

Colorado River Boundary Commission—Continued

established. Subsequent to the original creation of the commission, negotiations have been carried on, but were not completed by the time the Legislature met in 1955. Consequently, Chapter 1679 of the Statutes of 1955 appropriated \$50,000 for the commission to continue its work. Since negotiations were not complete by June 30, 1957, the Department of Finance included the commission in the Governor's Budget for the first time in 1957.

It would appear that the activities of the commission will continue for some time since once an agreement is reached it must be adopted by the legislature of both states and following such adoption it must be adopted by the Congress of the United States, at which time monumentation and marking of the line will be conducted.

ANALYSIS

The increase in the budget request from the amount estimated to be expended in the 1957-58 Fiscal Year is brought about by the anticipated contract services that might be necessary in the budget year to provide for surveying the boundary line in preparation for monumentation which would be requested in a future request.

We recommend approval of the amount requested.

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

ITEM 201 of the Budget Bill

Budget page 509

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

Amount requested .....	\$3,285,388
Estimated to be expended in 1957-58 Fiscal Year .....	3,175,386
Increase (3.5 percent) .....	\$110,002

Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$102,713	\$102,713	--	510 73
Operating expense .....	25,925	25,925	--	510 75
Equipment .....	—18,636	—20,681	\$2,045	510 77
Total increase .....	\$110,002	\$107,957	\$2,045	

RECOMMENDED REDUCTIONS

Reduction in budgeted increases .....	\$2,045
Improved efficiency and policy reappraisal .....	500

Total reductions .....	\$2,545
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Summary of reductions

	Amount	Budget	
		Page	Line
Reduce traveling, out-of-state .....	\$500	510	9
Reduce equipment .....	2,045	510	59
Total .....	\$2,545		

## Department of Alcoholic Beverage Control—Continued

## GENERAL SUMMARY

The Department of Alcoholic Beverage Control was created effective January 1, 1955, by an amendment to Article XX, Section 22 of the Constitution approved by the voters on April 2, 1954, which transferred the alcoholic beverage control functions formerly administered by the Board of Equalization to the new department, together with related personnel and equipment.

The department is headed by a director, appointed by the Governor subject to confirmation by a majority vote of all of the members elected to the Senate, who serves at the pleasure of the Governor. In addition to removal by the Governor, the director may also be removed by a majority vote of all members elected to each house for "dereliction of duty or corruption or incompetence."

The director, whose salary is fixed at \$16,500 per year by Section 11555 of the Government Code, is permitted by the Constitution to appoint four assistants, exempt from civil service. Currently these are the deputy director and the three area administrators.

Under the Constitution, the State, subject to the internal revenue laws of the United States, has the exclusive right and power to license and regulate the manufacture, sale, purchase, possession and transportation of alcoholic beverages within the State and subject to the laws of the United States regulating interstate and foreign commerce, the importation and exportation of such beverages.

Under the Constitution the Department of Alcoholic Beverage Control has the exclusive power to license the manufacture, importation and sale of alcoholic beverage in this State and to collect license fees on account thereof. It also has the power, at its discretion, to deny, suspend or revoke licenses if it shall determine for good cause that the granting or continuance of such a license would be contrary to public welfare or morals, or that a person seeking or holding a license has violated any law prohibiting conduct involving moral turpitude.

The Department of Alcoholic Beverage Control is also charged with the enforcement of all of the provisions of the Alcoholic Beverage Control Act, including those relating to fair trade contracts and price posting, and the regulatory provisions which make it a misdemeanor for a licensee to operate a disorderly house, sell to minors or an obviously intoxicated person, employ "B" girls, etc.

Local peace officers and district attorneys are also required to enforce the provisions of the Alcoholic Beverage Control Act under the provisions of Section 25619 of that act and refusal or neglect on their part to do so is a misdemeanor.

The department functions through a headquarters office in Sacramento and 26 field offices grouped under three area administrators. The location of these offices and the authorized full-time permanent positions for 1957-58, by class, are shown in Table 1. The positions included in the column headed "administrative" are the area administrators and the assistant area administrators.

## Department of Alcoholic Beverage Control—Continued

Table 1. Authorized Field Staff, 1957-58, by Location and Class  
(Full-time Permanent Positions Only)

Location	Administrative	Supervising agent Grade II	Grade I	Agent	Attorney and auditor	Clerk	Total
North Coastal Area :							
Area headquarters, San Francisco	2	--	--	--	1 <sup>a</sup>	2	5
San Francisco district office	--	1	5	35	3 <sup>b</sup>	8	52
Oakland	--	1	3	21	--	5	30
Vallejo <sup>d</sup>	--	--	1	3	--	1	5
Santa Rosa	--	1	2	7	--	3	13
Eureka <sup>e</sup>	--	--	--	2	--	1	3
San Jose	--	1	2	12	--	3	18
Salinas <sup>f</sup>	--	--	1	4	--	1	6
San Luis Obispo <sup>g</sup>	--	--	--	2	--	1	3
Totals	2	4	14	86	4	25	135
Central Valley Area :							
Area headquarters, Sacramento	2	--	--	1	1 <sup>a</sup>	2	6
Sacramento district office	--	1	2	12	--	3	18
Redding	--	1	1	6	--	2	10
Marysville	--	1	1	6	--	2	10
Stockton	--	1	2	9	--	3	15
Fresno	--	1	2	9	--	3	15
Bakersfield	--	1	1	7	--	2	11
Totals	2	6	9	50	1	17	85
Southern Area :							
Area headquarters, Los Angeles	2	2	1	11	5 <sup>c</sup>	15	36
Los Angeles district office	--	--	2	11	--	3	16
Pasadena	--	--	2	9	--	3	14
Inglewood	--	--	2	9	--	3	14
Van Nuys	--	--	2	9	--	3	14
Long Beach	--	--	2	11	--	3	16
Santa Barbara	--	1	1	4	--	1	7
San Bernardino	--	1	2	9	--	3	15
San Diego	--	1	2	9	--	3	15
El Centro <sup>g</sup>	--	--	1	2	--	1	4
Totals	2	5	17	84	5	38	151
Grand totals	6	15	40	220	10	80	371

<sup>a</sup> Attorney.<sup>b</sup> Auditor.<sup>c</sup> Two attorneys and three auditors.<sup>d</sup> Branch office, Oakland district.<sup>e</sup> Branch office, Santa Rosa district.<sup>f</sup> Branch office, San Jose district.<sup>g</sup> Branch office, San Diego district.

The day-to-day activities of the department may be grouped into two general categories, licensing and enforcement. The licensing function involves the investigation of the proposed premises and surrounding

## Department of Alcoholic Beverage Control—Continued

locality, the investigation of the applicants character and record, and the determination of the true ownership of the prospective licensed premises. The enforcement function involves the detection, investigation and prevention of violations of the detailed requirements of the law. Major enforcement attention is given to provisions of the law regarding sales to minors and intoxicated persons, operation of disorderly premises, advertising practices, and wholesale and fair trade practices. A major aspect of the enforcement function is the maintenance of close relationships with local peace officers.

Functional time reports of the agency for the month of June, 1957, indicate the following distribution of time of the field staff on the two main categories of activity, by area:

	<i>North Coastal</i>	<i>Central Valley</i>	<i>Southern</i>
Enforcement -----	63.6%	73.4%	61.6%
Licensing -----	36.4	26.6	38.4
Totals -----	100.0%	100.0%	100.0%

The agency estimates that the equivalent of approximately 10 to 12 man-years of time is spent on activities relating to fair trading, price posting and investigation of wholesalers.

A rough indication of the measure of the enforcement problem appears to be the number of licensed retail premises, which amounted to 42,188 on April 1, 1957, the latest date on which such data are readily available. Total by areas, related to total agents is as follows:

	<i>Premises</i>	<i>Agents</i>	<i>Premises per agent</i>
North Coastal -----	13,772	86	160
Central Valley -----	9,019	50	180
Southern -----	19,397	84	231
Totals -----	42,188	220	192

While there may be other factors involved than number of retail premises which condition the deployment of the staff, such as concentration of population, for example, it appears from the foregoing that the agents, who constitute the front line enforcement personnel, are spread somewhat thinner in the southern area than in the remainder of the State, a matter which might be worth further study.

## ANALYSIS

A total of seven additional positions are requested for 1958-59, five in headquarters and two in area offices. These are offset in part by the abolition of three existing positions at the end of the current year, a junior-intermediate typist-clerk in headquarters, and an auditor III and an auditor II in the area offices, so that the net increase in positions is only four.

The three positions abolished were to provide funds to finance three of the seven proposed new positions, an assistant area administrator for the Los Angeles area and a supervising clerk II position for the headquarters administration of the licensing function to strengthen administration, and a permanent junior-intermediate typist-clerk posi-

Department of Alcoholic Beverage Control—Continued

tion for the personnel unit in headquarters for continuing workload on a permanent basis, and appear justified.

The other four new positions, a hearing officer I, a hearing reporter, and a stenographer, shown in headquarters, and a clerical position in the Los Angeles area are all related to increased workload in the departmental hearing function in connection with applications denied or protested and accusations against licensees. A 20 percent increase in departmental hearings has resulted from an increase in accusations resulting from additional local police activity and the positions appear justified on this basis.

Headquarters

Out-of-state travel for 1958-59 of \$1,000, budget page 510, line 9, is to provide for the attendance of two staff members at the annual convention of the National Conference of State Liquor Administrators to be held at an as yet undetermined location, presumably in the East or Midwest.

We believe that, due to the need for utmost economy, this item should be reappraised and that attendance at such conventions should be limited to a single representative from each agency and accordingly:

*We recommend a reduction of \$500 for traveling out-of-state, budget page 510, line 9.*

Area Offices

An examination of the equipment schedules disclosed a few items which appear to us to represent an increase in the level of service, according to our interpretation.

*We recommend a reduction of \$2,045 in equipment, budget page 510, line 59.*

The items involved are six photocopy machines, one each for Santa Rosa, Marysville, Redding, El Centro, Santa Barbara, and the Los Angeles wholesale unit, \$1,776; one work table for Long Beach, \$113; and a reduction in cost of dictating equipment requested for San Bernardino of from \$374 to \$218, or \$156.

ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD

ITEM 202 of the Budget Bill

Budget page 511

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

Amount requested	\$101,864
Estimated to be expended in 1957-58 Fiscal Year	94,563
Increase (7.7 percent)	\$7,301

Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages	\$5,585	\$5,585	—	512 13
Operating expense	2,792	792	\$2,000	512 22
Equipment	—1,076	—1,076	—	512 24
Total increase	\$7,301	\$5,301	\$2,000	

## Alcoholic Beverage Control Appeals Board—Continued

## RECOMMENDED REDUCTIONS

Reduction in budgeted increases-----	\$2,000
Improved efficiency and policy reappraisal-----	None
Total reductions -----	\$2,000

Summary of Reductions	Budget		
	Amount	Page	Line
Reduce travel in state-----	\$2,000	512	19

## GENERAL SUMMARY

The Alcoholic Beverage Control Appeals Board was created, effective January 1, 1955, by an amendment to Article XX, Section 22, of the Constitution, approved by the voters on November 2, 1954. It consists of three members, appointed by the Governor, subject to confirmation of a majority vote of all of the members elected to the Senate, and holding office at the pleasure of the Governor. Each member, at the time of his initial appointment, must be a resident of a different county from the one in which either of the other members resides. The Legislature, by a majority vote of all members elected to each house, has the power to remove the members from office for "dereliction of duty or corruption or incompetence."

The board's sole function is to hear appeals from decisions of the Department of Alcoholic Beverage Control. The board does not make investigations or receive evidence but is limited to consideration of the record, briefs and oral arguments in a manner similar to law courts of appeal. It is completely independent of the Department of Alcoholic Beverage Control.

The workload of the agency is conditioned on the number of appeals from decisions of the Department of Alcoholic Beverage Control, which are as follows:

1956-57 (actual) -----	360
1957-58 (estimated) -----	425
1958-59 (estimated) -----	500

The board estimates that it spends an average of eight days per month in conducting hearings.

As we pointed out in our 1957-58 analysis two of the three members devote only about 50 percent of their time to board functions.

## ANALYSIS

A somewhat anomalous situation appears to exist with respect to the headquarters of the board members.

The Constitution provides that "each member, at the time of his initial appointment, shall be a resident of a different county from the one in which either of the other members reside." The three present members were residents of San Francisco, Alameda, and Sacramento Counties at the time of their appointments, and are still residents of these counties with headquarters established therein for purposes of claiming travel expenses.

There is nothing in the Constitution or the law relating to the Alcoholic Beverage Control Appeals Board which specifically states that the board members' positions are full-time jobs, but it appears to us from

## Alcoholic Beverage Control Appeals Board—Continued

the salary of \$12,000 per year set for the positions by the enabling act (Chapter 20, Statutes of 1954, First Extraordinary Session) that it was probably the intent of the Legislature that the appeals board members should devote their full time to their duties. This being true it appears to us that headquarters of the board members should be in Sacramento where its offices are maintained, and we have recommended in the past that funds should not be provided for travel in excess of those required if all board members were to reside in Sacramento. Funds for travel were budgeted for 1955-56, 1956-57, and 1957-58 on that basis.

However, the budget for 1958-59 proposes to increase travel by \$2,000 to provide those board members who have headquarters other than Sacramento their expenses in Sacramento, and we are informed that they have received reimbursement for such travel during 1956-57, on a retro-active basis.

*We recommend that travel expense, budget page 512, line 19, be reduced by \$2,000, and that no travel expense be allowed board members while in Sacramento.*

While we realize that the problem involved is not peculiar to this board and that an overall study should be made to determine a uniform and equitable policy to apply in all such cases, and so recommend, we see no reason for reversing at this time the policy previously established by the Legislature with respect to the Alcoholic Beverage Control Appeals Board members.

We believe that headquarters for individual board members at places other than Sacramento are justified only in the case of part-time boards, and if it should develop that the workload is not sufficient to constitute membership on the Alcoholic Beverage Control Appeals Board a full-time job, it appears to us that a salary of \$12,000 per year is inappropriate.

## Economies and Improvements Requiring Legislation

We recommend that at the next general session of the Legislature consideration be given to the need for the continuance of the Alcoholic Beverage Control Appeals Board as an agency of the State, since, if it should be determined that the board is no longer necessary, an annual saving of \$106,000 per year would result.

We also recommend that if the board is to continue in existence legislation be enacted to require that members devote their entire time to performance of their state functions; that they maintain their headquarters in Sacramento, and that they have legal qualifications comparable to those for similar positions in the state service of a legal nature, including active membership in the state bar.

We believe it is obvious that the functions of the board as at present constituted are entirely legal in nature and that if its entire membership had legal training and devoted full time to board functions the size of the staff needed could be substantially reduced.

At present the board member who is resident in Sacramento is an attorney; the other two are laymen.

## DISTRICTS SECURITIES COMMISSION

ITEM 203 of the Budget Bill

Budget page 512

FOR SUPPORT OF DISTRICTS SECURITIES COMMISSION FROM  
THE GENERAL FUND

Amount requested-----	\$57,118
Estimated to be expended in 1957-58 Fiscal Year-----	56,576
Increase (1 percent)-----	\$542

## Summary of Increase

	INCREASE DUE TO			Budget Line page No.
	Total increase	Workload or salary adjustments	New services	
Salaries and wages-----	\$3,599	\$3,599	--	513 32
Operating expense-----	75	75	--	513 41
Equipment-----	-144	-144	--	513 43
Less increased reimbursements---	-2,988	-2,988	--	513 46
Total increase-----	\$542	\$542	--	

RECOMMENDED REDUCTIONS----- None

## GENERAL SUMMARY

The Districts Securities Commission is charged with supervision of certain fiscal affairs of irrigation and other water districts of the State. The commission investigates pertinent engineering and economic considerations of district construction plans and approves the bonds or warrants of the district to finance the work. In addition, the commission reviews reports of the districts and makes data available on their financial condition. The 1957 General Session added several new responsibilities to the commission's work by Chapters 2052, 547, and 2066.

## ANALYSIS

Estimated expenditures for Fiscal Year 1958-59 exceed the current year's estimate by \$3,530. An offsetting increase of \$2,988 in reimbursements results in a net increase in appropriation of only \$542. The attention of the Legislature is invited to the very high level of salaries for the professional staff working under the commission. With only five positions to be supervised, the executive secretary is receiving a salary of \$14,400 per year. As an average, the three professional employees of the commission will receive slightly in excess of \$12,000 per year. In our opinion this raises an important question dealing both with organization and classification which should be reviewed by the Department of Finance and the Personnel Board. The very complex relations between the commission's staff and the Department of Water Resources raise serious questions regarding the actual point at which decisions are made as between the commission's staff, the Department of Water Resources and the commissioners themselves and thereby controls the true level of responsibility of these positions.



## HORSE RACING BOARD

ITEM 204 of the Budget Bill

Budget page 514

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

Amount requested .....	\$180,059
Estimated to be expended in 1957-58 Fiscal Year .....	173,270
Increase (3.9 percent) .....	\$6,789

## Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$2,192	\$2,192	--	514 53
Operating expense .....	5,077	5,077	--	514 67
Equipment .....	—480	—480	--	514 69
Total increase .....	\$6,789	\$6,789	--	

RECOMMENDED REDUCTIONS ..... None  
GENERAL SUMMARY

The Horse Racing Board was created for the purpose of administering the provisions of the Racing Act and is empowered to prescribe rules, regulations, and conditions under which race meetings are to be conducted.

The board is vested with authority to license, regulate, and supervise all horse race meetings where there is pari-mutuel betting, and is further empowered to license jockeys, track officials, and other persons employed by racing associations.

## ANALYSIS

The 1958-59 Budget request of \$180,059 for the Horse Racing Board represents an increase of \$6,789 or 3.9 percent over the estimated expenditures of \$173,270 for the current fiscal year.

The budget has been prepared on the basis of 551 days of racing as compared to 504 days for the current year. Of the estimated 551 days of racing for Fiscal Year 1958-59, 341 are to be at major tracks, 84 days at fair tracks, 71 days for quarter horse meetings, and 55 days for a combination meeting.

We recommend approval of the budget as submitted.

Total revenue accruing to the State from horse racing is estimated to be \$29,405,597 for the 1958-59 Fiscal Year, an increase of \$2,365,855 or 9 percent over the estimated total revenues for the current year.

During the first few weeks of the current year, 41 racing days were lost through strikes at two major race meetings, resulting in a downward adjustment of \$1,615,000 in the current year revenue estimates.

The budget for the current year has been augmented by an emergency fund authorization in the amount of \$3,882, which was for the following:

Traveling in State .....	\$3,590
Equipment—new .....	292

The authorization is attributable to increased travel allowances authorized by the Board of Control, and to the purchase of a copying machine in lieu of an additional clerk.

The table on the following page reflects the distribution of horse racing revenue by fund for the Fiscal Years 1945-46 through 1958-59.

## Horse Racing Board—Continued

## Distribution by Fund of California Horse Racing Revenues—1945-46 to 1958-59

Fiscal year	State Revenue								
	Total pari-mutuel pool	Fair and Exposition Fund			State College Fund	Wildlife Restoration Fund	Capital Outlay and Savings Fund	General Fund	Total
		4 percent of pool	Other	Total					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1945-46 actual	\$414,094,075	\$16,563,763	\$21,402	\$16,585,165	--	--	--	\$6,172,894	\$22,758,059
1946-47 actual	349,664,050	13,986,562	19,000	14,005,562	--	--	--	5,075,238	19,080,800
1947-48 actual	356,723,225	14,268,929	18,955	14,287,884	\$816,252	\$3,000,000	--	2,073,313	20,080,800
1948-49 actual	303,017,750	12,120,710	17,965	12,138,675	988,674	3,000,000	--	1,165,150	17,292,499
1949-50 actual	281,360,025	11,254,401	19,584	11,273,985	572,683	3,000,000	--	275,349	15,122,017
1950-51 actual	288,625,150	11,545,006	32,893	11,577,899	889,911	--	--	3,900,476	16,368,286
1951-52 actual	357,551,300	14,302,052	32,111	14,334,163	1,079,899	1,000,000	\$1,000,000	2,628,546	20,042,608
1952-53 actual	362,251,950	14,490,078	201,305	14,691,383	1,293,004	1,000,000	1,000,000	3,140,622	21,125,009
1953-54 actual	402,579,075	16,103,163	135,102	16,238,265	1,185,168	1,000,000	1,000,000	3,223,769	22,647,202
1954-55 actual	404,861,100	16,194,444	220,828	16,415,272	1,304,670	76,480	--	5,360,174	23,156,596
1955-56 actual	440,893,375	17,635,735	357,650	17,993,385	1,363,957	813,081	--	5,176,388	25,346,811
1956-57 actual	468,944,125	18,757,765	284,414	19,042,179	1,582,482	832,822	--	5,615,925	27,073,408
1957-58 estimated	463,500,000	18,540,000	376,970	18,916,970	1,662,967	825,805	--	5,634,000	27,039,742
1958-59 estimated	505,750,000	20,230,000	297,397	20,527,397	1,749,000	806,200	--	6,323,000	29,405,597

Notes: Column (1) is estimated at 25 times column (2) in every case; i.e., column (2) is exactly 4 percent of column (1).

Column (3) includes license fees for owners, jockeys and attendants, interest earned, and sale of real property. For 1945-46 to 1949-50 it includes license fees only.

Column (5) includes \$21,160 interest and miscellaneous in 1954-55 and \$35,376 interest in 1955-56.

Column (6) includes \$76,480 interest in 1954-55 and \$63,081 interest and miscellaneous in 1955-56.

Column (8) includes miscellaneous income of \$56 in 1953-54 and \$1,485 in 1955-56.

Column (7) part of horse racing revenues pursuant to Chapter 1516, Statutes 1951.

Sources of actual data, 1945-46 to 1949-50 are reports of the State Controller; 1950-51 to 1958-59, printed budgets.

**Department of Investment  
STATE BANKING DEPARTMENT**

ITEM 205 of the Budget Bill

Budget page 515

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

Amount requested .....	\$628,575
Estimated to be expended in 1957-58 Fiscal Year .....	576,965
Increase (8.9 percent) .....	\$51,610

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$47,082	\$47,082	---	516 49
Operating expense .....	3,750	750	\$3,000	516 57
Equipment .....	778	778	---	516 63
Total increase .....	\$51,610	\$48,610	\$3,000	

**RECOMMENDED REDUCTIONS**

Reduction in budgeted increases .....	\$3,000
Improved efficiency and policy reappraisal .....	2,343
Total reductions .....	\$5,343

**Summary of Recommended Reductions**

	Amount	Budget	
		Page	Line
Operating expenses:			
Traveling—out-of-state .....	\$2,343	516	56
Training services .....	3,000	516	57
Total .....	\$5,343		

**GENERAL SUMMARY**

State regulation of banks in California began in 1878 with the creation of a Board of Bank Commissioners. The Bank Act of 1909 created a "State Banking Department," which under general reorganization in 1929, was designated the "Division of Banking" for the purpose of representation on the Board of Investment, although the Banking Department retained its former status operating as an independent state agency.

The Banking Department functions under the administrative control of the State Superintendent of Banks, who is appointed by the Governor and holds office at the pleasure of the Governor. The chief responsibilities of the superintendent are the administration and enforcement of the provisions of the state banking laws. The principal duties of the office are concerned with the licensing and examination of banks and trust companies, and the conservation or liquidation of any such institution if in financial difficulty.

The principal office of the department is in San Francisco with a branch office in Los Angeles. The agency reported that in November, 1957, there were 43 positions in San Francisco and 20 in Los Angeles. The agency is supported from the State Banking Fund, which derives its revenue from assessments levied on state supervised banks. Accumulated surplus in the fund is estimated to be \$410,682 as of June 30, 1959.

**State Banking Department—Continued  
ANALYSIS**

The request for \$628,575 in support of the department in the 1958-59 Fiscal Year compares with the sum of \$576,965 estimated for expenditure in the current year. This represents an increase of \$51,610 or 8.9 percent. In addition to the Budget Bill appropriation, \$38,972 is budgeted as the State's contribution to the State Employees' Retirement Fund.

The banking business of the State continues to grow steadily, as is indicated in statistics on state-supervised banks. These reflect an increase in the number of banks and branches from 342 offices in 1951-52 to 443 offices as of June 6, 1957, with 39 applications for additional offices approved but not established. Dollar volume of assets is shown to have increased from approximately 4.3 billion dollars in 1951-52 to 6.3 billion dollars in 1956-57, with continued increases indicated in applications for new banks and branches approved and pending approval as of June 30, 1957, and approximately 60 additional applications estimated for the 1958-59 Fiscal Year, as reported by the agency.

The most significant factor which governs the size of the staff is the provision in Section 1900 of the Financial Code, which reads, in part, "the superintendent shall cause every bank, every foreign banking corporation doing business in this State, every trust company, and the trust department of every title insurance company doing a trust business to be examined at least once in each fiscal year and whenever and as often as he shall deem it advisable."

The agency estimates that four additional examiners II and one clerk will be required to complete annual examinations as required by law in 1958-59, and that two additional examiners IV will be required to make the special follow-up examinations disclosed by the increase in regular examination work load.

While we concur in the request to meet the requirements of the banking laws so as to afford protection to the depositors and investors, we recommend that careful review of work load trends be made as requests are made to fill the positions.

*We recommend elimination of \$3,000, for training services, budget page 516, line 57.*

This represents an increase in level of service.

Although no money was authorized for training services in the 1957-58 Budget as approved by the 1957 Legislature, the current budget for the agency at page 516, line 57, indicates that \$1,457 is to be expended for a new program in the current fiscal year and \$3,000 is requested for 1958-59. The \$1,457 is being spent to defray expenses of two examiners being sent to the Interagency Bank Examination School, in Washington, D. C., in the current year.

In reference to the proposal to provide an additional \$3,000 for training services, we do not have a complete explanation of the proposed program.

*We recommend elimination of \$2,343 for out-of-state travel, budget page 516, line 56.*

## State Banking Department—Continued

This recommendation is based on a reappraisal of existing policy. Of this amount \$1,000 is for training and \$1,343 for attendance at out-of-state meetings. The agency sends examiners to the Pacific Coast Banking School at the University of Washington in Seattle, paying travel expenses, registration, tuition, and dormitory services, or room and board at the school. The total cost for three examiners to attend the latter school for 12 days is budgeted at \$1,000. While we do not question the need for training programs in state service, we believe that training is one of the functions of administration and supervision of an organization. The State Personnel Board has a training division equipped to assist agencies in developing training programs, and at no additional cost to an agency.

The agency is requesting \$2,760 to provide for the attendance of the agency head and his chief deputy at three out-of-state meetings. While it has been the policy in the past to provide funds for attendance at such meetings of more than one official, we believe that this policy should be reappraised in the light of current budgetary conditions and recommend that funds of \$1,343 for the attendance of the second official, be deleted.

**Department of Investment  
DIVISION OF CORPORATIONS**

ITEM 206 of the Budget Bill

Budget page 517

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

Amount requested .....	\$1,137,808
Estimated to be expended in 1957-58 Fiscal Year .....	1,064,813
 Increase (6.9 percent) .....	 \$72,995

**Summary of Increase**

	Total increase	INCREASE DUE TO Workload or salary adjustments	New services	Budget Line page No.
Salaries and wages .....	\$56,429	\$56,429	--	518 19
Operating expense .....	29,885	29,885	--	518 31
Equipment .....	-6,519	-6,519	--	518 33
Less increased reimbursements .....	-6,800	-6,800	--	518 39
 Total increase .....	 \$72,995	 \$72,995	 --	

**RECOMMENDED REDUCTIONS** ..... None

**GENERAL SUMMARY**

The Office of Commissioner of Corporations was first created in a State Corporation Department in 1913, for the purpose of administering the "Investment Companies' Act." The California Corporate Securities Act (Statutes of 1917) is the successor to the Investment Companies' Act.

Through organizational change in 1929, the Corporations Department was designated as the Division of Corporations within the Department of Investment, although it retained its former position operating as an independent state agency. The division functions under the administration of the Commissioner of Corporations, who is ap-

**Division of Corporations—Continued**

pointed by the Governor, with the consent of the Senate, and holds office at the pleasure of the Governor. The commissioner is a member of the Board of Investment.

The office of Commissioner of Corporations is responsible for the administration of the Corporate Securities Act, which entails permits to issue securities, the licensing of brokers and agents, and administering other phases of the act. The office is also responsible for the licensing and regulation of personal property and small loan brokers, credit unions, industrial loan companies, escrow agents, and check sellers and cashers, as prescribed in the various acts. The agency maintains offices in Sacramento, San Francisco, and Los Angeles, and, as of January 7, 1958, had a combined staff of 187 full-time positions. The distribution of the staff, as reported by the agency, shows 36 positions in Sacramento, 47 in San Francisco, and 104 in the Los Angeles office.

This is the only agency attached to the Department of Investment supported from the General Fund with revenue received through its operations deposited in the General Fund.

**ANALYSIS**

The request for \$1,137,808 for support of the division in the 1958-59 Fiscal Year compares with \$1,064,813 estimated for expenditure in the current year. This represents an increase of \$72,995 or 6.9 percent. In addition to the Budget Bill appropriation, \$84,900 is budgeted as the State's contribution to the State Employees' Retirement Fund.

The securities business and that of the various institutions regulated by the division continues to grow along with growth of the State's population and the continuing expansion of the State's position in the overall economic picture. Statistics show that over the past 10 years the number of applicants to engage in securities activities has increased from 18,555 to an estimated 43,955 for 1957-58, an increase of 137 percent, while the number of applicants to engage in other financial activities regulated by the agency shows an increase from 824 to 2,055, or 149 percent, for the same period.

Further expansion of the various activities is anticipated for the budget year, as the following table indicates:

<i>Fiscal Year</i>	<i>Revenue</i>	<i>Expenditures</i>	<i>Applications Corporate Securities Law</i>	<i>Other Licensees</i>
(1)	(2)	(3)	(4)	(5)
1957-58-----	\$1,702,115	\$1,145,766	43,955	2,055
1958-59-----	1,786,775	1,222,708	47,190	2,240
Increase over 1957-58---	\$84,660	\$76,942	3,235	185
Percent increase-----	5	6.7	7.4	9

The data in columns 4 and 5 show totals only for the respective activities; however, further analyses of these data would show that the activities related to administration of the Corporate Securities Law (column 4) generate a substantial portion of the workload of the division. They include the issuance of permits to issue securities and the issuance of orders, and the licensing of brokers, agents, and investment counsels. The number of applicants in this field is expected to increase

## Division of Corporations—Continued

7.4 percent in 1958-59. In the licensee category (column 5) the related activities include, generally, the licensing and examination of the financial affairs of personal property brokers and small loan brokers, industrial loan companies, credit unions, check sellers and cashers, and escrow agents. The number of licensees in this category is expected to increase 9 percent in the ensuing year.

In anticipation of increased workload the agency is requesting three additional positions, one examiner and two clerical. While we concur in the request to meet the requirements of the various acts so as to provide protection to the investing public, we recommend that careful review of workload trends be made as requests are made to fill the positions.

**Department of Investment**  
**DEPARTMENT OF INSURANCE**

ITEM 207 of the Budget Bill

Budget page 519

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

Amount requested .....	\$1,722,809
Estimated to be expended in 1957-58 Fiscal Year .....	1,696,175
Increase (1.6 percent) .....	\$26,634

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$13,855	\$13,855	--	521 70
Operating expense .....	11,266	11,266	--	521 72
Equipment .....	1,513	1,513	--	521 74
Total increase .....	\$26,634	\$26,634	--	

**RECOMMENDED REDUCTIONS**

Reduction in budgeted increases .....	None
Improved efficiency and policy reappraisal .....	\$2,600
Total reductions .....	\$2,600

**Summary of Recommended Reductions**

	Amount	Budget	
		Page	Line
Operating expenses:			
Traveling out-of-state .....	\$1,000	519	66
Traveling out-of-state .....	450	520	52
Membership contributions .....	1,150	519	68
Total .....	\$2,600		

**GENERAL SUMMARY**

The Department of Insurance was first established in 1868 as the "Office of Insurance Commissioner." During the period 1929 to 1941 the department was designated as the Division of Insurance of the Department of Investment, although it retained its former status operating as an independent state agency. In 1941 legislation declared it to be no longer a part of the Department of Investment restoring it to its former status as the Department of Insurance. However, the commissioner's membership on the Board of Investment was retained.

## Department of Insurance—Continued

The Insurance Commissioner is appointed by the Governor, with the consent of the Senate for a term of four years. The commissioner administers the insurance laws of the State, and regulates all companies, agents, brokers, and solicitors authorized to engage in the insurance business in the State. The commissioner also has the responsibility of supervision and examination of certain employee health, welfare, and pension programs operating in the State. In addition, he compiles data which is submitted to the Board of Equalization to use as a basis for the taxation of insurers.

The commissioner maintains offices in San Francisco, Los Angeles, San Diego, and Sacramento. The department is organized into four divisions: administration, compliance and legal, license, and examination and financial analysis, and has a presently authorized staff of 219 positions, including 3.5 man-years of temporary help. The agency is supported from the Insurance Fund which derives its revenue from license and examination fees, tax assessments and miscellaneous other fees levied on the insurance business. Accumulated surplus in the Insurance Fund is estimated at \$1,944,878 as of June 30, 1959.

## ANALYSIS

The request for \$1,722,809 in support of the department for the 1958-59 Fiscal Year compares with the sum of \$1,696,175 estimated for expenditures in the current fiscal year. This represents an increase of \$26,634 or 1.6 percent. In addition, \$111,063 is budgeted as the State's contribution to the State Employees' Retirement Fund.

The insurance industry of the State continues to grow steadily. Statistics show that over the past 10 years the number of admitted insurers has increased from 667 to an estimated 725 for 1957, while the number of licenses issued is estimated to increase 58 percent with further increases anticipated for 1958. Dollar volume of direct California premiums shows an increase of approximately \$1.5 billion or 150 percent during this period, with annual gross premium tax for the State's General Fund rising from \$17,300,000 in 1947-48 to \$46,000,000 for the 1957-58 Fiscal Year.

The workload of the department has expanded along with growth and changes of law which in some instances initiated new services to be performed by the department. The department is requesting one additional insurance claims investigator position on a workload basis. We recommend approval of the position.

In reference to new services, on page 520, line 2 of the budget, there is shown a new unit created within the administration division in the current year as a result of legislation (Chapter 2167, Statutes of 1957) enacted to regulate employee health and welfare programs in the State. The act places the responsibility for supervision and regulation of certain of such programs with the Insurance Commissioner to provide protection of the rights and interests of beneficiaries of the programs. This is a new field of regulation for the department and, consequently, what may be expected in the way of ultimate workload is not known at this time.

*We recommend reductions in out-of-state travel of \$1,450, budget pages 519 and 520, line 66 and 52.*



**Department of Insurance—Continued**

The budget provides \$4,700 for travel to attend several out-of-state meetings by the department head and in some cases one or more division chiefs. In line with our current recommendations for reappraisal of existing practices, we recommend that funds be provided for one man only to attend such meetings.

*We recommend a reduction of \$1,150 in budgeted expenditures for membership in the National Association of Insurance Commissioners, budget page 519, line 68.*

The budget provides \$4,000 for such membership in 1958-59. This represents an increase of \$1,150, or 40 percent, over present expenditures for this purpose and, in line with our recommendation for reappraisal of existing policies, we recommend that the budget show no increase for this expense.

**Economies and Improvements Requiring Legislation**

We recommend that the Legislature give consideration to changes in the law and in certain constitutional provisions regarding the administration of the gross premiums tax on insurance companies, which currently yields about \$46,000,000 per year to the General Fund.

At present the insurance companies file returns with the Insurance Commissioner on April 1st each year. He calculates the amount of tax due and transmits the information to the Board of Equalization on the following July 1st. The Board of Equalization assesses the tax on August 14th and it is payable to the State Controller not later than the following November 15th.

We believe the tax should be self-assessed at the time the return is filed and that a single agency, the Insurance Commissioner, should be responsible for its administration instead of three separate agencies, as at present. This conforms to the procedure followed in the case of most other major state taxes such as the Bank and Corporation Tax, Personal Income Tax, Sales Tax, Unemployment Insurance Tax, Alcoholic Beverage Taxes and Use Fuel Tax. Such a change would eliminate needless duplications in processing and record keeping and result in lower administrative costs and, in essence, has been recommended by the Division of Audits, Department of Finance, since prior to 1947, by Price Waterhouse & Co. in its report on "Accounting and Auditing for the State of California," issued in 1954, and by the Board of Equalization in its annual report for 1945-46.

If the tax were to be made payable at the time the return is filed, which is the case with other self-assessed taxes, instead of 7½ months later, the State would gain additional interest revenue of \$700,000 per year. This change has been recommended by the Division of Audits, Department of Finance, in a report dated March 6, 1957, on the audit of the Board of Equalization.

We also believe that the Legislature should reconsider the effect of the deduction currently allowed for property taxes paid on the principal office of the insurance company in California. The elimination of this deduction would result in increasing the yield from the insurance tax by \$2,000,000 per year.

**Department of Investment  
DIVISION OF REAL ESTATE**

ITEM 208 of the Budget Bill

Budget page 523

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

Amount requested .....	\$1,366,183
Estimated to be expended in 1957-58 Fiscal Year .....	1,373,970
Decrease (0.6 percent) .....	\$7,787

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	—\$2,589	—\$2,589	—	524 13
Operating expense .....	7,855	7,855	—	524 27
Equipment .....	—13,053	—13,053	—	524 29
Total increase .....	—\$7,787	—\$7,787	—	

**RECOMMENDED REDUCTIONS**

Reduction in budgeted increases .....	None
Improved efficiency and policy reappraisal .....	\$1,600
Total reductions .....	\$1,600

**Summary of Recommended Reductions**

	Amount	Budget Page	Line
Operating expenses:			
Traveling—out-of-state .....	\$1,600	524	20

**GENERAL SUMMARY**

The division was first created as a department in 1919. Under the general reorganization of 1929, the department was designated the "Division of Real Estate," as a part of the Department of Investment, although it continued to operate as an independent state agency.

The division is headed by the Real Estate Commissioner, who is appointed by the Governor with the consent of the Senate. The commissioner serves as chairman of the Real Estate Commission, whose members are also appointed by the Governor. The commissioner is also a member of the State Public Works Board. The chief responsibilities of the commissioner are the administration and enforcement of the Real Estate Law. The principal functions of the division are the licensing and regulation of brokers and salesmen engaged in activities concerned with real estate, business opportunity, mineral, oil, and gas property, certain lending activities, and persons engaged in subdivision activities, as prescribed by law.

The division maintains offices in Sacramento, San Francisco, Oakland, Fresno, Los Angeles, and San Diego, and provides office space and services in various other locations for the purpose of holding examinations and hearings. There is a combined total of 182 authorized full-time positions in the agency.

## Division of Real Estate—Continued

The distribution of the staff at November 1, 1957, as reported by the agency was as follows by location and by the function shown in the budget:

	<i>Adminis- tration</i>	<i>Exami- nations</i>	<i>Licensing</i>	<i>Regulation</i>	<i>Total</i>
Sacramento Headquarters	9	13	52	--	74
Northern Area					
Sacramento, district office	--	--	--	7	7
San Francisco	--	2	--	19	21
Oakland	--	--	--	7	7
Fresno	--	--	--	6	6
Southern Area					
Los Angeles	4	5	--	52	61
San Diego	--	--	--	6	6
Total	13	20	52	97	182

The positions shown under administration in Sacramento are the accounting officer II and eight clerical, while those in Los Angeles are the commissioner, the assistant commissioner and two clerical. The two deputy IV positions, are in San Francisco and Los Angeles and are in charge of regulation for the northern and southern areas respectively.

The agency is supported from the Real Estate Fund, which derives its revenue from license fees and various other fees levied in the regulation of the real estate business in the State. Legislation enacted in 1956 provides that one-fourth of all receipts from license fees are allocated to a new fund designated as the Real Estate Education and Research Fund to be appropriated to the University of California, state colleges and junior colleges to be used in connection with research and education in the field of real estate. Statements of fund condition for the fiscal year ending June 30, 1959, indicate income estimated at \$1,567,545 and outgo estimated at \$1,546,291 and accumulated surplus of \$1,429,981 for the Real Estate Fund, and income of \$452,826 to provide an estimated accumulated surplus of \$1,358,319 for the Real Estate Education and Research Fund.

## ANALYSIS

The request for \$1,366,183 in support of the division in the 1958-59 Fiscal Year compares with the sum of \$1,373,970 estimated for expenditure in the current fiscal year. This represents a decrease of \$7,787. In addition to the Budget Bill appropriation, \$80,108 is budgeted as the State's contribution to the State Employees' Retirement Fund.

The budget request for the division contemplates no additional personnel, but rather indicates elimination of temporary help which is estimated to cost \$29,615 in the current year. This reduction in salaries and wages is attributable to installation of a mechanized licensing system arising from legislation adopted in 1956, whereby renewals of licenses were placed on a four-year staggered basis spreading the licensing process throughout the year. Although additional clerical and technical assistance was required initially to develop and operate the new system, the agency feels that further economies are to be realized.

**Division of Real Estate—Continued**

In connection with the workload of the agency, we point out that with the decline in real estate business, particularly in home building construction, the workload has not been meeting the projections, and in line with prior recommendations made by this office, three vacant deputy positions are being abolished in the current year. An indication of the slowdown of real estate business is reflected, in particular, in subdivision activity. The number of subdivisions filed, together with notices of intention to file, has continuously dropped from the post-war peak of 3,373 in Fiscal Year 1954-55 to 2,585 in 1956-57, and are now running on a calendar year basis at an annual rate of approximately 2,400 for 1957.

The agency in the last three years has expanded its operations considerably, due chiefly to the strengthening of the Real Estate Law and administrative policies, and has been granted additional staff to carry on the added responsibilities. While the abolishment of the three deputy positions indicates an effort is being made to re-evaluate the division's needs in the light of changing trends in the real estate business, we believe that reappraisal of policy in respect to out-of-state travel should be considered at this time. The budget for the current year and the budget year includes a total of \$3,300 in each year for travel expenses of both the commissioner and the assistant commissioner to attend national and regional meetings at the same time, and, although this policy is not one unique in this agency, we recommend that arrangements be made whereby either the commissioner or his assistant attend the meetings. This will mean a saving of approximately \$1,600 in the budget year.

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

ITEM 209 of the Budget Bill

Budget page 526

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

Amount requested .....	\$400,057
Estimated to be expended in 1957-58 Fiscal Year .....	381,613
 Increase (4.8 percent) .....	 \$18,444

**Summary of Increase**

	Total increase	INCREASE DUE TO Workload or salary adjustments	New services	Budget Line page No.
Salaries and wages .....	\$14,175	\$14,175	--	526 20
Operating expense .....	5,406	5,406	--	526 32
Equipment .....	-1,137	-1,137	--	526 34
 Total increase .....	 \$18,444	 \$18,444	 --	

**RECOMMENDED REDUCTIONS** ..... None

**GENERAL SUMMARY**

State building and loan business was first brought under state regulation in 1891. Subsequent acts changed the administration of the agency until 1911, when a new act created the office of Building and Loan Commissioner. Under the Reorganization Act of 1929 the agency

**Division of Savings and Loan—Continued**

was designated the Division of Building and Loan within the Department of Investment, although it retained its former operating status as an independent state agency. In 1953 the word "building" was changed to "savings" in designating the agency.

The division functions under the administrative control of the Commissioner of Savings and Loan, who is appointed by the Governor, with the consent of the Senate, and holds office at the pleasure of the Governor. The chief responsibilities of the Commissioner of Savings and Loan are the administration and enforcement of state laws regulating the savings and loan business. The principal duties of the office are those of licensing, annual examination of the affairs of the associations, passing upon proposed mergers or consolidations of the associations, and the conservation or liquidation of associations if in difficulty.

The most important factor which conditions the size of the staff is the provision in Section 8800 of the Financial Code which reads "The commissioner at least once in each year, without previous notice, shall visit and examine into the affairs of every domestic association and of every foreign association doing business in this State." The 24 examiners and 7 appraisers devote substantially all of their time to this work.

Offices are maintained in Los Angeles and San Francisco, and employ a combined total of 44 positions: 26 in Los Angeles and 18 in San Francisco. The agency is supported from the State Savings and Loan Inspection Fund, which derives its revenue from assessments and fees levied on the savings and loan business under state regulation. There is estimated to be a surplus in the fund of \$475,995, as of June 30, 1959, or slightly more than one year's cost of operations.

**ANALYSIS**

The request for \$400,057 in support of the division in the 1958-59 Fiscal Year compares with the sum of \$381,613 estimated for expenditures in the current year. This represents an increase of \$18,444 or 4.8 percent. In addition to the Budget Bill appropriation, \$30,212 is budgeted as the State's contribution to the State Employees' Retirement Fund.

The division anticipates continued expansion in the savings and loan business with the number of associations, including branches, expected to increase from 259 offices in 1956-57 to 298 for 1957-58, which will result in increased work load for 1958-59. Dollar volume of assets increased from approximately 2.4 billion dollars as of June 20, 1956, to 3.1 billion dollars at June 30, 1957, with further increases anticipated for the current year. To meet additional work load the division requests two additional technical positions: one senior loan appraiser and one examiner, grade II. Extension of a junior clerk, which was approved through a budget revision in the current year, is also requested. The division has had a vacant appraiser position for a considerable period of time; the reason given is that it is due to recruiting difficulties. This is also true in the case of one examiner position, with a resultant backlog in examinations of associations and appraisals. We recommend that the vacancies be filled as soon as possible, and the two proposed

**Division of Savings and Loan—Continued**

new technical positions be approved on a tentative basis for 1958-59 subject to critical review of work load trends before being filled. It should be noted that although the number of associations and dollar volume of assets are expected to show continuous growth for 1958 the volume of new construction loans has shown a downward trend. However, the division indicates that, along with the trend of slowdowns in sales of speculative tracts financed by savings and loan associations, loan delinquencies and foreclosures are on the increase. In view of this, and in order to provide protection to the investing public, we recommend approval of the amount budgeted.

**BOARD OF OSTEOPATHIC EXAMINERS**

ITEM 210 of the Budget Bill

Budget page 527

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

Amount requested .....	\$57,028
Estimated to be expended in 1957-58 Fiscal Year .....	57,586
Decrease (1.0 percent) .....	\$558

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$687	\$687	--	527 46
Operating expense .....	124	124	--	527 60
Equipment .....	-1,369	-1,369	--	527 62
Total increase .....	-\$558	-\$558		

**RECOMMENDED REDUCTIONS**----- None**ANALYSIS**

The Board of Osteopathic Examiners is vested with authority to examine, license, and regulate physicians who are graduates of osteopathic colleges.

Proposed expenditures for Fiscal Year 1958-59 are \$57,028, a decrease of \$558 or 1.0 percent under the estimated expenditures of \$57,586 for the current fiscal year.

Revenues are estimated at \$52,138 for the 1958-59 Fiscal Year, a decrease of \$3,780 or 6.7 percent under the estimated revenue for 1957-58.

The accumulated surplus as of June 30, 1959, is estimated to be \$58,180 which is a decrease of \$7,309 or 11.1 percent under the estimated surplus of \$65,489 for the current year.

The agency proposes to continue the same level of service as currently authorized. We recommend approval as budgeted.

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

ITEM 211 of the Budget Bill

Budget page 528

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

Amount requested .....	\$1,485
Estimated to be expended in 1957-58 Fiscal Year .....	1,625
Decrease (8.6 percent) .....	\$140

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Operating expense .....	\$10	\$10	--	528 65
Equipment .....	—150	—150	--	528 67
Total increase .....	—\$140	—\$140		528 70

**RECOMMENDED REDUCTIONS** ..... None**ANALYSIS**

The Board of Pilot Commissioners for the Harbor of San Diego is a three-member board created for the purpose of licensing and regulating piloting activities in San Diego Harbor.

Expenditures for the 1958-59 Fiscal Year are proposed at \$1,485, a decrease of \$140 or 8.6 percent less than the estimated expenditures for Fiscal Year 1957-58.

Revenues of this agency are received from Pilotage fees. As a result of legislation in 1955, all revenues received by the board are now deposited into the General Fund rather than retained by the board. Estimated revenues for the 1958-59 Fiscal Year are \$3,000, an increase of \$380 or 14.5 percent over the estimated revenues for the current year.

We recommend approval as budgeted.

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

ITEM 212 of the Budget Bill

Budget page 529

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

Amount requested .....	\$16,090
Estimated to be expended in 1957-58 Fiscal Year .....	15,999
Increase (0.6 percent) .....	\$91

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Operating expense .....	\$850	\$450	\$400	529 41
Equipment .....	—759	—759	--	529 43
Total increase .....	\$91	—\$309	\$400	

## Summary

## P. & V. Standards

Board of Pilot Commissioners for the Bays of San Francisco,  
San Pablo and Suisun—Continued

### RECOMMENDED REDUCTIONS

Reduction in budgeted increases-----	\$400
Improved efficiency and policy reappraisal-----	None
Total reductions -----	\$400

### Summary of Recommended Reductions

	Amount	Budget Page	Line
Operating expense			
Rent—building space -----	\$400	529	37

### ANALYSIS

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun is a board composed of three members created for the purpose of qualifying individuals as pilots operating vessels in these waterways.

Proposed expenditures for the 1958-59 Fiscal Year are \$16,090, an increase of \$91 or 0.6 percent over the estimated expenditures for the current year.

Revenues for the budget year are estimated at \$25,070, which is the same amount as estimated for 1957-58.

The accumulated surplus as of June 30, 1959, is estimated to be \$52,809, an increase of \$8,505 or 19.2 percent more than the accumulated surplus as of June 30, 1958.

*Rent—building space (budget page 529, line 37)----- \$1,590*

The rental of building space for the budget year has been proposed at \$1,590, an increase of \$400 or 33.6 percent more than is estimated for the current year. No supplementary budget justification material has been submitted in support of the agency's request.

*We recommend deletion of \$400 from this item, and recommend approval of the remaining \$1,190.*

Since the agency's workload has remained exactly the same during the last three years and is not expected to increase during the current or budget years, this increase is not justified on workload basis.

In the absence of justification for this rental increase, and because the request represents an increased level of service to the agency, we recommend deletion of this item.

### Department of Professional and Vocational Standards

#### DEPARTMENTAL ADMINISTRATION

Budget page 530

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

Amount requested -----	\$554,383
Estimated to be expended in 1957-58 Fiscal Year-----	545,318
Increase (1.7 percent)-----	\$9,065



## Departmental Administration—Continued

## Summary of Increase

	Total Increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages-----	\$774	\$5,754	\$4,980	531 55
Operating expense-----	19,395	19,395	---	531 65
Equipment-----	-9,556	-9,556	---	531 67
Total increase-----	\$9,065	\$4,085	\$4,980	

## RECOMMENDED REDUCTIONS

Reduction in budgeted increases-----	\$4,980
Improved efficiency and policy reappraisal-----	None
Total reductions-----	\$4,980

## Summary of Recommended Reductions

	Amount	Page	Budget Line
Salaries and wages			
Senior stenographer-clerk-----	\$4,980	531	52

## GENERAL SUMMARY

The Department of Professional and Vocational Standards was created for the purpose of administering laws regulating and protecting private business, licensed professions, and callings as set forth in the Business and Professions Code.

The department performs all accounting, personnel and fiscal work for the 28 boards and commissions under its jurisdiction. It also acts as a liaison with all governmental agencies, prepares the budget, and exercises budgetary control over all units within the department and manages the Business and Professions Building and Annex.

## ANALYSIS

There is no direct appropriation for support of departmental administration since the necessary funds are obtained from assessments against the various agencies within the department.

Proposed expenditures of departmental administration for the 1958-59 Fiscal Year are \$554,383, an increase of \$9,065 or 1.7 percent more than estimated expenditures for the current year.

*Senior stenographer-clerk (budget page 531, line 52)----- \$4,980*

The department is requesting this position to replace clerical services which were previously provided by the Yacht and Ship Brokers Commission. The recent relocation of the commission to Sacramento precludes the continuation of this clerical arrangement in San Francisco.

*We recommend deletion of this item.*

No information has been submitted as to the kind, nature or extent of the clerical service involved in this request. Presumably a position allocated to the Yacht and Ship Brokers Commission was being used by the department on a part-time basis to provide certain public information services on behalf of the agencies located in the San Francisco office; however, we direct attention to the fact that there were five agencies headquartered in San Francisco at the time the position was originally considered essential, whereas today only three such agencies remain in that city. Obviously, since there are fewer agencies, the need for the clerical services of this kind has correspondingly declined, and is such that the continuation of the position would hardly seem

**Departmental Administration—Continued**

justified. It should be possible to secure the reduced amount of such service now required from one of the remaining agencies in the same manner it was formerly provided by the Yacht and Ship Brokers Commission. This service was being provided as a part-time activity by a clerk authorized full time to another agency and it can be presumed that the amount of time devoted to departmental service was nominal. Consequently, with the reduction in workload occasioned by the removal of agencies from the San Francisco office it is not possible for there to be sufficient remaining workload to justify a full position and thus a new service is being requested.

**Centralized Services**

As in previous years, we repeat our recommendation for the centralization of certain functions within the department. Some of the functions worthy of consideration for centralization include clerical work, mailing, cashiering, license issuing, inspectional and investigational work. Along these lines, we understand that the Organization and Cost Control Division of the Department of Finance has undertaken a study concerning the use of electronic machines for providing license renewal service and other services to the various agencies. The results of this study should be forthcoming during the current year.

**Investigative Services**

Several of the agencies of the department have included, under operating expenses, requests of varying amounts for investigative services to be provided by the department during the budget year. In most instances these requests provide new levels of service to the agencies; therefore, precluding our support of the requests. Agencies submitting budget items for "investigative services" and the amount are:

<i>Agency</i>	<i>Amount</i>
Cemetery Board -----	\$1,200
Board of Pharmacy -----	2,500
Certified Shorthand Reporters Board -----	1,500
Board of Examiners in Veterinary Medicine -----	1,500
Board of Vocational Nurses -----	1,200
Yacht and Ship Brokers Commission -----	1,500

While the individual budgets of the aforementioned agencies include specific amounts of money for investigative services to be provided by the department, we note that the department has not included any budget item showing these monies or the number of investigator positions that are estimated or proposed for these services.

The department submitted a similar request for the establishment of a departmental investigative pool to the 1957 Legislature, but the proposal was denied. It has always been our opinion that investigative pooling should be achieved through the use of existing personnel, and not by adding new investigatory positions.

Although a new effort is being made to establish a departmental investigative pool in the budget year, the plan still does not provide for the utilization of existing personnel which is necessary to achieve the contemplated economies, and is therefore essentially the same proposal that was submitted to the 1957 Legislature.

## Departmental Administration—Continued

We direct attention to Section 6215.1 of the State Administrative Manual which specifically sets forth:

“Agency should not resubmit for a budget session proposals denied by the Legislature at the preceding general session. New programs or changes in program or policy should be deferred until the next general session.”

## Supplemental Budget Justification Material

In general, the agencies of this department have not submitted material supporting their budget requests. Only six out of the department's 28 boards and commissions have included supplemental budget justification material and, for this reason, we have had to rely to a great extent on other sources of information such as the Governor's Council Report and legislative committee reports to determine the agency's actual workload justification and the nature of certain requests. The State Administrative Manual, prepared by the Department of Finance (dated February 1, 1957) for the use of all state agencies, sets forth in Section 6213: “\* \* \* the department head is responsible for the proper justification of the written budget presentation \* \* \*.” Further, in this same manual, in Section 6380, it is provided: “In order that the budget may be prepared, reviewed and adopted in the time available without arbitrary adjustments, it is necessary that the facts or assumptions on which it is based be provided in the form of supporting information. Although supplemental information is not printed in the budget, it should be typed on plain white paper the same size as the budget forms, and submitted to the Budget Division in triplicate.” We suggest that, in the future, these provisions be complied with so that the Legislature may adequately evaluate the programs and policies, as well as the fiscal needs of the agency.

## Unbudgeted Surpluses

The following table shows the estimated unbudgeted surpluses in the special funds of the respective agencies in the Department of Professional and Vocational Standards as of June 30, 1959. These total \$1,827,749. Of this amount, \$789,870 is estimated will be on deposit with the State Treasurer.

We note that the remaining obligation on the Business and Professions Building has been paid and that the balance of \$1,037,879 represents investments in the Business and Professions Building Annex by some of the agencies.

Agency	Investment in Business and Professions Building Annex	Current surpluses exclusive of building investments	Total estimated unbudgeted surpluses as of June 30, 1959
Accountancy -----	\$159,740	\$111,077	\$270,817
Architectural Examiners -----	--	23,745	23,745
Athletic Commission -----	--	9,813	9,813
Barber Examiners -----	--	9,050	9,050
Cemetery -----	--	16,283	16,283
Chiropractic Examiners -----	--	52,872	52,872

## Departmental Administration—Continued

Agency	Investment in Business and Professions Building Annex	Current surpluses exclusive of building investments	Total estimated unbudgeted surpluses as of June 30, 1959
Civil and Professional			
Engineers .....	90,228	46,320	136,548
Contractors .....	---	3,221	3,221
Cosmetology .....	63,023	31,888	94,911
Dental Examiners .....	19,694	77,769	97,463
Dry Cleaners .....	---	7,261	7,261
Funeral Directors and			
Embalmers .....	7,878	30,702	38,580
Furniture and Bedding .....	74,427	19,705	94,132
Guide Dogs for the Blind * .....	---	---	---
Landscape Architects .....	---	32,915	32,915
Medical Examiners .....	358,979	26,537	385,516
Physical Therapist .....	---	14,705	14,705
Nurse Examiners .....	177,252	577	177,829
Optometry .....	---	10,649	10,649
Pharmacy .....	---	36,443	36,443
Private Investigators and			
Adjusters .....	86,658	77,164	163,822
Shorthand Reporters .....	---	37,880	37,880
Social Work Examiners .....	---	17,482	17,482
Structural Pest Control .....	---	28,173	28,173
Veterinary Medicine .....	---	15,014	15,014
Vocational Nurse Examiners .....	---	19,436	19,436
Yacht and Ship Brokers .....	---	33,189	33,189
Totals .....	\$1,037,879	\$789,870	\$1,827,749

\* Funds for this board are appropriated from the General Fund.

The foregoing table reflects that the unbudgeted surpluses as of June 30, 1959, estimated to be \$1,827,749, represents a decline of \$411,878 or 18.4 percent less than the estimated total unbudgeted surpluses of \$2,239,627 as of June 30, 1958.

## Department of Professional and Vocational Standards

## DIVISION OF ADMINISTRATIVE PROCEDURE

ITEM 213 of the Budget Bill

Budget page 533

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

Amount requested .....	\$185,452
Estimated to be expended in 1957-58 Fiscal Year .....	176,092
Increase (5.3 percent) .....	\$9,360

## Summary of Increase

	INCREASE DUE TO			Budget Line page No.
	Total increase	Workload or salary adjustments	New services	
Salaries and wages .....	\$5,291	\$5,291	---	534 14
Operating expense .....	7,250	7,250	---	534 24
Equipment .....	—3,188	—3,188	---	534 26
Plus decreased reimbursements .....	7	7	---	534 29
Total increase .....	\$9,360	\$9,360	---	

## Division of Administrative Procedure—Continued

## RECOMMENDED REDUCTIONS

Reduction in budgeted increases-----	\$30,000
Improved efficiency and policy reappraisal-----	None
Total reductions-----	\$30,000

## Summary of Recommended Reductions

<i>Salaries and wages</i>	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
2 hearing officers-----	\$17,880	534	7
2 hearing reporters-----	12,120	534	8

## GENERAL SUMMARY

The Division of Administrative Procedure has three major functions:

1. A continuing study of administrative law and procedure and formulating suggestions for improvements to the Governor, the Legislature and various state agencies.
2. Furnish trained hearing officers to conduct quasi-judicial disciplinary proceedings when requested by any state agency.
3. Compile and publish rules and regulations for various state agencies.

The division is composed of two sections. Expenditures for the codification section are supported from the General Fund. Expenditures for the administrative section are supported by reimbursements on a cost basis from the agencies using the services of the division and from the General Fund, which makes up the difference between reimbursements and expenditures.

## ANALYSIS

Proposed expenditures for administration for 1958-59 are \$237,133 (Budget page 534, line 30), of which \$123,309, or 52 percent is estimated reimbursements. The General Fund cost is \$113,824. Proposed expenditures for codification for the 1958-59 Fiscal Year are \$71,628.

The agency's total proposed expenditures from the General Fund are \$185,452 (budget page 534, line 75), an increase of \$7,967, or 4.5 percent over estimated expenditure for 1957-58.

General Fund revenue amounting to \$10,000 is estimated from the sale of administrative codes and regulations, the same amount as estimated for the current year.

In the 1957-58 Budget, the division was authorized two new hearing teams consisting each of a hearing officer I and a hearing reporter position costing a total of \$30,000. One team is authorized until June 30, 1958, and the other is a permanent position authorization. Agency justification for these positions was a need to reduce backlog and increasing workload. The temporary position would supposedly enable a reduction in backlog, permitting a true evaluation of the division's personnel requirements.

*We recommend one hearing team composed of a hearing officer I and a hearing reporter, temporarily authorized until June 30, 1958, be deleted and not extended for an additional year as requested. We further recommend one hearing officer I and one hearing reporter, presently authorized, be deleted.*

# Item 214

# P. & V. Standards

## Division of Administrative Procedure—Continued

These four positions have not been filled to date and no supplementary budget material has been submitted to justify their retention. Pertinent statistics from the division's monthly Governor's Council Report for 1956-1957 are:

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
New cases -----	80	80	98	77	86	76	97	36	133	101	105	95
Cases heard -----	97	114	80	74	123	83	87	64	87	86	108	98

The backlog of cases on July 1, 1956, was 103, for a total of 1,167 cases to be heard in the 1956-57 Fiscal Year. Cases heard totaled 1,101, leaving a backlog of 66 on June 30, 1957.

This data indicates the division not only had sufficient personnel in 1956-57, when 5.4 of six authorized hearing officer positions were filled, to cope with the caseload, but also substantially reduced backlog. The backlog of 66 cases should be the normal case carryover.

The most recent Report to the Governor's Council, November, 1957, indicates backlog has been eliminated entirely. The absence of any backlog indicates the division is overstaffed even without the two authorized teams.

Consideration should be given to a proportionate reduction in the technician and clerk staff, presently authorized for the agency, to bring it into line with the reduced workload requirements of the agency.

## Department of Professional and Vocational Standards

### BOARD OF ACCOUNTANCY

ITEM 214 of the Budget Bill

Budget page 535

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

Amount requested -----	\$199,546
Estimated to be expended in 1957-58 Fiscal Year -----	195,892
Increase (1.8 percent) -----	\$3,654

### Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages -----	\$810	\$810	--	535 61
Operating expense -----	2,186	2,186	--	535 73
Equipment -----	658	658	--	535 75
Total increase -----	\$3,654	\$3,654		

RECOMMENDED REDUCTIONS ----- None

### GENERAL SUMMARY

The State Board of Accountancy was created for the purpose of licensing and regulating certified public accountants and public accountants practicing in California. The board receives and investigates complaints, issues certificates and permits, and prescribes rules of professional conduct appropriate to the maintenance of certain standards of integrity in the profession.

## Board of Accountancy—Continued

## ANALYSIS

Proposed expenditures for the 1958-59 Fiscal Year are \$199,546, an increase of \$3,654 or 1.8 percent over the estimated expenditures for 1957-58.

Revenues for the 1958-59 Fiscal Year are estimated to be \$172,550 which is the same amount estimated for the current year.

The accumulated surplus as of June 30, 1959, is estimated to be \$270,817, a decrease of \$64,266 or 19.2 percent below the estimated accumulated surplus as of June 30, 1958.

The proposed rate of expenditures scheduled for 1958-59 indicates that the accumulated surplus will be depleted in approximately four more years.

The budget for the current year has been augmented by an Emergency Fund authorization in the amount of \$15,445. This was for the following:

Hearing Services—	
Division of Administrative Procedure.....	\$3,000
Pro rata Attorney General services.....	8,000
Candidates (examination) .....	3,000
Miscellaneous .....	1,445

The Department of Finance states that the foregoing authorization is attributable to the prosecution of one extreme case and to an increase in the number of candidates that were examined during the current year.

The agency's 1958-59 Budget request provides for a continuation of the existing level of service.

We recommend approval as submitted.

## Department of Professional and Vocational Standards

## BOARD OF ARCHITECTURAL EXAMINERS

ITEM 215 of the Budget Bill

Budget page 536

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

Amount requested .....	\$88,219
Estimated to be expended in 1957-58 Fiscal Year.....	76,311
Increase (14.2 percent).....	\$11,908

## Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$1,306	\$1,306	—	536 80
Operating expense .....	10,196	2,066	\$8,130	537 12
Equipment .....	406	406	—	537 14
Total increase .....	\$11,908	\$3,372	\$8,130	

## RECOMMENDED REDUCTIONS

Reduction in budgeted increases.....	\$8,130
Improved efficiency and policy reappraisal.....	None
Total reductions .....	\$8,130

## Board of Architectural Examiners—Continued

## Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Operating expenses			
Examination evaluation -----	\$7,500	537	9
Examination -----	630	537	10

## ANALYSIS

The Board of Architectural Examiners was created for the purpose of examining, licensing, and regulating architects throughout the State.

Proposed expenditures for the 1958-59 Fiscal Year are \$88,219, an increase of \$11,908 or 14.2 percent more than estimated expenditures for the current year.

Revenues for the budget year are estimated at \$79,435, an increase of \$5,750 or 7.8 percent over the estimated revenues for 1957-58.

The accumulated surplus as of June 30, 1959, is estimated to be \$23,745, a decrease of \$4,374 or 15.5 percent less than the estimated surplus for the current year.

The budget for the current year was augmented by an Emergency Fund authorization in the amount of \$685 which is attributable to increased costs for general expense.

*Examination evaluation (budget page 537, line 9) ----- \$7,500*

The proposed budget provides \$7,500 for a comprehensive evaluation of the examination program and procedures of the board for the purpose of improving the quality of the examination and simplifying the examination procedure.

*We recommend deletion of this item.*

No supplemental budget justification material showing the inadequacy of the present examination program, who would make the evaluation, or why it would cost \$7,500, has been submitted by the agency. Even if a re-evaluation of the examination is appropriate, we question the propriety of including a request for an expensive new program in the proposal for a budget session of the Legislature.

*Examination (budget page 537, line 10) ----- \$840*

The proposed cost of examinations for the 1958-59 Fiscal Year is \$840, an increase of \$640 or 313 percent over the estimated cost of \$200 for examinations in the current year. It is difficult to determine the basis for this increased cost since the agency has not indicated any reasons for such.

*We recommend deletion of \$630 from this item and recommend approval of the remaining \$210.*

In 1956-57, the agency examined 1,623 applicants at a cost of \$187. During the current year, the agency anticipates it will examine 1,673 applicants at a cost of \$200.

During 1958-59, the agency estimates it will examine 1,723 individuals, an increase of 50 applicants or 3.0 percent more than the previous year, but instead of estimating a corresponding 3.0 percent increase in its examination costs, the agency apparently is estimating the expense of these examinations will be 313 percent more than they had been previously.



Board of Architectural Examiners—Continued

In the absence of justification material supporting this increased cost for examination, and because the request represents an increased level of service to the agency, we recommend a reduction in the item.

Department of Professional and Vocational Standards

ATHLETIC COMMISSION

ITEM 216 of the Budget Bill

Budget page 537

FOR SUPPORT OF ATHLETIC COMMISSION FROM THE ATHLETIC COMMISSION FUND

Amount requested	\$140,605
Estimated to be expended in 1957-58 Fiscal Year	135,204
Increase (4.0 percent)	\$5,401

Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages	\$1,614	—\$3,618	\$5,232	538 17
Operating expense	4,155	4,155	—	538 27
Equipment	—\$68	—\$68	—	538 29
Total increase	\$5,401	\$169	\$5,232	

RECOMMENDED REDUCTIONS

Reduction in budgeted increases	\$5,232
Improved efficiency and policy reappraisal	None
Total reductions	\$5,232

Summary of Recommended Reductions

	Amount	Budget Page Line
Salaries and wages		
1 Special investigator	\$5,232	534 14

ANALYSIS

The Athletic Commission was created for the purpose of controlling all professional and amateur boxing and wrestling matches held within the State. It is also charged with responsibility for licensing clubs holding such matches, as well as all participants and officials.

Proposed expenditures for the 1958-59 Fiscal Year are \$140,605, an increase of \$5,401 or 4.0 percent over estimated expenditures.

Revenues for the budget year are estimated to be \$135,000, which is the same amount estimated for 1957-58.

The accumulated surplus as of June 30, 1959, is estimated to be \$9,813, a decrease of \$12,803 or 56.6 percent less than the estimated level as of June 30, 1958. Under the present deficit rate, the depletion of the surplus within one year would seem inevitable. The precarious situation of the agency's surplus indicates that immediate steps will be necessary if the agency's program is to be placed on a solvent basis.

*Special investigator (budget page 538, line 14)* \$5,232

This position is justified in the budget as necessary to follow through on evidence developed by the Governor's special investigation of the commission.

## Athletic Commission—Continued

*We recommend one special investigator position be deleted amounting to \$5,232.*

This position is being requested to fill a new function and constitutes a new level of service. In view of the commission's precarious financial condition, the wisdom of expanding the level of service at this time is especially dubious.

It is noted this position is included in this budget as an authorized position in the current year. This position was neither requested nor authorized in the 1957-58 budget.

This agency's workload is reflected by the number of licensees and the number of shows requiring supervision by the commission. In our analysis last year, we pointed out the agency's workload had been declining for the three previous years and questioned the validity of the board's estimates of 1,874 licensees and 1,600 shows for Fiscal Years 1956-57 and 1957-58. We suggested then that in view of declining workload the agency should cut some of its permanent overhead. This budget shows that the declining trend in workload is continuing. Actual licensees for 1956-57 are shown as 1,497 instead of the optimistic 1,874 forecast by the agency and are 300 or 16.7 percent below the number licensed in 1955-56. Only 1,218 shows were held in 1956-57 rather than the 1,600 estimated by the agency. This is a decline of 147 or 10.8 percent below 1955-56. The agency has experienced approximately a 20 percent decline in workload since 1953-54 while during the same time the number of permanent authorized personnel has increased from 10 to 11.

The agency has now revised its workload estimate for 1957-58 from the 1,874 licensees and 1,600 shows down to 1,690 licensees and 1,350 shows and uses these same estimated figures for the budget year. As of December 1, 1957, with five months of Fiscal Year 1957-58 gone, the number of shows was 14.7 percent behind the number of shows for the same period a year ago. If this trend continues for the balance of the fiscal year, the agency can more realistically anticipate 1,040 shows than the 1,350 estimated. The number of persons licensed through November of 1957 is ahead of the same period and conceivably some of the substantial loss of licensees experienced in 1956-57 may be restored this year. No reasons have been advanced by the agency, however, to substantiate its estimate that the declining workload trend will reverse itself in the current or budget years.

No justification of the necessity to have a special investigator follow up on evidence developed by the Governor's investigation of this agency in 1956 has been offered. We suggest the agency be required to justify this necessity prior to approval of a continuation of this position in the budget. We further suggest, if it is deemed necessary to follow up on evidence developed by the investigation, this be accomplished by utilizing the excess staff time which is available to the agency as a result of declining workload. This could be accomplished by reclassifying an existing position or by dropping an existing position to offset the cost of this proposed new position.

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

ITEM 217 of the Budget Bill

Budget page 539

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

Amount requested .....	\$153,412
Estimated to be expended in 1957-58 Fiscal Year .....	145,390
Increase (5.5 percent) .....	\$8,022

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$5,921	\$1,409	\$4,512	539 41
Operating expense .....	3,668	3,668	--	539 53
Equipment .....	-1,567	-1,567	--	539 55
Total increase .....	\$8,022	\$3,510	\$4,512	

**RECOMMENDED REDUCTIONS**

Reduction in budgeted increases .....	\$4,512
Improved efficiency and policy reappraisal .....	5,340
Total reductions .....	\$9,852

**Summary of Recommended Reductions**

The recommended reductions of \$9,852 consists of the following amounts in the category indicated:

<i>Salaries and wages</i>	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
1 Inspector .....	\$5,340	539	32
1 Inspector .....	4,512	539	38

**ANALYSIS**

The Board of Barber Examiners was created for the purpose of examining, licensing, and regulating barbers, barber apprentices, shops, schools, and instructors throughout the State.

Proposed expenditures for the 1958-59 Fiscal Year are \$153,412, an increase of \$8,022 or 5.5 percent over the estimated expenditures for 1957-58.

Revenues for the budget year are estimated to be \$138,960, an increase of \$4,245 or 3.2 percent more than the estimated revenue for the current year.

As of June 30, 1959, the accumulated surplus is estimated to be \$9,050, a decrease of \$20,819 or 69.7 percent below the surplus estimate for June 30, 1958.

This office has pointed out in previous analyses that if the rate of expenditures continued to increase as they have for the last several years that the agency would soon exhaust its surplus. The proposed rate of expenditures scheduled for 1958-59 indicates that the accumulated surplus will be depleted within one more fiscal year.

## Board of Barber Examiners—Continued

A substantial deficit as between revenue and expenditures is reflected in the following table:

Revenue and Expenditures			
	1956-57	1957-58 *	1958-59 *
Expenditures -----	\$130,436	\$151,328	\$159,779
Revenues -----	133,961	134,715	138,960
Deficit -----	\$3,525	\$16,613	\$20,819

\* Estimated.

It would appear that immediate steps will be necessary if this agency's financing problems are to be remedied.

The budget for the current year has been augmented by an Emergency Fund authorization in the amount of \$200 which is attributed to increased costs for equipment.

1 Inspector (budget page 539, line 32)----- \$5,340  
 1 Inspector (budget page 539, line 38)----- 4,512

The budget includes a request for one position of inspector, increasing to nine the total number of positions in this category. Justification for this position appears to be based on the agency's claim that Chapter 865, Statutes of 1957, which requires that the initial inspections of a shop shall be conducted prior, rather than subsequent, to the issuance of a license to a new shop, will reduce the total number of inspections that can be made by the agency by 15 percent, and upon an increase in the number of shops.

*We recommend deletion of these positions.*

We wish to point out that the agency has not submitted any budget justification material in support of its 1958-59 budget request, and that justification and statistical information concerning the work load activities of this agency has been derived in part from the Department of Finance's Preliminary Budget Analysis and in part from the Governor's Council Reports.

It does not appear that Chapter 865, Statutes of 1957, will effect any decrease in the level of service to be rendered by this agency during the current and budget years because irrespective of when the initial inspection of a new shop is accomplished—it still constitutes only one workload unit and no showing has been made that each such unit will involve more work because of the act.

The agency requested and was allowed one additional inspector position in the current year's budget based upon its forecast of 10,500 shops to be inspected by June 30, 1958. As of June 30, 1957, the agency had 9,922 licensed shops on record and to achieve the workload forecast for the current year it would be necessary for 578 new shops to be licensed during the current year. As of November 30, 1957, there were 9,146 licensed shops, a decline of 776 shops in the first five months of the current year. Admittedly, this decline may result from the temporary failure of existing shops to renew licenses, but it may equally well indicate a positive decline in the number of shops to be inspected.

In the absence of any reliable workload data from the agency, we have attempted to establish a reasonable workload basis for the agency's

**Board of Barber Examiners—Continued**

inspection requirements by projecting the average increase in licensed shops for the past six years for which we have recorded data, to the current and the budget year. This average increase has amounted to 176 shops per year and results in an estimate of shops to be inspected in the current year of 10,098 and in the budget year of 10,274.

The average number of shop inspections per inspector for the past six years has been 3,437. With this number of inspections per inspector each shop has been inspected an average of 2.35 times per year. In the budget year each shop can be inspected 2.67 times on the basis of the average increase in number of shops and the average number of inspections per inspector, utilizing the presently authorized eight inspector positions. This is an increase in the level of service for this agency resulting from its overestimation of workload increase in prior years.

The average rate of inspection of shops can be maintained by the agency with only seven inspector positions and therefore the number of authorized positions should be reduced by one in addition to denying the request for an additional position.

**Economies and Improvements Requiring Legislation**

The regulatory and inspectional work of the Board of Barber Examiners and the Board of Cosmetology is substantially the same, and the inspectors in each of these boards are required to have comparable qualifications. The type of work done by the inspectional staffs of these boards are almost identical and do not relate particularly to any special or technical skills in these fields. In reality, they involve no more than sanitary inspections of shops. It would seem desirable to give consideration to consolidating the administrative and inspectional activities of these two agencies. The economic advantages of such a consolidation are obvious.

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

ITEM 218 of the Budget Bill

Budget page 540

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

Amount requested	\$41,928
Estimated to be expended in 1957-58 Fiscal Year	40,840
Increase (2.7 percent)	\$1,088

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages	\$10	\$10	—	540 65
Operating expense	1,078	—122	\$1,200	540 78
Total increase	\$1,088	—112	\$1,200	

**RECOMMENDED REDUCTIONS**

Reduction in budgeted increases	\$1,200
Improved efficiency and policy reappraisal	None
Total reductions	\$1,200

## Cemetery Board—Continued

## Summary of Recommended Reductions

		Budget	
	Amount	Page	Line
Operating expenses			
Investigator's services -----	\$1,200	540	76

## ANALYSIS

The Cemetery Board was created for the purpose of examining, licensing, and regulating cemetery salesmen and, in general, is responsible for the regulation of cemeteries and of the endowment care funds of cemetery licensees throughout the State.

The budget request for 1958-59 is \$41,928, an increase of \$1,088 or 2.6 percent over estimated expenditures for the current year.

Revenues for the budget year are expected to be \$42,275, an increase of \$3,160 or 8.1 percent more than estimated revenues for 1957-58.

As of June 30, 1959, the accumulated surplus is estimated at \$16,283, a decrease of \$1,618 or 9 percent less than the estimated surplus for June 30, 1958.

The budget for the current year has been augmented by emergency authorizations in the amount of \$1,745, which was for the following:

Salaries and wages -----	\$550
Office and related expenses -----	78
Printing -----	85
Communications -----	25
Traveling-in-state -----	272
Rent—building space -----	140
Pro rata charges -----	595

The foregoing authorization is attributable to an increased amount of temporary help, increased costs in general operating expenses, and increased pro rata charges to the agency.

*Investigator's services (budget page 540, line 76) ----- \$1,200*

The agency's budget includes a new item for \$1,200 to be used for investigative services in lieu of donated and contractual services from other agencies during the 1958-59 Fiscal Year. No supplemental justification material has been submitted in support of this item.

*We recommend deletion of this item.*

This agency has not previously budgeted any amount for investigative activity and consequently this request is for an increased level of service.

## Department of Professional and Vocational Standards

## BOARD OF CHIROPRACTIC EXAMINERS

ITEM 219 of the Budget Bill

Budget page 541

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

Amount requested -----	\$70,664
Estimated to be expended in 1957-58 Fiscal Year -----	75,921
Decrease (6.9 percent) -----	\$5,257

## Board of Chiropractic Examiners—Continued

## Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$202	\$202	--	541 79
Operating expense .....	—3,688	—3,688	--	542 14
Equipment .....	—1,771	—1,771	--	542 16
Total increase .....	—\$5,257	—\$5,257		

RECOMMENDED REDUCTIONS..... None

## ANALYSIS

The Board of Chiropractic Examiners was created for the purpose of regulating, examining, and licensing chiropractors, chiropractic schools, and colleges throughout the State.

Proposed expenditures for the 1958-59 Fiscal Year are \$70,664, a decrease of \$5,257 or 6.9 percent below the estimated expenditures for the current year.

Revenues for the budget year are estimated at \$62,360, an increase of \$1,500 or 2.4 percent more than estimated revenue for the current year.

The accumulated surplus as of June 30, 1959, is estimated to be \$52,872, a decrease of \$11,026 or 17.2 percent under the estimated accumulated surplus as of June 30, 1958.

We recommend approval of the budget as submitted.

## Department of Professional and Vocational Standards

## BOARD OF REGISTRATION FOR CIVIL AND PROFESSIONAL ENGINEERS

ITEM 220 of the Budget Bill

Budget page 542

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

Amount requested .....	\$314,771
Estimated to be expended in 1957-58 Fiscal Year .....	298,121
Increase (5.6 percent) .....	\$16,650

## Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$10,869	—\$2,955	\$13,824	543 17
Operating expense .....	2,316	2,316	--	543 29
Equipment .....	3,465	1,525	1,940	543 31
Total increase .....	\$16,650	\$886	\$15,764	

## RECOMMENDED REDUCTIONS

Reduction in budgeted increases .....	\$7,670
Improved efficiency and policy reappraisal .....	None
Total reductions .....	\$7,670

Board of Registration for Civil and Professional Engineers—Continued  
Summary of Recommended Reductions

	Amount	Budget Page	Line
Salaries and wages			
3 Intermediate clerks -----	\$7,670	543	14

## ANALYSIS

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

Proposed expenditures for 1958-59 Fiscal Year are \$314,771, an increase of \$16,650, or 5.6 percent over the estimated expenditures for 1957-58.

Revenues for the 1958-59 Fiscal Year are estimated to be \$263,240, an increase of \$65,015 or 24.7 percent more than the estimated revenue for the current year.

The accumulated surplus as of June 30, 1959, is estimated to be \$136,548, a decrease of \$64,703, or 32.1 percent below the estimated accumulated surplus of \$201,251 for June 30, 1958. The estimated remaining surplus would be insufficient to carry the agency for six months, indicating the desirability of reducing the expenditure program.

The budget for the current year has been augmented by an emergency authorization in the amount of \$2,203. This was required by Attorney General charges and Division of Administrative Procedures charges estimated to increase because of revocation proceedings.

4 Intermediate clerks (budget page 543, line 14) ----- \$13,824

These positions are requested for clerical workload increases and for implementing projects which have been deferred because of inadequate staffing.

As clerical workload criteria, the agency uses total applications and examinations per clerk. Data submitted by the agency indicates a steady increase in clerical workload since 1953-54 when the clerical staff was last increased. Combined applications and examinations, 659 per clerk in 1955-56, are estimated to be 818 in 1957-58.

*We recommend three positions of intermediate clerk be deleted amounting to \$10,368 and temporary help positions be increased by 0.8, amounting to \$2,698.*

In determining workload per clerk, applications and examinations are totaled indiscriminately. While work incidental to applications can be accomplished largely by clerical help, much of the examination workload is being done by expert engineer examiners. To the extent clerical work requirements differ between applications and examinations, combining these two factors on an unweighted basis distorts the statistics and robs them of validity.

Another difficulty lies in the sporadic nature of the agency workload. In 1958-59, examinations fall in two months, application filing dates in three. Workload will not be constant but will have peaks and valleys according to dates of applications and examinations. Personnel requirements will vary widely through the year.



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

In reviewing past estimates of future workload and comparing with subsequent actual workload, the accuracy of agency predictions has been inconsistent. In three out of the four most recent actual budget years, the agency's prediction errors have exceeded 10 percent always on the over-estimate side. This does not provide an accurate basis upon which to plan future personnel requirements.

The other major justification for this increase, the need to implement certain projects, is open to more serious question. In its supplementary budget material, seven projects are listed as necessitating new positions. Four of these, in effect, constitute new levels of service. These are:

1. Establishment and maintenance of proper corporate and partnership file.
2. Establishment and operation of a master file.
3. Statistical compilation of office procedures.
4. Statistical evaluation of examinations and applications.

The above are not necessary to the successful continuance by the agency of its functions as a licensing and regulating agency. The board's statement that these new projects are essential does not alter the fact that they are new levels of service, and the board has operated satisfactorily in the past without them.

Three other projects are more in the nature of routine office procedures and efficient administration. These are:

1. Proper reporting and interpretation of investigational and enforcement activities.
2. Maintaining proper inventory of supplies and equipment.
3. Proper screening of files for inactive applicants, expired registrants and deceased registrants for transfer to inactive storage.

The agency indicates the above functions have been neglected because of time pressure on present staff. The initial work of cleaning out files, setting up inventories, etc., will be considerable but, once accomplished, addition to present workload should be slight.

In using increased workload as justification for new permanent positions, the board is apparently overlooking the sporadic nature of the workload. In effect, they appear to be basing permanent staff requirements on peak workloads with the seven projects listed above to be accomplished in off-peak periods.

It is recognized the agency's workload will increase through time and additional personnel will be needed. It would seem more realistic, in view of the noncontinuous nature of the workload, to base permanent staff on continuous requirements and utilize temporary help as dictated by peak work periods.

Our recommendation would increase permanent clerical positions by one and maintain temporary help positions at the presently authorized level. Regarding temporary help, it is pointed out seven are presently authorized. This gives the agency 84 temporary man-months of help to cope with peak workloads. Dependent on frequency and duration of work peaks, some of these temporary positions may well be approaching full-time status. If this be the case, the agency should request addi-

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

tional full-time positions, but should include compensating reductions in temporary help. The above recommendation is made in recognition of the increasing workload, the intermittent nature of this work and also, that the continuous workload of the agency is increasing through time.

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

ITEM 221 of the Budget Bill

Budget page 544

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

Amount requested .....	\$872,752
Estimated to be expended in 1957-58 Fiscal Year .....	857,821
Increase (1.7 percent) .....	\$14,931

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Workload or salary adjustments	New services		
Salaries and wages .....	\$16,906	\$16,906	—	544	44
Operating expense .....	14,134	14,134	—	544	56
Equipment .....	—16,109	—16,109	—	544	58
Total increase .....	\$14,931	\$14,931			

**RECOMMENDED REDUCTIONS** .....

None

**ANALYSIS**

The Contractors' License Board was created for the purpose of examining, licensing, and regulating the contractors in the construction industry of the State.

Proposed expenditures for the 1958-59 Fiscal Year are \$872,752, an increase of \$14,931 or 1.7 percent more than the estimated expenditures for the current year.

Revenues for the budget year are estimated at \$921,975, an increase of \$230,071 or 33.3 percent more than revenue estimates for the 1957-58 Fiscal Year.

The accumulated surplus as of June 30, 1959, is estimated to be \$3,221, a decrease of \$2,994 or 48.2 percent less than the estimated accumulated surplus as of June 30, 1958.

This office has repeatedly pointed out in previous analyses that unless this agency checked the growth of its program, it would soon be faced by a serious financial problem. The agency is reported to be drafting a proposed bill to increase its revenues in 1958-59, which increased revenues are reflected in the Governor's Budget. In the event the authority to raise fees is not forthcoming, the agency cannot maintain the presently budgeted program.

The agency's budget for the current year has been augmented by an Emergency Fund authorization in the amount of \$14,652, which, according to the Department of Finance, was a budget revision to provide automobiles to the new investigator positions that were authorized in the current year.

We recommend approval as budgeted.

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

ITEM 222 of the Budget Bill

Budget page 545

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

Amount requested .....	\$276,790
Estimated to be expended in 1957-58 Fiscal Year .....	257,113
Increase (7.7 percent) .....	\$19,677

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$10,108	\$1,084	\$9,024	545 72
Operating expense .....	6,961	6,921	--	546 5
Equipment .....	2,608	2,608	--	546 7
Total increase .....	\$19,677	\$10,653	\$9,024	

**RECOMMENDED REDUCTIONS**

Reduction in budgeted increases .....	\$9,024
Improved efficiency and policy reappraisal .....	None
Total reductions .....	\$9,024

**Summary of Recommended Reductions**

	Amount	Budget Page	Line
Salaries and wages			
2 Cosmetology inspectors .....	\$9,024	545	68

**ANALYSIS**

The Board of Cosmetology was created for the purpose of examining, licensing, and regulating beauty shops and cosmetology schools, cosmeticians, manicurists, electrologists, and hairdressers operating throughout the State.

Proposed expenditures for support for the 1958-59 Fiscal Year are \$276,790, an increase of \$19,677 or 7.7 percent more than the estimated expenditures for the current year.

Revenues for the budget year are estimated at \$309,620, an increase of \$85,710 or 38.3 percent more than the estimated revenue for the 1957-58 Fiscal Year.

The accumulated surplus as of June 30, 1959, is estimated to be \$94,911, an increase of \$20,614 or 27.7 percent more than the accumulated surplus estimate for June 30, 1958.

The budget for the current year has been augmented by an Emergency Fund authorization in the amount of \$5,790. The Department of Finance states that the authorization was for increased pro rata Attorney General charges, increased charges by the Division of Administrative Procedure, an increased amount of temporary help, and some new equipment; however, we direct attention to the fact that the Department of Finance has not furnished a detailed breakdown or justification for this authorization.

*2 Cosmetology inspectors (budget page 545, line 68) .....* \$9,024

The agency's request for two additional positions of inspector, increasing to 14 the total number of positions in this category, is based

**Board of Cosmetology—Continued**

on the agency's claim of an increased workload resulting from an abnormal increase in the number of new cosmetology schools which is reducing the amount of time available for the routine inspection of shops.

*We recommend the deletion of these positions.*

The agency's justification for these positions is predicated upon a substantial increase in the number of schools during the current year. This increase results from the inclusion of public school inspections in the statistical reports made by the agency. We understand that the board has been conducting inspections in public schools for approximately nine years, but has not included these schools in the total number of schools reported as being inspected. This function is included in the agency's current workload, and does not form the basis for added personnel.

There is apparently a great amount of inspectional effort being devoted to the cosmetology school inspection program, and more particularly to the inspection of student training records. In our opinion, the board should be concerned with the inspection of student training records only to the extent that an applicant for licensure would be required to prove that he or she had satisfactorily completed the required curriculum in an accredited school. The subsequent examination of the student and an audit of the records for those students who apply for a license would readily reflect whether or not the school had adequately trained the prospective licensee. It is, therefore, our conviction that school inspections should be limited to: (1) the school premises, for general sanitary conditions; (2) the instructional staff, for qualification and for efficiency; and (3) the school facilities for adequacy.

The net result of eliminating this auditing activity on student training records would permit an adequate inspection program for both schools and shops to be accomplished with less personnel time than is now the case.

Inasmuch as normal workload increases are insufficient to justify any new inspector positions, and because the request represents an increased level of service to the agency, we recommend deletion of the item.

**Economies and Improvements Requiring Legislation**

Reference is made to the budget analysis of the Board of Barber Examiners, concerning the possibility of consolidating the functions of these agencies.

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

ITEM 223 of the Budget Bill

Budget page 546

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

Amount requested .....	\$110,811
Estimated to be expended in 1957-58 Fiscal Year .....	113,452
Decrease (2.3 percent) .....	\$2,641

## Board of Dental Examiners—Continued

## Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages-----	\$614	—\$213	\$827	547 10
Operating expense-----	—2,122	—2,122	--	547 24
Equipment-----	—2,369	—2,369	--	547 26
Total increase-----	—\$3,877	—\$4,704	\$827	

## RECOMMENDED REDUCTIONS

Reduction in budgeted increases-----	\$1,375
Improved efficiency and policy reappraisal-----	None
Total reductions-----	\$1,375

## Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Operating expenses-----			
Operatives-----	\$1,000	547	20
Examination-----	375	547	22

## ANALYSIS

The Board of Dental Examiners was created for the purpose of regulating the practice of dentistry. This is accomplished through the examination and licensing of dentists and dental hygienists throughout the State.

Proposed expenditures for the Fiscal Year 1958-59 are \$110,811, a decrease of \$2,641 or 2.3 percent from the \$113,452 estimated to be expended for the current year.

Revenues for the 1958-59 Fiscal Year are estimated to be \$117,840, a decrease of \$1,000 or 0.8 percent from the current year's estimate.

The accumulated surplus estimate for June 30, 1959, is \$97,463, an increase of \$3,129 or 3.3 percent over the current year's estimate.

*Operatives (budget page 547, line 20)----- \$2,000*

This item covers temporary help acquired from the University of California during examinations of prospective licensees. This \$2,000 represents a \$500 or 33.3 percent increase over estimated cost for this item in the current budget year.

*We recommend \$1,000 to be deleted from this request and \$1,000 be allowed.*

In reviewing the actual cost of this item for the five fiscal years 1952-53 through 1956-57, it is noted that only in 1955-56 did the actual cost exceed \$1,000. In the absence of supplementary budget material from the board, the license application workload was examined to possibly justify the requested increase. Applications are expected to increase by 2.8 percent from 895 in 1957-58 to 920 in 1958-59. This slight addition would not justify a 33.3 percent increase in cost, especially when it is noted this item has been heavily overbudgeted in past years.

*Examination (budget page 547, line 22)----- \$375*

This item is to cover costs of examination room rentals. The board was allowed \$375 for this item in Budget Years 1955-56 and 1956-57.

**Board of Dental Examiners—Continued**

In both years there were no actual expenditures for this item. As indicated above, anticipated examination workload increase is minimal. In the absence of supplemental justification data for this item, it must be assumed the same situation as has existed in the two previous years will prevail in 1958-59 and the board will have available rent-free space for examinations.

*We recommend the deletion of this item amounting to \$375.*

This item is included apparently to cover a possible, but not probable, expense. In the unlikely event funds are needed for this item, recourse may be had to the Emergency Fund.

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

ITEM 224 of the Budget Bill

Budget page 548

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

Amount requested * -----	\$216,238
Estimated to be expended in 1957-58 Fiscal Year * -----	212,198
Increase (1.7 percent) -----	\$4,040

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget page	No.
		Work load or salary adjustments	New services		
Salaries and wages -----	\$1,021	\$1,021	--	548	41
Operating expense -----	1,858	1,858	--	548	55
Equipment -----	1,161	1,161	--	548	57
Total increase -----	\$4,040	\$4,040			

\* Does not include \$25,000 to be transferred each of these years under Chapter 2415, Statutes of 1957.

**RECOMMENDED REDUCTIONS** ----- None

**ANALYSIS**

The Board of Dry Cleaners was created for the purpose of establishing rules and regulations for the conduct of the dry cleaning industry, examining applicants for licensure, and licensing and inspecting dry cleaning and dyeing establishments throughout the State.

The request for \$216,238 in support of the board during the 1958-59 Fiscal Year represents an increase of \$4,040 or 1.7 percent more than the estimated expenditure for the current year.

Revenue for the budget year is estimated to be \$260,700, an increase of \$2,568 or 1 percent over the estimated revenue for 1957-58.

The accumulated surplus as of June 30, 1959 is estimated to be \$7,261, a decrease of \$50,566 or 87.4 percent less than the estimated surplus of \$57,827 for the current year.

This office has pointed out in previous analyses the need for studying the problem of financing this agency. The accumulated surplus has decreased to a point where it does not appear that the board will have enough reserve to cover one month's expenditure requirements on June 30, 1959.

**Board of Dry Cleaners—Continued**

The critical status of this agency's surplus is principally attributable to two factors: (1) the annual transfer, over a 12-year period, of \$60,000 for the support of the State Fire Marshal, which has totaled \$720,000, and (2) the annual transfer over a 4-year period of \$25,000 to the University of California for a research program, which has totaled \$100,000. These continuing transfers from the Dry Cleaners' Fund have accounted for \$820,000—an amount of money equivalent to approximately four years present level expenditure requirements of the Board of Dry Cleaners. The impact of these continuing transfers has finally resulted in the agency's acute financial problem.

Unless immediate steps are taken to increase the revenue or decrease the expenditure requirements of this agency, the exhaustion of its surplus within the next fiscal year would seem inevitable.

We recommend approval as budgeted.

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

ITEM 225 of the Budget Bill

Budget page 549

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

Amount requested .....	\$57,300
Estimated to be expended in 1957-58 Fiscal Year .....	55,826
Increase (2.6 percent) .....	\$1,474

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$425	\$425	--	549 64
Operating expense .....	206	206	--	549 76
Equipment .....	1,255	1,255	--	549 78
Total increase .....	\$1,474	\$1,474		

**RECOMMENDED REDUCTIONS** .....

None

**ANALYSIS**

The Board of Funeral Directors and Embalmers was established for the purpose of licensing, examining, and regulating the activities of embalmers, funeral directors, and apprentice embalmers throughout the State.

Proposed expenditures for the 1958-59 Fiscal Year are \$57,300, an increase of \$1,474 or 2.6 percent over estimated expenditures for the current year.

Revenues for the budget year are estimated at \$65,192, an increase of 3,321 or 5.4 percent more than the estimated revenues for 1957-58.

The accumulated surplus as of June 30, 1959, is expected to be \$38,580, an increase of \$5,338 or 16.1 percent over the estimated accumulated surplus as of June 30, 1958.

This agency's budget provides for a continuation of the level of service as currently authorized.

We recommend approval of the budget request.

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

ITEM 226 of the Budget Bill

Budget page 550

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

Amount requested .....	\$311,475
Estimated to be expended in 1957-58 Fiscal Year .....	301,646
 Increase (3.3 percent) .....	 \$9,829

**Summary of Increase**

	Total increase	INCREASE DUE TO Workload or salary adjustments	New services	Budget Line page No.
Salaries and wages .....	\$6,215	\$6,215	---	551 13
Operating expense .....	2,884	2,884	---	551 26
Equipment .....	730	730	---	551 28
 Total increase .....	 \$9,829	 \$9,829		

**RECOMMENDED REDUCTIONS** ..... None

**ANALYSIS**

The Bureau of Furniture and Bedding Inspection was created for the purpose of licensing and regulating sellers and processors of overstuffed furniture and articles of bedding to insure truthful labeling.

Proposed expenditures for the 1958-59 Fiscal Year are \$311,475, an increase of \$9,829 or 3.3 percent over the estimated expenditures for the current year.

Revenues for the budget year are estimated at \$332,280, an increase of \$99,079 or 42.5 percent more than estimated for 1957-58.

The accumulated surplus as of June 30, 1959, is estimated to be \$94,132, an increase of \$2,222 or 2.4 percent greater than the estimated surplus for June 30, 1958.

The budget includes a request for one additional clerical position in the budget year, which appears to be justified on the basis of workload increases resulting, in part, from the addition of six inspector positions in the current year.

We recommend approval as budgeted.

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

ITEM 227 of the Budget Bill

Budget page 552

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

Amount requested .....	\$670
Estimated to be expended in 1957-58 Fiscal Year .....	670
 Increase .....	 None

**RECOMMENDED REDUCTIONS** ..... None

**ANALYSIS**

The Board of Guide Dogs for the Blind was created for the purpose of examining, licensing, and regulating guide dog trainers and guide dog schools.



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

This agency has no permanent staff provided and its function is performed by departmental administration.

Proposed expenditures for the 1958-59 Fiscal Year are \$670, which is the same amount estimated for the current year.

The agency currently has eight licenses in effect which is five fewer than the number originally estimated for the current year. Revenue for 1958-59 is estimated to be \$80 which is the same as estimated for the 1957-58 Fiscal Year.

The budget for the current year has been augmented by an Emergency Fund authorization in the amount of \$122 which is attributable to increased costs for general operating expense.

We recommend approval of the budget as submitted.

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

ITEM 228 of the Budget Bill

Budget page 552

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

Amount requested .....	\$15,737
Estimated to be expended in 1957-58 Fiscal Year.....	14,072
Increase (11.8 percent) .....	\$1,665

**Summary of Increase**

	INCREASE DUE TO			Budget Line page No.	
	Total increase	Workload or salary adjustments	New services		
Salaries and wages .....	—\$820	—\$820	--	553	8
Operating expense .....	2,485	2,485	--	553	20
Equipment .....	--	--	--	553	22
Total increase .....	\$1,665	\$1,665			

**RECOMMENDED REDUCTIONS**

Reduction in budgeted increases .....	\$665
Improved efficiency and policy reappraisal .....	None
Total reductions .....	\$665

**Summary of Recommended Reductions**

	Amount	Budget Page	Line
Operating Expenses			
Examination .....	\$665	553	17

**GENERAL SUMMARY**

The Board of Landscape Architects is responsible for conducting examinations, issuing licenses and regulating the activities of landscape architects throughout the State.

Proposed expenditures for the 1958-59 Fiscal Year are estimated at \$15,737, an increase of \$1,665, or 11.8 percent over the estimated expenditures for the current year.

Revenues for the Fiscal Year 1958-59 are estimated to be \$18,055, a decrease of \$105, or 0.6 percent below the estimated revenues for 1957-58.

## Board of Landscape Architects—Continued

The accumulated surplus as of June 30, 1959, is estimated at \$30,903, an increase of \$3,718 or 13.6 percent more than the estimated accumulated surplus for the current year.

This budget request reflects an agreement between the board and the Board of Examiners in Veterinary Medicine and the Yacht and Ship Brokers' Commission to share certain services. The board was allowed an emergency authorization of \$2,445 to facilitate its participation in this agreement in 1957-58.

We believe that the agency and the Department of Finance should explain what emergent factors justified the use of an emergency authorization to start a new organizational arrangement involving additional expenditures of funds prior to legislative approval.

*Examination (budget page 553, line 17)----- \$1,235*

The board has submitted no supplementary budget material to explain the increase of \$665 in this item over 1957-58 when \$570 was authorized.

*We recommend \$665 be deleted from this item.*

Applicants in 1958-59 are estimated by the board to be 48, compared with 41 estimated for 1957-58 and 48 for 1956-57. In the absence of advice to the contrary from the board, it must be assumed cost conditions in 1958-59 will not be substantially changed from 1957-58 and the \$570 authorized for the current year will provide ample funds for continuance of this service at the present level.

*Services from other agencies (budget page 553, line 18)----- \$3,893*

This item comprises the board's contribution to costs incidental to the interagency agreement described above. No breakdown on services under this item is shown in the budget but it does state certain clerical and investigative services are to be shared by the three agencies concerned.

*We recommend the portion of this item intended for investigative services be deleted.*

The agency does not now have authorization for investigative services. Consequently, the budgeting of funds for this service to be provided by another agency constitutes a new service. No supplementary justification of the need for or the amount of such service has been submitted by the agency.

To permit the transfer of funds between agencies on a lump sum basis, as is proposed here, without supporting detail and justification, can result in the institution of new programs and services without prior legislative review and approval, as has apparently occurred in this instance.

## Department of Professional and Vocational Standards

## BOARD OF MEDICAL EXAMINERS

ITEMS 229-230-231 of the Budget Bill

Budget Page 554

## FOR SUPPORT OF BOARD OF MEDICAL EXAMINERS, REGISTERED AND LICENSED PHYSICAL THERAPISTS, PSYCHOLOGY EXAMINERS, AND THE CHIROPODY EXAMINERS FROM THE MEDICAL EXAMINERS' CONTINGENT AND PHYSICAL THERAPY FUND

Amount requested ----- \$317,103  
 Estimated to be expended in 1957-58 Fiscal Year ----- 311,127

Increase (1.9 percent) ----- \$5,976

## Summary of Increase

	Total increase	INCREASE DUE TO Workload or salary adjustments	New services	Budget Line page No.
Salaries and wages -----	\$1,344	\$1,344	--	555 59
Operating expense -----	4,925	4,925	--	555 61
Equipment -----	-293	-293	--	555 63
Total increase -----	\$5,976	\$5,976		

RECOMMENDED REDUCTIONS ----- None

## GENERAL SUMMARY

The Board of Medical Examiners was created for the purpose of regulating the medical profession. The board examines, licenses, and regulates physicians, dispensing opticians, midwives, registered and physical therapists, and as a result of 1957 legislation, psychologists and chiropractists. All of the aforementioned groups are supported from the Medical Examiners' Contingent Fund with the exception of the licensed physical therapists which is supported from the Physical Therapy Fund.

## ANALYSIS

## Medical Practice Act

Proposed expenditures for the 1958-59 Fiscal Year are \$294,145, an increase of \$6,811 or 2.4 percent more than estimated expenditures for the current year.

Revenues for the budget year are estimated at \$238,075, a decrease of \$2,093 or 0.9 percent less than estimated revenue for the 1957-58 Fiscal Year.

The accumulated surplus as of June 30, 1959, is estimated to be \$385,516, a decrease of \$72,401 or 15.8 percent less than the estimated surplus of \$457,917 as of June 30, 1958.

The agency's budget includes an additional clerical position which is justified by increased workload.

We recommend approval of budget as submitted.

## Registered Physical Therapists

(Supported from the Medical Examiners' Fund)

Proposed expenditures for the budget year are \$12,296, an increase of \$2,219 or 22 percent over the estimated expenditures for the 1957-58 Fiscal Year.

Revenues for the 1958-59 Fiscal Year are estimated at \$7,625 which is the same amount as estimated for the current year.

We recommend approval as budgeted.

## Board of Medical Examiners—Continued

## Licensed Physical Therapists

(Supported from the Physical Therapy Fund)

Proposed expenditures for the 1958-59 Fiscal Year are \$10,662, a decrease of \$3,054 or 22.3 percent less than the estimated expenditures for the current year.

Revenues for the budget year are estimated at \$8,725, a decrease of \$575 or 6.2 percent less than the estimated revenue for the current year.

The accumulated surplus as of June 30, 1959, is estimated to be \$14,705, a decrease of \$2,387 or 13.9 percent less than the estimated surplus as of June 30, 1958. We reiterate, from last year's analysis, that the agency must either curtail its expenditures or increase its revenue in order to avoid the depletion of its surplus.

We recommend approval as budgeted.

## Department of Professional and Vocational Standards

## BOARD OF NURSE EXAMINERS

ITEM 232 of the Budget Bill

Budget page 557

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

Amount requested .....	\$208,982
Estimated to be expended in 1957-58 Fiscal Year .....	201,003
Increase (4.0 percent) .....	\$7,979

## Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$518	\$4,610	\$4,092	557 47
Operating expense .....	6,782	6,782	--	557 60
Equipment .....	1,715	1,715	--	557 62
Total increase .....	\$7,979	\$3,887	\$4,092	

## RECOMMENDED REDUCTIONS

Reduction in budgeted increases .....	\$4,092
Improved efficiency and policy reappraisal .....	None
Total reductions .....	\$4,092

## Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Salaries and wages			
1 Intermediate typist-clerk .....	\$4,092	557	42

## ANALYSIS

The Board of Nurse Examiners examines, licenses and regulates nurses and sets the curriculum of schools of nursing throughout the State.

Proposed expenditures for the 1958-59 Fiscal Year are \$208,982, an increase of \$7,979 or 4 percent over the estimated expenditures for the current year.

## Board of Nurse Examiners—Continued

Revenues for the 1958-59 Fiscal Year are estimated at \$152,070, an increase of 1.8 percent above the estimated revenues for 1957-58.

The accumulated surplus as of June 30, 1959, is estimated to be \$245,451, a decrease of \$62,438 or 25.4 percent below the estimated accumulated surplus as of June 30, 1958.

The budget for the current year has been augmented by an emergency authorization in the amount of \$494. This authorization was used to purchase office equipment for one temporary intermediate typist-clerk position utilized to meet an unusually heavy workload. The equipment was purchased on the basis the position would be made permanent in the 1958-59 Budget Year and it would, therefore, be uneconomic to rent equipment that would be needed permanently. The position in question is discussed below.

A temporary position of one special investigator is authorized in the current budget for one year to cope with a backlog of investigations and a continuing increase in complaints. Related to this temporary position, the 1957-58 Budget Analysis recommended the agency include normal investigative backlog statistics in its future calculations.

The temporary position was not filled until October, 1957. It is too early to evaluate progress made in reducing backlog and, it is presumed, this explains the agency's failure to include normal backlog in present workload criteria. Until such information is available, it will be impossible to determine normal case carryover, and the agency's true investigative personnel requirements.

We recommend the temporary investigator position authorized in the current budget year be extended until June 30, 1959.

*1 Intermediate typist-clerk (budget page 557, line 42) ----- \$4,092*

This position is requested in connection with the investigative position discussed above. One-half clerical position, now used by the investigative group, would be released to other duties within the agency, being replaced by this full-time position.

*We recommend deletion of one intermediate typist-clerk amounting to \$4,092.*

The agency has as yet not accurately determined workload or permanent personnel requirements of its investigative staff. If proper functioning of the temporary investigator position, discussed above, requires additional clerical assistance, part-time, temporary help would seem a more logical solution. It would not be consistent to authorize a permanent position on the basis it is required by an authorized temporary position.

If allowed, this position would allow 0.5 clerical position to perform new duties. In effect, this would be an increase in level of service in another section of the agency.

## Department of Professional and Vocational Standards

## BOARD OF OPTOMETRY

ITEM 233 of the Budget Bill

Budget page 558

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

Amount requested ----- \$40,083

Estimated to be expended in 1957-58 Fiscal Year ----- 41,162

Decrease (2.6 percent) ----- \$1,079

## Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages -----	\$230	\$230	--	558 65
Operating expense -----	—1,309	—1,309	--	558 78
Total increase -----	—\$1,079	—\$1,079		

RECOMMENDED REDUCTIONS ----- None

## ANALYSIS

The Board of Optometry was created for the purpose of examining, licensing and regulating the optometric profession throughout the State.

Proposed expenditures for the budget year are \$40,083, a decrease of \$1,079 or 2.6 percent under estimated expenditures for the current year.

Revenues for the 1958-59 Fiscal Year are estimated at \$42,723, an increase of \$877 or 2.1 percent over estimated revenues for 1957-58.

The accumulated surplus as of June 30, 1959, is estimated to be \$10,649, an increase of \$887 or 9.1 percent over the estimated accumulated surplus as of June 30, 1958.

We recommend approval as budgeted.

## Department of Professional and Vocational Standards

## BOARD OF PHARMACY

ITEM 234 of the Budget Bill

Budget page 559

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

Amount requested ----- \$285,013

Estimated to be expended in 1957-58 Fiscal Year ----- 255,346

Increase (11.6 percent) ----- \$29,667

## Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages -----	\$15,867	\$3,747	\$12,120	559 83
Operating expense -----	8,987	6,487	2,500	560 14
Equipment -----	4,813	1,583	3,230	560 16
Total increase -----	\$29,667	\$11,817	\$17,850	

## Board of Pharmacy—Continued

## RECOMMENDED REDUCTIONS

Reduction in budgeted increases-----	\$8,560
Improved efficiency and policy reappraisal-----	None
Total reductions-----	\$8,560

## Summary of Recommended Reductions

	Amount	Budget Page	Line
Salaries and wages			
1 Pharmacy inspector position-----	\$6,060	559	80
Operating expenses			
Investigative services-----	2,500	560	12

## ANALYSIS

The Board of Pharmacy was created for the purpose of examining and regulating pharmacists and pharmacies, manufacturers and wholesalers of drugs, general dealers and itinerant vendors; to issue permits for hypodermics, and to license and regulate the sale of poisons, hypnotic and dangerous drugs throughout the State.

Proposed expenditures for the 1958-59 Fiscal Year are \$285,013, an increase of \$29,667 or 11.6 percent above the estimated expenditures for the current year.

Revenues for the 1958-59 Fiscal Year are estimated at \$255,750, an increase of \$11,250 or 4.6 percent over the estimated revenues for the 1957-58 Fiscal Year.

The accumulated surplus as of June 30, 1959, is estimated to be \$78,177, a decrease of \$22,479 or 22.3 percent under the estimated accumulated surplus for the current year.

2 Pharmacy inspectors (budget page 559, line 80)----- \$12,120

The agency's inspection workload criteria (licensees), is estimated to increase from 21,265 in 1957-58 to 22,538 in 1958-59, an increase of 9.4 percent. The increase in inspection staff, from the presently authorized 10 to 12, if the requested positions are authorized, would be almost 20 percent.

New legislation effective in September, 1957, will increase the inspection load by approximately 150 new licensees and 800 nonexempt institutions. The board indicates two new positions will be necessary to cope with this new responsibility and also, by judicious adjustment of present territories, present responsibilities could be served more fully.

We recommend one pharmacy inspector position (budget page 559, line 80) be deleted amounting to \$6,060.

Inspection workload per inspector in 1956-57 was 2,045 licensees, based on 9.9 inspectors and 20,253 licensees.

On the basis of the board's estimates, workload per inspector in 1957-58 will be 2,126 licensees. If one additional inspector is allowed for 1958-59, workload based on the board's estimate of 22,538 licensees for 1958-59 would be 2,049. The allowance of two new inspectors to permit more frequent inspection would constitute an increased level of service. With additional workload resulting from new legislation, the addition of one new inspector would place workload per inspector at a level approximately equal to that of 1956-57 and below that estimated for 1957-58.

**Item 235**

**P. & V. Standards**

**Board of Pharmacy—Continued**

*Investigative services (budget page 560, line 12)*----- \$2,500

This service is requested on the basis of increasing investigative workload.

*We recommend deletion of the item in the amount of \$2,500.*

The agency has provided investigative workload data for 1956-57 but has not supplied figures on previous years or estimates for the current year or the 1958-59 Fiscal Year. Projecting the ratio of 1956-57 investigative workload to licensees results in an increase which would justify only 0.3 position.

We assume the agency plans to utilize the departmental investigative pool to the extent of 0.3 position. This would result in a situation where the agency relies on both its own investigative staff and, also, the departmental pool. It would not seem sound or consistent policy for an agency to utilize the departmental pool to absorb minor work increases while maintaining its own staff of investigators. Under these conditions it appears inevitable that the pool would be used to absorb decreasing efficiency by the regular agency staff.

The board indicates increased service is required by a presently existing situation in San Francisco. By a temporary shifting of present investigative territorial responsibilities, the board could possibly cope with a temporary increase in workload in one area rather than increasing the overall level of service.

**Department of Professional and Vocational Standards**

**BUREAU OF PRIVATE INVESTIGATORS AND ADJUSTERS**

ITEM 235 of the Budget Bill

Budget page 560

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

Amount requested -----	\$47,875
Estimated to be expended in 1957-58 Fiscal Year -----	34,459
Increase (38.9 percent) -----	\$13,416

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages -----	\$7,356	--	\$7,356	561 11
Operating expense -----	5,461	5,461	--	561 24
Equipment -----	599	599	--	561 26
Total increase -----	\$13,416	\$6,060	\$7,356	

**RECOMMENDED REDUCTIONS**

Reduction in budgeted increases -----	\$7,356
Improved efficiency and policy reappraisal -----	None
Total reductions -----	\$7,356

**Summary of Recommended Reductions**

	Amount	Budget Page	Line
Salaries and wages			
Bureau chief -----	\$7,356	561	9



Bureau of Private Investigators and Adjusters—Continued  
ANALYSIS

The Bureau of Private Investigators and Adjusters was created for the purpose of licensing and regulating private investigators, private patrol operators, and adjusters.

Proposed expenditures for the budget year are \$47,875, an increase of \$13,416 or 38.9 percent over the estimated expenditures for the current year.

Revenues for the 1958-59 Fiscal Year are estimated at \$37,245, an increase of \$1,330 or 3.7 percent over the estimated revenues for 1957-58.

The accumulated surplus as of June 30, 1959 is estimated to be \$163,822, a decline of \$12,581 or 7.1 percent under the surplus estimate for the current year.

The principal augmentations in the agency's 1958-59 budget results from the agency's request for a new position of "Bureau Chief" and to a substantial proposed increase in operating expenses.

*Bureau chief (budget page 561, line 9) ----- \$7,356*

The agency has not submitted any justification material to this office in support of its budget request. Some information concerning the requested position is contained in the Department of Finance's Preliminary Budget Analysis. This document indicates that the agency is justifying the need for the position primarily on the basis of Chapter 2098, Statutes of 1957, which amended Section 7512 of the Business and Professions Code.

*We recommend deletion of this position.*

Section 7512 of the Business and Professions Code had provided that in accordance with the State Civil Service Act, the director (of the department) may appoint . . . a chief of the bureau. Chapter 2098, Statutes of 1957 merely changed the status of the position referred to in Section 7512 from civil service to exempt by providing for appointment by the Governor instead of the director. The "General Analysis" section of the agency's budget appearing in the Governor's Budget at page 560 seems to imply that Chapter 2098 was intended to create a new position where none existed before. This, in our opinion, is neither the effect nor the intent of the Statute.

This budget statement also states that the legislation (Chapter 2098, Statutes of 1957) is a result of interim studies by a Senate committee recommending the need for the position. While it is true that testimony was given before a Senate committee urging the need for a full-time administrator in this agency, the committee apparently did not recognize that such a need existed, since it merely recommended that the status of the existing position be changed from civil service to exempt.

The existing staff of the agency consists of two special investigator and 1.5 clerical positions and the agency has functioned since its inception under the immediate supervision of the assistant director of the department acting as chief of the bureau in lieu of an appointment by the director.

**Bureau of Private Investigators and Adjusters—Continued**

The workload of this agency is such that it has required only the part-time administrative services of the assistant director. No appreciable increase in workload is anticipated in the budget year and the allowance of a new position will result in an increased level of service.

It seems obvious that a substantial portion of the \$5,461 increase in operating expenses for the budget year stems out of the related expenses for the requested position. Thus, it would appear that the agency is in fact proposing to expend approximately \$10,000 annually for the supervision of a relatively minor enforcement program.

An expenditure of this size would increase the cost of licensing and regulating the estimated 1,174 licensees during the budget year by approximately \$8.50 per licensee. Since the annual cost per licensee already amounts to approximately \$32 per year, any additional cost would hardly seem justified.

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

ITEM 236 of the Budget Bill

Budget page 562

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

Amount requested .....	\$18,028
Estimated to be expended in 1957-58 Fiscal Year .....	16,465
Increase (9.5 percent) .....	\$1,563

**Summary of Increase**

	Total Increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$159	\$159	--	562 35
Operating expense .....	1,719	219	\$1,500	562 50
Equipment .....	—315	—315	--	562 52
Total increase .....	\$1,563	\$63	\$1,500	

**RECOMMENDED REDUCTIONS**

Reduction in budgeted increases .....	\$1,500
Improved efficiency and policy reappraisal .....	None
Total reductions .....	\$1,500

**Summary of Recommended Reductions**

	Amount	Budget	
		Page	Line
Operating expenses			
Investigative services .....	\$1,500	562	48

**ANALYSIS**

The Certified Shorthand Reporters Board was created for the purpose of administering the Shorthand Reporters Act which provides for the regulation, licensing or examination and certification of shorthand reporters with the designation of certified shorthand reporter.

Proposed expenditures for the 1958-59 Fiscal Year are \$18,028, an increase of \$1,563 or 9.5 percent over the estimated expenditures for 1957-58.

**Certified Shorthand Reporters Board—Continued**

Revenues for the budget year are estimated at \$22,905, a decrease of \$6,575 or 22.3 percent below current year revenue estimates.

The accumulated surplus as of June 30, 1959, is estimated to be \$37,880, an increase of \$4,401 or 13.1 percent more than the estimated accumulated surplus as of June 30, 1958.

*Investigative services (budget page 562, line 48)----- \$1,500*

The budget reflects that the agency proposes to use the part-time services of an investigator during 1958-59, to be furnished by departmental administration. No specific justifications have been submitted by the agency in support of this request.

*We recommend deletion of this item.*

It is noted that the agency has reported an average of six complaints annually during the last three fiscal years and even though all of these complaints were investigated—not one complaint resulted in the revocation or suspension of a license.

From an enforcement standpoint, the fact that this agency receives an average of only six complaints per year is illustrative that the general state of compliance is apparently good. The nature of the complaints which could be made concerning shorthand reporters, as well as the very small number of such complaints would appear to preclude the necessity to utilize professional investigative staff.

This request represents an increased level of service to the agency, not supported by any showing of increased workload.

**Economies and Improvements Requiring Legislation**

We would also recommend that this agency be abolished, as unnecessary for public safety or welfare. This would require legislation.

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

ITEM 237 of the Budget Bill

Budget page 563

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

Amount requested ----- \$25,490

Estimated to be expended in 1957-58 Fiscal Year----- 26,241

Decrease (2.8 percent)----- \$751

**Summary of Increase**

	Total increase	INCREASE DUE TO Workload or salary adjustments	New services	Budget Line page No.
Salaries and wages-----	\$273	\$273	--	563 58
Operating expense -----	—1,175	—1,175	--	563 70
Equipment -----	151	151	--	563 72
Total increase -----	—\$751	—\$751		

**RECOMMENDED REDUCTIONS----- None**

**Board of Social Work Examiners—Continued**  
**ANALYSIS**

The Board of Social Work Examiners was created for the purpose of administering the registration and certification of social workers throughout the State.

Proposed expenditures for the budget year are \$25,490, a decrease of \$751 or 2.8 percent less than estimated expenditures for the current year.

Revenues for the 1958-59 Fiscal Year are estimated at \$15,700, a decrease of \$900 or 5.7 percent under estimated revenues for 1957-58.

The accumulated surplus as of June 30, 1959, is estimated to be \$17,482, a decrease of \$11,131 or 38.8 percent below the \$28,613 estimated accumulated surplus as of June 30, 1958.

This office has repeatedly pointed out in previous analyses that unless this agency curtailed expenditures or increased its revenues, it would soon be confronted by the exhaustion of its surplus. The continued high level of expenditure and declining revenue as scheduled for 1958-59 would indicate that the accumulated surplus will be depleted within two more years.

**Comparison—Revenues and Expenditures**

	1956-57	1957-58 *	1958-59 *
Expenditures -----	\$20,994	\$26,241	\$25,490
Revenues -----	15,242	16,600	15,700
Revenue deficit -----	\$5,752	\$9,641	\$9,790
Accumulated surplus as of June 30 -----	\$39,546	\$28,613	\$17,482

\* Estimated.

We recommend approval of the budget as submitted.

**Economies and Improvements Requiring Legislation**

We recommend that the 1959 General Session consider abolishing this agency as unnecessary for public safety or welfare.

**Department of Professional and Vocational Standards**

**STRUCTURAL PEST CONTROL BOARD**

ITEM 238 of the Budget Bill

Budget page 564

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

Amount requested -----	\$63,723
Estimated to be expended in 1957-58 Fiscal Year -----	62,305
Increase (2.3 percent) -----	\$1,418

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages -----	\$1,180	\$1,180	--	564 83
Operating expense -----	281	281	--	565 12
Equipment -----	—43	—43	--	565 14
Total increase -----	\$1,418	\$1,418		

**RECOMMENDED REDUCTIONS** ----- None

### Structural Pest Control Board—Continued ANALYSIS

The Structural Pest Control Board was created for the purpose of regulation, examination, and licensing of persons engaged in the practice of structural pest control, and for the protection of the public in the practice of structural pest control.

Proposed expenditures for the 1958-59 Fiscal Year are \$63,723, an increase of \$1,418 or 2.3 percent over the estimated expenditures for the current year.

Revenue for the budget year is estimated to be \$64,785, a decrease of \$147 or 0.2 percent below the estimated revenue for the 1957-58 Fiscal Year.

The accumulated surplus as of June 30, 1959, is estimated to be \$28,173, a decrease of \$676 or 2.2 percent below the estimated accumulated surplus of \$29,849 as of June 30, 1958.

We recommend approval as budgeted.

### Economies and Improvements Requiring Legislation

Consideration should be given to the abolition of this board and transferring its activities to the Contractors' License Board. Alternatively, consideration could be given to establishing the Structural Pest Control Board as a subagency of the Contractors' License Board. Under such an organizational arrangement, the Contractors' License Board could handle all administrative and investigative matters as they related to the policy formulations of the Structural Pest Control Board. The economic advantages of either of the reorganization proposals would seem obvious. The extent to which savings would accrue is undeterminable at this time, but would probably not be less than \$20,000 annually.

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

ITEM 239 of the Budget Bill

Budget page 565

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

Amount requested	\$22,472
Estimated to be expended in 1957-58 Fiscal Year	21,723
Increase (3.4 percent)	\$749

### Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages	\$110	\$110		566 9
Operating expense	859	641	\$1,500	566 24
Total increases	\$749	\$751	\$1,500	

### RECOMMENDED REDUCTIONS

Reduction in budgeted increases	\$1,500
Improved efficiency and policy reappraisal	None
Total reductions	\$1,500

## Board of Examiners in Veterinary Medicine—Continued

Summary of Recommended Reductions		Budget		
		Amount	Page	Line
Operating expenses				
Investigative services	-----	\$1,500	566	22

## GENERAL SUMMARY

The Board of Examiners in Veterinary Medicine was created for the purpose of examining, licensing, and regulating the practice of veterinary medicine throughout the State. The budget reflects an agreement between this agency, the Board of Landscape Architects and the Yacht and Ship Brokers Commission to share the services of an executive secretary and for certain investigative and clerical services.

## ANALYSIS

Proposed expenditures for the 1958-59 Fiscal Year are \$22,472, an increase of \$749 or 3.4 percent more than the estimated expenditures for the current year.

Revenue for the budget year is estimated to be \$24,100, an increase of \$8,180 or 51.4 percent more than estimated revenue for 1957-58.

The accumulated surplus as of June 30, 1959, is estimated to be \$15,014, an increase of \$1,095 or 7.9 percent more than the estimated surplus for the current year.

The budget for the current year shows an Emergency Fund authorization in the amount of \$1,301 which, according to the Department of Finance, has not received executive order as yet, but is estimated as the amount which will be needed to reimburse the Yacht and Ship Brokers Commission for services rendered as per the joint sharing-of-services agreement.

*Investigative services (budget page 566, line 22)----- \$1,500*

The "General Analysis" section of the Governor's Budget for this agency on page 565, states that funds are being provided to the agency for investigative services which will be needed when the present investigator is shared with the other two agencies.

*We recommend deletion of this amount.*

The board is presently authorized one investigator position, which according to the "General Analysis" in the budget is to be shared with two other agencies; however, we direct attention to the fact that the Governor's Budget does not reflect an item for reimbursements from these two agencies for the services of this investigator. The agency is now proposing to spend \$1,500 more for investigative services than it was spending previously. We raise the question of why this agency should share its investigative position with two other agencies if it had sufficient workload to justify the position originally, and further why it should share the position and at the same time request an increase for investigative service, apparently to replace some portion of the time to be shared with other agencies.

Inasmuch as the agency has experienced no appreciable change in its workload, and the request would provide an increased level of service to the agency, we recommend disapproval in the amount of \$1,500.

**Department of Professional and Vocational Standards  
BOARD OF VOCATIONAL NURSE EXAMINERS**

ITEM 240 of the Budget Bill

Budget page 567

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

Amount requested .....	\$49,583
Estimated to be expended in 1957-58 Fiscal Year .....	48,098
 Increase (3.1 percent) .....	 \$1,485

**Summary of Increase**

		INCREASE DUE TO				
	Total increase	Workload or salary adjustments	New services		Budget page	Line No.
Salaries and wages .....	\$515	\$515	--		567	36
Operating expense .....	1,291	91	\$1,200		567	50
Equipment .....	321	321	--		567	52
 Total increase .....	 \$1,485	 \$285	 \$1,200			

**RECOMMENDED REDUCTIONS**

Reduction in budgeted increases .....	\$1,200
Improved efficiency and policy reappraisal .....	None
 Total reductions .....	 \$1,200

**Summary of Recommended Reductions**

	Amount	Budget	
		Page	Line
Operating expenses			
Investigative services .....	\$1,200	567	48

**ANALYSIS**

The Board of Vocational Nurse Examiners was created for the purpose of examining, licensing and regulating the practice of vocational nursing throughout the State.

Proposed expenditures for the 1958-59 Fiscal Year are \$49,583, an increase of \$1,485 or 3.1 percent over the estimated expenditures for the current year.

Revenues for the budget year are estimated at \$47,465, an increase of \$3,540 or 8.1 percent over the estimated revenues for the 1957-58 Fiscal Year.

As of June 30, 1959, the accumulated surplus is estimated to be \$19,436, a decrease of \$4,540 or 18.9 percent less than the estimated surplus as of June 30, 1958. The decline in the accumulated surplus would indicate that the agency will soon have to either curtail expenditures or increase revenues.

*Investigative services (budget page 567, line 48) .....* \$1,200

The agency's budget includes a new item of \$1,200 to be for investigative services in lieu of donated and contractual services from other agencies during the budget year. No supplementary justification material has been submitted in support of the agency's budget.

*We recommend deletion of the item.*

This agency has not previously budgeted for any investigative service, consequently this request is for an increased level of service.

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

ITEM 241 of the Budget Bill

Budget page 568

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

Amount requested .....	\$18,663
Estimated to be expended in 1957-58 Fiscal Year .....	16,882
Increase (10.5 percent) .....	\$1,781

**Summary of Increase**

	Total Increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$816	\$816	--	568 64
Operating expense .....	3,123	843	\$2,280	568 76
Equipment .....	-180	-180	--	568 78
Less increased reimbursements--	-1,978	--	-1,978	568 80
Total increase .....	\$1,781	\$1,479	\$302	

**RECOMMENDED REDUCTIONS**

Reduction in budgeted increases .....	\$2,280
Improved efficiency and policy reappraisal .....	None
Total reductions .....	\$2,280

**Summary of Recommended Reductions**

	Amount	Budget	
		Page	Line
Investigative services .....	\$1,500	568	73
Examination .....	780	568	74
Total reductions .....	\$2,280		

**ANALYSIS**

Proposed expenditures for the 1958-59 Fiscal Year are \$18,663, an increase of \$1,781 or 10.5 percent over estimated expenditures for the current year.

Revenues for the 1958-59 Fiscal Year are estimated to be \$22,000, an increase of \$4,000 or 22.2 percent over estimated revenues for 1957-58.

The accumulated surplus as of June 30, 1959, is estimated to be \$33,189, an increase of \$2,175 or 7 percent over estimated accumulated surplus as of June 30, 1958.

Following legislation enacted at the 1957 Session, the position of registrar has been established. The former position of commissioner has been abolished. Also in 1957, the commission concluded an agreement with the Board of Landscape Architects and Board of Examiners in Veterinary Medicine whereby certain clerical and administrative services are furnished by the commission to these agencies. Revenue received for services rendered these agencies will be an estimated \$3,338 in 1957-58 and \$5,366 in 1958-59.

*Investigative services (budget page 568, line 73)----- \$1,500*

The commission is requesting this new item of operating expense to provide investigative workload which, it is indicated, was previously accomplished by the now abolished commissioner position. This request



**Yacht and Ship Brokers Commission—Continued**

is related to the arrangement between the commission and two other agencies in the department for common use of certain services.

*We recommend investigative services amounting to \$1,500 be deleted.*

No investigative positions or services have been previously authorized. The fact that the commissioner previously performed investigative work does not necessarily indicate such work is essential or desirable in the commission's execution of its responsibilities. In effect, this item would provide a new level of service. To the extent that investigative activity as performed by the former commissioner is desirable or necessary, it should be performed by the registrar.

*Examination (budget page 568, line 74)----- \$780*

The commission states this item is needed to revise the examination which has not been revised for many years.

*We recommend deletion of the examination item amounting to \$780.*

There is no information given concerning the determination of cost of revising the examination. This is a request for a new level of service with no basis provided by the agency to justify cost.

Prior to the 1957 Legislative Session, 25 subjects to be included in the examination were specified in the Business and Professions Code. In hearings conducted by the Senate Interim Committee on Business and Professions, representatives of the industry recommended amendment of the code to delete the subjects of marine insurance and the Federal Seaman's Act as not essential to adequate conduct of the vocation of yacht and ship brokerage or sales. The commissioner did not oppose these deletions and the committee recommended they be dropped from the list of subjects required in the examination.

Subsequently, S. B. 1197 was introduced to accomplish this deletion but failed to pass. However, a bill was passed which does not specify deletions but eliminates the previous list of specific subjects and gives the commission authority to "select suitable and appropriate questions."

Concurrence with the wishes of the industry and the recommendation of the committee would appear to consist of eliminating two of 25 subjects from the present examination. The commission fails to justify the amount requested as being necessary for this apparently minor revision of the present examination.

**PUBLIC UTILITIES COMMISSION**

ITEM 242 of the Budget Bill

Budget page 569

**FOR SUPPORT OF PUBLIC UTILITIES COMMISSION FROM THE GENERAL FUND**

Amount requested -----	\$2,925,356
Estimated to be expended in 1957-58 Fiscal Year -----	2,823,833
<hr/>	
Increase (3.6 percent) -----	\$101,523

## Public Utilities Commission—Continued

## Summary of Increase

	Total increase	INCREASE DUE TO		Budget Line page No.
		Workload or salary adjustments	New services	
Salaries and wages .....	\$86,335	\$86,335	---	574 81
Operating expense .....	46,579	46,579	---	574 83
Equipment .....	—31,193	—31,193	---	574 85
Add decreased reimbursements .....	25,000	25,000	---	575 9
Less increased reimbursement from Transportation Rate Fund .....	—25,198	—25,198	---	
Total increase .....	\$101,523	\$101,523	---	

## RECOMMENDED REDUCTIONS

Reduction in budgeted increases .....	\$16,572
Improved efficiency and policy reappraisal .....	50,000
Total reductions .....	\$66,572

## Summary of Reductions

	Amount	Budget	
		Page	Line
Reduction in budgeted increases:			
Utilities finance and accounts division:			
1 intermediate stenographer-clerk .....	\$3,540	571	83
Transportation division:			
1 senior transportation engineer .....	8,940	572	79
1 senior clerk .....	4,082	572	80
Total .....	\$16,572		
Improved efficiency and policy reappraisal:			
Administration:			
5 staff assistant .....	50,000	570	54
Total .....	\$66,572		

## GENERAL SUMMARY

The activities of the agency are supported by appropriations from the following funds:

Fund	Budget Bill Item No.	Total expenditures by funds		
		1957-58	1958-59	Increase
General .....	242	\$2,823,833	\$2,925,356	\$101,523
Transportation rate .....	243	2,325,342	2,350,540	25,198
Total .....		\$5,149,175	\$5,275,896	\$126,721

The total expenditure program for the Public Utilities Commission for 1958-59 is shown with the supporting detail in one section of the budget, pages 569 to 574 whereas the changes for each fund are shown on page 575.

The increase of \$126,721 for the total program represents an increase of 2.5 percent.

The Constitution of 1879, Article XII, Section 22, provided for a railroad commission of three members elected from districts for four-year terms at each regular gubernatorial election.

The Constitution was amended October 10, 1911, to provide for a five-man commission appointed by the Governor for six-year staggered terms, and again on November 5, 1946, changing the name of the commission to Public Utilities Commission and requiring confirmation of appointments by a majority of the members elected to the Senate.

**Public Utilities Commission—Continued**

Section 22, as originally enacted, and as amended, gives the commission power to regulate only the rates charged by railroads or other transportation companies for hauling passengers and freight.

Section 23 of Article XII, adopted November 3, 1914, gives the commission power to control and regulate all public utilities, and spells out the various classes. It also gives the commission power to regulate any entity which the Legislature may hereafter declare to be a public utility.

Commissioners may be removed by a two-thirds vote of all members elected to each house "for dereliction of duty or corruption or incompetence."

The Public Utilities Code, Section 305, provides that the commission shall elect one of their number president. In practice the president presides at all meetings and is, in effect, the chief administrative officer of the agency. He receives the same salary as the other commissioners which is fixed by Section 11553 of the Government Code at \$19,000 per year.

The commission has substantially complete jurisdiction over all privately owned public utilities in the State, including carriers of both persons and property and gas, electricity, telephone and water companies. Its principal, but not exclusive, regulatory functions are granting permission to operate, setting rates, prescribing areas of interest, establishing operating standards and procedures and enforcing the laws, rules and regulations.

Its principal duty is to protect the public by assuring public services of reasonable cost, continuity and reliability. It regards it as a part of this basic function, to aid and assist individual utilities and their associations. For example, the commission provides technical assistance in many matters which are indirectly related to establishing reasonable tariffs, continuity and reliability, including such as advice respecting financing, maintenance of facilities and operating efficiencies. In effect, the commission in this respect acts as a gratuitous technical consultant.

The decisions or orders of the commission are not subject to review by any other state officer or agency and its findings of fact and conclusions are not subject to review by the courts. In this respect it is probably one of the most nearly autonomous regulatory bodies in state or federal government.

Every formal matter which is filed with the commission is assigned to an individual commissioner and is his responsibility until final disposition is made. Assignments to individual commissioners are approved by the commission as a whole, at its regular meetings. The time of the individual commissioners is devoted to conducting hearings, taking testimony, reviewing findings of the staff, and formulating opinions and orders on individual matters which form the basis of the decisions of the commission. In each such proceeding an individual staff member is assigned to and works closely with the commissioner involved.

The president of the commission, in addition to handling some such assignments himself, devotes a substantial amount of his time to administrative matters.

## Public Utilities Commission—Continued

The Budget Act of 1957, as interpreted by the Department of Finance, authorized an increase in staff for the 1957-58 Fiscal Year of 74.5 positions, which increased the total staff from 577.5 to 652, an increase of 12.9 percent. These additional positions were distributed as follows, by division.

## Personnel Increases Authorized for 1957-58

	Technical	Clerical	Total
Utilities Division .....	12	3	15
Utilities Finance and Accounts Division .....	5	--	5
Transportation Division :			
Engineering .....	2	1	3
Safety .....	5	2	7
Rate .....	6	2	8
Field Section .....	15	4.5	19.5
Permits and Fees Section .....	3	2	5
Legal Division .....	4	1	5
Examiner Division .....	3	4	7
Total .....	55	19.5	74.5

Chapter 2239, Statutes of 1957, in effect September 11, 1957, amended Sec. 5285 of the Public Utilities Code regarding household goods carriers, in certain technical respects. It also appropriated \$50,000 from the General Fund in augmentation of the support item for the Public Utilities Commission in the Budget Act of 1957. This special appropriation has been used to finance five additional positions as staff assistants to each commissioner, which are the positions shown on budget page 570, line 54. As this is written these positions have not been filled.

In addition, two positions of engineering student trainee have been added, with Department of Finance approval, in the utilities division for a study for the City of North Sacramento on a wholly reimbursable basis.

The total authorized positions for 1957-58 has accordingly been increased to 659 by this process.

The agency maintains its headquarters office in San Francisco, as required by Sec. 306 of the Public Utilities Code, which in turn dates back to Chapter 641, Statutes of 1877-78.

The staff is distributed, geographically between San Francisco, Los Angeles and 13 small branch offices in other cities throughout the State, and the approximate distribution on October 1, 1957, by divisions was as follows:

Division	San Francisco	Los Angeles	Branch offices	Total
Administration .....	65	10	--	75
Utilities .....	129	29	--	158
Utilities Finance and Accounts .....	27	7	--	34
Transportation .....	212.5	51	41	304.5
Legal .....	22	--	--	22
Examiner .....	28	8	--	36
Reporting .....	22.9	7	--	29.5
Total .....	506.4	112	41	659

## Public Utilities Commission—Continued

The Los Angeles offices includes both technical and clerical personnel, and the technical personnel receive their assignments from and are under the functional supervision of their unit heads in San Francisco.

The Los Angeles office is headed by a chief, Southern California area.

The field staff in the small branch offices are associate and assistant transportation representatives, and are engaged in enforcement work involving truck operations, including that directed toward the charging of proper rates for hauling various classes of property within the State.

The three divisions of the agency engaged in line operations are the utilities division, the utilities finance and accounts division and the transportation division. The other divisions are service divisions whose activities arise out of cases originating in or related to the activities of the line divisions.

The major part of the workload of the agency arises out of an application, filed by a utility or prospective utility subject to regulation by the commission, requesting the commission to take specific action. These applications are acted upon, formally, by the commission after necessary study by the staff. By far the most time consuming are those requesting rate increases, but there are many others.

An analysis of all formal matters acted upon by the commission during the first six months of 1957, made by this office, disclosed actions on the following types of applications:

<i>Action involved</i>	<i>Number</i>
Rate increases or new rates to be set.....	129
Issuance of certificates of public convenience and necessity, granting permission to operate.....	182
Issuance of securities.....	44
Permission to borrow money.....	35
Approval of sale of business.....	70
Approval of revision of service.....	100
Issuance of permits involving truckers.....	14
Approval of contracts.....	17
Permission to abandon facilities.....	8
Permission to construct or buy facilities.....	7
Approval of sale of property.....	8
Permission for railroads to cross public streets or highways.....	70
Permission to cease operations.....	9
All other.....	45
Total.....	738

Formal action was also taken on 59 complaints by individuals involving utility services, and on 72 investigations instituted by the commission itself for various reasons, for a total of 869 formal matters acted upon. During this period formal matters accounted for about 80 percent of the activity of the agency as a whole.

In addition to formal matters a substantial part of the workload of the agency represents enforcement of the commission's general orders relating to such matters as safety, compliance with tariff schedules, etc.

The remainder of the time appears to be devoted to surveys initiated by the commission not related to any particular pending case, assisting and advising various small utilities, including the installation of ac-

## Public Utilities Commission—Continued

counting systems and advice as to financing, and handling customers' inquiries and complaints on an informal basis.

Activities of the Public Utilities Commission relating to the regulation of rail, truck and water carriers engaged in the transportation of property for compensation are supported from the Transportation Rate Fund, the revenues from which consist of certain fees, including a quarterly fee of one-fourth of 1 percent of the gross operating revenue of the carriers involved (Section 5003 of the Public Utilities Code).

A summary of the Transportation Rate Fund for current periods follows. The expenditures shown include contributions to the State Employees' Retirement Fund as well as budget act appropriations.

	<i>Actual 1956-57</i>	<i>Estimated 1957-58</i>	<i>Estimated 1958-59</i>
Surplus, July 1-----	\$634,107	\$599,736	\$285,363
Revenues-----	2,007,611	2,150,000	2,250,000
Total resources-----	\$2,641,718	\$2,749,736	\$2,535,363
Less expenditures-----	2,041,982	2,464,373	2,490,540
Surplus June 30-----	\$599,736	\$285,363	\$44,823

All other activities are supported by the General Fund.

If the Transportation Rate Fund is to continue to support its proportionate share of the activities of the agency after June 30, 1959, additional revenue for that fund will be needed.

## ANALYSIS

## Administration

Chapter 2239, Statutes of 1957, relating to the Household Goods Carriers' Act, merely appropriated \$50,000 from the General Fund in augmentation of the support item of the Budget Act of 1957. It did not specify how the money should be used. The 1958-59 Budget has been prepared on the assumption that the money was intended to be used to provide each commissioner with a personal assistant, or deputy, and accordingly five additional positions not authorized by the Budget Act of 1957 have been added as such, on budget page 570, line 54. The positions are described in the Salary Supplement, page 240, line 6, as "assistant to commissioner." If the positions are to be filled they must be filled subject to civil service, and to date, no action has been taken by the Personnel Board to determine the appropriate classifications nor have the positions been filled.

*We recommend elimination of five positions of assistant to commissioner (budget page 570, line 54) for \$50,000.*

The need for these positions has never been reviewed or justified through the normal budgetary process.

In general, we believe that it is undesirable to provide personal deputies or assistants who are directly attached to members of administrative boards or commissions but that the members of such boards and commissions should receive such technical assistance as they need from time to time from appropriate members of their regular staffs.

## Public Utilities Commission—Continued

Furthermore, we believe that the whole problem of the relationship of the commission to its staff should be reappraised before any such step as this is taken and that consideration should be given to relieving the commission members, including the president, of all details of administration and certain other routine matters by the creation of a position of chief administrator for the agency to which the commission could delegate such matters.

## Utilities Finance and Accounts Division

An addition clerical position is requested, budget page 571, line 83, due to the increase in the stenographic workload.

*We recommend that funds for this position of \$3,540 be deleted (budget page 571, line 83), and that the service be provided by the transfer of a comparable position from the docket unit of the assistant secretary's section in the division of administration where work is being performed which appears to us to constitute a needless duplication of existing records.*

As formal matters are filed with the commission they are given a docket number and cards are typed in duplicate, one of which is filed alphabetically and the other numerically by docket number, and as changes in status occur, these are entered on one set of the typewritten cards. The cases are also entered in longhand in bound books, by docket number, and the identical entries for status changes which are typed on the cards, are also entered in the bound book in longhand. About 7,000 entries are made a year in the bound books, and some are rather lengthy since they describe in detail the document involved in the status change, which include such things as supplemental applications, interventions by outside parties, etc. Maintenance of the hand-kept record is substantially a full-time job for one person, and we believe it should be discontinued since identical information is available on one of the cards.

## Transportation

Chapter 2091, Statutes of 1957, in effect September 11, 1957, provides that the State Highway Commission and the Department of Public Works shall set aside each year, starting with 1958-59, \$5,000,000 to be used to assist cities and counties in constructing grade crossing separation structures at points where railroads and city streets or county roads intersect. It also provides that the Public Utilities Commission, on or before the first day of each year, shall furnish the Department of Public Works with a list of crossings, in order of priority, where grade crossing separation structures should be erected.

Two additional positions are requested for this work, a senior transportation engineer, budget page 572, line 79, \$8,940, and a senior clerk, budget page 572, line 80, \$4,092.

*We recommend elimination of these two positions, budget page 572, line 79, for \$8,940, and budget page 572, line 80, for \$4,092.*

While we recognize that an element of increased workload is involved, we believe this should be absorbed by the existing staff, by curtailment of existing services which are not mandatory under the law,

## Public Utilities Commission—Continued

such as studies or investigations undertaken on the commission's own initiative and advisory services to existing licensees.

It appears to us that under the law the first priority report was due on or before January 1, 1958, and that if that report could have been prepared without the additional personnel, the same should be true of the report due on or before January 1, 1959.

Chapter 1831, Statutes of 1957, in effect September 11, 1957, provides that certain vehicles, such as passenger busses, need not stop at industrial or spur track railroad crossings, or certain branch line crossings, where, with the approval of the commission, signs are displayed indicating no stop is required. This is a change from existing law, and will require the commission to survey 3,000 track crossings for proper signing. One-half man-year of temporary help is requested for this survey for 1958-59, and we recommend approval, since the survey is a one-time operation.

## Reporting

This unit, which organizationally is part of the Division of Administration, but is reported separately for budgetary purposes because of the reimbursement feature, is composed of reporters and transcribers. The reporters take notes of all proceedings held before the commission, and if requested by either the commission or the litigants the notes are transcribed.

Litigants are charged 52 cents per page for regular transcripts and \$1.43 for "dailies," a "daily" being one furnished not later than the morning of the day following that on which the proceeding took place.

Total expenditures, total reimbursements, and net expenditures of this unit are as follows:

	1956-57		1957-58		1958-59	
	Actual		Estimated		Estimated	
	Amount	Percent	Amount	Percent	Amount	Percent
Gross expenditures --	\$150,483	100.0	\$159,901	100.0	\$154,755	100.0
Less reimbursements--	101,014	67.1	63,000	41.5	63,000	40.7
Net expenditures---	\$49,469	32.9	\$88,901	58.5	\$91,755	59.3

Two unusual features of this unit are (1) that unlike the remainder of the commission its staff has never been brought under civil service and (2) that its employees are compensated in an unusual manner, i.e., by a combination of a salary plus an added amount per folio for all work involving "dailies." This extra compensation amounted to \$7,667 in the case of reporters and \$10,310 in the case of transcribers during 1956-57 as shown in the Budget Supplement, page 292 at lines 69 and 71. The manner in which these items are presented in the budget and the authorization in the exempt pay scale book indicates that this extra compensation is in lieu of overtime, although our survey indicates that very little overtime is actually required, particularly by the reporters, and that most of the extra compensation is paid to permanent employees.



**Public Utilities Commission—Continued**

While it is true, that if the charges to litigants for these "dailies" are calculated on a realistic basis, the extra compensation is, in effect, paid by the litigants rather than by the State, we believe such a method of compensation raises a policy question, since other groups of hearing reporters in the state service performing comparable duties for such agencies as the Department of Industrial Relations, the Department of Employment, the Department of Alcoholic Beverage Control and the Department of Professional and Vocational Standards are under civil service, and are compensated for overtime only on the basis of actual overtime worked. We recommend that a study be made looking toward the desirability of placing this staff under civil service and changing the method of compensation for overtime.

Salary scales for the reporters and transcribers for the Public Utilities Commission are also higher than those for comparable civil service classes.

**Management Improvements During the Past Year**

In response to our request the agency has submitted a list of 42 items of improvements in processes and procedures which it has made during the past year, the content of which indicates to us that it is making significant efforts along these lines. While space does not permit an enumeration of the items, and many are highly technical in nature we believe the following might be of general interest.

"Engineering personnel engaged in field studies now are required to use public transportation to key cities where state car pools are maintained and to use cars out of the pool in the fieldwork rather than to drive a car from headquarters. To other points, over 200 miles from headquarters, airlines are used where there is such service and U-drive cars are rented for the fieldwork."

The agency also calls attention to the fact that an organization survey has been completed by the Department of Finance, Division of Organization and Cost Control, although the report has not yet been released.

**PUBLIC UTILITIES COMMISSION**

ITEM 243 of the Budget Bill

Budget page 569

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

Amount requested .....	\$2,350,540
Estimated to be expended in 1957-58 Fiscal Year .....	2,325,342
Increase (1.1 percent) .....	\$25,198

**RECOMMENDED REDUCTIONS** .....

None

**ANALYSIS**

This item represents the share of costs for the operations of the agency which have to do with the regulation of rail, truck and water carriers engaged in the transportation of property for compensation.