. It is noted that the number of applications and licensees continues to decline.

2. Enforcement Program. The enforcement figures which appear in the first portion of the analysis cover only one past year and are insufficient for measuring performance. Figures for other years are not yet available.

Two performance items merit mention at this point. One is the auditing program changed by statute at the 1963 session of the Legislature. Each regulated agency must now secure and file an annual audit. Heretofore the agency audit staff attempted to conduct audits of all licensees. Seven auditing positions are now to be eliminated.

Receiverships. The bureau now has authority to initiate receiverships in the event of insolvency of any regulated agency. This procedure is more simple and less costly than the conservator program specified prior to the recent amendment of the law.

#### Fund Condition

Revenues accumulate to the Collection Agency Fund on an annual basis. For the last two years the fee schedule has been raised. As of May 31, 1965, the schedule will revert to a lesser set of fees unless legislation to the contrary is enacted.

With the drastic reduction in the proposed expenditure for the budget year of 1965-66 it appears that expenditures will exceed income by the small sum of \$209, well within the estimated available surplus.

#### Budget Performance

For fiscal year 1963-64 the bureau requested for expenditure for all purposes the sum of \$251,995. The appropriation was reduced by \$5,371, while an emergency authorization for \$29,363 and a salary increase authorization of \$2,850 were secured. The total was reduced by estimated savings of \$30,626 leaving a net total actual expenditure of \$248,211 for the year.

Collection Agency Licensing Bureau—Continued

For the current year the budget request totaled \$283,571. The appropriation was reduced by \$58,475, but an emergency authorization of \$18,389 and a salary increase of \$7,448 were secured. Savings are estimated at \$6,427 leaving a net total estimated expenditure of \$244,506 exceeding estimated income for the year by \$47,446.

ANALYSIS AND RECOMMENDATIONS

Disciplinary cases reached over 17 percent of licensees in 1962-63. Such cases now are fewer in estimated numbers and it can be hoped that this area of state regulation may be approaching a level of greater responsibility to its clients and a more stable position within the regulated business field.

*We recommend approval of the item as budgeted.*

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

ITEM 208 of the Budget Bill

Budget page 691

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

|   |                 |
|---|-----------------|
| Amount requested .....                                | \$2,033,336     |
| Estimated to be expended in 1964-65 fiscal year ..... | 1,843,519       |
| Increase (10.3 percent) .....                         | \$189,817       |
| Increase to improve level of service .....            | \$76,908        |
| <b>TOTAL RECOMMENDED REDUCTION .....</b>              | <b>\$76,908</b> |

Summary of Recommended Reductions

| From amount requested for new or improved services : | Amount  | Page | Budget<br>Line |
|--|---------|------|----------------|
| 1 Deputy registrar of contractors III .....          | \$8,196 | 692  | 42             |
| 3 Deputy registrar of contractors II .....           | 22,284  | 692  | 43             |
| 5 Deputy registrar of contractors I .....            | 33,720  | 692  | 44             |
| 3 Intermediate typist clerks .....                   | 12,708  | 692  | 45             |

PROGRAM PLANS AND BUDGET

It is the function of the Contractors' State License Board to regulate the building-contracting industry within the state.

Regulation of the construction industry began as early as 1929. The present board dates back to the midthirties. The board consists of eight representatives of various construction categories together with one member who represents the public. All members are appointed by the Governor and serve four-year terms.

This agency has the largest budget and the largest staff in the Department of Professional and Vocational Standards. It constitutes more than 20 percent of the department. The staff, currently consisting of 158.3 authorized positions, is scattered among 22 California cities, the largest two segments being located in Sacramento and Los Angeles.

As is the case with all agencies in the department this board follows two programs in the discharge of its legal responsibilities. It licenses contractors and it enforces the law with respect to contractors. We describe these two programs and their budget implications below.

## Contractors' License Board—Continued

1. Licensing Program. The Contractors' State License Board currently is issuing 36 types of licenses in the three major categories of general building, specialty and general engineering. Licensing activity includes receipt of applications, investigation, examination, issuance and renewal of licenses. Licenses issued by this board are renewed in July of each odd-numbered year.

We tabulate below the various elements of the licensing program estimated for budget year 1965-66 and include actual experience of the past year and estimates for the current year.

| <i>Number of:</i>  | <i>Actual<br/>past year</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>budget year</i> |
|--------------------|-----------------------------|-----------------------------------|----------------------------------|
| Applications ----- | 20,881                      | 21,000                            | 21,000                           |
| Licenses -----     | 92,916                      | 101,600                           | 90,000                           |

The fluctuation in the number of licensees actual and estimated is due to the two-year licensing period and in particular to delinquent licensees. Some numbers of the current year actually belong in the past year and some currently estimated will appear in the budget year. The board indicates that the uncertainty of estimates will continue.

Currently the board does not allocate its activity costs between programs. A departmentwide study is under way to accomplish such cost division for each agency but results will not be available in time to be included in this analysis. By combining what we would term enforcement costs and subtracting them from current total estimated expenditures we have arrived at our own estimate of program costs. According to our calculations licensing and administration represent approximately 50 percent of annual agency expenditures.

2. Enforcement of the Contractors' License Law. This board carries on its program of enforcement with its own field staff and does not avail itself of the services provided by the department's Division of Investigation. Enforcement includes screening of complaints, investigations, the filing of accusations, prosecutions. Estimates of enforcement activity forecast for the budget year compared with current estimates and past year experience are set forth in the following table:

| <i>Number of:</i>              | <i>Actual<br/>past year</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>budget year</i> |
|--------------------------------|-----------------------------|-----------------------------------|----------------------------------|
| Investigations—initiated ----- | 16,750                      | 18,000                            | 20,435                           |
| Investigations—closed -----    | 15,175                      | 18,512                            | 20,384                           |
| Investigations—pending -----   | 5,498                       | 4,986                             | 5,037                            |
| Closed per man year -----      | 208                         | 208                               | 208                              |

Enforcement workload continues to grow, though the annual growth in the number of licensees remains relatively slight. Though we have no formal statements on cost segregation our estimate is that enforcement costs this board half of the fees it collects.

For 1965-66 the board has requested \$2,033,336 which is \$189,817 or 10.3 percent greater than estimated expenditures for the current year. Included is a request for 13 new positions and their related expenses.

## Contractors' License Board—Continued

## REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing Program. The tabulation below sets forth estimates and actual licensing experience for the past three fiscal years and estimates for the current and budget year.

| <i>Fiscal year</i> | <i>Applications</i> |               | <i>Licenses</i>  |               |
|--------------------|---------------------|---------------|------------------|---------------|
|                    | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i> | <i>Actual</i> |
| 1961-62 -----      | 24,212              | 19,918        | 91,962           | 90,568        |
| 1962-63 -----      | 20,000              | 20,195        | 92,014           | 93,088        |
| 1963-64 -----      | 20,000              | 20,881        | 95,500           | 92,916        |
| 1964-65 -----      | 21,000              | -             | 101,916          | -             |
| 1965-66 -----      | 21,000              | -             | 90,000           | -             |

(1) During the last three completed fiscal years the board overestimated applications in one of the three years and overestimated licenses in two of the three years, with the amount of overestimates exceeding the amount of underestimates in both cases.

2. Enforcement Program. The following table indicates the experience of the Contractor's State License Board with complaint investigations for the past three completed fiscal years in administering its enforcement program with projections for the current year and the budget year.

| <i>Fiscal year</i> | <i>Initiated</i> |               | <i>Completed</i> |               | <i>Pending</i>   |               |
|--------------------|------------------|---------------|------------------|---------------|------------------|---------------|
|                    | <i>Estimated</i> | <i>Actual</i> | <i>Estimated</i> | <i>Actual</i> | <i>Estimated</i> | <i>Actual</i> |
| 1961-62 -----      | 14,727           | 11,450        | 13,032           | 11,545        | 6,367            | 3,476         |
| 1962-63 -----      | 14,315           | 13,571        | 14,119           | 13,124        | 3,600            | 3,923         |
| 1963-64 -----      | 12,800           | 16,750        | 12,900           | 15,175        | 3,300            | 5,498         |
| 1964-65 -----      | 18,000           | -             | 18,512           | -             | 4,986            | -             |
| 1965-66 -----      | 20,435           | -             | 20,384           | -             | 5,037            | -             |

The board overestimated its enforcement workload substantially in the fiscal years 1961-62 and 1962-63. Then in the last complete year it underestimated its workload. This would appear to indicate that estimating procedures should be improved. Workload reflects economic conditions. When business conditions are bad, complaints increase—abandonment, lack of funds to complete jobs, shoddy work, and like complaints swell the total. We have gained the impression during recent field visits that the complaint-investigation process more and more resembles a conciliation service designed to force licensees to a higher level of performance with the threat of discipline ever present as a sanction against the licensee. In other words, the use of the field force seems in a measure designed to guarantee good performance rather than to seek out violations of the law.

## Fund Condition

According to our calculations the board currently is spending approximately 2.6 percent more money each year than it is receiving as revenue. The estimated accumulated surplus in the Contractor's License Fund as of June 30, 1966, will be more than sufficient to defray one year's operation by this board at current rates of expenditure. Over-spending, however, should be corrected.

## Contractors' License Board—Continued

## Budget Performance

For the last completed fiscal year 1963-64 the board initially through the Governor's Budget requested \$1,518,609. The appropriation was reduced by \$8,756. An emergency authorization for \$98,303, a salary increase of \$17,043 and staff benefits of \$9,483 were added. The total was then reduced by a saving of \$43,283.

For the current year the board requested the sum of \$1,754,029. This amount was augmented by \$36,364 in the appropriation. An emergency authorization for \$31,494 and salary increases amounting to \$47,169 were added and now the board estimates a saving of \$25,537 to reduce the current year expenditure level somewhat.

## ANALYSIS AND RECOMMENDATIONS

The Division of Organization and Cost Control of the Department of Finance in 1961 made a management study for the board. Twenty-two positions were added to staff during the fiscal year 1961-62. During the current year 26.8 added positions were authorized by the Legislature. Now for the budget year 13 more positions are requested. These additional 61.8 positions were all requested on a workload basis. Some new clerical responsibilities were added during the period but no new programs.

Of the total board staff complement of 158.3 positions currently authorized, 89 or approximately 56 percent are engaged in fieldwork, primarily in complaint investigation.

On the average, case closures per man-year have been decreasing. For the fiscal years beginning with 1957-58 the per man-year closures have been 218, 217, 206, 197, 193, 194, and 208 for the year just ended.

## Proposed New Positions

|  |         |
|--|---------|
| 1 Deputy registrar of contractors III (budget page 692, line 42) ----- | \$8,196 |
| 3 Deputy registrar of contractors II (budget page 692, line 43) -----  | 22,284  |
| 5 Deputy registrar of contractors I (budget page 692, line 44) -----   | 33,720  |
| 4 Intermediate typist-clerk (budget page 692, line 45) -----           | 16,944  |

The nine deputy registrar positions are sought on a workload basis. Three of the clerical positions are requested as supporting positions for the deputy registrars formerly classified as special investigators. One clerical position, administratively established during the current year to handle bonding procedures, is requested to be made permanent.

We recommend deletion of the nine proposed positions of deputy registrar of contractors together with three of the proposed new positions of intermediate typist-clerk for a saving of \$76,908.

## POLICY OPTIONS

In our review of the board's workload estimates in foregoing parts of this analysis we questioned the accuracy of the board's forecasts. We further noted that the number of board licensees is growing very slowly. Lastly we indicated that workload appears to be increasing in the com-

Contractors' License Board—Continued

plaint investigation field and that enforcement activity, in our view, tends to be conciliation rather than law violator apprehension.

We think that there are at least two major directions which can be taken by the complaint investigation enforcement activity sponsored by the Contractors' State License Board. These directions may be described as follows:

(1) Toward more conciliation. Under this view the incentive is to secure high level performance by licensees of the board. It is expected that the volume of complaints will continue to increase and that case closures will be less and less because of detail involved. The main concern of the field force would be to see that good performance is guaranteed. It is our view that the costs of enforcement will increase more rapidly under this concept. Under this view there is probable workload to support the board's request for the proposed 12 new field positions.

(2) Toward simple law enforcement. Fundamentally the purpose of regulation is to secure jurisdiction over licensees and require them to follow certain rules in order to protect the public interest. Competence is indicated *only* to the extent that the licensee has registered or passed minimum testing of his ability. Under this concept enforcement by a regulatory agency consists in finding those licensees who are alleged to have violated the rules and law and seeing to it that they are brought to discipline if proved guilty. Costs and staff required are kept at a minimum under this concept. Under this view there appears to be insufficient workload to support the board's request for new positions for the budget year. Under this view breaches of contract would be remedied through the civil courts.

Department of Professional and Vocational Standards  
BOARD OF COSMETOLOGY

ITEM 209 of the Budget Bill

Budget page 693

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

|  |           |
|--|-----------|
| Amount requested .....                               | \$573,716 |
| Estimated to be expended in 1964-65 fiscal year..... | 571,195   |

|                             |         |
|-----------------------------|---------|
| Increase (0.4 percent)..... | \$2,521 |
|-----------------------------|---------|

|   |         |
|---|---------|
| Increase to maintain existing level of service..... | \$2,521 |
|---|---------|

|                                  |      |
|----------------------------------|------|
| TOTAL RECOMMENDED REDUCTION..... | None |
|----------------------------------|------|

PROGRAM PLANS AND BUDGET

The Board of Cosmetology has as its purpose the regulation of the practice of hairdressing, cosmetology, manicuring, electrology, beauty shops, and schools of cosmetology. Regulation in this occupational field was first instituted in 1927. In respect to the estimated number of licensees this is the largest agency within the Department of Professional and Vocational Standards.

## Board of Cosmetology—Continued

The board consists of five industry members, one school operator and one member representing the public. Members are appointed by the Governor for four-year terms. Board staff as presently authorized consists of 14 full-time employees distributed between Sacramento (13) and Los Angeles (1). In addition to full-time employees there are 4.3 positions of temporary help and 4.7 positions of intermittent examiner.

This agency like other departmental groups is engaged in two programs of activity, (1) licensing and (2) enforcement of the law. Each program bears a share of agency administrative costs. The department is currently surveying the agencies within its jurisdiction for the purposes of estimating program costs and measurements. Survey data will be assembled at a date too late for inclusion in this analysis. As a consequence we shall resort to program estimates of our own later in the analysis. Agency programs are outlined in more detail in the following paragraphs.

1. Registration and Licensing Program. Included within the licensing program pursued by this agency are determination of eligibility, acceptance of applications, character investigations, examination, issuance of license and renewal of licenses. Licenses issued by the board are renewable in October of even-numbered years. Included within licensing requirements are shops, schools, and school instructors. Examinations may be given in San Francisco, Sacramento, Los Angeles and San Diego.

Licensing workload estimates made by the board for budget year 1965-66 are compared in the table below with similar estimates for the current year and with actual figures from the past year.

| <i>Number of:</i>  | <i>Actual<br/>past year</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>budget year</i> |
|--------------------|-----------------------------|-----------------------------------|----------------------------------|
| Applications ----- | 14,849                      | 16,000                            | 17,000                           |
| Examinations ----- | 11,270                      | 12,000                            | 13,000                           |
| Licenses -----     | 112,872                     | 122,000                           | 132,000                          |
| Schools -----      | 220                         | 250                               | 290                              |
| Shops -----        | 17,436                      | 18,000                            | 19,000                           |

Our estimate is that licensing and board administration together account for about 70 percent of the annual cost of board operations.

2. Enforcement Program. The board has the responsibility for enforcement of the Cosmetology Act. Fingerprints, inspections, investigations, accusations, administrative hearings, prosecutions are the tools of enforcement. We estimate that enforcement annually requires approximately 30 percent of board expenditures.

Again we must report that enforcement statistics measuring this board's program are not yet available and as a result we have no comment to make at this point.

During fiscal year 1965-66 the board proposes to spend the sum of \$573,716 which exceeds estimated expenditures for the current year by \$2,521 or 0.4 of 1 percent. The board's request includes three new positions. Other features of the request will be discussed later herein.

## Board of Cosmetology—Continued

## REVIEW OF AGENCY ACCOMPLISHMENTS

This board has been through a period of readjustment. Changes made, beginning with the legislative session in 1961, now show progress. With the further changes proposed for the budget year stability should be reached.

1. Licensing Program Performance. Tabulated below is the board's licensing program experience for the three most recent fiscal years as indicated by estimates and results. Compared with these are current and budget year estimates.

| <i>Fiscal year</i> | <i>Applications</i> |               | <i>Licenses</i>  |               |
|--------------------|---------------------|---------------|------------------|---------------|
|                    | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i> | <i>Actual</i> |
| 1961-62 -----      | 10,130              | 10,811        | 92,640           | 93,218        |
| 1962-63 -----      | 12,500              | 12,937        | 87,172           | 101,497       |
| 1963-64 -----      | 14,250              | 14,849        | 109,000          | 112,872       |
| 1964-65 -----      | 15,905              | --            | 119,085          | --            |
| 1965-66 -----      | 17,000              | --            | 132,000          | --            |

  

| <i>Fiscal year</i> | <i>Schools</i>   |               | <i>Shops</i>     |               |
|--------------------|------------------|---------------|------------------|---------------|
|                    | <i>Estimated</i> | <i>Actual</i> | <i>Estimated</i> | <i>Actual</i> |
| 1961-62 -----      | 170              | 190           | 12,200           | 13,792        |
| 1962-63 -----      | 189              | 209           | 12,800           | 14,919        |
| 1963-64 -----      | 250              | 220           | 17,000           | 17,436        |
| 1964-65 -----      | 290              | --            | 17,720           | --            |
| 1965-66 -----      | 290              | --            | 19,000           | --            |

With the single exception of the actual number of schools licensed in fiscal year 1963-64 this board in the three years compared consistently underestimated its developing workload in fairly substantial numbers. We would hope that its forecasting procedure can be improved as are some of the other operating procedures being adopted by the board under guidance of the department.

2. Enforcement Program Performance. As noted before, we presently lack program measurement data upon which to predicate comment. The board, like all but a few others in the department, secures its inspection and investigative work from the Division of Investigation.

## Budget Performance

For expenditure during past fiscal year 1963-64 the board requested the sum of \$477,642. The appropriation was reduced \$25,560 including both personnel and operating expense requests. An emergency authorization for \$34,236 and an OASDI authorization of \$1,914 were added. Then estimated savings of \$20,253 were deducted.

For the current year the request was for the sum of \$497,349. Augmenting this sum were an emergency authorization of \$66,673 and a salary increase of \$7,173. No savings are estimated so far.

## ANALYSIS AND RECOMMENDATIONS

The board's request contains a number of items which call for comment. (1) A study of examination procedures approved for \$15,000 in fiscal year 1963-64 has been completed and recommendations accepted by the board. (2) 4.3 temporary help positions have been reclassified to permanent clerical positions with no change in current

**Board of Cosmetology—Continued**

cost. Future salary raises would change this cost element. (3) As proposed by the study a full-time examiner is included in the budget request. This position will serve to relieve the board of some examination workload. (4) Two new clerical positions are requested. (5) Operating and equipment expenses are to be adjusted to cover changes in the examination process.

Under the above pattern the examiner position will handle and speed up examinations and expedite grading and license issuance. Money is provided for new facilities in San Francisco by shifting some examination costs to rent.

**Proposed New Positions**

|   |         |
|---|---------|
| 1 Examiner in cosmetology (budget page 694, line 49)-----   | \$7,800 |
| 1 Intermediate typist-clerk (budget page 694, line 50)----- | 4,236   |
| 1 Intermediate clerk (budget page 694, line 51)-----        | 4,236   |

As noted the examiner position is proposed in the management study just completed. We are in total accord with the recommendation for the establishment of the examiner position. The clerical positions are requested on strict workload.

*We recommend approval of this item as budgeted.*

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

ITEM 210 of the Budget Bill

Budget page 695

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

|  |           |
|--|-----------|
| Amount requested -----                               | \$182,819 |
| Estimated to be expended in 1964-65 fiscal year----- | 160,168   |
| Increase (14.1 percent)-----                         | \$22,651  |

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

**PROGRAM PLANS AND BUDGET**

The Board of Dental Examiners regulates the practice of the profession of dentistry in California. The board regulates both dentists and dental hygienists. Dentistry first came under regulation in the state in 1885.

The board consists of seven dentists and one member representing the public. All members are appointed by the Governor to four-year terms. A staff of 10 authorized full-time positions assists the board. The staff is distributed between Sacramento (4), San Francisco (3), and Los Angeles (3). Provision is made for temporary help and unlike other agencies in the department the board employs its own attorney, such employment, however, being on a part-time basis.

The Board of Dental Examiners in discharging its functions follows two definable programs, (1) licensing and registration, and (2) enforcement of the Dental Practice Act. These programs and some budget implications are discussed below.

## Board of Dental Examiners—Continued

1. Licensing and Registration. This board approves dental colleges. The licensing program includes receipt of applications from qualified individuals, examination, issuance and renewal of licenses and registration of dentist's place or places of practice. Members of this board receive one per diem payment (\$25) for the preparation of one set of examination questions and one per diem payment for reviewing 20 examination papers. Licenses are renewable in May of even numbered years.

Estimated licensing workload for the budget year of 1965-66 is set forth in the following table which for purposes of reference also includes past year experience and current year estimates.

| <i>Number of:</i>  | <i>Actual<br/>1963-64</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>1965-66</i> |
|--------------------|---------------------------|-----------------------------------|------------------------------|
| Applications ----- | 1,452                     | 1,500                             | 1,700                        |
| Licentiates -----  | 13,884                    | 14,500                            | 15,000                       |

The board states that it experiences a continuing yearly increase in workload.

The Department of Professional and Vocational Standards has informed us that all agencies in the department are being surveyed to determine program costs and measurements. Survey results are not yet available to us, thus we are not able to make cost allocations to board programs. We do estimate that the cost of licensing and administration together equal approximately 80 percent of the agency's operating cost. Our estimate is based on subtracting enforcement line item costs from total cost.

2. Enforcement Program. Unprofessional conduct, gross ignorance or inefficiency, are among the causes for which a reprimand, probation or suspension or revocation of a license may be imposed after administrative hearing. Several offenses such as practicing without a license are misdemeanors under the act.

We do not as yet have any enforcement statistics upon which to base program comment. These should be available at a later date.

To finance its operations during fiscal year 1965-66 the board has requested the sum of \$182,819 which exceeds current year estimated expenditures by \$22,651 or 14 percent. The request includes provision for added board per diems and temporary help for application to the examination workload. A major amount of \$16,000 for biennial publication of the board's directory of dentists accounts for approximately 70 percent of the budget year increase.

## REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing and Registration. The tabulation below reports the board's experience with licensing workload estimates for the past three fiscal years and includes estimates for the current and budget year previously noted.

## Board of Dental Examiners—Continued

| Fiscal<br>year | Applications |        | Licensees |        |
|----------------|--------------|--------|-----------|--------|
|                | Estimated    | Actual | Estimated | Actual |
| 1961-62        | 1,110        | 1,052  | 12,247    | 12,584 |
| 1962-63        | 1,400        | 1,329  | 12,585    | 13,221 |
| 1963-64        | 1,400        | 1,452  | 13,584    | 13,884 |
| 1964-65        | 1,450        | --     | 14,471    | --     |
| 1965-66        | 1,700        | --     | 15,000    | --     |

The board, with the exception of its applications' estimate for the past year, is inclined to underestimate its workload. This is a board which conducts its own examination program and appears to us to be conservative in its operations.

2. Enforcement program. The Board of Dental Examiners employs its own investigators and does not use the services of the Division of Investigation.

As noted previously, enforcement estimates are not yet available to us. We are unable, therefore, to note any enforcement accomplishment.

## Budget Performance

For the past fiscal year of 1963-64 this board's initial request in the Governor's Budget was for the sum of \$162,818. The appropriation was augmented with an emergency authorization of \$3,074, a salary increase of \$1,228, and an OASDI authorization of \$348. The total was reduced by estimated savings of \$2,745.

The budget request for the current year was \$158,232. To this appropriation were added \$655 as an emergency authorization and \$3,160 for salary increases. The total estimate now is to be reduced by anticipated savings of \$1,879.

As is true with respect to most of the boards in this department, this board resorts to the use of emergency authorizations for expenditure in excess of the special fund appropriation made after careful review of the agency's request by legislative committees. As is true for the two years covered by this analysis the impact of the emergency authorization is later reduced because of unexpended balances in the funds earmarked for expenditure during the particular fiscal year. We do not consider that this is sound budget operation regardless of the constantly changing emergency reasons advanced in each case.

## ANALYSIS AND RECOMMENDATIONS

This agency is operating carefully within the scope of its organic act. It has a substantial surplus in its special fund. Its annual expenditures are below annual income. Its annual savings balance against its postbudget appropriation emergency authorizations. No increase in the current level of service is sought for 1965-66.

*We recommend approval of this item as budgeted.*

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

ITEM 211 of the Budget Bill

Budget page 697

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

|   |                |
|---|----------------|
| Amount requested .....                                | \$316,971      |
| Estimated to be expended in 1964-65 fiscal year ..... | 321,540        |
| Decrease (1.4 percent) .....                          | <b>\$4,569</b> |

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

**PROGRAM PLANS AND BUDGET**

The Board of Dry Cleaners regulates the dry cleaning industry within the state and contributes to the support of the office of the State Fire Marshal.

Records indicate that the active regulation of dry cleaners was in effect at least as early as 1929. The seven-member board is appointed by the Governor, the members serving four-year terms. Two members are shop owners, two retail plant owners, two are wholesalers, and one represents the public.

The board staff consists of 10 authorized full-time positions and 2.1 positions of intermittent and temporary help distributed between Sacramento (8), San Francisco (1), and Los Angeles (1).

The board follows two programs in discharging its responsibilities under the law: first, licensing and second, enforcement of the law, rules and regulations. We describe the programs briefly below and discuss budget provisions.

At this point we note that agencies in the regulation field normally follow the two basic programs we have just mentioned. Program statistics for the various boards of the Department of Professional and Vocational Standards are incomplete. The department has informed us that a survey is being made which will provide statistical and dollar definitions of program activities. Results of the survey are not yet available to us. We estimate, however, that the licensing program and administrative activity of the board represent approximately 70 percent of the cost of operation.

1. **Licensing.** The board accepts applications, investigates and examines applicants, issues and renews certificates of registration and licenses schools and other establishments. Several types and classes of licenses are issued.

Estimates of licensing workload for budget year 1965-66 are set forth in the following table together with current estimates and past year experience included for purposes of comparison.

| <i>Number of:</i>  | <i>Actual<br/>1963-64</i> | <i>Estimated<br/>current year</i> | <i>Estimated<br/>1965-66</i> |
|--------------------|---------------------------|-----------------------------------|------------------------------|
| Applications ..... | 2,025                     | 2,050                             | 2,075                        |
| Licenses .....     | 20,236                    | 20,325                            | 20,400                       |

Activity costs are not yet allocated to this program.

2. **Enforcement Program.** Enforcement activity by this board followed the standard regulatory pattern of inspections, investigation of

## Board of Dry Cleaners—Continued

complaints, accusations, hearings, suspension or revocation of licenses and prosecution. Compliance inspections are made by inspectors from the department's Division of Investigation. Plant fire inspections are conducted by the State Fire Marshal. The board provides approximately 20 percent of the support cost of the fire marshal's office.

Enforcement statistics are not available. We estimate on the basis of line items in the budget request that the enforcement program cost for this board is about 30 percent of total cost.

For budget year 1965-66 the board is requesting the sum of \$316,971 to cover support expenditures for all purposes. This amount is \$4,569 or 1.4 percent less than estimated expenditures for the current year. The board estimates its contribution to support of the Office of Fire Marshal in the sum of \$135,415, an amount equal to the current year allocation.

## REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing Program. Workload estimates and actual results for the last three fiscal years for the licensing program operation are tabulated below. Estimates for the current year and budget year are included to indicate trend.

| Fiscal year | Applications |        | Licensees |        |
|-------------|--------------|--------|-----------|--------|
|             | Estimated    | Actual | Estimated | Actual |
| 1961-62     | 2,041        | 2,927  | 20,860    | 19,910 |
| 1962-63     | 2,285        | 3,010  | 20,325    | 20,180 |
| 1963-64     | 3,300        | 2,025  | 20,280    | 20,236 |
| 1964-65     | 3,050        | --     | 20,340    | --     |
| 1965-66     | 2,075        | --     | 20,400    | --     |

For the first two fiscal years shown, applications received exceed the estimates. For the same two years the number of individuals and firms licensed fell below the board's estimates. In the most recently completed year estimates exceeded actual numbers in both categories. We have no explanation for the variation. The estimates for the current and budget year appear more conservative.

2. Enforcement Program. As stated in a preceding section of this analysis statistical measurement of enforcement performance for recent fiscal years is not yet available to us.

## Budget Performance

For past fiscal year, 1963-64, the board's request through the Governor's Budget was for the sum of \$306,270 for support purposes. The appropriation was reduced by deletion of \$800 in travel costs. The appropriation was augmented by an emergency authorization of \$12,597 and a salary increase of \$379. Further reduction in the amount of \$33,549 resulted from estimated savings.

For the current year the support request totaled \$325,026. To this amount has been added an emergency authorization of \$1,023 and a salary increase of \$2,887. Savings are now estimated at \$7,396.

In the past year the board paid the Fire Marshal \$115,269 for his services. The current year expenditure for this purpose is set at \$135,415.

Board of Dry Cleaners—Continued

We call attention again to the continued use of post appropriation emergency expenditure authorizations, the real need for which is not reviewed by the Legislature.

**ANALYSIS AND RECOMMENDATIONS**

The budget request includes a proposed transfer from this board to departmental administration of one position of administrative assistant on the basis of a reduction in workload for this position now authorized for the board. We have commented on this position in the Departmental Administration section of the analysis.

*We recommend approval of this item as budgeted.*

**Department of Professional and Vocational Standards  
BUREAU OF ELECTRONIC REPAIR DEALER REGISTRATION**

ITEM 212 of the Budget Bill

Budget page 698

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

|   |           |
|---|-----------|
| Amount requested .....                                | \$265,622 |
| Estimated to be expended in 1964-65 fiscal year ..... | 244,924   |
| <hr/>   |           |
| Increase (8.5 percent) .....                          | \$20,698  |

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

**PROGRAM PLANS AND BUDGET**

The Bureau of Electronic Repair Dealer Registration regulates the business practices of those persons who, for compensation, engage in the business of repairing, servicing, or maintaining television, radio, or phonograph equipment normally used or sold for use in the home.

This bureau was established by the Legislature in 1963 and by terms of the act under which it was created it is to terminate on September 20, 1965. The bureau's budget request states that legislation will be proposed during the 1965 General Session of the Legislature for the purpose of continuing the operation. It is upon the contingency of enactment of such legislation that we analyze the request on a going operation basis.

The bureau is administered by a chief appointed by the Governor with the consent of the Senate and who serves under supervision of the director of the Department of Professional and Vocational Standards. Advising the chief is a board of five individuals appointed by the Governor for terms of four years. Three members represent the public. Two represent the industry. The current year of 1964-65 is the first full year of bureau operation.

Including the chief and 0.5 positions of temporary help, the authorized staff consists of 8.5 positions all of which are located in Sacramento. Staff classifications were not completed until recently. Field representatives were obtained on temporary contracts under line item operating expense. Now that classifications for personnel are established two field representatives have been appointed. This raises authorized per-

## Bureau of Electronic Repair Dealer Registration—Continued

sonnel for the current year to 10.5 positions. Salaries are payable out of funds transferred from operating expense. One of the field representatives is stationed in Los Angeles.

As a regulatory agency the bureau pursues two programs of activity, (1) registration of service dealers as these are defined by law, (2) enforcement of the Electronic Repair Dealer Registration Law. In the immediately following paragraphs we discuss these two programs and their budget implications as they are developing in this new agency.

1. Registration program. The registration procedure requires completion of a form supplied by the bureau and payment of the required fee. The bureau validates the registration and supplies the registrant with proof. Registrations are renewable annually in June.

In the following table we set forth the bureau's estimate of budget year registration workload. Added are the estimates for the current year and the partial year actual figures from fiscal year 1963-64.

|                               | <i>Partial<br/>1963-64</i> | <i>Estimated<br/>1964-65</i> | <i>Estimated<br/>1965-66</i> |
|-------------------------------|----------------------------|------------------------------|------------------------------|
| Number of reregistrants ----- | 6,703                      | 8,000                        | 9,000                        |

Registration workload figures are too limited for comment as yet. Budget allocations are not provided at this time. Like all agencies within the department this one is under survey to determine program costs and measurements. Survey reports are not yet completed. We estimate that registration and administration costs equal 57 percent of the bureau's budgeted cost.

2. Enforcement program. Emphasis in this bureau is upon enforcement with adjustments through conciliation. The registration program merely identifies and brings within the jurisdiction of the bureau those whose activities are to be regulated. Registrations may be invalidated for offenses against the law. These offenses are defined in detail and other sanctions are provided. Lack of compliance with the law is made a misdemeanor. The bureau is authorized to gather evidence and make spot investigations. Estimates of complaint workload for the budget year and the current year appear below as well as the partial experience of the past year.

|                              | <i>Partial<br/>1963-64</i> | <i>Estimated<br/>1964-65</i> | <i>Estimated<br/>1965-66</i> |
|------------------------------|----------------------------|------------------------------|------------------------------|
| Number of cocomplaints ----- | 2,428                      | 3,000                        | 3,000                        |

As was the case with registration figures the enforcement figures represent only a partial bench mark. If the function is continued by legislation forward estimates will be meaningful next year. Cost allocations have not been made. However, by adding together what could be enforcement costs we estimate that the bureau will allocate at least 43 percent of its funds to enforcement activity.

For the budget year of 1965-66 the bureau is requesting the sum of \$265,622 to cover all proposed expenditures. This amount exceeds estimated expenditures for the current year by \$20,698 or 8.5 percent. Two added field representative positions are requested on a workload basis. The budget request continues the existing level of service.

Bureau of Funeral Directors and Embalmers—Continued

2. Enforcement. Board enforcement costs represent about 20 percent of annual total costs according to our estimate. Enforcement activity includes investigation of complaints of violation of the law, administrative hearings, suspension of revocation of a license, prosecution for listed penal offenses.

Enforcement statistical forecasts are not available pending completion of a department survey.

For fiscal year 1965-66 the board has requested for expenditures to cover all activities the sum of \$92,297 which exceeds estimated expenditures for the current year by \$1,655 or 1.8 percent. Added board per diems and three and a half months of temporary help are also sought for the budget year.

REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing. Validity of the agency's estimating procedures for its licensing effort is checked in the following table:

| Fiscal year | Apprentice applications |        | Applications |        | Licensees |        |
|-------------|-------------------------|--------|--------------|--------|-----------|--------|
|             | Estimated               | Actual | Estimated    | Actual | Estimated | Actual |
| 1961-62     | --                      | --     | 1,040        | 689    | 4,304     | 4,204  |
| 1962-63     | --                      | 295    | 1,691        | 503    | 4,255     | 4,234  |
| 1963-64     | 300                     | 325    | 1,035        | 746    | 4,319     | 4,422  |
| 1964-65     | 315                     | --     | 961          | --     | 4,440     | --     |
| 1965-66     | 375                     | --     | 1,025        | --     | 4,720     | --     |

As is apparent licensing workload forecasts have been subject to considerable variation both above and below actual experience.

2. Enforcement. No enforcement statistics are available upon which comment as to performance might be based.

Fund Condition

We call attention to the fact that on the two-year average the board is currently scheduled to spend about \$4,300 a year more than its estimated receipts. In addition to this fact the accumulated Funeral Directors and Embalmers Fund surplus estimated as of June 30, 1966 will be equal only to the cost of one-third of a year's operation at current rates. Immediate attention should be given to the fund situation.

Budget Performance

In the past year the board's requested appropriation was cut by a travel item reduction of \$800. Added back were authorizations totaling \$1,347. Estimated savings then reduced the total by \$1,401.

For the current year the board received its requested appropriation. This amount has been augmented by emergency and salary authorizations totaling \$6,210. No savings are estimated.

ANALYSIS AND RECOMMENDATIONS

Proposed New Positions

|   |       |
|---|-------|
| Member per diem (budget page 700, line 49)    | \$150 |
| 0.3 Temporary help (budget page 700, line 50) | 1,482 |

Both items were provided administratively on a workload basis during the current year. They request it now be made for permanent au-

**Item 214**

**Professional and Vocational Standards**

Bureau of Funeral Directors and Embalmers—Continued

thorization. They are requested on a workload basis. There appears to be no enrichment of program.

*We recommend approval of the item as budgeted.*

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

ITEM 214 of the Budget Bill

Budget page 701

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

|   |                |
|---|----------------|
| Amount requested -----                                | \$582,079      |
| Estimated to be expended in 1964-65 fiscal year ----- | 583,161        |
| Decrease (0.2 percent) -----                          | <u>\$1,082</u> |

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

**PROGRAM PLANS AND BUDGET**

The Bureau of Furniture and Bedding Inspection regulates those persons or firms who manufacture, sell, repair, renovate, or sterilize new or secondhand upholstered furniture, bedding or filling materials. Included are those out-of-state concerns submitting to California jurisdiction. The present pattern of regulation dates from 1935.

The bureau is operated by a chief appointed by the Governor and serving at his pleasure. Advising the chief is a board of eight members appointed by the Governor. Seven members represent specific segments of the industry, one represents the public. The board's staff, including clerical and laboratory positions is authorized at 19.7 of which the 0.7 position is temporary help. All personnel are located in Sacramento.

Two programs are carried forward by the bureau: (1) licensing and (2) enforcement of the law including laboratory testing. Discussion of the programs and budget plans follow.

1. Licensing Program. The licensing operation is simple. There are no examinations. One may not carry forward any of the listed activities without the appropriate license of which there are 13 types. Licenses are renewable in September of even-numbered years.

The budget year workload forecast for licensing is set forth below together with the 1963-64 past year experience and current year estimates to indicate trend.

|                           | <i>Actual</i><br>1963-64 | <i>Estimated</i><br>current year | <i>Budget year</i><br>1965-66 |
|---------------------------|--------------------------|----------------------------------|-------------------------------|
| Number of licensees ----- | 22,335                   | 22,355                           | 23,450                        |

A gradual growth in the number of bureau licensees is predicted by the above workload estimates. Licensing cost allocations, now being developed, are not available for this analysis. However, we estimate that licensing program and administrative expense are approximately 30 percent of bureau annual cost.

## Bureau of Furniture and Bedding Inspection—Continued

2. Enforcement Program. The bureau's enforcement program represents in total approximately 70 percent of annual cost according to our estimates. Included are inspections, sample testing, investigations, hearings, license suspension and revocation, prosecution for criminal acts. Proper labeling, cleaning and sterilization where required are typical compliances problems.

Enforcement statistics are tabulated below to show workload forecasts compared with past year experience and current year estimates.

| <i>Number of:</i>                | <i>Actual year<br/>1963-64</i> | <i>Estimated<br/>current year</i> | <i>Budget year<br/>forecast</i> |
|----------------------------------|--------------------------------|-----------------------------------|---------------------------------|
| Inspections/investigations ----- | 28,100                         | 28,125                            | 28,150                          |
| Hearings/prosecutions -----      | 28                             | 36                                | 36                              |
| Corrective actions taken -----   | 1,408                          | 1,440                             | 1,480                           |
| Samples analyzed -----           | 2,098                          | 2,200                             | 2,200                           |
| Incorrect labels -----           | 1,146                          | 1,100                             | 1,150                           |
| Unfit for use -----              | 176                            | 150                               | 135                             |

The budget year forecast indicates that the current level of activity is expected to continue without much acceleration. Enforcement cost allocations, as noted previously, are not available at this time.

For the budget year 1965-66 the bureau is requesting the sum of \$582,079 which is \$1,082 or 0.2 percent less than estimated expenditures for the current year. Such request would indicate a continuance of the existing level of service.

## REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing Program. We compare in the table below the bureau's actual experience with its estimates of licensing workload for the most recent fiscal years. Included as well are estimates for the current and budget years.

| <i>Fiscal year</i> | <i>Licenses</i>       |                      |
|--------------------|-----------------------|----------------------|
|                    | <i>First estimate</i> | <i>Actual number</i> |
| 1961-62 -----      | 20,000                | 20,443               |
| 1962-63 -----      | 21,125                | 19,788               |
| 1963-64 -----      | 21,250                | 22,355               |
| 1964-65 -----      | 21,500                | --                   |
| 1965-66 -----      | 23,450                | --                   |

Comparison of the first estimates and actual experience indicates considerable accuracy in estimating an operation which reflects swings of the economic pendulum.

2. Enforcement Program. The only enforcement figures available for the past three fiscal year periods are those totaling inspections and investigations. Our comparison of estimates and actual performance are tabulated below:

| <i>Fiscal year</i> | <i>Inspections and investigations</i> |                      |
|--------------------|---------------------------------------|----------------------|
|                    | <i>First estimate</i>                 | <i>Actual number</i> |
| 1961-62 -----      | 27,300                                | 22,318               |
| 1962-63 -----      | 25,000                                | 28,085               |
| 1963-64 -----      | 30,000                                | 28,100               |
| 1964-65 -----      | 28,000                                | --                   |
| 1965-66 -----      | 28,150                                | --                   |

**Item 215****Professional and Vocational Standards****Bureau of Furniture and Bedding Inspection—Continued**

While estimate figures show some attempt to adjust to actual workload the three-year comparison indicates an overestimate of workload of approximately 5 percent.

**Budget Performance**

The past year budget request was reduced \$1,200 by a cut in travel expense. It was augmented by a \$38,591 emergency authorization and by salary and OASDI authorizations totaling \$1,478. Offsetting the total are estimated savings of \$13,453. Again we note the use of emergency expenditure authorizations.

The current year budget request was augmented by \$46,570 to add 3.5 laboratory positions. An emergency authorization of \$11,363 and a salary increase of \$5,585 were also added to the expenditure program. Savings are now estimated at \$2,160.

**Fund Condition**

Our calculation based on the current and budget year estimates of income and expense show that the bureau currently will overspend at the rate of \$37,615 a year. Estimated accumulated surplus in the Bureau of Furniture and Bedding Inspection will amount only to \$96,277 as of June 30, 1966. This sum would pay bureau operating expense for about two months.

**ANALYSIS AND RECOMMENDATIONS**

The budget request purports to maintain the existing level of service. *We recommend approval as budgeted.*

**Department of Professional and Vocational Standards****BOARD OF GUIDE DOGS FOR THE BLIND**

ITEM 215 of the Budget Bill

Budget page 703

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

|  |             |
|--|-------------|
| Amount requested.....                                | \$2,426     |
| Estimated to be expended in 1964-65 fiscal year..... | 2,381       |
|  | <hr/>       |
| Increase (1.4 percent).....                          | \$35        |
| <b>TOTAL RECOMMENDED REDUCTION.....</b>              | <b>None</b> |

**PROGRAM PLANS AND BUDGET**

The Board of Guide Dogs for the Blind is governed by law enacted in 1947. Its function is to regulate the activity of those persons who train, sell, hire or operate in the business of supplying guide dogs for the blind.

The board consists of five persons appointed to four-year terms by the Governor plus the superintendent of the school for the blind and the director of the Department of Rehabilitation. Staff work is provided by the latter department and the Department of Professional and Vocational Standards. This is a General Fund agency.

As a regulatory agency the board has two programs: (1) licensing and (2) enforcement.

**Board of Guide Dogs for the Blind—Continued**

1. Licensing. There are presently 16 licensees of this board. The number is stabilized. This is the scope of the licensing program. Renewal fees are collected annually on the anniversary of the date on which the license was first issued.

2. Enforcement Program. There has been no specific enforcement activity in several years. No funds are earmarked for such purposes at present.

**REVIEW OF AGENCY ACCOMPLISHMENT**

During the last completed fiscal year the board maintained its operation at the service level established a number of years ago.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend that this item be approved as budgeted.*

As we said in our Analysis of the 1964-65 Budget Bill we can find no compelling reason why this board should be continued as a separate organizational unit. *We renew our recommendation that this activity be attached to the Department of Rehabilitation or to the Department of Social Welfare.*

**Department of Professional and Vocational Standards  
BOARD OF LANDSCAPE ARCHITECTS**

ITEM 216 of the Budget Bill

Budget page 704

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

|  |          |
|--|----------|
| Amount requested .....                               | \$25,766 |
| Estimated to be expended in 1964-65 fiscal year..... | 24,909   |
| <hr/>  |          |
| Increase (3.4 percent) .....                         | \$857    |

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

**PROGRAM PLANS AND BUDGET**

The Board of Landscape Architects regulates the practice of the profession of landscape architects. The current pattern of regulation dates from 1953.

The board is composed of five licensees and a public member all appointed by the Governor for terms of four years. Staff is shared on a pro rata basis with three other agencies in the department—shorthand reporters, veterinarians and yacht brokers.

Two regulatory programs are pursued by the board, (1) licensing and (2) enforcement. They are outlined below.

1. Licensing. Six years' preliminary training qualifies an applicant to take the examination for a certificate to practice the profession. Renewal fees fall due in February of even-numbered years. Pending receipt of department survey reports not yet completed we estimate that administration and licensing amount to about 90 percent of board cost.

Board of Landscape Architects—Continued

Workload forecasts under this program for budget year 1965-66 are listed below together with comparative figures for current and past years.

| <i>Number of:</i>  | <i>Actual</i><br><i>1963-64</i> | <i>Estimated</i><br><i>1964-65</i> | <i>Budget year</i><br><i>1965-66</i> |
|--------------------|---------------------------------|------------------------------------|--------------------------------------|
| Applications ..... | 74                              | 65                                 | 80                                   |
| Licenseses .....   | 719                             | 760                                | 800                                  |

2. Enforcement. Enforcement activity includes the investigation of complaints, accusations, administrative hearings, and suspension or revocation of licenses. Pending the department's report on agency program measurements we estimate that enforcement activity represents approximately 10 percent of agency costs.

For expenditure during the budget year 1965-66, the board has requested the sum of \$25,766. This amount is \$857 or 3.4 percent in excess of estimated expenditures for the current year. Current levels of service are to be maintained.

REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing. The board's workload estimates and experience for the past three fiscal years are tabulated below and compared with current and budget year estimates.

| <i>Fiscal year</i> | <i>Applications</i> |               | <i>Licenseses</i> |               |
|--------------------|---------------------|---------------|-------------------|---------------|
|                    | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i>  | <i>Actual</i> |
| 1961-62 .....      | 40                  | 76            | 860               | 795           |
| 1962-63 .....      | 40                  | 78            | 860               | 814           |
| 1963-64 .....      | 60                  | 74            | 855               | 719           |
| 1964-65 .....      | 82                  | --            | 860               | --            |
| 1965-66 .....      | 80                  | --            | 800               | --            |

Workload numbers for the three completed years are small. In totals, however, the board overestimated applications by nearly 63 percent and the number of actual licenseses by almost 10 percent.

2. Enforcement. Since enforcement measurements are not yet available from the department, enforcement comparisons cannot be made.

Budget Performance

Budget appropriations were made in the amount requested for both 1963-64 and for the current year. For the past year authorizations were added totaling \$418 and savings were deducted in the amount of \$3,102. For the current year augmentations amounted to \$818 while savings are estimated in the sum of \$216.

ANALYSIS AND RECOMMENDATIONS

Proposed New Position

Temporary help (budget page 704, line 55)----- \$207

The increment of temporary help is requested to cover payments to added examination proctors to meet added workload. The request is supported by workload.

We recommend approval of this item as budgeted.

## Department of Professional and Vocational Standards

## BUREAU OF MARRIAGE COUNSELORS

ITEM 217 of the Budget Bill

Budget page 705

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

|   |         |
|---|---------|
| Amount requested .....                                | \$2,898 |
| Estimated to be expended in 1964-65 fiscal year ..... | 2,257   |
| Increase (28.4 percent) .....                         | \$641   |

TOTAL RECOMMENDED REDUCTION..... None

## PROGRAM PLANS AND BUDGET

The Bureau of Marriage Counselors regulates those persons who advertise themselves as marriage, family or child counselors. The bureau is a function of the director of the Department of Professional and Vocational Standards and was established by legislation enacted in 1963. Staff work currently is being handled on a reimbursable basis by the Board of Social Work Examiners.

While the bureau has two definable programs as its responsibility—licensing and enforcement—only the licensing program is being pursued at this time. Enforcement activity cannot be undertaken until funds become available. The bureau budget request notes that legislation is to be introduced at the 1965 legislative session for the purpose of increasing revenue. Licensing program statistics are set forth in the following table.

| Number of:         | Actual year<br>1963-64 | Estimated<br>1964-65 | Budget year<br>1965-66 |
|--------------------|------------------------|----------------------|------------------------|
| Applications ..... | 1,016                  | 208                  | 100                    |
| Licenses .....     | 792                    | 1,000                | 1,100                  |

For fiscal year 1965-66 the bureau's budget request amounts to \$2,898. This total exceeds estimated expenditures for the current year by \$641 or 28.4 percent.

## REVIEW OF AGENCY ACCOMPLISHMENTS

The operation of the bureau to date has consisted of screening and registering those who have applied for licenses. Licenses are renewable in December of odd-numbered years.

## Budget Performance

Budget operations have been limited to date. The bureau began activity on an emergency authorization of \$6,943 during 1963-64. Against this amount there were savings of \$649. The current year appropriation made in the amount requested has now been augmented by a \$482 emergency authorization.

## Fund Condition

It is too early to comment with much certainty on the condition of the Marriage Counselor's Fund. Expenditures have been kept below income as estimated. A small surplus is predicted for the end of the budget year.

## ANALYSIS AND RECOMMENDATIONS

*We recommend approval of the item as budgeted.*

Department of Professional and Vocational Standards

BOARD OF MEDICAL EXAMINERS

ITEMS 218, 219 and 220 of the Budget Bill

Budget page 706

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

|   |             |
|---|-------------|
| Amount requested                                | \$663,430   |
| Estimated to be expended in 1964-65 fiscal year | 708,257     |
| Decrease (6.3 percent)                          | \$44,827    |
| <b>TOTAL RECOMMENDED REDUCTION</b>              | <b>None</b> |

PROGRAM PLANS AND BUDGET

The Board of Medical Examiners regulates the professional practice of all of the healing arts subject to the medical practice and related acts including physicians and surgeons, drugless practitioners, midwives, dispensing opticians, registered physical therapists, licensed physical therapists, psychologists, podiatrists.

Regulation of medical practices began in 1876 antedated only by regulation of bar pilots and lawyers. The 12-member board is appointed by the Governor for terms of four years. Ten members are direct licentiates of the board, one represents the public and until January 15, 1971, one member represents the 2,547 osteopathic doctors who became M.D.'s in 1963.

The board administers two funds for three groups of licentiates. The Contingent Fund covers the medical practice act and registered physical therapists. The expenditures from this one fund are kept separate, however. The second is the Physical Therapy Fund, administered for licensed physical therapists only.

Within the jurisdiction of the board are three special examining committees. These committees each have a public member. All members are appointed by the Governor. These committees are the following: (1) Podiatry Examining Committee, six members; (2) Psychology Examining Committee, eight members; (3) Physical Therapy Examining Committee, five members. Five specific acts are administered by the board.

The board is served by a staff of 23.4 currently authorized positions distributed as follows: Sacramento 19, San Francisco 0.5, Los Angeles 1; part-time and temporary 2.9.

In the regulation of professional practice under the various healing art acts and of the several professional categories operating pursuant to the law, this board follows two principal activity programs: (1) licensing and (2) law enforcement. These programs and available program measurements are outlined below together with budget implications arising from them.

1. Professional Licensing. The licensing program includes specification of courses of study, accreditation of schools, determination of qualifications, examination, certification, renewals. Licenses issued by this board are renewable in March of even-numbered years. In the following table estimated budget year workload is compared with current year estimates and past year experience.

## Board of Medical Examiners—Continued

| <i>Number of:</i>           | <i>Actual year</i> | <i>Estimated</i> | <i>Budget year</i> |
|-----------------------------|--------------------|------------------|--------------------|
|                             | 1963-64            | 1964-65          | 1965-66            |
| Applications—all acts ..... | 3,329              | 3,865            | 4,122              |
| Licentiatees—all acts ..... | 54,475             | 56,854           | 59,169             |

Program cost allocations and performance measurements are still being developed by the department. In the absence of these measurements we estimate that licensing program plus administrative costs will equal approximately 56 percent of annual cost of board operation.

2. Law enforcement. Enforcement activity by this board is standard for regulatory agencies—investigation of complaints, filing of accusations, administrative hearings, cooperation with local, state and federal law enforcement agencies, prosecutions, suspension or revocation of licenses or certificates.

Enforcement measurements and forecasts for the budget year are reported in the following table with comparisons for the current year and past year 1963-64:

| <i>Number of:</i> | <i>Actual year</i> | <i>Estimated</i> | <i>Budget year</i> |
|-------------------|--------------------|------------------|--------------------|
|                   | 1963-64            | 1964-65          | 1965-66            |
| Complaints.....   | 634                | 700              | 700                |

It would appear that the enforcement activity is stabilized at a near constant level. Enforcement cost allocations now being studied by the department are not yet available. Enforcement activity represents approximately 44 percent of annual board operating cost according to our estimates.

For expenditure during fiscal year 1965-66 the Board of Medical Examiners is requesting the total sum from all funds of \$663,430. This amount is \$44,827 or 6.3 percent less than estimated expenditures for the current year. One clerical position is requested. Extra per diems are requested for members of the Podiatry Examining Committee. An addition is sought for examination commissioner time.

## REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing Program. Agency experience with workload estimates and actual performance is tabulated below for the past three fiscal years. Estimates for the current year and for 1965-66 are included for purposes of comparison:

| <i>Fiscal year</i> | <i>Applications—all acts</i> |               | <i>Licentiatees—all acts</i> |               |
|--------------------|------------------------------|---------------|------------------------------|---------------|
|                    | <i>First Estimate</i>        | <i>Actual</i> | <i>First estimate</i>        | <i>Actual</i> |
| 1961-62.....       | 3,500                        | 3,335         | 49,226                       | 47,692        |
| 1962-63.....       | 3,820                        | 3,247         | 52,606                       | 53,498        |
| 1963-64.....       | 3,800                        | 3,329         | 52,500                       | 54,475        |
| 1964-65.....       | 3,820                        | --            | 57,861                       | --            |
| 1965-66.....       | 4,122                        | --            | 59,169                       | --            |

Based on the past three-year period in the table, our calculation shows that the board overestimated its application workload for the period by approximately 10 percent. Estimates almost exactly match actual figures for the total three-year period in the case of licensees. It was during this period that more than 2,500 doctors of osteopathy became M.D.'s through merger of the professional groups.

Board of Medical Examiners—Continued

2. Enforcement Program. Enforcement estimates and experience are indicated in the following tabulation of complaints:

| Fiscal year | Complaints |        |
|-------------|------------|--------|
|             | Estimated  | Actual |
| 1961-62     | 920        | 620    |
| 1962-63     | 920        | 681    |
| 1963-64     | 816        | 634    |
| 1964-65     | 950        | --     |
| 1965-66     | 700        | --     |

The estimated number of complaints exceeds the actual number received by 27 percent when the three-year totals are compared. The board informs us that the discrepancy between estimates of the number of complaints to be received and the actual number has resulted from the lack of completed procedures with the department's Division of Investigation. It is hoped that the figures will match more closely in the future.

Budget Performance

This board's total expenditures are the second highest in the department.

For the past year the board's requested appropriation was augmented by \$29,880 to take care of extra workload occasioned by the addition of 2,500 new licensees transferred from the osteopathic field. Other augmentations to both funds totaled \$2,346 while estimated savings reduced the total by \$107,773.

For the current year the appropriation was made in the amount requested. Augmentations totaling \$76,860 for both funds have now been made. No savings are anticipated.

ANALYSIS AND RECOMMENDATIONS

Proposed New Positions

|  |         |
|--|---------|
| 1 Intermediate stenographer (budget page 707, line 18)               | \$4,344 |
| Commissioners on examination—intermittent (budget page 707, line 19) | 250     |
| Per diem Podiatry examining committee (budget page 707, line 21)     | 450     |

The requests are all based on increased workload.  
We therefore recommend approval of the item as budgeted.

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

ITEM 221 of the Budget Bill Budget page 709

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

|   |           |
|---|-----------|
| Amount requested                                | \$597,191 |
| Estimated to be expended in 1964-65 fiscal year | 573,063   |
| Increase (4.2 percent)                          | \$24,128  |
| TOTAL RECOMMENDED REDUCTION                     | None      |

Board of Nursing Education and Nurse Registration—Continued

PROGRAM PLANS AND BUDGET

It is the function of the Board of Nursing Education and Nurse Registration to regulate the practice of professional nursing in California. Nurses have been subject to regulation for many years, first by the state public health agency and since 1939 by the present board.

The board consists of six licensees of the board and one member representing the public. Appointments are made by the Governor and terms are four years. The board's staff is authorized at 33.8 positions distributed between Sacramento (23.8), San Francisco (5), and Los Angeles (5). The board appoints an advisory committee of 13 representing medicine, hospitals, nurses' associations, teachers, and public health officials.

In discharging its responsibility the board engages in two distinct programs: (1) licensing of professional nurses and (2) enforcement of the Nursing Practice Act. These programs and proposed budgeting to cover them in 1965-66 are discussed in the following paragraphs.

1. Licensing. This program includes prescribing of courses of study, accreditation and inspection of schools, receipt of applications, examination, issuance and renewal of licenses. Licenses are renewed for two years on the licensee's birthday. The department is preparing a report on cost allocation but it is not yet complete. Our own estimate is that licensing and administration costs are approximately 78 percent of the board's total annual cost.

Budget year licensing workload forecasts are set forth below. Included are comparison figures from the past year of 1965-66 and from the current year.

| <i>Number of:</i>       | <i>Actual year<br/>1963-64</i> | <i>Current estimate<br/>1964-65</i> | <i>Budget year<br/>1965-66</i> |
|-------------------------|--------------------------------|-------------------------------------|--------------------------------|
| Applications -----      | 13,995                         | 14,455                              | 14,961                         |
| Licensees -----         | 113,728                        | 118,278                             | 122,418                        |
| Schools -----           | 63                             | 63                                  | 63                             |
| Extended campuses ----- | 290                            | 290                                 | 290                            |

An "extended campus" is generally an approved hospital unit to which student nurses are taken for actual nursing experience.

2. Enforcement. The Nursing Practice Act makes some acts unlawful and subject to fine and imprisonment. Other offenses fall into the category of unprofessional or unethical practice. Enforcement activity accounts for approximately 22 percent of cost according to our estimates.

No forecast of enforcement activity is available to us.

For the budget year the board has requested the sum of \$597,191 which exceeds estimates of current expenditures by \$24,128 or 4.2 percent. This request will continue the existing level of service.

**Item 221**

**Professional and Vocational Standards**

**Board of Nursing Education and Nurse Registration—Continued**

**REVIEW OF AGENCY ACCOMPLISHMENTS**

1. Licensing program. Validity of the agency's licensing workload estimates is tested in the table below:

| Fiscal Year | Schools and extended campuses |        | Applications |        | Licenses |         |
|-------------|-------------------------------|--------|--------------|--------|----------|---------|
|             | Estimate                      | Actual | Estimate     | Actual | Estimate | Actual  |
| 1961-62     | 324                           | 277    | 11,680       | 11,694 | 104,000  | 104,512 |
| 1962-63     | 341                           | 320    | 12,180       | 12,820 | 110,000  | 109,526 |
| 1963-64     | 335                           | 353    | 12,900       | 13,995 | 110,000  | 113,728 |
| 1964-65     | 341                           | -      | 16,500       | -      | 125,250  | -       |
| 1965-66     | 353                           | -      | 14,961       | -      | 122,418  | -       |

The Board of Nursing Education and Nurse Registration has on the average, as indicated above, reached a fair degree of accuracy in its estimates of licensing workload.

2. Enforcement program. Enforcement performance statistics or other measurements are not yet available to us from the department and no comment can be made.

**Budget Performance**

The past year's budget appropriation was cut \$1,500 for in-state travel. The appropriation was then augmented by authorizations totaling \$48,119. This increase was offset by savings of \$25,179.

The current year's budget appropriation was reduced in the in-state travel category by \$3,000. It has since been augmented by \$7,880 for salary increases. No savings are anticipated.

**Fund Condition**

In our analysis of the 1964-65 Budget Bill we called attention to a continuing pattern of annual expenditures in excess of estimated income. The pattern continues. The actual excess is tabulated below.

| Fiscal year         | Amount of expenditure in excess of income |
|---------------------|---|
| 1963-64 (actual)    | \$12,384                                  |
| 1964-65 (estimated) | 53,741                                    |
| 1965-66 (estimated) | 46,247                                    |

The estimated surplus as of June 30, 1966 will be sufficient to carry the board cost for less than one-half year. It appears to us that the board, which has been relatively conservative through the years, is operating on too close a margin. Eventually expenditures must be reduced or income increased.

**ANALYSIS AND RECOMMENDATION**

No increase in the existing level of service is requested.  
*We recommend that the item be approved as budgeted.*

## Department of Professional and Vocational Standards

## BOARD OF OPTOMETRY

ITEM 222 of the Budget Bill

Budget page 711

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

|   |             |
|---|-------------|
| Amount requested -----                                | \$68,644    |
| Estimated to be expended in 1964-65 fiscal year ----- | 68,399      |
| Increase (0.4 percent) -----                          | \$245       |
| <b>TOTAL RECOMMENDED REDUCTION -----</b>              | <b>None</b> |

## PROGRAM PLANS AND BUDGET

The Board of Optometry regulates the teaching and practice of optometry in California. The board consists of five licensed optometrists and a member representing the public, all appointed by the Governor to four-year terms. Regulation of this occupation began in 1903. Board staff consists of two full-time employees and a provision for temporary help.

As a regulating agency the Board of Optometry follows two programs defined as (1) licensing and (2) enforcement. These programs are outlined below.

1. Licensing. Courses of study are prescribed and schools are accredited. Issuance of certificates is based upon examination. Certificates to practice must be registered with the county clerk in the county of practice. Licenses are renewable in February of odd-numbered years.

Licensing workload estimates for the budget year are noted in the following table.

| <i>Number of:</i>            | <i>Actual year<br/>1963-64</i> | <i>Estimated<br/>1964-65</i> | <i>Budget year<br/>1965-66</i> |
|------------------------------|--------------------------------|------------------------------|--------------------------------|
| Applications -----           | 101                            | 108                          | 129                            |
| Licenses -----               | 2,764                          | 2,800                        | 2,840                          |
| Branch office licenses ----- | 216                            | 240                          | 240                            |

Cost allocations for the two programs are not yet available from a departmental survey soon to be reported. Our own estimate is that licensing and administration account for approximately 75 percent of total board operating costs.

2. Enforcement. Offenses are of two levels, acts constituting improper conduct and those of misdemeanor type. Charges of the first type mentioned may result in accusation, hearings, suspension or revocation of license. Others would go to the courts.

Statistical measurements or budget allocations are not available for this board's enforcement program. We estimate the cost at about 25 percent of total operating costs.

For the budget year 1965-66 the board is requesting the sum of \$68,644. This amount exceeds estimated current year expenditures by \$245 or 0.4 percent.

**Item 222**

**Professional and Vocational Standards**

Board of Optometry—Continued

**REVIEW OF AGENCY ACCOMPLISHMENTS**

1. Licensing. Licensing experience for the most recent fiscal years is tabulated below.

| Fiscal Year | Applications |        | Licenses  |        | Branch Offices |        |
|-------------|--------------|--------|-----------|--------|----------------|--------|
|             | Estimated    | Actual | Estimated | Actual | Estimated      | Actual |
| 1961-62     | 115          | 107    | 2,705     | 2,735  | n.a.           | 227    |
| 1962-63     | 132          | 98     | 2,755     | 2,685  | n.a.           | 216    |
| 1963-64     | 111          | 101    | 2,785     | 2,764  | 250            | 216    |
| 1964-65     | 120          | n.a.   | 2,770     | n.a.   | 220            | n.a.   |
| 1965-66     | 129          | n.a.   | 2,840     | n.a.   | 240            | n.a.   |

2. Enforcement. Enforcement reports are not yet available for comment.

**Budget Performance**

The appropriations requested for the past and for the current year were approved as budgeted. During the past year the budget was augmented \$5,175 and there were balancing savings of \$5,141. Current year augmentations amount to \$3,021. No savings are anticipated as yet.

**ANALYSIS AND RECOMMENDATIONS**

No increase in the existing level of service is sought for the budget year.

*We recommend approval as budgeted.*

**Department of Professional and Vocational Standards**

**BOARD OF OSTEOPATHIC EXAMINERS**

ITEM 223 of the Budget Bill

Budget page 712

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

|   |             |
|---|-------------|
| Amount requested                                | \$21,525    |
| Estimated to be expended in 1964-65 fiscal year | 26,276      |
| <hr/>   |             |
| Decrease (18.1 percent)                         | \$4,751     |
| <b>TOTAL RECOMMENDED REDUCTION</b>              | <b>None</b> |

**PROGRAM PLANS AND BUDGET**

The Board of Osteopathic Examiners consists of five graduate osteopaths appointed by the Governor for terms of three years. Osteopaths were first regulated by the medical board. In 1922 an initiative act gave them independence in operation though training remained identical with that received by medical students. As the result of amendment of the initiative act in 1962 and passage of enabling legislation all but approximately 400 doctors of osteopathy affiliated with the medical board.

The present board is conducting a caretaker operation. The paid staff is being reduced to one position. The licensing program consists in renewals of existing licenses only. The enforcement program consists of attention to a few discipline cases.

Board of Osteopathic Examiners—Continued

Licenses are renewed annually in January. The number of licenses is declining as is noted below.

| <i>Fiscal year</i> | <i>Number of licenses</i> |
|--------------------|---------------------------|
| 1963-64 -----      | 423                       |
| 1964-65 -----      | 400 (est.)                |
| 1965-66 -----      | 375 (est.)                |

When the number of licenses is reduced to 40 the medical board is to assume jurisdiction.

For the budget year the board's request is for \$21,745. This amount is \$4,751, or 18.1 percent, less than estimated current year expenditures for the current year.

**REVIEW OF AGENCY ACCOMPLISHMENTS**

**Fund Condition**

As of June 30, 1966, the accumulated surplus in the board's contingent fund will have been reduced to an estimated \$32. Provision to continue regulation of the remaining osteopathic licentiates will need to be considered by the Legislature prior to the failure of the fund to keep this agency on a self-supporting basis.

**ANALYSIS AND RECOMMENDATION**

*We recommend approval as budgeted.*

**Department of Professional and Vocational Standards**

**BOARD OF PHARMACY**

ITEM 224 of the Budget Bill

Budget page 714

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

|   |           |
|---|-----------|
| Amount requested -----                                | \$470,467 |
| Estimated to be expended in 1964-65 fiscal year ----- | 459,469   |
| <hr/>   |           |
| Increase (2.4 percent) -----                          | \$10,998  |
| <b>TOTAL RECOMMENDED REDUCTION</b> -----              | None      |

**PROGRAM PLANS AND BUDGET**

It is the function of the Board of Pharmacy to regulate the professional and business practices of pharmacists, pharmacies, and the manufacturers and wholesalers of drugs and to regulate the sale of special items such as poisons and dangerous drugs. Regulation in this field began as early as 1891.

The board consists of seven pharmacists and one member representing the public, all appointed by the Governor for terms of four years. Headquarters is at San Francisco. The authorized board staff of 24 full-time positions is distributed between San Francisco 13, Los Angeles 9, Sacramento and Fresno, one each.

The two definable programs followed by the board are licensing and enforcement. These programs are discussed below with reference to budgets.

## Board of Pharmacy—Continued

1. Licensing. This program includes examination of applicants and their subsequent registration as pharmacists, licensing of stores and issuing of permits to sell certain items. In the absence of cost allocation and program measurement materials yet to be supplied by the department we estimate the cost of board administration and licensing at 51 percent of total expenditures. Pharmacist licenses are renewable in November of odd-numbered years. Store licenses are renewed in January of each year.

Licensing workload for the budget year 1965-66 is estimated in the following table and compared with the past and current year.

| <i>Number of:</i>  | <i>Actual</i><br>1963-64 | <i>Estimated</i><br>1964-65 | <i>Budget year</i><br>1965-66 |
|--------------------|--------------------------|-----------------------------|-------------------------------|
| Applications ----- | 670                      | 670                         | 670                           |
| Licenseses -----   | 20,589                   | 21,000                      | 21,000                        |

2. Enforcement. The board has its own corps of inspectors. Its investigative work is done by the department's division of investigation. Enforcement workload figures are not available. However, our own calculations indicate that enforcement activity represents approximately 49 percent of total board cost.

For expenditure during fiscal year 1965 the board has requested the sum of \$470,467 which exceeds estimated expenditures for the current year by \$10,998, or 2.4 percent. No increase in level of service is requested.

## REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing program. The agency's licensing program for recent fiscal years is reviewed below.

|               | <i>Applications</i> |               | <i>Licenseses</i> |               |
|---------------|---------------------|---------------|-------------------|---------------|
|               | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i>  | <i>Actual</i> |
| 1961-62 ----- | 650                 | 589           | 20,750            | 20,425        |
| 1962-63 ----- | 600                 | 668           | 19,750            | 21,140        |
| 1963-64 ----- | 650                 | 670           | 20,800            | 20,589        |
| 1964-65 ----- | 670                 |               | 21,250            |               |
| 1965-66 ----- | 670                 |               | 21,000            |               |

The board's estimates as to the number of applicants was less by 1 percent than actual experience. However, estimates of the total number of licenseses for the three fiscal years noted compared with total actual numbers indicates that the board overestimated licenseses by approximately 13 percent. Income anticipated and expenditures based on such large error could lead to deficits.

2. Enforcement. As noted previously, enforcement statistics are not available for review and comment.

## Budget Performance

The 1963-65 budget request was cut back \$12,104 for a reduction in travel cost. The current year's request was reduced \$11,156 by deletion of a requested assistant secretary position. The past year appropriation was augmented by an emergency request and two salary authorizations totaling \$28,953. The current year budget was increased by an emer-

Board of Pharmacy—Continued

gency authorization and salary increase of \$22,139. Savings in the past year reached \$3,114. For the current year they are estimated at \$254.

Fund Condition

As we calculate them over the two-year licensing cycle, estimated expenditures from the Pharmacy Board Contingent Fund are exceeding estimated revenues by \$21,731 annually. We called attention to this pattern in our Analysis of the 1964-65 Budget Bill. The estimated accumulated surplus in this fund as of June 30, 1966, will be less than sufficient to pay board operating costs for one-half year.

ANALYSIS AND RECOMMENDATION

No increase in the existing level of service is requested.

*We recommend approval of the item as budgeted.*

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

ITEM 225 of the Budget Bill

Budget page 715

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

|   |             |
|---|-------------|
| Amount requested .....                                | \$130,879   |
| Estimated to be expended in 1964-65 fiscal year ..... | 127,569     |
| <hr/>   |             |
| Increase (2.6 percent) .....                          | \$3,310     |
| <b>TOTAL RECOMMENDED REDUCTION .....</b>              | <b>None</b> |

PROGRAM PLANS AND BUDGET

The Bureau of Private Investigators and Adjusters regulates the business practices of private investigators, adjusters and repossessors. Detectives were regulated by the state at least as early as 1927. The present bureau dates from 1947.

This bureau has had a financial problem for several years. Recent steps to remedy the problem are noted in the Governor's Budget. These include abolition of the bureau chief's job and transfer of the assistant chief to the departmental administration. We have commented on this position in the analysis of the department administration. The chief deputy director is supervising the activity. Only four full-time positions—all in Sacramento—have been retained. But with all of these economies estimated annual expenditures at the reduced rate still exceed estimated annual income by approximately \$22,205 a year.

This bureau follows the standard regulation programs, licensing and enforcement. Statistical definition of the enforcement program is not yet available. No cost allocations are made for these programs.

1. Licensing. Licensing by this bureau involves applications and examinations of the principals and the registration of certain groups of employees. Estimated budget year licensing workload is outlined below in comparison with the current and past year.

**Item 226**

**Professional and Vocational Standards**

**Bureau of Private Investigators and Adjusters—Continued**

|                    | <i>Actual</i><br>1963-64 | <i>Estimated</i><br>1964-65 | <i>Budget year</i><br>1965-66 |
|--------------------|--------------------------|-----------------------------|-------------------------------|
| Applications ----- | 324                      | 350                         | 375                           |
| Licenseses -----   | 1,550                    | 1,550                       | 1,560                         |

2. Enforcement. Enforcement activities involve accusations, administrative hearings, suspension or revocation of licenses or prosecutions for violation of penal provisions of the law.

No enforcement estimates have been made for the budget year.

**REVIEW OF AGENCY ACCOMPLISHMENTS**

1. Licensing. The following table illustrates the agency's experience with workload estimates:

| <i>Fiscal year</i> | <i>Applications</i> |               | <i>Licenseses</i> |               |
|--------------------|---------------------|---------------|-------------------|---------------|
|                    | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i>  | <i>Actual</i> |
| 1961-62 -----      | 300                 | 285           | 2,280             | 1,593         |
| 1962-63 -----      | 400                 | n.a.          | 1,450             | 1,506         |
| 1963-64 -----      | 300                 | 324           | 1,510             | 1,550         |
| 1964-65 -----      | 350                 |               | 1,550             |               |
| 1965-66 -----      | 375                 |               | 1,560             |               |

Estimates of workload are irregular when compared to actual experience. No real trend is discernible.

2. Enforcement. Materials to measure enforcement accomplishment are not yet available to us.

**Fiscal Performance**

Budget requests were approved as budgeted both for the past and for the present year. In the past year an emergency authorization of \$20,097 was offset by savings in the sum of \$22,322. In the current year a salary increase of \$897 was added. Savings are estimated at \$31,392.

Earlier we called attention to the steadily declining fund condition. Legislation is to be introduced to increase fees. As noted for the past, current and budget years, the accumulated surplus in the fund is estimated for July 1, 1965, at \$54,278, half of the surplus at July 1, 1963. The surplus at the end of the budget year is estimated at \$26,931, approximately one-fifth of the cost of annual bureau operation.

**ANALYSIS AND RECOMMENDATIONS**

Economies taken have been urgently needed. No increase in the existing level of service is planned. *We recommend approval as budgeted.*

**Department of Professional and Vocational Standards**

**CERTIFIED SHORTHAND REPORTERS BOARD**

ITEM 226 of the Budget Bill

Budget page 717

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

|   |             |
|---|-------------|
| Amount requested -----                                | \$30,687    |
| Estimated to be expended in 1964-65 fiscal year ----- | 30,864      |
| Decrease (0.6 percent) -----                          | \$182       |
| <b>TOTAL RECOMMENDED REDUCTION -----</b>              | <b>None</b> |

Certified Shorthand Reporters Board—Continued

PROGRAM PLANS AND BUDGET

The Certified Shorthand Reporters' Board regulates the professional practice of those persons who have qualified for a certificate from the board.

For a long time the courts regulated the conduct of reporters who served courts, commissions or the public. The present board and certification procedure date from 1951. The board consists of three licensees and two lawyers appointed by the Governor to three-year terms. The staff which serves the board is shared on a pro rata basis with the landscape architects, veterinarians and yacht and ship brokers. The budget request states that partial positions created in the current budget were consolidated by administrative action and 1.1 positions credited to this agency for payroll purposes during the current year. This arrangement is continued into the budget year on a permanent basis.

The board has two programs, (1) certification, (2) enforcement. They are outlined below.

1. Certification. This is the board's licensing function. Applications are accepted and examinations are given. Licenses are renewable in May of odd-numbered years. Cost allocations for this program are not yet obtainable from the department. Our own estimate, however, is that licensing and administration account for about 83 percent of the annual cost of operation.

Estimates for the budget year are shown in the following table:

|                    | <i>Actual</i><br>1963-64 | <i>Estimated</i><br>1964-65 | <i>Budget year</i><br>1965-66 |
|--------------------|--------------------------|-----------------------------|-------------------------------|
| Applications ----- | 360                      | 400                         | 400                           |
| Licensees -----    | 1,084                    | 1,210                       | 1,335                         |

Workload is estimated to show an increase in both current and budget years.

2. Enforcement. Enforcement according to our estimate is approximately 17 percent of the board's activity. Use of word "certified" without having qualified is a misdemeanor. Other typical offenses are handled by hearing, suspensions or revocations of certificates.

Enforcement workload figures are not yet available.

For the budget year the board requests the sum of \$30,657 to cover all programs. This is a reduction of \$182 or 0.6 percent from estimated expenditures for the current year. Added per diems for board members and some temporary help with examinations are requested.

REVIEW OF AGENCY ACCOMPLISHMENTS

1. Certification. Licensing experience for the three most recent complete fiscal years is tabulated below:

| <i>Fiscal year</i> | <i>Applications</i> |               | <i>Licensees</i> |               |
|--------------------|---------------------|---------------|------------------|---------------|
|                    | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i> | <i>Actual</i> |
| 1961-62 -----      | 250                 | 233           | 900              | 968           |
| 1962-63 -----      | 275                 | 293           | 900              | 951           |
| 1963-64 -----      | 250                 | 360           | 1,125            | 1,084         |
| 1964-65 -----      | 350                 |               | 1,069            |               |
| 1965-66 -----      | 400                 |               | 1,335            |               |

**Certified Shorthand Reporters Board—Continued**

A change in the law in 1963 removing residential requirements made possible a substantial increase in actual certifications over first estimates.

2. Enforcement. Enforcement performance measures are not yet available from the department.

**Budget Performance**

Budget appropriations for both past and current years were approved by the Legislature as requested. The past year appropriation was augmented by \$2,445. The current year appropriation has been augmented by authorizations totaling \$4,728. Savings of \$3,158 are estimated for the past year. None are anticipated for the current year.

**ANALYSIS AND RECOMMENDATION**

Per diems in the amount of \$375 and temporary help in the amount of \$368 are requested. No increase is requested which would change the existing level of service.

*We recommend approval of the item as budgeted.*

**Department of Professional and Vocational Standards**

**BOARD OF SOCIAL WORK EXAMINERS**

ITEM 227 of the Budget Bill

Budget page 718

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

|   |             |
|---|-------------|
| Amount requested -----                                | \$32,660    |
| Estimated to be expended in 1964-65 fiscal year ----- | 31,847      |
| <hr/>   |             |
| Increase (2.6 percent) -----                          | \$813       |
| <b>TOTAL RECOMMENDED REDUCTION -----</b>              | <b>None</b> |

**PROGRAM PLANS AND BUDGET**

The Board of Social Work Examiners conducts a noncompulsory activity under which social workers may take an examination and secure a certificate permitting them to be called registered social workers. The board also enforces regulations prescribed for this activity. The statute under which this regulation is now operated dates from 1945.

On a reimbursable basis the board is currently handling the licensing function of the Bureau of Marriage Counselors.

The board has seven members appointed to four-year terms by the Governor. Staff consists of two full-time positions located in Sacramento.

The board's programs are outlined below:

1. Certification and registration. This is an application and examination procedure. Certificates are renewable annually in January.

Budget year work load is indicated in the following estimates:

| Number of:         | Actual<br>1963-64 | Estimated<br>1964-65 | Budget year<br>1965-66 |
|--------------------|-------------------|----------------------|------------------------|
| Applications ----- | 107               | 125                  | 130                    |
| Licenses -----     | 3,348             | 3,400                | 3,500                  |

Board of Social Work Examiners—Continued

The licensing work load remains on a gradually rising level. Cost data has not been supplied.

2. Enforcement. Enforcement activity would include administrative hearings and suspensions or revocations of certificates.

No enforcement data is available. No enforcement costs are budgeted in the board's 1965-66 request.

For the budget year the sum of \$32,660 has been requested by the board to cover all costs. This amount exceeds estimated expenditures for the current year by \$813 or 2.6 percent.

REVIEW OF AGENCY ACCOMPLISHMENTS

1. Certification program. The following table shows estimates and experience for the licensing program over the past three fiscal years.

| Fiscal year | Applications |        | Licensees |        |
|-------------|--------------|--------|-----------|--------|
|             | Estimated    | Actual | Estimated | Actual |
| 1961-62     | 170          | 244    | 3,710     | 3,564  |
| 1962-63     | 160          | 126    | 3,510     | 3,590  |
| 1963-64     | 170          | 107    | 3,600     | 3,348  |
| 1964-65     | 160          | -      | 3,600     | -      |
| 1965-66     | 130          | -      | 3,500     | -      |

This board frequently overestimates its anticipated workload. This is a voluntary program and its work consequently cannot be estimated as precisely as a compulsory regulation activity.

Budget Performance

The requested amounts were appropriated without change for both past year and current year. Past year augmentations totaled \$531. Savings are estimated at \$8,513. A current year salary increase of \$888 augmented the program and savings of \$2,834 are now anticipated.

ANALYSIS AND RECOMMENDATIONS

There is no request for an increase in the existing level of service in the budget year.

*We recommend approval as budgeted.*

Department of Professional and Vocational Standards  
STRUCTURAL PEST CONTROL BOARD

ITEM 228 of the Budget Bill

Budget page 720

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

|   |           |
|---|-----------|
| Amount requested                                | \$470,547 |
| Estimated to be expended in 1964-65 fiscal year | 461,198   |
| Increase (2.0 percent)                          | \$9,349   |

TOTAL RECOMMENDED REDUCTION None

PROGRAM PLANS AND BUDGET

The Structural Pest Control Board regulates the business activity of structural pest control operators. The current form of regulation was established in 1935.

## Structural Pest Control Board—Continued

The board consists of five licensed operators and one member representing the public. All are appointed by the Governor for terms of four years. The currently authorized staff of 22.7 positions is distributed between Sacramento (20) and Los Angeles (2). The partial position represents intermittent examiners and temporary help.

Two principal programs are pursued by this board, (1) licensing and (2) regulation. These programs are discussed in the following paragraphs.

1. Licensing. Pest control is classified into fumigation, general pest and termite branches. A number of types of license are issued. Applications are received and examinations given. The principal office of the operator must be registered with the board. Licenses are renewed annually in July.

Program measurements and cost allocations are not yet ready for release by the department. We estimate that all activity of the board except strict enforcement of the law represents 73 percent of total activity. This segment, however, includes all staff time devoted to report filing and certification which appropriately should be classed under enforcement.

Licensing workload forecasts for budget year 1965-66 are set forth below with current and past year figures for comparison.

|                   | <i>Actual</i><br>1963-64 | <i>Estimated</i><br>1964-65 | <i>Budget year</i><br>1965-66 |
|-------------------|--------------------------|-----------------------------|-------------------------------|
| Application ..... | 1,000                    | 1,000                       | 1,200                         |
| Licenses .....    | 3,500                    | 3,400                       | 3,400                         |

No great increase in licensing workload is anticipated in the above estimates for the budget year.

2. Enforcement program. Law enforcement activity includes investigation of complaints against licensees, accusations, hearings, suspension or revocation of licenses. Many grounds for complaint are provided in the law. Law enforcement workload statistics are not available as yet.

A second phase of operational control which is not of law enforcement type requires each licensed operator to file inspection and completion reports. Any party to a real estate transaction may request a certified copy of these reports. The report workload estimated for the budget year is indicated below:

|                                | <i>Actual</i><br>1963-64 | <i>Estimated</i><br>1964-65 | <i>Budget year</i><br>1965-66 |
|--------------------------------|--------------------------|-----------------------------|-------------------------------|
| Inspection reports filed ..... | 319,186                  | 320,000                     | 330,000                       |
| Completion reports filed ..... | NA                       | 180,000                     | 190,000                       |
| Certified copies .....         | 51,076                   | 51,200                      | 51,500                        |

Workload in this area shows a steady increase.

For fiscal year 1965-66 the board has requested the sum of \$470,547 which exceeds estimated expenditures for the current year by \$9,349 or 2 percent. No increase in the existing level of service is requested.

## REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing program. Agency estimates and experience covering the last three completed years are listed hereinafter.

Structural Pest Control Board—Continued

| Fiscal year | Applications   |        | Licensees      |        |
|-------------|----------------|--------|----------------|--------|
|             | First estimate | Actual | First estimate | Actual |
| 1961-62     | 593            | 754    | 3,114          | 3,160  |
| 1962-63     | 696            | 955    | 3,446          | 3,286  |
| 1963-64     | 759            | 1,000  | 3,531          | 3,350  |
| 1964-65     | 1,000          | -      | 3,400          | -      |
| 1965-66     | 1,200          | -      | 3,400          | -      |

For the combined three-year period, the board underestimated its applications by 32 percent. Its estimates of licensees have been reasonably close.

2. Enforcement. No law enforcement statistics are available.

The report program is new. We tabulate the board's experience below:

| Fiscal year | Inspection reports filed |         | Completion reports filed |        | Certified copies requested |        |
|-------------|--------------------------|---------|--------------------------|--------|----------------------------|--------|
|             | Estimated                | Actual  | Estimated                | Actual | Estimated                  | Actual |
| 1961-62     | NA                       | 194,031 | NA                       | NA     | -                          | 15,703 |
| 1962-63     | 283,500                  | 250,822 | -                        | -      | 56,700                     | 94,595 |
| 1963-64     | 300,000                  | 319,186 | -                        | -      | 60,000                     | 51,076 |
| 1964-65     | 300,000                  | -       | 180,000                  | -      | 100,000                    | -      |
| 1965-66     | 330,000                  | -       | 190,000                  | -      | 51,500                     | -      |

The report filing and certifying activity is not yet sufficiently stabilized for sharp estimating.

Budget Performance

Funds were appropriated to the board as requested for the past year and the current year budgets. Augmentations to the past and current fiscal year budgets amounted to \$74,529 and \$55,766 respectively.

Budget savings in the past fiscal year are estimated at \$22,694 and for the current year at \$12,516.

ANALYSIS AND RECOMMENDATIONS

*We recommend approval of this item as budgeted.*

Department of Professional and Vocational Standards

BOARD OF EXAMINERS IN VETERINARY MEDICINE

ITEM 229 of the Budget Bill

Budget page 721

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

|   |          |
|---|----------|
| Amount requested                                | \$44,787 |
| Estimated to be expended in 1964-65 fiscal year | 45,037   |
| Decrease (0.6 percent)                          | \$250    |

TOTAL RECOMMENDED REDUCTION None

PROGRAM PLANS AND BUDGET

It is the function of the Board of Veterinary Examiners to regulate the professional practice of veterinarians through licensing, inspection and law enforcement. Records show regulation of this profession since 1893.

## Board of Examiners in Veterinary Medicine—Continued

The board consists of five licensees and one member representing the public, all appointed by the Governor for terms of four years. Staff services are shared on a pro rata basis with the agencies representing landscape architects, shorthand reporters and yacht and ship brokers.

Board activity consists of two programs: (1) licensing and (2) law enforcement. These programs and their budget implications are discussed below.

1. Licensing. The licensing process includes applications supported by certain documents, examinations, license issuance. Licenses are renewed in September of odd-numbered years. We estimate that board administration and the licensing program represent approximately 67 percent of board cost.

Licensing workload forecasts for the budget year are listed below. Cost allocation for the program is not yet available to us.

| <i>Number of:</i>  | <i>Actual</i><br><i>1963-64</i> | <i>Estimated</i><br><i>1964-65</i> | <i>Budget year</i><br><i>1965-66</i> |
|--------------------|---------------------------------|------------------------------------|--------------------------------------|
| Applications ----- | 178                             | 200                                | 200                                  |
| Licentiates -----  | 2,242                           | 2,385                              | 2,535                                |

Budget year estimates indicate a continuance of growth in the number of licensees at a steady pace.

2. Enforcement program. Enforcement includes inspection of the facilities maintained by licensees. Other items would be the processing of complaints, hearings, suspension or revocation of licenses.

Pending receipt of results from a department survey, enforcement measurements are not available. We estimate enforcement costs at approximately 33 percent of total board operating costs.

For fiscal year 1965-66 the board has requested \$44,787 to cover all proposed expenditures. This amount is less than estimated expenditures for the current year by \$250 or 0.6 percent. Continuation of the existing level of service is anticipated.

## REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing program. The agency's record of licensing estimates and actual experience for the past three fiscal years is tabulated below.

| <i>Fiscal year</i> | <i>Applications</i> |               | <i>Licensees</i> |               |
|--------------------|---------------------|---------------|------------------|---------------|
|                    | <i>Estimated</i>    | <i>Actual</i> | <i>Estimated</i> | <i>Actual</i> |
| 1961-62 -----      | 240                 | 152           | 2,150            | 2,097         |
| 1962-63 -----      | 250                 | 173           | 2,150            | 2,173         |
| 1963-64 -----      | 210                 | 178           | 2,425            | 2,242         |
| 1964-65 -----      | 200                 | ---           | 2,385            | ---           |
| 1965-66 -----      | 200                 | ---           | 2,535            | ---           |

Agency estimates are at considerable variance with the actual experience as indicated above.

2. Enforcement. No statistics are available for tabulation and comment.

## Budget Performance

For both the past and current years the board received the appropriations requested. For the past year the appropriation was augmented by \$4,800. Savings were estimated at \$902. For the current year aug-

## Board of Examiners in Veterinary Medicine—Continued

mentations have amounted to \$5,730 while savings are anticipated at only \$57.

## ANALYSIS AND RECOMMENDATIONS

*We recommend approval as budgeted.*

## Department of Professional and Vocational Standards

## BOARD OF VOCATIONAL NURSE EXAMINERS

ITEM 230 of the Budget Bill

Budget page 723

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

|   |           |
|---|-----------|
| Amount requested .....                                | \$162,365 |
| Estimated to be expended in 1964-65 fiscal year ..... | 156,211   |
| Increase (4.0 percent) .....                          | \$6,154   |

|                                   |      |
|-----------------------------------|------|
| TOTAL RECOMMENDED REDUCTION ..... | None |
|-----------------------------------|------|

## PROGRAM PLANS AND BUDGET

The Board of Vocational Nurse Examiners regulates the professional practice of licensed vocational nurses. Regulation of this level of the nursing profession began in 1951.

The board has 11 members appointed by the Governor to four-year terms. Five of these members are licensees, the other members represent various segments of the healing and teaching professions. The currently authorized staff of 2.7 positions is located in Sacramento.

Board activity consists of a licensing program and an enforcement program. These programs and budget implications are considered below.

1. Licensing. Licensing activity includes approval of school courses, application, examination and the issuance and renewal of licenses. In the absence of cost allocations and other program measurement figures we estimate that the licensing operation together with board administration represent approximately 85 percent of the total cost of board operation. Licenses are renewable in July of each even-numbered year.

The following table shows the board's licensing workload estimates for the budget year of 1965-66:

|  | Actual<br>1963-64 | Estimated<br>1964-65 | Budget year<br>1965-66 |
|--|-------------------|----------------------|------------------------|
| Applications .....                     | 3,153             | 3,500                | 3,800                  |
| Licensees .....                        | 19,341            | 21,120               | 23,500                 |
| Schools and extended<br>campuses ..... | 226               | 238                  | 256                    |

A continually increasing workload is indicated by the totals in the above table.

## Board of Vocational Nurse Examiners—Continued

2. Enforcement program. Enforcement includes complaint investigation, filing of charges, hearings, actions with reference to license status.

Enforcement data are not presently available for analysis.

During the budget year of 1965-66 the board proposes to spend the sum of \$162,365 which amount exceeds estimated expenditures for the current year by \$6,154 or 4 percent. One-half of a temporary position is being abolished and a new full-time clerical position is requested. No increase in level of service is anticipated.

## REVIEW OF AGENCY ACCOMPLISHMENTS

1. Licensing. The agency's experience with estimates and actual performance for the past three fiscal years is noted in the following table:

| Fiscal year | Schools and<br>campuses |        | Applications |        | Licensees |        |
|-------------|-------------------------|--------|--------------|--------|-----------|--------|
|             | Estimated               | Actual | Estimated    | Actual | Estimated | Actual |
| 1961-62     | 176                     | 173    | 1,850        | 1,956  | 17,900    | 15,962 |
| 1962-63     | 181                     | 197    | 1,900        | 2,292  | 16,749    | 17,115 |
| 1963-64     | 192                     | 226    | 2,100        | 3,153  | 18,962    | 19,341 |
| 1964-65     | 225                     | --     | 3,200        | --     | 21,120    | --     |
| 1965-66     | 256                     | --     | 3,800        | --     | 23,500    | --     |

The board has tended to underestimate its school and application workload. Its licensee estimates are reasonably close on the three-year average.

2. Enforcement. No enforcement statistics are available upon which performance comment could be based.

## Budget Performance

The psychiatric technician account is still a part of the Vocational Nurse Examiners' Fund, being carried at the balance of \$26,791. The program has been dormant since fiscal year 1963-64.

The appropriations request for the past year and the current year were made as budgeted. The past year budget was augmented by \$20,020 including a psychiatric technician emergency authorization. Saving in the past year amounted to \$4,265.

The current year budget was augmented in the sum of \$5,767. No savings are anticipated at this time.

## ANALYSIS AND RECOMMENDATION

## Proposed New Positions

1 *Intermediate stenographer (budget page 723, line 46)*----- \$4,560

As previously noted one-half of a temporary help position is being abolished and this position requested for a net increase in salary cost of \$602 for the budget year. The request is made on the basis of workload increase.

*We recommend approval as budgeted.*

## Department of Professional and Vocational Standards

## YACHT AND SHIP BROKERS' COMMISSION

ITEM 231 of the Budget Bill

Budget page 725

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

|   |          |
|---|----------|
| Amount requested .....                                | \$24,492 |
| Estimated to be expended in 1964-65 fiscal year ..... | 23,970   |
| Increase (2.2 percent) .....                          | \$522    |

|  |      |
|--|------|
| <b>TOTAL RECOMMENDED REDUCTION</b> ..... | None |
|--|------|

## PROGRAM PLANS AND BUDGET

The Yacht and Ship Brokers' Commission regulates the business activity of those engaged in buying and selling yachts and ships. The current regulation act is based on one adopted in 1935.

The commission consists of four licensees and one member representing the public all appointed by the Governor to terms of four years. The registrar of the commission serves also as executive secretary of the boards representing landscape architects, shorthand reporters and veterinarians. Each of two of the other three groups has one currently authorized position. This commission has two. The staff works for all four on a pro rata basis with all positions being located in Sacramento.

The commission has two programs: (1) licensing and (2) enforcement of rules and regulations. With limited exceptions no one may engage in the business without a commission license. The programs are outlined below.

1. Licensing of brokers and salesmen. Licenses are classified into four categories and are issued after application and examination. They are renewable in January of each year.

The commission's licensing workload estimates for budget year 1965-66 are shown below:

|                    | <i>Actual</i><br>1963-64 | <i>Estimated</i><br>1964-65 | <i>Budget year</i><br>1965-66 |
|--------------------|--------------------------|-----------------------------|-------------------------------|
| Applications ..... | 311                      | 390                         | 425                           |
| Licensees .....    | 560                      | 600                         | 650                           |

Cost allocations for this program are under development but are not yet available to us. We estimate that licensing and commission administration costs equal 77 percent of the cost of commission operation.

2. Enforcement. Enforcement represents approximately 23 percent of commission activity according to our estimate. Enforcement activity is concerned with complaints of violations of rules of law and business conduct, hearings, suspensions, or revocations of licenses.

For the budget year the commission proposes the expenditure of \$24,492 which exceeds current estimated expenditures by \$522 or 2.2 percent. The current level of service is to be continued.

Yacht and Ship Brokers Commission—Continued

REVIEW OF AGENCY ACCOMPLISHMENTS

We tabulate below this agency's experience and performance with reference to its licensing activity for the past three fiscal years.

| Fiscal year | Applications |        | Licenses  |        |
|-------------|--------------|--------|-----------|--------|
|             | Estimated    | Actual | Estimated | Actual |
| 1961-62     | 300          | 368    | 550       | 539    |
| 1962-63     | 275          | 357    | 525       | 536    |
| 1963-64     | 400          | 311    | 610       | 560    |
| 1964-65     | 390          | ---    | 599       | ---    |
| 1965-66     | 425          | ---    | 650       | ---    |

Budget Performance

The 1963-64 fiscal year request was reduced by \$400 in travel expense. The current year request was approved as budgeted.

The past year budget was augmented by an amount of \$391 and savings were estimated at \$3,724.

The current year's budget has been augmented by \$964 as a salary increase. Savings are estimated at \$698.

ANALYSIS AND RECOMMENDATIONS

*We recommend approval as budgeted.*

PUBLIC UTILITIES COMMISSION

ITEMS 232 and 233 of the Budget Bill

Budget page 726

FOR SUPPORT OF THE PUBLIC UTILITIES COMMISSION FROM THE GENERAL FUND AND THE TRANSPORTATION RATE FUND

|   |             |
|---|-------------|
| Amount requested                                | \$9,232,328 |
| Estimated to be expended in 1964-65 fiscal year | 9,060,431   |
| Increase (1.9 percent)                          | \$171,897   |

TOTAL RECOMMENDED REDUCTION..... None

PROGRAM PLANS AND BUDGET

The Public Utilities Commission is established by the State Constitution for the regulation of such business entities as are defined by law to be public utilities. The utilities regulated are owned by shareholders and are operated for profit. Publicly owned utilities on the other hand are not subject to regulation by the commission. The primary purpose of regulation is to insure adequate facilities and service for customers at fair and reasonable rates.

The Public Utilities Commission began in 1911 as the California Railroad Commission under a constitutional amendment adopted in that year. The commission is now composed of five members appointed by the Governor, with the consent of the Senate, for terms of six years. Headquarters are maintained in San Francisco.

Since public utilities are partial monopolies, the regulation applied to them is almost total in scope. Every important act of a utility is examined by the commission and judgment passed thereon. For example, the commission issues licenses to go into business and to extend

## Public Utilities Commission—Continued

service; it evaluates utility property, sets rates, defines services, authorizes financing, and must agree to any modification or termination of utility activity.

For the 1965-66 fiscal year the commission requests \$9,232,328 which exceeds estimated current year expenditures by \$171,897 or 1.9 percent.

The amount appropriated for commission support for fiscal year 1965-66 will come from two sources:

|  |                     |
|--|---------------------|
| <i>Item 232—General Fund</i> .....             | \$4,785,726 (51.8%) |
| <i>Item 233—Transportation Rate Fund</i> ..... | 4,446,602 (48.2%)   |

In the discharge of its responsibilities the commission presently is engaged in the operation of 10 identifiable activity programs. These programs are outlined below.

## Commission Programs

1. Licensing and Certification. Carriers are licensed to insure initially that only financially responsible operators may enter the field. Certificates of convenience and necessity are issued as a means of insuring responsible action and reasonable financial control over utilities and carriers.

2. Regulation of Rates. The commission attempts to set utility rates at a point which will provide a reasonable return to shareholders and be fair to customers. Transportation rates are set so as to provide fair service and to avoid discrimination between shippers.

3. Service and Facilities. Under commission control utilities must have sufficient equipment to provide satisfactory service and service improvements. The commission controls the quality and quantity of services rendered by regulated transportation companies.

4. Regulation of Accounting and Financing Practices. The commission requires uniform accounting and annual financial reporting from the regulated agencies as a means of providing information essential to regulation.

5. Issuance of Securities. Financing practices of utilities are regulated to insure maintenance of sound financial condition. Many types of transactions are included in commission studies.

6. Safety. By rule the commission provides for safety programs for utility operations. Railroad safety is promoted. Grade crossing protection and grade separation activities are responsibilities of the commission; this latter activity is the subject of a separate appropriation item in the Budget Bill.

7. Out-of-state Gas Proceedings. The commission participates in natural gas hearings before federal regulatory commissions to protect consumers of natural gas which is brought into the state.

8. Just Compensation Proceedings. In the event that political subdivisions desire to acquire public utility property the commission must fix the sale price. All commission costs are paid by the particular political subdivision.

**Public Utilities Commission—Continued**

9. **Transportation Rate Fund.** License fees are collected from highway carriers and a quarterly fee of  $\frac{1}{3}$  of one percent of gross revenues for transportation of freight is likewise collected. These fees are paid into the Transportation Rate Fund to be used in administering statutes with reference to the regulation of highway for-hire carriers of property.

10. **Enforcement of Regulation and Penalties.** Investigations of utilities may be made by the commission and various reports are required from time to time to check compliance. Any failure to comply with regulation is a contempt and may be punished. Field forces are stationed in 14 district offices to watch carriers for violations of rules, orders or the law. Misdemeanor prosecutions are undertaken. Licenses are suspended. Suits are filed for cash penalties.

As provided by law the commission has certain judicial, legislative and administrative powers. It promulgates rules and regulations as would a legislative body. It hears and decides issues and punishes for contempt as does a court. It administers the 10 programs outlined above and supervises a currently authorized staff of 743 positions. One hundred forty-two positions are assigned to the southern California district office in Los Angeles. The field staff of transportation representatives is stationed at 14 district offices.

**Commission Operation**

As has been stated the commission passes judgment on all operating changes proposed by the regulated utilities and upon complaints registered against utilities. Many of the applications made to the commission are highly controversial. The commission on its own motion may decide to investigate a given utility activity. All of these matters must be evaluated. Data must be accumulated. Public hearings must be held. Decisions must be made and enforced. The commission staff therefore is organized for the purpose of making studies and the provision of advice to the commission.

**Staff Operation**

The commission staff is organized basically into units dealing with specified types of utilities and special functions and it is not possible to provide workload and price checkpoints on a program basis since the three operating divisions administer all 10 commission programs.

An application or complaint presented to the commission by or against a transportation utility would be studied by the staff of the Transportation Division. If the matter should involve a public utility other than one engaged in transportation, it would be studied by the Utilities Division. Financial aspects of either matter would be reviewed by the Finance and Accounts Division. All items before the commission, including all aspects of the 10 programs, flow through this staff process.

**Support Divisions**

Legal advice and commission representation are supplied by the Legal Division. The Examiners' Division has charge of hearings. The

## Public Utilities Commission—Continued

Administration Division includes the office of the commission's secretary and provides the housekeeping services required for commission activity.

## Program Workload and Program Costs

Since detail of activity by the Public Utilities Commission is extensive and complicated and since the production of estimates of work by specific programs cannot be made at this time, workload estimates and costs allocations will be set forth below in terms of budgeted cost for the staff divisions.

## Cost Estimates for Operating Divisions

| <i>Fiscal year</i>                   | <i>Number of positions</i> | <i>General Fund</i> | <i>Transportation Rate Fund</i> |
|--------------------------------------|----------------------------|---------------------|---------------------------------|
| <b>Utilities Division</b>            |                            |                     |                                 |
| 1963-64 (actual) -----               | 169.2                      | \$1,539,972         | ---                             |
| 1964-65 (estimated) -----            | 159                        | 1,594,533           | ---                             |
| 1965-66 (estimated) -----            | 159                        | 1,620,489           | ---                             |
| <b>Transportation Division</b>       |                            |                     |                                 |
| 1963-64 (actual) -----               | 303.1                      | 615,996             | \$2,947,531                     |
| 1964-65 (estimated) -----            | 351                        | 740,785             | 3,347,249                       |
| 1965-66 (estimated) -----            | 325                        | 755,424             | 3,372,577                       |
| <b>Finance and Accounts Division</b> |                            |                     |                                 |
| 1963-64 (actual) -----               | 39.6                       | 395,842             | 90,060                          |
| 1964-65 (estimated) -----            | 44                         | 462,751             | 103,914                         |
| 1965-66 (estimated) -----            | 44                         | 488,001             | 109,308                         |

## Cost Estimates for Support Divisions

It should be recognized that the program activity workload of the commission's Examiner, Legal and Administrative Divisions is dependent upon the activity which reaches the operating divisions. The estimates of activity by these divisions serve as a guide to activity levels in the support divisions.

| <i>Fiscal year</i>             | <i>Number of positions</i> | <i>General Fund</i> | <i>Transportation Rate Fund</i> |
|--------------------------------|----------------------------|---------------------|---------------------------------|
| <b>Examiner Division</b>       |                            |                     |                                 |
| 1963-64 (actual) -----         | 39                         | \$341,388           | \$215,220                       |
| 1964-65 (estimated) -----      | 39                         | 362,054             | 228,573                         |
| 1965-66 (estimated) -----      | 39                         | 360,815             | 227,790                         |
| <b>Reporting Section</b>       |                            |                     |                                 |
| 1963-64 (actual) -----         | 23.8                       | 94,396              | 75,237                          |
| 1964-65 (estimated) -----      | 25                         | 92,887              | 79,549                          |
| 1965-66 (estimated) -----      | 25                         | 103,576             | 79,836                          |
| <b>Legal Division</b>          |                            |                     |                                 |
| 1963-64 (actual) -----         | 33.2                       | 324,873             | 115,597                         |
| 1964-65 (estimated) -----      | 36                         | 384,821             | 133,870                         |
| 1965-66 (estimated) -----      | 36                         | 390,706             | 136,562                         |
| <b>Administrative Division</b> |                            |                     |                                 |
| 1963-64 (actual) -----         | 101.1                      | 589,686             | 454,119                         |
| 1964-65 (estimated) -----      | 115                        | 661,975             | 510,611                         |
| 1965-66 (estimated) -----      | 115                        | 676,169             | 520,529                         |

## Combined Budget Proposals

Program activities of the commission are supported by appropriation from two funds, (1) the General Fund and (2) the Transportation Rate Fund. The commission, for the budget year 1965-66, is requesting an appropriation from the General Fund of \$4,785,726 or 51.8 percent

Public Utilities Commission—Continued

of the total proposed budget expenditure and an appropriation of \$4,446,602 or 48.2 percent total expenditures from the Transportation Rate Fund. In total, proposed budget year expenditures covering all programs, would exceed estimated current year expenditures by \$171,897 or 1.9 percent.

REVIEW OF AGENCY ACCOMPLISHMENTS

Number of "Licenses"

As of the beginning of past fiscal year 1963-64 the following types and numbers of utilities were under the commission's regulatory jurisdiction:

| Type of utility                                   | Number | Type of utility              | Number |
|---|--------|------------------------------|--------|
| Airlines -----                                    | 32     | Inland water, for hire-----  | 3      |
| Passenger stages -----                            | 122    | Wharfingers -----            | 5      |
| Highway, common, certificates --                  | 522    | Highway carrier permits----- | 21,502 |
| Petroleum, irregular route,<br>certificates ----- | 140    | Electric -----               | 18     |
| Carloading -----                                  | 12     | Gas -----                    | 17     |
| Sleeping car -----                                | 1      | Telephone -----              | 47     |
| Express and freight forwarders--                  | 14     | Telegraph -----              | 1      |
| Railroads -----                                   | 36     | Mobile radio phone -----     | 45     |
| Warehouses -----                                  | 375    | Water -----                  | 533    |
| Inland water carriers, certificates               | 29     | Pipelines -----              | 5      |
|   |        | Steam heat -----             | 2      |

1963-64 Workload and Production

The number of items presented to the commission during the past fiscal year 1963-64 are listed below and compared with those filed in fiscal year 1962-63:

| Items                                   | Fiscal year<br>1962-63 | Fiscal year<br>1963-64 |
|---|------------------------|------------------------|
| Formal applications -----               | 966                    | 1,221                  |
| Supplemental applications -----         | 3                      | -                      |
| Investigations, commission motion ----- | 98                     | 114                    |
| Formal complaints -----                 | 169                    | 165                    |
| Petitions for rehearing -----           | 25                     | 106                    |
| Petitions to modify tariffs -----       | NA                     | 346                    |
| Total items presented -----             | 1,261                  | 1,952                  |
| Total documents presented -----         | 6,319                  | 6,344                  |

The number of commission decisions rendered for the above fiscal years is reported below:

| Fiscal year   | Number of decisions |
|---------------|---------------------|
| 1962-63 ----- | 1,996               |
| 1963-64 ----- | 2,177               |

Transportation Rate Fund

At the present time approximately half of the support of the Public Utilities Commission is derived from the Transportation Rate Fund. That fund is collected from highway carriers of property. Totals only are set forth below:

Transportation Rate Fund Income, Actual and Estimated

| Actual<br>1961-62 | Actual<br>1962-63 | Actual<br>1963-64 | Estimated<br>1964-65 | Estimated<br>1965-66 |
|-------------------|-------------------|-------------------|----------------------|----------------------|
| \$3,446,859       | \$4,056,183       | \$4,308,258       | \$4,031,898          | \$4,066,400          |

## Public Utilities Commission—Continued

## ANALYSIS AND RECOMMENDATIONS

The Public Utilities Commission in its budget proposals for 1965-66 seeks the addition of 56 new positions to staff. By divisions the proposals are as follows:

| <i>Division</i>            | <i>Proposed<br/>New positions</i> |
|----------------------------|-----------------------------------|
| Utilities -----            | 7                                 |
| Transportation -----       | 44                                |
| Finance and Accounts ----- | 4                                 |
| Administration -----       | 1                                 |
| Total -----                | 56                                |

Twenty-six of the positions are requested on a continuation basis as a part of the Data Bank rate automation study. Ten are added to this activity for pilot operations in 1965-66. The remainder are requested on a workload basis.

The proposed new positions are discussed below within the appropriate division framework rather than on a program basis since program placement data is not available.

## Utilities Division, Gas and Electric Branch

|  |         |
|--|---------|
| 1 Associate utilities engineer (budget page 729, line 44)----- | \$9,948 |
| 1 Assistant utilities engineer (budget page 729, line 45)----- | 8,196   |
| 1 Senior clerk (budget page 729, line 46)-----                 | 4,896   |

The commission, in its request, notes that a recent United State Supreme Court decision has given the Federal Power Commission rate-fixing jurisdiction over certain sales of electric power. For rate purposes, revenues must be separated into federal and state components. This is a continuing responsibility and is the basis for requesting one engineer position.

One engineering position is requested for revision and updating commission general orders relative to gas fuel.

A senior clerk is sought to assist the requested professional positions and to help with general workload increases.

## Utilities Division, Communications Branch

|  |         |
|--|---------|
| 1 Associate utilities engineer (budget page 729, line 48)----- | \$9,948 |
| 1 Assistant utilities engineer (budget page 729, line 49)----- | 8,196   |
| 1 Intermediate typist-clerk (budget page 729, line 50)-----    | 4,236   |

One engineering position is requested on the basis, (1) that 1963 legislation requires evidence of rates and quality of telephone service in adjacent territory in fixing rates and (2) that there is a substantial and increasing amount of advanced communications hardware which must be studied for rate purposes.

One engineering position is requested to assist with rate and standard problems of the mobile radiotelephone utilities.

One clerical position is requested on the basis of increased workload.

Public Utilities Commission—Continued

Utilities Division, Utilities Customer Service Branch

1 Customer service representative (budget page 729, line 52) \$5,688

This position is requested for the Los Angeles office. In fiscal year 1961-62 for operations of the commission in total, 6.0 man-years of time were devoted to this activity. In fiscal year 1963-64 time had risen to 6.8 man-years. It is estimated at 7.0 for the current year and for 11 in the budget year. Better than two-thirds of the volume of complaints and inquiries originate in southern California.

We recommend that the proposed new positions be approved as requested.

Transportation Division, Engineering Branch

2 Intermediate stenographer (budget page 732, line 9) \$9,120

The two stenographic positions are requested by reason of workload growing out of increased rate applications.

Transportation Division, License and Compliance Branch

4 Assistant transportation representatives (budget page 732, line 26) \$28,320

1 Intermediate stenographer (budget page 732, line 28) 4,570

1 Intermediate typist-clerk (budget page 732, line 29) 4,236

Chapter 1768, Statutes of 1963, requires the registration of interstate motor carriers operating in California. There are more than 5,000 of these carriers. A fee of \$25 is charged for registration. Four transportation representatives are requested for enforcement of this chapter.

Chapter 1282, Statutes of 1963, requires commercial air carriers to file evidence of adequate protection against liability for injury, damages or death resulting from an accident. There are 612 such carriers. One clerical position is sought to handle this requirement.

One clerical position is requested for the license file room to handle increased workload from tariff revisions and rate changes.

Transportation Division, Rate Branch  
"Data Bank Project"

1 Supervising transportation engineer (limited to 6/30/1966) (budget page 732, line 14) \$14,352

1 Supervising transportation rate expert (limited to 6/30/1966) (budget page 732, line 17) 15,066

1 Senior transportation engineer (limited to 6/30/1966) (budget page 732, line 19) 13,992

1 Senior transportation rate expert (limited to 6/30/1966) (budget page 732, line 22) 13,014

32 Temporary help (limited to 6/30/1966) (budget page 732, line 24) 221,976

The commission proposal with reference to the project requests continuance for another fiscal year of the above four professional positions and 22 of the temporary help positions which are presently authorized in the current year budget. Ten additional temporary help

## Public Utilities Commission—Continued

positions are requested to assist with the project during the budget year.

The data bank project began with an augmentation of the 1963 Budget Act to undertake a feasibility study of ratemaking by use of electronic data processing equipment, "automation of ratemaking" as it was called. Rates are changed frequently particularly in the transportation field and because of the large number of variables the manual process is complex, tedious, and time consuming. Feasibility testing has been continued during the current year. It is planned to run a pilot operation during the budget year. Recommendations will be acted upon by the Departments of Finance and General Services and by the Personnel Board before the system becomes operational.

*We recommend approval of the positions as requested.*

## Finance and Accounts Division

|   |         |
|---|---------|
| 1 Public utilities financial examiner III (budget page 730, line 63)----- | \$9,480 |
| 2 Public utilities financial examiner II (budget page 730, line 65)-----  | 15,600  |
| 1 Intermediate typist-clerk (budget page 730, line 66)-----               | 4,236   |

The division requests one financial examiner to handle workload resulting from increased rate applications from the small water utilities.

Federal tax reductions and radiotelephone regulation have produced a need for one financial examiner.

Increases in rate applications and required cost test-checking are presented as justification for one additional financial examiner.

The clerical position is sought on a workload basis and as a supporting position for the three financial examiners requested.

*We recommend approval of the positions as requested.*

## Administration Division

|   |         |
|---|---------|
| 1 Intermediate file clerk (budget page 728, line 24)----- | \$4,236 |
|---|---------|

This position is requested for the Los Angeles office for additional staffing of the new central filing system which will be completed during the budget year.

*We recommend approval of the position as requested.*

## Suggested Operational Improvement

A management level between the commissioners and the staff is, in our opinion, an improvement which would increase efficiency and economy in commission operations. We have held this view for several years. In our analysis of the 1964-65 Budget we said,

"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."

**Public Utilities Commission—Continued**

In our opinion the commission is too important, too busy and too burdened with responsibility to continue to deal with the infinite detail of administering a staff of nearly 800 persons. Administrative policy could be set on a broad and clear basis for guidance of the chief administrative officer.

We would recommend further that the duties of the commission secretary be separated and consolidated into one unit; that a business service officer be added to staff to supervise all housekeeping activity. The secretary, the business service officer, and the six division chiefs would all report to the chief administrative officer who would be the executive head of the staff and would be responsible to the commission for operational efficiency and economy of the commission staff.

**RESOURCES AGENCY ADMINISTRATOR**

ITEM 234 of the Budget Bill

Budget page 737

**FOR SUPPORT OF RESOURCES AGENCY ADMINISTRATOR FROM THE GENERAL FUND**

|   |           |
|---|-----------|
| Amount requested -----                                | \$122,511 |
| Estimated to be expended in 1964-65 fiscal year ----- | 122,221   |
| <hr/>   |           |
| Increase (0.2 percent) -----                          | \$290     |

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

**ANALYSIS AND RECOMMENDATIONS**

The Resources Agency was established by Chapter 2037, Statutes of 1961. Under the direction of the administrator it provides overall coordination and guidance in behalf of the Governor over the resources programs of the state. Included in the agency are the departments of Water Resources, Parks and Recreation, Conservation, Fish and Game, and a number of previously independent smaller segments of state government.

The budget provides for continuation of the existing level of staffing which includes the administrator, an assistant to the administrator, a resources planning coordinator, and three secretaries. A coordinator for the delta recreation study is also included in the office but is budgeted from funds appropriated for the delta recreation study. The total expenditure for the administrator's office is budgeted at \$122,511 which is almost identical to the present year.

Included in the operating expenses for the administrator's office is \$17,838 for rent of office space in the new Resources Building. During budget hearings last year, the Legislature took notice of the fact that the space reserved in the Resources Building for the administrator's staff still included room for a deputy administrator and four assistant administrators even though these positions had been deleted from the Governor's Budget by the Department of Finance. When questioned on the justification for retaining this allocation of space in the building plans, the Director of General Services firmly stated that the space would be reduced in keeping with the Governor's Budget.