

**University of California
HASTINGS COLLEGE OF LAW**

ITEM 108 of the Budget Bill

Budget page 285

**FOR SUPPORT OF HASTINGS COLLEGE OF LAW
FROM THE GENERAL FUND**

Amount requested	\$348,486
Estimated to be expended in 1959-60 fiscal year	303,114
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Increase (15.0 percent)	\$45,372

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

The 1960-61 budget request is for \$348,486, or an increase of 15.0 percent. These additional funds are requested for a workload increase to provide for a total complement of three positions due to an anticipated enrollment increase of 37 students and the need to divide the second year class into two sections as the number of advanced students increases.

The major item of increase in plant operation expense includes the first one-third increment of the recurring maintenance painting program.

The major item of increase in equipment is \$7,000 to replace movable tablet arm chairs with fixed tables and chairs in one classroom.

We recommend approval of the budget as submitted.

BOARD OF CONTROL

ITEM 109 of the Budget Bill

Budget Page 287

FOR SUPPORT OF BOARD OF CONTROL FROM THE GENERAL FUND

Amount requested	\$14,656
Estimated to be expended in 1959-60 fiscal year	14,611
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Increase (0.3 percent)	\$45

TOTAL RECOMMENDED REDUCTION	\$402
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ANALYSIS

The reduction of equipment costs as offset by a \$402 increase in temporary help plus a \$50 increase in operating expenses has resulted in a net increase of \$45 in the support of this agency.

The current and estimated workloads presented, in our opinion, do not justify the requested increase in temporary help. We believe the minor clerical assistance provided on occasions by the Department of Finance should be continued.

We recommend that the amount of \$402 for temporary help be deleted from the amount requested for this budget item.

STATE CONTROLLER

ITEM 110 of the Budget Bill

Budget page 297

FOR SUPPORT OF STATE CONTROLLER FROM THE
GENERAL FUND

Amount requested	\$3,524,787
Estimated to be expended in 1959-60 fiscal year	3,157,532
Increase (11.6 percent)	\$367,255

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The State Controller receives appropriations for support from the General Fund and several special funds. These special funds appropriations are shown under separate budget items which appear later in our analysis. To provide a clearer picture of the total budget request, we will discuss the special funds items that show significant changes here with the main item of support from the General Fund.

The following is a summary statement showing the total expenditures and budget requests by funds.

<i>Fund</i>	<i>Actual 1958-59</i>	<i>Estimated 1959-60</i>	<i>Proposed 1960-61</i>	<i>Change from 1959-60</i>	
General	\$3,147,268	\$3,357,686	\$3,728,459	\$370,773	(11%)
Postwar Unemployment and Construction	6,246	-	-	-	-
State School Building Aid	115,773	132,288	131,618	-670	(-0.5%)
Motor Vehicle Fuel	499,939	570,034	571,181	1,147	(0.2%)
Motor Vehicle Transporta- tion Tax	171,015	205,850	202,210	-3,640	(-1.8%)
Redemption Tax	207,515	217,984	230,745	12,761	(5.9%)
Totals	\$4,147,756	\$4,483,842	\$4,864,213	\$380,371	(8.5%)

Two major improvements which result in economies are finalized in the budget of the State Controller. The first is the change from the use of a conventional tabulating system to an electronic data processing system. The second is the procedure to be used for auditing claims.

As far back as 1955, the staffs of the Disbursements and the Administration Divisions were well aware of the growth factors and other complex problems that would face the Controller in future years. Search for new methods and equipment began in that year. However, types of equipment that would suit the Controller's purpose and would be feasible from an economic standpoint were not, in his opinion, on the market until 1957. At this time an intensive two-year study of the various types of equipment began, problem areas were defined and staff members studied the equipment of all major companies. Finally, the problems and objectives were submitted to four major machine companies for proposals. On February 2, 1959, the Chief of the Disbursements Division submitted to the State Controller a report on the various systems proposals for his selection of the system that best suited the operations involved. This new system is anticipated to save in the neighborhood of 1 million dollars over the next five years. The planning and research was done by the present staff of the State Controller, and in our opinion the report produced was excellent. The new equipment is scheduled to be in operation in January 1961.

State Controller—Continued

The new procedure for auditing claims is as follows:

1. Agencies are required to file separate claims schedules for claims of \$500 or more to one payee, claims for payments against contracts and all other claims.
2. The audit of claims scheduled by agencies for less than \$500 shall be limited to an audit for legality with full audit of only a sample.
3. The present checking of all claims by calculating machine operators for other than mathematical correctness shall be performed by claim auditors.
4. The checking of contract payments to contract cards shall be performed by regular claim auditors.
5. Permits to operate privately owned motor vehicles shall not be submitted to the State Controller's office.

This new procedure will result in the elimination of nine positions at a cost of \$39,204 in the 1960-61 fiscal year. We agree with the proposed system and procedure as outlined above.

The overall budget request of the State Controller for the 1960-61 fiscal year shows a request for 39 proposed new positions and the equivalent of 2.1 additional positions through salary savings; 28.8 permanent positions were to be abolished, and 28 limited term and temporary positions not renewed. This represents a net decrease of 15.7 man-years. Total expenditures, however, are increased \$377,371 as compared with the current budget estimate. The reduction in man-years is due to a series of changes in procedures. Also, new laws passed in the 1959 General Session account for requests for some additional personnel. The explanation of these increases and decreases is as follows:

Administration Division

1 Senior Research Technician (budget page 289, line 26)----- \$9,384

We recommend approval of this position.

In carrying out his responsibilities as a member of 17 boards and commissions, the State Controller is lacking adequate professional and research assistance. The new position will meet this need for staff assistance.

Accounting Division

1 Accountant Auditor (budget page 290, line 17)----- \$5,565

2 Intermediate Typist-clerks (budget page 290, line 18)----- 7,516

1 Intermediate Clerk (budget page 290, line 19)----- 3,758

We recommend approval of these proposed new positions.

As a result of the Uniform Disposition of Unclaimed Property Act enacted by the 1959 Legislature, an allocation in the amount of \$34,195 was necessary from the Emergency Fund to employ additional help with related operating expenses and equipment to carry out this new provision from September to June 30 in the current fiscal year. Three temporary and four permanent positions were added to process abandoned property reports and related documents. With the completion of official records at the end of the current fiscal year; the three temporary positions in the current budget will be eliminated. The request for

State Controller—Continued

retention of four permanent positions is based on staff needs for maintaining this program. This Unclaimed Property Act is expected to produce new General Fund revenues of \$3 million in the current year and \$2 million in the 1960-61 fiscal year.

County Budgets and Reports Division

1 Consultant (Budget Page 291, Line 77)----- \$9,347

We recommend approval of making this position permanent on the basis that it will take five years to complete the uniform accounting system and require continuous supervision thereafter in training county personnel, revising the manual and improving accounting procedures.

Pursuant to provisions in the Government Code, the State Controller is installing uniform accounting procedures for all counties. The position of Consultant with responsibility for devising and supervising this program was filled March 1959 and is due to expire at the end of the fiscal year. The State Controller requests that the position be put on a permanent basis beginning in the 1960-61 Fiscal Year.

Disbursements Division

1959 Legislation (Survivors Benefits, Gas Tax Refunds,
Investment Accounting)

4 Tab Machine Operators (Budget page 293, line 27)----- \$17,346

1 Key Punch Operator (Budget page 293, line 29)----- 3,834

5 Intermediate Accountant Clerks (Budget page 293, line 33) 18,621

Increased Workload

1 Accounting Tab Machine Supervisor (Budget page 293, line 21)----- \$4,186

1 Senior Tab Machine Operator (Budget page 293, line 24)--- 3,158

2 Tab Machine Operators (Budget page 293, line 27)----- 6,547

1 Key Punch Operator (Budget page 293, line 29)----- 3,834

1 Intermediate Clerk (Budget page 293, line 31)----- 3,630

1 Intermediate Account Clerk (Budget page 293, line 33)---- 3,724

Electronic Data Processing System

5 Accounting Tab Machine Supervisors (Budget page 293, lines 36-43)----- \$34,022

2 Key Punch Operators (Budget page 293, line 44)----- 5,580

3 Accountant Technicians (Budget page 293, line 47)----- 9,880

1 Intermediate Stenographer-clerk (Budget page 293, line 48) 3,810

We recommend approval for these proposed positions.

The work improvement program for this Division will reduce the total staff from 160.7 positions in 1959-60 to 157.2 positions in 1960-61 and to an estimated 107 positions in 1961-62, amounting to an anticipated total reduction of 53.7 positions by 1961-62.

Staff requirements for new positions in the 1960-61 fiscal year as listed above are explained as follows: Ten positions to service programs enacted by the 1959 Legislature, including Survivors Benefits, Gas Tax Refunds and Investment Accounting; eleven positions to devise, install and operate the Electronic Data Processing System; and seven posi-

State Controller—Continued

tions to handle increased workloads, six of which will be eliminated by the end of the 1960-61 fiscal year upon conversion to the Electronic Data Processing System. These new positions are distributed among the Los Angeles, San Francisco and Sacramento offices of the Division. In the current fiscal year, the Division has converted the bond investment, gas tax refund, unclaimed property and survivors benefits accounts from the manual system to electrical accounting machines as part of its work improvement program.

Inheritance and Gift Tax Division

2 Tax Examiners (Budget page 294, lines 45 and 49)-----	\$12,720
1 Accountant Auditor (Budget page 294, line 47)-----	5,364
1 Junior Counsel (Budget page 294, line 51)-----	5,496
1 Intermediate clerk (Budget page 294, line 52)-----	3,630

The five new positions for the Sacramento and Los Angeles offices maintain the existing level of service for the increased workloads and additional refund duties. On the basis of the data below, we agree with this request.

In the past few years, the overall workload for this Division has increased due to the growth in the number of returns and amount of tax revenues. Beginning September 1959, the division issues inheritance tax refunds formerly done by the counties as stipulated by the 1959 Legislature. The increased workloads are reflected in the following estimated data:

	1959-60	1960-61
Tax revenues -----	\$51,200,000	\$61,500,000
Tax returns -----	28,917	30,317
Positions -----	86	91
Returns per position -----	336	333

The rapid turnover in inheritance tax appraisers due to the method of appointment has probably temporarily thrust a heavy burden on the civil service staff. We believe the State should continue to explore the possibility of eliminating the existing statutory method of appointing inheritance tax appraisers as outlined in our 1959 analysis.

The budget request of the Office of Controller shows the elimination of 28.8 permanent positions which are abolished and discontinuance of the equivalent of 28 positions in limited term positions and temporary help. In the Division of Disbursements, 18.8 positions are abolished due to the installation of the Electronic Data Processing System. Another position is abolished as a result of the improved program for gas tax refunds. In the Audits Division, nine positions are eliminated as a result of the new procedures for auditing claims, as outlined previously in our analysis. Reductions in temporary help include 4.8 positions eliminated in the Accounting Division due to improved procedures in the investment accounting and unclaimed property programs, two positions in the Disbursements Division as the result of reduced personnel required in the installation of the Electronic Data Processing System, and 3.2 positions reduced in the Tax Collection and Refund Division due to improvements in issuing gas tax refunds and changes in administering the liquid petroleum fuel tax enacted by the 1959 Legislature.

STATE CONTROLLER

ITEM 111 of the Budget Bill

Budget page 297

FOR ADDITIONAL SUPPORT OF TAX COLLECTION AND REFUND DIVISION AND BUREAU OF HIGHWAYS ACCOUNTS AND REPORTS FROM THE MOTOR VEHICLE FUEL FUND

Amount requested	\$539,181
Estimated to be expended in 1959-60 fiscal year.....	538,034
Increase (0.2 percent)	\$1,147

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Tax Collection and Refund Division collects the gasoline tax and makes refunds of gasoline tax for non-highway uses. The Bureau of Highway Accounts and Reports in the County Budgets and Reports Division reviews reports and audits accounts of cities and counties in respect to street and road expenditures.

We recommend approval.

STATE CONTROLLER

ITEM 112 of the Budget Bill

Budget page 297

FOR SUPPORT OF TAX-DEEDED LANDS DIVISION FROM THE STATE REDEMPTION TAX FUND

Amount requested	\$216,047
Estimated to be expended in 1959-60 fiscal year.....	203,588
Increase (6.1 percent)	\$12,459

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Tax Deeded Lands Division administers general procedures for sale of tax delinquent property and tax deeded lands and redemptions of land deeded to the State for nonpayment of taxes. It also provides counties information relative to processing property taxes and delinquent taxes.

We recommend approval.

STATE CONTROLLER

ITEM 113 of the Budget Bill

Budget page 297

FOR ADDITIONAL SUPPORT OF TAX COLLECTION AND REFUND DIVISION FROM THE MOTOR VEHICLE TRANSPORTATION TAX FUND

Amount requested	\$186,210
Estimated to be expended in 1959-60 fiscal year.....	189,850
Decrease (1.9 percent)	\$3,640

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Tax Collection and Refund Division collects the gross receipts taxes on trucks and buses, makes refunds and distributes proceeds as provided for by the motor vehicle transportation license tax law.

We recommend approval.

STATE CONTROLLER

ITEM 114 of the Budget Bill

Budget page 297

FOR ADDITIONAL SUPPORT OF STATE CONTROLLER FROM
THE STATE SCHOOL BUILDING AID FUND

Amount requested	\$123,988
Estimated to be expended in 1959-60 fiscal year	123,838
Increase (0.1 percent)	\$150
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

This appropriation made from the State School Building Aid Fund, reimburses the State Controller for the cost of auditing the expenditures of school districts for property financed by state loans under the School Building Aid Program.

We recommend approval.

BOARD OF EQUALIZATION

ITEM 115 of the Budget Bill

Budget page 298

FOR SUPPORT OF STATE BOARD OF EQUALIZATION
FROM THE GENERAL FUND

Amount requested	\$12,687,913
Estimated to be expended in 1959-60 fiscal year	12,553,591
Increase (1.1 percent)	\$134,322
TOTAL RECOMMENDED REDUCTION	\$147,423

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Administration:			
1 Associate tax counsel	\$9,384	300	28
2 Assistant tax counsel	14,016	300	29
1 Junior-intermediate stenographer-clerk	3,810	300	30
Business Taxes—Headquarters:			
Additional equipment for gasoline tax fraud squad	6,754	301	82
Property Taxes:			
Intercounty Equalization Division:			
1 Associate real property appraiser	7,356	303	50
1 Assistant real property appraiser	6,060	303	51
Assessment Standards Division:			
2 Assistant real property appraiser	12,120	303	53
1 Assistant estimator of building construction	6,672	303	54
1 Assistant administrative analyst	6,060	303	56
1 Junior-intermediate stenographer-clerk	3,810	303	57
Automobile Mileage—Reduction to 1958-59 Level:			
Administration	1,017	300	44
Business taxes—headquarters	259	301	73
Business taxes—districts	4,950	302	25
Property taxes	520	303	74
Automobile Mileage—Eliminate Home-to-office Driving:			
Business taxes—districts	5,280	302	25

Board of Equalization—Continued

Summary of Recommended Reductions—Continued

	Amount	Budget	
		Page	Line
Automobile Replacements:			
Administration -----	\$3,760	300	57
Business taxes—districts -----	39,480	302	31
Property taxes -----	1,880	303	80
Typewriter Replacements:			
Administration -----	1,755	300	57
Business taxes—headquarters -----	3,120	301	82
Business taxes—districts -----	8,970	302	31
Property taxes -----	390	303	80
Total -----	\$147,423		

ANALYSIS

During the past year this agency has undergone a major reorganization, some phases of which are still in process. The general plan follows that recommended in a study by an outside consultant, Mr. George Lawrence Hall of San Francisco, in a report submitted to the agency in September 1957. The need for such a study was pointed out by the Department of Finance in June 1957, and has been recognized by this office for a number of years.

As a result of the reorganization, the form of the budget presentation of the agency differs radically from that in former years. The main differences are that all activities, including those financed from special funds, have been grouped into three major units: Administration, Business Taxes and Property Taxes, instead of into seven separate divisions as in former years.

We believe the reorganization is a step in the right direction and that the next logical step would be the incorporation of the agency into a centralized department of revenue, headed by a director appointed by the Governor.

Administration

This group includes the board members, the executive secretary and four units reporting directly to him: Legal, Internal Audit, Personnel and the Administrative Service Division, which in turn includes Administrative Analysis, Time and Cost Analysis, Accounting, Tabulating, General Services and Statistics.

The legal section consisting of 17 attorneys and 9 clerical, represents a consolidation of separate units formerly located in general administration, sales tax, headquarters and district offices.

From 1948-49 to 1959-60, the legal staff increased from 10 to 17, an increase of seven, of which one was budgeted, two were added on an emergency basis because of the local sales tax program, and the remaining four were added by the conversion of other existing positions without legislative review. Likewise, during the same period the staff of administrative analysts was increased from one to eight, an increase of seven, all of which were established by conversion of other existing positions, without legislative review. The creation of 11 new positions, four attorneys, and seven analysts by the conversion process, implies that the positions converted, which were probably all auditors, were overbudgeted in the first instance which seems to be indicated by the fact that

Board of Equalization—Continued

during the same period, auditor positions performing functions now grouped in the Business Tax Division decreased from 1,013 to 887, a decrease of 126, partly as a result of reductions by the Legislature on our recommendation, reductions which were budgeted, and reductions made by the Department of Finance in the exercise of its budgetary control function.

We mention the foregoing since it has a direct bearing on the recommendations which follow:

A training officer II position, at a salary range of \$782-950, budget page 300, line 32, is requested in the Administrative Service Division, reporting directly to the administrative service officer II. It is proposed to establish this position by the conversion of an existing supervising auditor I position in the Business Tax Division, with a salary range of \$710-862.

We recommend approval of the establishment of the training officer II position on the basis proposed.

Such a position was recommended in the Hall report and in the basic internal study prepared by the board's own staff in June 1958, and there is an abundance of evidence in the latter of a lack of uniformity and lack of proper standards in many of the functions performed in the field offices, which deficiencies a properly supervised training program should tend to reduce.

A training officer position was included in the 1958-59 Budget, and shown as having been established during 1957-58, by the conversion process, without previous legislative approval. This position was deleted by the Legislature on our recommendation, because it had never been filled, its location in the administrative structure of the agency had not been determined, and it represented an increase in the level of service. In view of the reorganization which has taken place since, of the deficiencies disclosed by the basic internal study, and of the fact that training, on an unco-ordinated and limited basis is being carried on within the agency at present, we believe these objections no longer apply.

It is interesting to note that the manner in which this new position is being established involves no immediate increase in costs, which gives recognition to the principle that needed new services can often be obtained by the curtailment of less needed existing services without the necessity of appropriating additional funds.

Legal Staff

One of the functions performed by the Legal Section is in connection with one of the major statutory responsibilities of the Board of Equalization, namely, the hearing of appeals from actions taken by the Franchise Tax Board.

In the past the board has devoted approximately one day per month to hearing such appeals at which the attorneys for the taxpayer and the Franchise Tax Board submit briefs and oral arguments, after which the Board of Equalization takes the matter under submission, and in due course issues its opinion. These opinions are prepared by the legal staff

Board of Equalization—Continued

of the Board of Equalization, not by the board members themselves. The legal staff also performs other services incident to the conduct of these hearings, such as doing preliminary research and briefing the board members on the points of law involved.

At the present time 459 such appeals are pending and cases are being received and cleared at the rate of approximately 125 cases per year, with three attorneys devoting their time to this work.

Three additional attorneys and one stenographer-clerk are requested for the legal staff, two of the attorneys for work on franchise tax appeals, one for sales and highway tax hearings, and the stenographer for the necessary clerical assistance.

We recommend approval of the three additional attorneys and one clerical position shown on budget page 300, lines 28 to 30, subject to the following conditions:

1. All three attorneys be used exclusively on processing Franchise Tax Board appeals, and
2. The positions be established by the conversion of existing positions in the same manner as the four attorney positions, the seven administrative analyst positions and the training officer position previously referred to without the appropriation of any additional funds.

Since there are always vacant positions in a large agency such as this, due to turnover, the establishment of the new positions by the conversion process should be as easy of accomplishment in the future as it has been in the past.

Accordingly we recommend deletion of funds for the following new positions requested for the legal staff:

Position	Amount	Budget	
		Page	Line
1 Associate tax counsel -----	\$9,384	300	28
2 Assistant counsel -----	14,016	300	29
1 Junior-intermediate stenographer-clerk -----	3,810	300	30
Total -----	\$27,210		

There has been no evidence presented that there is any need for an additional attorney for sales and highway tax hearings. On the other hand, there is considerable evidence that the appeals from the Franchise Tax Board are not being given appropriate attention.

It is stated that the addition of two attorneys for this work will eliminate the current backlog of 459 pending appeals in 5½ years. We believe that it should be done more promptly than this.

An analysis of the pending appeals at December 31, 1958, contained in the working papers of the Auditor General, which we have examined, disclosed some significant facts. At that time 394 cases were pending, involving \$6,400,000 in tax deficiencies and \$3,100,000 in refunds. Of the pending cases, 153 involving deficiencies of \$3,126,000 and refunds of \$785,000 were in the status of "ready for hearing," and some had been in that status for well over a year. This suggests that the board itself is dilatory in not holding more frequent hearings. Another 68 cases involving deficiencies of \$578,000 and refunds of \$234,000 were

Board of Equalization—Continued

under submission awaiting preparation of an opinion and had been in that status for an average time of 18.9 months, one of them for 50 months. None of these involved "illegal activities," such as bookmaking, pinball machines, etc. This suggests the need for more attorneys for the preparation of opinions.

We believe that delays, such as the foregoing, are unfair to the taxpayer and since they retard the collection of possible additional revenue, are detrimental to the best interests of the State.

Business Tax Division

In this division all activities formerly carried on separately by the Sales Tax Division, the Division of Highway Taxes and the Bureau of Tax Assessment (beverage taxes) plus the new cigarette tax, are consolidated under a single head, the newly created Assistant Executive Secretary, Business Taxes, with activities for all taxes integrated along functional lines, rather than organized on a tax-administered basis, as in the past. This is a development which we believe was long overdue and there are already indications of significant improvements in administration resulting from the fact that the best procedures heretofore developed with respect to any one tax are now being applied uniformly to all taxes.

We believe that significant savings can result from this integrated administration and that the Department of Finance in exercising its budgetary control functions should be on the alert to translate these savings into actual reductions in expenditures.

One area which should bear close scrutiny, and which is still in the transitional stage is the organizational structure in the headquarters office, where the need for certain existing high level administrative positions appears questionable, since the supervisory responsibilities of these positions have been substantially reduced as a result of the reorganization.

These positions are as follows:

<i>Title</i>	<i>Pay Range</i>	<i>Salary Requested for 1960-61</i>
Assistant sales tax administrator -----	\$1,100-1,250	\$15,000
Highway tax administrator -----	1,050-1,200	14,400
Chief, beverage tax division -----	821-1,000	12,000
Assistant transportation tax administrator ----	782-950	11,400
Total -----		\$52,800

The budget augmentation of \$963,600, authorized by the 1959 Legislature, which included 55 additional positions for administration of the new cigarette tax was found to have been excessive, and 28 of these positions have been eliminated, plus certain equipment which was not needed.

With respect to field office organization, the lines of authority have been clarified and district tax administrators now report to a single individual, the assistant secretary, instead of to several, as formerly.

Board of Equalization—Continued

Additional Equipment

Equipment for Business Taxes—Headquarters of, \$30,232, budget page 301, line 82, includes the following additions which are proposed for the so-called highway tax fraud squad:

<i>Item</i>	<i>Amount</i>
3 Binoculars, 7 x 50 (night glasses) -----	\$600
2 Radio—two-way, automobile -----	1,244
2 Telephones, mobile radio -----	800
2 Automobiles, light -----	4,110
Total -----	\$6,754

The 1958 Legislature approved an augmentation, including the addition of two positions, a compliance supervisor II and a senior field representative, and the purchase of two additional automobiles for purposes of better enforcement of the Motor Vehicle Fuel Tax Law with respect to collection of the tax on stolen gasoline.

Currently the squad consists of a tax compliance supervisor I, located in headquarters and four senior field representatives, two in San Jose who cover the Bay area, and two in Los Angeles.

Its activities consist, among others, of criminal investigations involving surveillance of storage facilities where thefts of gasoline are suspected to be taking place and the trailing of trucks suspected of transporting stolen gasoline.

It is stated that much of the work is carried on at night, that the binoculars are needed to facilitate identification of suspects, and that the two-way automobile radios and the mobile radio telephones which are for use of field representatives on foot are needed to facilitate intercommunications where several field representatives are involved in the same investigation.

The justification for the additional automobiles is that "successful trailing of trucks suspected of transporting stolen motor vehicle fuel requires two automobiles because criminals easily become alert to a one-car tail."

We recommend elimination of the proposed additional equipment listed above in the amount of \$6,754. Budget page 301, line 82.

Our reasons are that the highway tax fraud squad does not have any such equipment at the present time and appears to be operating on a reasonably successful basis without it, and to add such equipment would constitute a definite increase in the level of service.

Furthermore, it is our view that primary responsibility for gathering evidence for purposes of criminal prosecutions lies with local law enforcement agencies rather than with the Board of Equalization, which should concern itself primarily with the tax collection function.

With particular reference to the two additional automobiles, if additional "undercover" cars are necessary for this operation, we believe they should be obtained from the Department of Finance pool which has such cars available in Los Angeles, San Francisco and Sacramento.

Board of Equalization—Continued

Property Taxes

Effective April 23, 1959, the three divisions of the board concerned with property tax matters were placed under the direction of the newly created position of Assistant Executive Secretary, Property Taxes. These divisions, which appeared as separate organizational units in prior budgets, are the Intercounty Equalization Division, the Assessment Standards Division, including the County Contract Mapping Unit, and the Valuation Division. The Intercounty Equalization Division assumed the functions formerly reported under the Research and Statistics Division, with the exception of the purely statistical function performed by five people, which was transferred to Administration.

In the current budget all property tax activities, with the exception of County Contract Mapping, are grouped together and shown as a single activity (budget page 303), although the three divisions continue to function as separate units, as in the past, without any integration of their activities. The County Contract Mapping Unit is shown separately and its entire costs are paid by the counties.

Intercounty Equalization Division

This division makes sample appraisals in each county for determining the assessment ratios which are basic to the intercounty equalization process. The agency believes that legislation enacted at the 1959 Session, which became effective September 18, 1959, will have an effect on the workload and two additional appraiser positions are accordingly requested.

The reasons given are that sample appraisals will be required in each county at least once in every three years instead of at less frequent intervals, in some cases, as in the past, and that the publication of assessment ratios, and the use of these ratios as the basis for calculations involving school equalization aid and school construction loan repayments will require more thorough documentation of the data supporting the ratio calculations.

We recommend disapproval of the following two additional positions requested.

	Amount	Budget	
		Page	Line
1 Associate real property appraiser.....	\$7,356	303	50
1 Assistant real property appraiser.....	6,060	303	51
2 Total	\$13,416		

Our reasons for this recommendation are that we do not believe that the 1959 legislative changes necessarily involve any increase in workload and that the request is, in effect, one to increase the level of service.

Chapter 1682, Statutes of 1959, repealed Chapter 1466, Statutes of 1949. It also provides that the board shall make sample appraisal surveys in each county at least once every three years, and requires the board to publish the assessment ratios for each county not later than September 2 of each year, after giving the assessor of each county an opportunity to review the board's calculations with respect to his county, which are also a matter of public record. The first of such

Board of Equalization—Continued

publications will be September 2, 1960, since the law did not become effective until September 18, 1959.

Chapter 1786, Statutes of 1959, requires the board to notify the Superintendent of Public Instruction not later than October 1 of each year of the factor by which the assessed values of property on the local roll in each county must be modified to conform to the statewide average, and provides further that in all cases where the assessed valuation of a school district enters into a calculation involving allocation of state funds, or the repayment of school building construction loans, the assessed valuation shall first be adjusted to the statewide average by application of this factor.

The agency contends that publication of ratios and use of the data in connection with school apportionments and loan repayments will bring greatly increased pressures to bear on the whole process and require appraisers to, in effect, do a better job. We believe such a result can be achieved without any increase in staff, since the program, under its present supervision and control, has been in operation only since July 1, 1957, and the work can be expected to improve as the appraisers become more experienced.

The agency also contends that even though the program has been budgeted for the last two years on the basis of a survey in one-third of the counties every three years, it has not been able to survey all counties within a three-year period because of the need for surveys in certain counties at more frequent intervals and that therefore the mandatory requirement for surveys, at least every three years in each county, will increase the workload.

However, the mandatory three-year requirement does not become fully operative until the year 1962-63, and it appears appropriate to us therefore to defer any request for an increase on this basis to a later date.

Furthermore, if surveys during 1959-60 are completed as scheduled, all counties in the State will have been surveyed at least once within the most recent three-year period with the exception of Lake, Lassen, and Sierra (each of which was surveyed during 1956-57) which have a combined total of two-tenths of one percent of the total locally assessed property in the State. During the same period, four counties, Los Angeles, El Dorado, San Luis Obispo, and Santa Barbara, will have been surveyed twice.

In view of this it appears to us that the present staff as it becomes more experienced and improved procedures are developed, should be adequate for a program which requires a survey in each county at least once every three years.

Assessment Standards Division

This division furnishes assistance to county assessors of two general kinds: (1) activities not related to any particular county such as the development of standards and techniques through the issuance of general instructions in the form of manuals, handbooks, etc., and (2) appraisal instruction in individual counties upon request.

Board of Equalization—Continued

Five additional positions are requested because it is stated that the publication of assessment ratios as provided in Chapter 1682, Statutes of 1959, will increase the pressure upon assessors for intracounty equalization, with resulting increases in their staffs and in requests from the assessors for assistance, and because the board believes that the cost of the proposed increase in staff will be more than offset by larger repayments to the State of school construction loans than would occur in the absence of a program of increased assistance to the assessors.

We recommend against approval of the following five additional positions requested for this purpose:

	Amount	Budget	
		Page	Line
2 assistant real property appraiser -----	\$12,120	303	53
1 assistant estimator of building construction -----	6,672	303	54
1 assistant administrative analyst -----	6,060	303	56
1 junior-intermediate stenographer-clerk -----	3,810	303	57
5 Total -----	\$28,662		

We do not believe that this is a workload increase, and it was not so considered in the original budget presentation, since the creation of more pressure on individual assessors, if it should develop, is not, of itself, evidence of the need for additional assistance from the State.

The passage of Chapter 1786, Statutes of 1959, which requires adjustment of all assessed values to the statewide average, for purposes of calculation of state aid to school districts and repayment of construction loans, will have the effect of adjusting existing inequities between districts arising out of variations in assessment levels.

Increased repayments to the State from school districts for school construction loans can only result from a general increase in assessment levels in school districts, since repayment is conditioned on a concept of ability to pay as evidenced by the tax rate required for debt service on the district's own bonds, with no repayment if the rate calculation exceeds 40 cents per \$100 of assessed valuation. If assessment levels are raised the rate required for debt service will drop, since the amount required is constant. This will result in a tax increase in those districts where the rate required is less than 40 cents.

It is the contention of the Board of Equalization that the publication of assessment ratios required under Chapter 1682, Statutes of 1959, will tend to reduce the statewide average assessment ratio, which will reduce assessment levels in the school districts, which in turn will reduce repayment of school district loans. We agree that any reduction in the statewide average assessment ratio will tend to reduce the amount of the repayments of school loans but we do not agree with the assumption that publication of the assessment ratios will necessarily tend to reduce the statewide average assessment ratio. We believe that a more likely effect is that it will tend to stabilize assessment ratios in the various counties at the statewide average.

The Board of Equalization further contends that effective pressure to encourage assessors to maintain a standard level of assessments can only be exercised by the Board of Equalization through its intercounty

Board of Equalization—Continued

equalization and assessment standards work, and that unless some additional effort is made by the board staff to maintain or increase the present assessment ratios in the several counties, the reduction in the amounts of school building construction loan repayments could easily exceed \$1 million per year.

In urging that the present assessment ratios in the several counties be increased in order to increase school building loan repayments to the State, the board, in effect, is recommending that taxes in the impoverished school districts be increased since these are the districts involved in the school building loan program and its attendant repayment features.

It is our view that the responsibilities of the Board of Equalization, under Chapters 1682 and 1786 of the Statutes of 1959, are limited to ascertaining and reporting the facts as to existing assessment ratios and do not include the policy determination of the level at which the statewide average assessment ratio should be maintained.

As we pointed out in our 1959-60 Analysis, we do not regard the cost of furnishing appraisal instruction to individual counties on a request basis as a cost which should be borne by the State, but believe that to the extent that it is needed, it should be furnished the counties on a wholly reimbursable basis, in the same manner as mapping services or co-operative personnel services, and we recommended that the appropriation requested for the Division of Assessment Standards for that year be cut in half to eliminate state responsibility for this service. We are still of this opinion and believe that it would be appropriate at this time, in view of recent legislation, to give serious consideration to decreasing rather than increasing the activities of the Division of Assessment Standards, by elimination of positions used for appraisal instruction in individual counties on a request basis.

Valuation Division

The Valuation Division places values on public utility properties which are the basis for the property tax assessments against the utilities. A part of the process consists of field inspection and appraisal of certain kinds of property at periodical intervals. A necessary tool in the process is the so-called code area map, one or more of which is prepared for each county and kept up to date, since the number and location of taxing jurisdictions is constantly changing. There are 5,131 separate taxing jurisdictions in the State at present, the overlapping of which gives rise to approximately 12,000 separate code areas, a code area being defined as an area in which all property has the same combination of tax rates.

The agency is requesting one additional associate real property appraiser and one additional assistant real property appraiser because of an increase in the number of property appraisals, due to the growth factor, and two additional delineators to revise the maps to a current basis.

We recommend approval of these four positions on a workload basis.

Board of Equalization—Continued

Utilities own two kinds of property, operating or "unit" property which is property used in the utility operation and is assessed as a whole or on a "unit" basis for the entire system, with the total value prorated to the various code areas on various bases, and non-operating or "non-unit" property which is owned or leased by the utility and not used in its utility operations, which is assessed individually in the same manner as other non-utility property, although not at the same ratio a county would assess such property. Land owned by a railroad, adjoining its right-of-way but leased to an oil company for a service station would be an example of "non-unit" property.

Until recently, field inspections of both "unit" and "non-unit" properties were made at the same time interval, four to seven years, but the agency is now of the opinion that "non-unit" property should be inspected more frequently in order to bring valuations more into line with those for comparable locally assessed property, and for this purpose is requesting five additional positions.

We recommend approval of the following five positions requested for this purpose:

	Amount	Budget	
		Page	Line
2 Associate real property appraisers -----	\$14,712	303	60
2 Assistant real property appraisers -----	12,120	303	61
1 Calculating machine operator -----	3,372	303	63
5 Total -----	\$30,204		

We recognize that a problem exists with respect to the "non-unit" properties, which in the case of railroads, amount to almost one-quarter of their total, since the State has been assessing such property at 50 percent of market value, whereas the counties would assess at closer to 25 percent. These properties are not part of the rate base and therefore it is correct, we believe, to have their assessment related to locally assessed properties rather than the unit property assessment level.

However, we believe that it would be more appropriate for such properties to be assessed by the local assessors than by the State, as recommended in the Staff and Consultant's Report of February 1959, to the Joint Interim Committee on Assessment Practices.

Automobile Mileage

Automobile mileage, which is included in "travel in-state" under operating expenses as budgeted, has been calculated at \$.038 per mile for the number of miles estimated for 1960-61. The actual and estimated mileage, by divisions and years, is as follows:

Division	Actual 1958-59	Miles	
		Estimated 1959-60	Estimated 1960-61
Administration -----	94,733	120,500	121,500
Business taxes—headquarters -----	26,172	33,000	33,000
Business taxes—districts -----	2,297,773	2,375,398	2,404,673
Property taxes -----	319,321	333,000	333,000
Totals -----	2,737,999	2,861,898	2,892,173

Board of Equalization—Continued

There has been no justification given as to why the estimated mileage for either 1959-60 or 1960-61 should exceed that for 1958-59, particularly for business taxes—districts, where the authorized positions which might involve travel; that is, auditors and compliance representatives, was actually slightly higher in 1958-59 than in either 1959-60 or 1960-61. Furthermore, in five of the districts estimated mileage for 1960-61 is actually less than the actual for 1959-60.

We recommend that auto mileage included in travel in-state be reduced \$6,746, as follows:

<i>Division</i>	<i>Miles</i>	<i>Amount at \$.038 per mile</i>	<i>Page</i>	<i>Budget Line</i>
Administration -----	26,767	\$1,017	300	44
Business taxes—headquarters ----	6,828	259	301	73
Business Taxes—Districts:				
Los Angeles -----	927			
San Francisco -----	35,799			
Oakland -----	49,109			
San Bernardino -----	15,589			
San Diego -----	5,785			
San Jose -----	10,954			
Sacramento -----	12,105			
Total Business Taxes, Districts -----	130,268	\$4,950	302	24
Property taxes -----	13,679	520	303	74
Totals -----	177,542	\$6,746		

The effect of this recommendation will be to reduce the authorized mileage for 1960-61 to the level experienced in 1958-59 in those operating units where there has been no voluntary reduction by the agency.

Misuse of State Cars

The Auditor General in the course of an audit of the Board of Equalization has made a review of automobile usage in five of the largest districts of the Board of Equalization, which districts contain 70 percent of the total field staff of the board. A very detailed examination was made of the travel logs of the vehicles in those instances where there was any indication of the misuse of state cars under the provision of the law, Board of Control rules, and pertinent sections of the Administrative Manual. The data in the travel logs, taken in conjunction with other pertinent data, such as the normal work assignments of the individuals to which the cars were assigned, indicate that on a yearly basis, 28 cars were driven a total of 138,948 miles in home-to-office driving, which, at the rate budgeted for automobile mileage of \$.038 per mile, amounts to \$5,280.

We recommend a reduction of \$5,280 in auto mileage to eliminate provision for home-to-office driving as a further reduction in travel in-state, budget page 302, line 25 for 1960-61.

We have reviewed the procedures used and examined the detailed working papers supporting these calculations and believe that the data therein adequately supports the recommended reduction. The data indicates that the cars in question were operated on a personally assigned basis, were regularly stored at night at the home of the individual to

Board of Equalization—Continued

whom assigned, and that the individuals involved included high ranking staff members, such as District Tax Administrators and audit and compliance supervisors whose normal work assignments would include very little travel.

This raises the question as to why such individuals needed personally assigned cars, and suggests that the complement of agency-owned vehicles in these districts may be excessive.

Undercover Cars

It has come to our attention that the Board of Equalization has several agency-owned "undercover cars," that is, cars without the state insignia on the outside of each front door and with license plates in the regular series used for nonexempt vehicles, which makes them indistinguishable from a privately-owned vehicle, and it appears that some of these cars are assigned, on an individual basis, to the deputies to the board members.

Section 5001 of the Vehicle Code of 1959 specifies, in effect, that such cars are to be used only by law enforcement officers investigating actual or suspected violations of the law in line of duty. It is difficult for us to see how the deputies to members can be regarded as regularly functioning in such a capacity.

Section 5002 of the Vehicle Code of 1959 provides a procedure whereby undercover cars can be maintained in the Department of Finance pool and assigned only for use in accordance with the purposes intended in the law, and there is a substantial number of such cars in the pool at the present time.

We believe that if all undercover cars were to be placed in the Department of Finance pool, there would be better assurance that the use of such cars would be limited to the purposes for which the law intended.

It appears to us that possibly this could be accomplished under the present law if the Department of Motor Vehicles would merely refrain from issuing "undercover" plates to other than the Department of Finance pool cars and *strongly recommend that if possible, the Department of Motor Vehicles take such action.*

Undercover cars are peculiarly susceptible to misuse since the risk of detection is almost nonexistent.

When undercover cars are operated on an individually-assigned basis, particularly when they are regularly garaged at the residence of the person to whom assigned, as appears to be the case with the Board of Equalization cars in question, there would appear to be two serious consequences:

1. The temptation to use such a car for personal purposes is very great.
2. The car will be used to a considerable extent for official business of a kind where an undercover car is not needed.

Board of Equalization—Continued

Furthermore, it appears to us that the use of undercover cars on a statewide pooled basis would have an advantage from the law enforcement standpoint since, in many instances, the same enforcement officer would not be using the same car continuously. It also appears likely that on a statewide pooled basis, the number of undercover cars required could be substantially reduced.

Automobile Replacements

Included in the amount budgeted for equipment for 1960-61 is \$60,120 for automobile replacements. This includes \$15,000 to replace the four heavy cars assigned to the four elected board members (a 1955 Buick, two 1956 Chryslers and a 1957 Chrysler), \$3,760 for two light cars to replace wrecks, and \$41,360 to replace 22 light cars in other sections of the agency.

We recommend elimination of \$45,120 for the replacement of 24 light automobiles, distributed as follows:

Division	No.	Amount	Budget	
			Page	Line
Administration (to replace wrecks) ---	2	\$3,760	300	57
Property taxes -----	1	1,880	303	80
Business taxes—districts -----	21	39,480	302	30
Totals -----	24	\$45,120		

As a necessary corollary we recommend that sufficient funds be provided elsewhere for augmentation of the Department of Finance pool to the extent necessary to enable it to furnish adequate services to the Board of Equalization on a rental basis.

We made a similar recommendation in 1954 with respect to Board of Equalization cars based in the Sacramento area, which was approved by the Legislature.

The Department of Finance pool contained 111 passenger cars on September 30, 1953, or 1.8 percent of the state-owned total of 6,120, whereas on June 30, 1959, it contained 1,604 passenger cars or 20.3 percent of the state-owned total of 7,895.

The pool is equipped to furnish adequate service on a daily rental basis in Los Angeles, San Francisco and Sacramento, including "undercover" cars, and is developing this service in other areas.

In those areas in which such service is not available, there are many Department of Finance cars assigned to agencies, including the Board of Equalization, on a monthly rental basis and we believe this is desirable since it assures a uniform maintenance policy and tends to insure better usage of the cars.

We believe it is in the best interest of the State to expand the centralized pool operations and the centralized ownership concept as rapidly as feasible, and the device of in effect transferring agency cars to the pool as they become due for replacement appears to us to be a suitable method of accomplishing this result on an orderly basis.

Typewriter Replacements

Included in the amounts requested for equipment for 1960-61 is \$14,235 for the replacement of 73 typewriters, at \$195 each. These

Board of Equalization—Continued

replacements are being requested under what the agency terms its "planned replacement program," which contemplates the replacement of certain standard items of equipment, such as adding machines, calculators, typewriters, typewriter desks and flat-topped desks, on the basis of length of service.

We recommend elimination of \$14,235 for typewriter replacements, as follows:

Division	No.	Amount	Budget	
			Page	Line
Administration -----	9	\$1,755	300	57
Business taxes—headquarters -----	16	8,120	301	82
Business taxes—districts -----	46	8,970	302	31
Property taxes -----	2	390	303	80
Totals -----	73	\$14,235		

We do not disagree with the basic concept of an orderly replacement program for standard articles of equipment, based upon length of service, but believe that it should be supplemented at fairly frequent intervals by an evaluation of current usage and that standards should be established for the equipment requirements of the existing staff.

In the case of the Board of Equalization, this was not done in connection with the current budget, and since there is some evidence that the current typewriter inventory may be excessive, we are recommending that no further typewriter replacements be authorized until such a survey is completed, particularly in view of the recent establishment of a new position of budget officer in the agency.

In the course of his regular audit, the Auditor General has made a detailed review of the operations in the Accounting Office of the Board of Equalization, and a review of his working papers indicates that on November 30, 1959, there were 21.5 people working in the office and 30 typewriters. Each individual employee, including the head of the unit, an accounting officer IV, had a typewriter on her desk or readily accessible and all were doing some typing, although there are only 9.5 authorized positions in the unit, out of a total authorized for 1960-61 of 28.5, with typist or stenographer classifications. The working papers indicate that there was only enough typing workload in the unit to occupy the equivalent of approximately eight persons on a full-time basis. The papers contain an estimate that not to exceed 15 typewriters, including special purpose machines required for tabulations and the like, would be adequate for the needs of the unit if the work were properly organized on a specialized functional basis.

The papers indicate that of the 30 typewriters, four were new, including the one assigned to the accounting officer IV, 14 were in good condition, eight fair to good, three fair, and one old.

It appears obvious that if any significant amount of typing is required of an individual in the accounting officer IV classification, the position is probably improperly classified and that a classification survey of the position by the Personnel Board should be requested.

Board of Equalization—Continued

Field Offices

We have long been concerned with the lack of any criteria governing the establishment of field offices by the Board of Equalization, such as exist in certain other large state agencies with extensive field office organizations. This lack has also been commented upon by others, at various times, and the basic internal study conducted by the board's own staff contains the following in Volume II, page 22, of the report issued in July 1958:

"The Board does not have a policy that prescribes the conditions under which a new office should be established, and conversely when one should be closed. The lack of standards has resulted in a number of variations in the scope of responsibilities and authority of the various field offices. . . .

"Local factors have definite influence on any decision to establish or discontinue offices. These factors should not, however, be the sole consideration. If the Board established standards and applied them Statewide, they would not only facilitate the Board's actions but would also provide data that could be used to show local interests that the Board's actions were part of a Statewide plan."

Any consideration of the problem of field office organization in the Board of Equalization requires consideration of the basic structure of the organization, since the boundaries of the equalization districts are of prime significance to the existing structure. The basic units for field administration are the administrative districts, which are all subdivisions of the equalization districts, and because the equalization district boundaries subdivide certain natural economic areas of the State, we note such weird results as an office in Vallejo receiving administrative direction from Marysville, instead of from Oakland or San Francisco, and one in San Rafael reporting to Santa Rosa instead of to San Francisco.

This pattern, of course, is predicated on the assumption that the elected board members have administrative responsibilities with respect to the operations in the areas from which elected, but we can find no constitutional or statutory basis for such an assumption, and it is a matter of record that from 1933 to the early 1940's, at least one administrative district in an important area of the State, included territory in more than one equalization district.

It is true that under Section 15623 of the Government Code, each elected member ". . . shall investigate the administration, enforcement, and operation within the district from which he is elected of all laws, the administration and enforcement of which are vested in the board," and that each member may appoint a deputy to assist him in the performance of such duties, but we do not believe this necessarily requires the present administrative structure based on the existing equalization district boundaries.

If these boundaries were to be disregarded, the State could either be organized into substantially fewer separate administrative districts than the existing 12, or a three-area pattern adopted, such as is used

Board of Equalization—Continued

by several other large agencies, with San Francisco, Los Angeles and Sacramento being the focal points for field administration.

We believe that either plan, or some combination of the two, would be an improvement over the present structure, from the standpoint of both efficiency and economy.

If it is believed that equalization district boundaries have real significance in the administrative structure, the solution would then appear to be to redistrict the State in such a way as to reduce to a minimum the adverse affect which such boundaries would have on an efficient administrative structure. A redistricting which placed Los Angeles County in one district, the San Francisco Bay area counties in another, with the remainder of the State divided into areas approximately equal in population would appear to satisfy this condition.

At present there are 61 field offices in the 12 administrative districts, ranging in size from the Los Angeles office, with a staff of 233 to full-time offices in Bishop, Ontario and Crescent City, with two employees each, including clerks, and two part-time offices in Lakeport and Colusa with no permanently assigned staff.

Each district has a district headquarters office and a number of full-time branch offices, although some of the district headquarters offices are small and the branch offices in Los Angeles County are larger than the district headquarters offices in most of the remainder of the State.

We believe that standards governing the establishment of field offices should be predicated upon a clear understanding of the basic function of such an office in a tax agency.

Offices have been justified in the past largely on the basis of "better service to taxpayers."

We think this is the wrong approach since taxpayers generally have sound reasons for direct contact with field offices at very infrequent intervals. In the case of the sales tax, for example, a contact would be required upon starting the business, another, perhaps not oftener than once every three years in the event of an audit, and then only if there were controversial points involved, and another, perhaps upon quitting business. Periodical requests for information can usually be handled satisfactorily by telephone or by mail.

Our view is that the governing consideration in determining the location of field offices in a tax agency is that they should be located in such a manner as to make for the most efficient and economical use of the staff engaged in the field work incident to the administration of the tax laws involved. This means *generally* that the offices should be located where the workload exists, and if they are located on this basis, the matter of necessary "service to taxpayers" would appear to be adequately achieved.

In the absence of any positive standards governing the establishment of field offices, we believe that the following tests could well be applied:

1. *Minimum Size.* It appears to us that offices are justified only where a sufficient workload exists to require their maintenance on a full-time basis, with a sufficient staff to assure reasonable continuity

Board of Equalization—Continued

of operations, some semblance of supervision and some degree of specialization, and in a tax agency such as this, we believe this requires at least three units of technical personnel and one clerk. Our view is that offices smaller than this are not justified and that work in areas now served by such offices can be handled adequately on an itinerant basis as is done in some areas of the state at the present time.

2. *Proximity to Other Offices.* We believe that offices should be at least 50 miles apart, subject to the two following exceptions:

a. *Workload concentration*—Where substantial concentrations of workload exist, as for example at least 6,000 permits in each area to be served.

b. *In very large cities*—Traffic conditions and rental situations in very large cities may justify several smaller offices in preference to a single large office, provided that such an arrangement will result in no overall increase in operating costs.

If these two tests are applied to the existing field office pattern, the result would be a reduction in the number of offices of from 61 to 34. This would result in an immediate saving in rent of \$38,485 per year plus an additional \$44,000 from the elimination of unnecessary clerical personnel or a total of \$82,485.

The application of the "minimum size" test would result in the elimination of 18 small offices and total rent of \$14,505. These small offices have 11 full-time clerks, at present, and it appears reasonable to assume that all the clerical workload represented could be absorbed by the larger offices to which the 26 units of technical staff now in the small offices, would be transferred.

The application of the "proximity" test would result in the elimination of nine larger offices, with a savings in rent of \$23,980. There are 13 units of clerical personnel in these nine offices, but we have assumed no reduction would result as a result of consolidation with the larger offices.

Admittedly, the foregoing represents a negative approach to the field office problem, but in the absence of any other standards, we believe it merits serious consideration.

Generally speaking, we believe a more efficient field operation will result from the better supervision incident to concentration of the staff into fewer and larger units.

The Board of Equalization itself, in recent years, has indicated a recognition of some of the defects in its field office pattern by the elimination of offices in Mill Valley and Redwood City, and by transfer of a number of its smaller offices from a full-time to a part-time basis.

It has also indicated a recognition of certain defects in the top structure of its field office pattern by the reduction in the number of administrative districts from 14 to the present 12.

We regard these as steps in the right direction.

BOARD OF EQUALIZATION

ITEM 116 of the Budget Bill

Budget page 305

FOR SUPPORT OF STATE BOARD OF EQUALIZATION FROM THE
MOTOR VEHICLE TRANSPORTATION TAX FUND

Amount requested	\$1,060,475
Estimated to be expended in 1959-60 Fiscal Year	1,033,024
Increase (2.7 percent)	\$27,451

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

This appropriation is for costs of administration of the Motor Vehicle Transportation License Tax and the provisions of the Itinerant Merchants Law, the details of which are included under Item 115. Any adjustments in that item relating to administrative costs of the foregoing will require a corresponding adjustment in this item.

BOARD OF EQUALIZATION

ITEM 117 of the Budget Bill

Budget page 305

FOR ADDITIONAL SUPPORT OF STATE BOARD OF EQUALIZATION
FROM THE MOTOR VEHICLE FUEL FUND

Amount requested	\$942,154
Estimated to be expended in 1959-60 Fiscal Year	930,695
Increase (1.2 percent)	\$ 11,459

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

This appropriation is for costs of administration of the motor vehicle fuel (gasoline) license tax and the use fuel (diesel) tax, the details of which are included under Item 115. Any adjustments in that item relating to administrative costs of the foregoing, will require a corresponding adjustment in this item.

Department of Finance
GENERAL ACTIVITIES

ITEM 118 of the Budget Bill

Budget page 307

FOR SUPPORT OF THE DEPARTMENT OF FINANCE
FROM THE GENERAL FUND

Amount requested	\$8,006,168
Estimated to be expended in 1959-60 fiscal year	7,639,293
Increase (4.8 percent)	\$366,875

TOTAL RECOMMENDED REDUCTION \$23,452

Summary of Recommended Reductions

	Amount	Budget Page	Line
Salaries and wages			
1 Senior planner	\$9,364	318	6
1 Associate planner	7,728	318	7
1 Assistant planner	6,360	318	8

Department of Finance—Continued

The budget request of the Department of Finance shows an increase of \$366,875, or 4.8 percent, as compared to the estimated expenditures for the current year. Major changes in the budget occur in the following categories:

	<i>Increase</i>
Salaries and wages	\$883,562
Operating expenses	813,503
Equipment	—11,367
Less increased reimbursements	—1,305,190
Less increased support from other funds	—13,633
Net increase from General Fund exclusive of contributions for retirement	\$366,875

The increase in salaries and wages results principally from 163 proposed new positions amounting to a total of \$620,211 plus normal salary adjustment and the elimination of five positions in the Buildings and Grounds Division. This division alone accounts for increases of \$659,276 in salaries, \$695,529 in operating expenses, and \$9,267 in equipment. The increases are more than offset by the increase in reimbursements.

The proposed new positions are as follows:

Executive Office

1 Junior counsel (budget page 308, line 23)	\$5,496
1 Intermediate stenographer-clerk (budget page 308, line 24) ..	3,720

We recommend approval of these positions.

The new professional and clerical positions are needed in the legal section to handle the additional workload in the state water program.

Administrative Service Office

1 Tab machine operator (budget page 308, line 64)	\$4,092
1 Key punch operator (budget page 308, line 65)	3,720
2 Intermediate typist-clerks (budget page 308, lines 67 and 69) ..	7,335

We recommend that these positions be approved on a workload basis.

On the basis of standard workload measurements for machine operations, two operators are needed in the tabulating unit of the accounting section. One clerk is requested for the central file and mail section to handle the increasing volume of documents in connection with the work improvement and merit award programs. Another clerk is necessary to service the department library which was formerly managed on a part-time basis by a research position.

Audits Division

3 Financial examiners (budget page 309, line 60)	\$19,080
3 Accountant-auditors (budget page 309, line 61)	15,696

We recommend approval of these positions as budgeted.

These positions are necessary for handling the additional activities enacted by the 1959 Legislature and new work programs undertaken by the division. The new areas of audit activities include the cigarette tax administration in the Board of Equalization as authorized by the

Department of Finance—Continued

1959 Legislature, delivery of warrants in the Printing Division to comply with recommendations of the Auditor General, medical services for the needy disabled in the Department of Social Welfare, and construction contracts in the Division of Highways, Toll Bridge Authority and Division of San Francisco Bay Toll Crossings.

Budget Division

2 Budget analysts (budget page 310, lines 50 and 51)----- \$14,088

We recommend that these positions be approved.

The division has reached the point where it can no longer absorb the increasing workloads without additional staff as it has for the past seven years. The two analysts are requested to relieve the unusual overtime situation.

Buildings and Grounds

Sacramento

1 Electrician (budget page 312, line 37)----- \$5,772
 1 Policeman (budget page 312, line 38)----- 4,740
 3 Janitors (budget page 312, lines 39 and 40)----- 10,808
 2 Telephone operators (effective January 1, 1961)
 (budget page 312, line 45)----- 3,540
 1 Intermediate clerk (budget page 312, line 46)----- 3,540
 2 Temporary help (budget page 312, line 42)----- 11,544

San Francisco

3 Policemen (budget page 312, lines 49 and 50)----- 14,976

Oakland

3 Janitors (budget page 313, lines 25 and 26)----- 11,112

Los Angeles

87.1 Positions (new building) (budget page 312)----- 264,519

Fresno

27.2 Positions (new building) (budget page 313)----- 106,743

We recommend approval of these positions as requested.

A total of 130.3 positions are requested to meet the existing and increasing workload in this division.

The positions requested for the Sacramento area are justified for the following reasons: An electrician is requested to meet the expanding electrical service load. A policeman is needed to handle "called for service." i.e., heart attacks and other emergencies. Since the force was reduced from 72 to 56 men in 1958-59, the present force is fully absorbed in existing post assignments. The capital telephone unit requires two operators to handle the increasing switchboard load and one clerk to perform clerical duties. The additional janitors are needed to service the state leased building at Town and Country area. The janitorial staff was cut by 45 positions in June 1959, which increased the working area per janitor from the present standard of 9,000 square feet to 11,000 square feet.

Department of Finance—Continued

The completion of two state buildings requires additional positions in the categories of building engineers, policemen, carpenters, painters, groundsmen, maintenance men, janitors, window cleaners, and clerks for building maintenance and operation. On the basis of standard formulas, 27.2 positions are assigned to the Fresno State Building scheduled for completion in July 1960, and 87.1 positions are designated for the Los Angeles State Building which will open October 1960. The three policemen for San Francisco and three janitors for Oakland are for improved security and custodial services of state buildings.

The five elevator operator positions which are to be abolished in 1960-61 fiscal year result from the installation of automatic equipment. However, when the Legislature is in session elevators in the Annex will be manned by operators.

Economic Development Agency

The Economic Development Agency, a subdivision of the Department of Finance, was created by the 1959 Session to investigate, study and undertake ways and means of promoting and encouraging the development of business, industry and commerce within and without the State. It presently consists of 23 authorized positions and it is proposed to have 22 positions for 1960-61, dropping one position of temporary help. The staff primarily consists of 12 industrial representatives and three business economists supervised by a commissioner and deputy commissioner.

To date we have little information upon which to judge the activity of the agency. Its research program has just been initiated and will include a study of the changes in the California economy in 1960, especially the rate of industrial growth by regions with emphasis upon the competitive position of California with other states. Generally speaking, the office is still in the process of setting up its organization and outlining programs.

A major release was disseminated publicly in January providing an "economic outlook in California for 1960" based, according to the statement, on "massive research," implying that the assumptions and data contained therein were independently arrived at, and since they differ in some respects from the economic data used in the budget forecasts prepared elsewhere in the Department of Finance and upon which the State Budget has been based, this aspect of the work of the agency has special significance.

As we interpret the function of the office, it seems unnecessary to attempt to duplicate the extremely comprehensive work done by the revenue estimating staff of the Department of Finance, and aside from the waste in time and effort it is regrettable that this affords two differing official estimates. The differences are relatively small and if it were not for the fact that both agencies are part of the Department of Finance and the public has some right to expect official estimates of that agency to be consistent, no criticism could possibly be levied against the differences in judgment. The kind of situation which this leads to, however,

Department of Finance—Continued

can be illustrated by the fact that if the official revenue estimating assumptions contained in the Governor's Budget are applied to the data submitted by the Economic Development Agency it could be interpreted as producing a prospective unbalanced budget for California in 1960. Admittedly, this is stretching a point, but we think it serves to illustrate the kind of activity which the agency should leave to already established sources. The agency should, we believe, restrict itself to furnishing information upon request and developing data independently only to the extent that it is not adequately furnished elsewhere in the State.

In view of the fact that this agency is still in the planning stage, we believe that a full statement of its prospective workload for 1960-61 should be made available to the committees of the Legislature with some demonstration of the activities of the individual technical positions in the agency. No information of this kind was presented with the budget. Pending its receipt we can make no definite recommendation, except that this continues what the Legislature authorized last session.

Local Allocations Division

2 Accountant-auditors (budget page 316, line 26)-----	\$10,992
2 Senior account-clerks (budget page 316, line 27)-----	9,024
1 Intermediate file clerk (budget page 316, line 28)-----	3,720

We recommend approval of these positions subject to recommendations to be submitted in an Organization and Cost Control Division report.

As a result of 1959 legislation which allowed school districts to acquire furniture and equipment with state aid, five temporary positions were added to handle the additional workload. The workload still exists and the division now asks that these five positions be established on a permanent basis. The Organization and Cost Control Division is presently studying existing procedures of Local Allocations Division and Department of Education to determine if improvements can be made which will reduce the present personnel in the administration of the School Building Aid Program.

Organization and Cost Control Division

1 Tab systems technician (budget page 317, line 17)-----	\$7,728
1 Administrative assistant (budget page 317, line 19)-----	6,360
1 Intermediate typist-clerk (budget page 317, line 15)-----	3,720

We recommend approval of these positions as budgeted.

The technician position will enable the Tabulating Systems Section to reduce its backlog, now amounting to 18 months of work, and meet anticipated increases in workload. The administrative assistant position is requested for administration of the Work Improvement Program established in 1959. The new position of typist is needed for increased activity in the clerical pool.

Department of Finance—Continued

Planning Office

Three new positions are requested for the Planning Office in the Department of Finance at a salary and wage cost of \$23,452 and to increase the authorized staff from five to eight positions. The positions requested are as follows:

1 Senior planner (budget page 318, line 6)-----	\$9,364
1 Associate planner (budget page 318, line 7)-----	7,728
1 Assistant planner (budget page 318, line 8)-----	6,360
<i>Total</i> -----	<i>\$23,452</i>

We recommend deletion of these positions.

The justification submitted by the agency for these three new positions states that the senior planner is requested "to assume responsibility for the development plan section"; the associate planner is requested primarily to provide staff work and an information clearing house for what is anticipated to be a continuation each year of a planning conference of state agencies under the auspices of a standing committee of the Governor's Council; and the assistant planner is requested for work in connection with an annual report on planning activities throughout the State based upon questionnaires to local and other agencies.

With respect to the first function referred to above, it is pointed out by the agency that the preparation of a State Development Plan was assigned to the agency by the terms of Chapter 1641, Statutes of 1959, which requires a report to the Legislature in January, 1961, on the status of such plan. However, it is stated by the agency that "No real progress on the plan itself is contemplated by that date, but a report outlining the procedures to be followed and the work necessary will be expected," and that the person requested for this position would "assume direction of the enlarged development plan staff in ensuing fiscal years."

Since this staff would be the first increment of an enlarged planning staff, the size and nature of which is not yet known, and since no real progress on the development plan itself is anticipated by January of 1961, it would appear that it would be no more than the normal functions of the existing staff of five persons to prepare a report outlining the procedures to be followed and work necessary to be done, for submission to the Legislature and approval by it, before the existing staff is expanded.

With respect to the second and third functions mentioned above, for which an associate and an assistant planner are requested, both of these; namely, the servicing of an annual interagency planning conference and the preparation of an annual statistical report of local planning activities, are currently being performed by the agency, and it would appear to be neither necessary nor appropriate to expand the facilities for these services in the absence of a comprehensive plan and program for the enlarged planning staff which is envisioned by the agency for ensuing fiscal years.

Department of Finance—Continued

Property Acquisition Division

2 Associate land agents (budget page 318, line 60)-----	\$17,040
1 Junior right-of-way agent (budget page 318, line 61)-----	5,148
1 Intermediate stenographer-clerk (budget page 318, line 62)-----	4,350

We recommend that these positions be approved.

The division requests that these four positions which were authorized on a temporary basis in 1959 now be established on a permanent basis.

We have examined the present backlog of projects and find that these positions will be able to cut down the work which is now pending. However, it appears that a backlog will accumulate as of June 30, 1961.

Purchasing Division

1 Buyer (budget page 319, line 76)-----	\$7,356
3 Clerks (budget pages 319 and 320)-----	10,800

We recommend approval of these positions.

One buyer and one clerk are required in the contracts section to handle expanding contract activities. A clerk is requested for the newly established coding section in the Sacramento office with the understanding the position will not be filled if the anticipated workload increase does not develop. Another clerk for the Los Angeles office is justified by workload data submitted to this office.

DEPARTMENT OF FINANCE

ITEM 119 of the Budget Bill

Budget page 321

FOR ADDITIONAL SUPPORT OF THE DEPARTMENT OF FINANCE
FROM THE FAIR AND EXPOSITION FUND

Amount requested -----	\$233,626
Estimated to be expended in 1959-60 fiscal year-----	227,661
Increase (2.5 percent) -----	\$5,965
TOTAL RECOMMENDED REDUCTION -----	None

ANALYSIS

The amount appropriated by this item provides support for the Fairs and Expositions Division in the amount of \$133,626 and the amount of \$100,000 for audits of county and district fairs.

We recommend approval.

DEPARTMENT OF FINANCE

ITEM 120 of the Budget Bill

Budget page 321

FOR SUPPORT OF LOCAL ALLOCATIONS DIVISION, DEPARTMENT OF
FINANCE, FROM THE SCHOOL BUILDING AID FUND

Amount requested -----	\$705,864
Estimated to be expended in 1959-60 fiscal year -----	698,196
Increase (1.1 percent) -----	\$7,668
TOTAL RECOMMENDED REDUCTION -----	None

Department of Finance—Continued

ANALYSIS

The budget request for support of the Local Allocations Division shows an increase of \$7,668 or 1 percent over estimated expenditures for the current year. This division serves as technical staff for the State Allocation Board with responsibility for administering state financial assistance to school districts for school building construction. The proposed new positions and additional activities of the division are discussed in the main support item.

Department of Finance
CALIFORNIA STATE FAIR AND EXPOSITION

ITEM 121 of the Budget Bill

Budget page 322

**FOR SUPPORT OF CALIFORNIA STATE FAIR AND EXPOSITION
 FROM THE STATE FAIR FUND**

Amount requested	\$2,275,954
Estimated to be expended in 1959-60 fiscal year	2,171,737

Increase (4.8 percent)	\$104,217
TOTAL RECOMMENDED REDUCTION	\$72,730

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
Increase in items having over \$1,000 in direct fair operating expense	\$26,230	323	66
Advertising and public relations	46,500	323	45

ANALYSIS

The California State Fair and Exposition is authorized under the provisions of Article 1, Sections 70 through 77, of the Agricultural Code, Statutes of 1953. Funds for operation are furnished as set forth in Sections 19622 and 19624 of the Business and Professions Code, which makes allocations from the Fair and Exposition Fund. Presently, the statutes provide support for the California State Fair in the amounts of \$250,000 and \$15,000 for the junior show.

The following table has been prepared to show the relationship of expenditures to revenues. In the past eight years, revenues have never risen above 71.3 percent of expenditures. However, on the basis of budget year estimates, it is anticipated that revenue will increase to 76.6 percent of expenditures in 1960-61 fiscal year.

Comparison of Total Expenditures and Revenues

<i>Fiscal year</i>	<i>Expenditures</i>	<i>Revenues</i>	<i>Deficit</i>	<i>Revenues as percent of expenditures</i>
1952-53	\$1,890,797	\$1,265,236	\$625,561	66.9
1953-54	1,895,223	1,352,177	543,106	71.3
1954-55	1,964,428	1,281,100	683,328	65.2
1955-56	1,876,802	1,264,887	611,915	67.4
1956-57	2,104,397	1,470,357	634,040	70.0
1957-58	2,156,394	1,432,477	723,917	66.4
1958-59	2,126,993	1,449,405	677,588	68.1
1959-60*	2,210,737	1,547,828	662,909	70.0
1960-61*	2,329,954	1,784,000	545,954	76.6

* Estimated as shown in 1960-61 Budget.

State Fair and Exposition—Continued

The following table reflects the annual per capita cost of the deficit of the State Fair when measured by the total number of paid adult attendance.

<i>Fiscal year</i>	<i>Deficit</i>	<i>Total paid adult attendance</i>	<i>Per capita cost of deficit</i>
1951-52 -----	\$587,300	\$481,862	\$1.22
1952-53 -----	625,561	481,575	1.30
1953-54 -----	543,106	473,099	1.15
1954-55 -----	683,328	505,567	1.36
1955-56 -----	611,915	373,863	1.64
1956-57 -----	634,040	463,779	1.37
1957-58 -----	723,917	458,800	1.58
1958-59 -----	677,588	457,200	1.48
1959-60* -----	662,909	518,479	1.28
1960-61* -----	545,954	460,000	1.19
Totals -----	\$6,295,618	\$4,673,224	\$1.35

* Estimated as shown in 1960-61 Budget.

The deficit for the 10-year period, as set forth in the above table, will total \$4,673,224. The average per capita loss on each paid adult attendance for this period is \$1.35. It is noted on the basis of the agency's estimate, the per capita loss is expected to be \$1.19 in 1960-61, however, such loss is predicated on raising the admission charge from 50 cents to \$1, and achieving a 460,000 adult paid attendance.

Salaries and Wages

Salaries and wages for 1960-61 are scheduled at \$1,002,171 for 204.9 authorized positions. This is a decrease of \$24,638 or 2.4 percent over the \$1,026,809 estimated to be expended in 1959-60. The budget reflects a reduction of three temporary help positions and one co-ordinator position, reducing the total to 204.9 positions in 1960-61.

Operating Expenses

Total operating expenses are scheduled at \$1,322,600 for 1960-61. This is an increase of \$119,670 or 9.9 percent over the \$1,202,930 estimated to be expended in 1959-60.

The principal items of increase by function are as follows:

Increases of Over \$1,000 in Items of Operating Expense		
	<i>Increase 1960-61 over 1959-60 Amount</i>	<i>Percent</i>
General expense -----	\$2,562	16.2
Rent-equipment -----	1,200	5.0
Printing -----	1,342	4.3
Premiums and awards -----	6,676	2.6
Judges -----	3,177	15.4
Night show -----	2,864	6.3
Racing expense -----	4,159	18.7
Security -----	4,250	17.3

Total in items having over \$1,000 increase ----- \$26,230

State Fair and Exposition—Continued

No information has been submitted by the agency to justify the increases or indicate that the increases applying to the above-listed items would have any particular effect on improving either the attendance or the revenues at the fair.

We recommend a reduction of \$26,230 in operating expense from the agency's budget.

Advertising and Public Relations

The agency is requesting \$80,000 for advertising purposes in 1960-61, an increase of \$46,500 or 138.8 percent over the amount of \$33,500 expended in 1959-60.

In 1958-59 the agency expended \$79,998 for advertising and despite the advertising coverage received in that year, paid attendance at the fair decreased 1,100 admissions or 0.2 percent.

In 1959-60 the Legislature approved our recommendation and reduced the allocation for paid advertising to \$33,500, a reduction of \$46,498 or 58 percent under the prior year's expenditure. Despite this reduction in the amount allocated for paid advertising, paid attendance at the fair increased 61,279 or 13.4 percent.

We are confident that where press, radio and television are concerned, management can continue to initiate the same favorable relationship that was obtained last year at no additional cost.

We, therefore, recommend that the amount requested for paid advertising be reduced to \$33,500, a reduction of \$46,500 in the amount budgeted for advertising.

Fashion Show

The agency proposes to initiate a new program for the exhibition of fashions and fabrics supervised and operated by the California Fashion Creators, the state association of apparel manufacturers. They propose that the State expend approximately \$50,000 to defray the cost of the "Touring Fashion Show" which will be presented in 20 California cities prior to opening of the State Fair and for general publicity and operating expense of this show.

The agency proposes a \$1 admission charge for this show and estimates a revenue of \$25,000 from this source, although in 1959-60 no admission was charged for the show, nor was any record maintained of the number of spectators that viewed the exhibition.

The agency also proposes to charge a \$10 exhibitor's entry fee and estimates a total of 1,500 entries and \$15,000 in revenue from this source.

On the basis of the foregoing estimates, the agency anticipates a gross revenue of \$40,000, related to a gross expenditure of \$50,000, resulting in an approximate cost of \$10,000 to operate the "California Fashion Show."

We point out this is not the first time the agency has initiated expansion of the fashion show. In 1952-53 and in prior years, the show was presented at a cost of approximately \$19,000 annually, in order to give representation to an important California industry at the State Fair.

State Fair and Exposition—Continued

It was anticipated that after the industry became aware of the benefits to be derived that the interest thus stimulated would result in a situation where it would no longer be necessary to subsidize the industry's participation in the fair.

In view of the agency's past experience with this type of show, we recommend that fair management be precluded from expending any funds for the production of the fashion show unless such show can be so organized and financed under a contractual arrangement as to guarantee that any deficit to the State shall not exceed \$10,000.

Equipment

Equipment expenditures are scheduled at \$18,683 for 1960-61. This is an increase of \$7,175 or 62.5 percent over the amount of \$11,498 estimated to be expended in the 1959-60 fiscal year.

The major items of increase are the replacement of stage drapes and canvas awnings in Governor's Hall at a cost of \$9,525.

The budget, as originally submitted by the agency, requested \$32,391 for equipment. This amount has now been reduced to \$18,683, a saving of \$13,708 or 42.3 percent.

We believe that equipment requests are generally in line, as now budgeted, and recommend approval of the item.

Department of Finance

CALIFORNIA STATE FAIR AND EXPOSITION

ITEM 122 of the Budget Bill

Budget page 325

FOR AUGMENTATION OF THE STATE FAIR FUND
FROM THE GENERAL FUND

Amount requested	\$255,500
Estimated to be expended in 1959-60 fiscal year	377,500
Decrease (32.3 percent)	\$122,000
TOTAL RECOMMENDED REDUCTION	\$72,730

ANALYSIS

In prior years an appropriation was made from the Fair and Exposition Fund for augmentation of the special fund of the State Fair and Exposition, otherwise called the State Fair Fund.

The 1959 Legislature amended the statutes affecting the Fair and Exposition Fund, resulting in this request now being sought from the General Fund.

In line with our analysis of the State Fair, we recommend that \$72,730 be deducted from the \$255,500 requested to be transferred from the General Fund.

Department of Finance

SIXTH DISTRICT AGRICULTURAL ASSOCIATION

ITEM 123 of the Budget Bill

Budget page 326

FOR SUPPORT OF SIXTH DISTRICT AGRICULTURAL ASSOCIATION
FROM THE SIXTH DISTRICT AGRICULTURAL ASSOCIATION FUND

Amount requested	\$424,829
Estimated to be expended in 1959-60 fiscal year	333,029
Increase (27.6 percent)	\$91,800
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

Historically, the function of the Sixth District has been the operation and maintenance of the California Museum of Science and Industry located in Exposition Park in the City of Los Angeles, as provided in Article 2, Sections 80 through 92, of the Agricultural Code.

Total expenditures for 1960-61, including retirement costs, are proposed at \$443,091, an increase of \$93,662 or 26.8 percent over the amount of \$349,429 estimated to be expended in 1959-60.

The following table reflects the expenditures and revenues for five budget years:

	1956-57	1957-58	1958-59	1959-60*	1960-61*
Total expenditures †	\$193,176	\$263,401	\$495,398	\$349,429	\$443,091
Total revenues	158,421	258,303	447,113	499,300	597,400
Excess of expenditures over revenues	\$34,755	\$5,098	\$48,285	—\$150,129	—\$154,309

* Estimated as shown in 1960-61 Budget.

† Includes funds for State Employees' Retirement.

The above table shows a substantial improvement in revenue in the current and budget year which can be attributed to the estimated increase in parking lot revenue for the current and budget years.

Salaries and Wages

The total amount requested for salaries and wages for 1960-61 is \$276,843 or 23.3 percent over the total of \$224,468 scheduled for expenditure in this category during 1959-60.

The change in salary and wage costs is attributable to merit salary increases on 38.6 established positions and a total of 19.4 proposed new positions costing \$82,095.

In 1960-61 this agency will operate the parking lots in conjunction with its other functions and has requested 13.5 new positions for this purpose at a salary cost of \$56,902. In prior years the parking lots were operated under a private contractual agreement; however, this has been terminated and the agency has assumed the entire responsibility of operating the parking lots. The added cost of these new positions are more than offset by an increase in estimated parking lot revenue of \$98,100 in 1960-61 fiscal year.

We recommend approval of these positions.

1 Skilled laborer (budget page 327, line 75)	\$4,980
1.5 Janitor (budget page 327, line 76)	5,310
1 Museum guard (budget page 327, line 77)	3,900
0.4 Museum guard, intermittent (budget page 327, line 78)	1,560

Sixth District Agricultural Association—Continued

These positions are requested to provide maintenance and custodial coverage for the new addition to the museum of approximately 35,000 square feet. This addition is scheduled for occupancy in July 1960.

We recommend approval of these positions.

Operating Expenses

Operating expenses are scheduled at \$140,698 for 1960-61. This represents an increase of \$57,440 over the amount of \$83,258 estimated to be expended in 1959-60 fiscal year. However, the increase is distorted due to a reduction of \$26,814 in 1959-60 operating expense representing the unexpended balance in operating expense previously reported for the Industrial and Trade Exposition. Excluding the aforementioned credit, the estimated operating expense for the agency would be \$110,062 for 1959-60, and the net increase would be \$30,636 or 27.8 percent for 1960-61.

The principal items of increase by function are:

Recurring maintenance—structure and grounds	\$20,420
Repainting interior walls of museum	4,400
Increase—utilities	3,346

We recommend approval.

Equipment

Equipment expenditures are scheduled at \$8,288 for 1960-61. This is a decrease of \$18,015 or 68.5 percent under the amount of \$26,303 estimated to be expended in 1959-60.

We recommend approval.

Department of Finance

SIXTH DISTRICT AGRICULTURAL ASSOCIATION

ITEM 124 of the Budget Bill

Budget page 330

FOR AUGMENTATION OF THE SIXTH DISTRICT AGRICULTURAL ASSOCIATION FUND FROM THE GENERAL FUND

Amount requested	\$190,000
Estimated to be expended in 1959-60 fiscal year	194,000
Decrease (2.0 percent)	\$4,000

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

In accordance with our review of the fiscal position of the Sixth District in the foregoing item, we recommend approval of the amount requested by this transfer item.

Department of Finance

STATE LANDS DIVISION

ITEM 125 of the Budget Bill

Budget page 332

FOR SUPPORT OF STATE LANDS DIVISION FROM THE STATE LANDS ACT FUND

Amount requested	\$1,078,259
Estimated to be expended in 1959-60 fiscal year	1,030,939
Increase (4.6 percent)	\$47,320

TOTAL RECOMMENDED REDUCTION..... None

State Lands Division—Continued

ANALYSIS

Legislation passed during the 1959 General Session added other duties to the primary responsibilities of the State Lands Commission for which this division exercises management responsibility of selling and leasing proprietary lands, administering the gas and oil leases and other matters of a contractual nature in respect to lands under the commission's jurisdiction.

These new duties are: (1) surveillance of the leasing activities of cities and other public agencies in respect to gas and oil extraction for conformance to law and audit of revenues and expenditures resulting therefrom; (2) surveying, monumenting, platting, and recording a metes and bounds description of lands granted by the State to a political subdivision within two years of such grants or whenever a former grant is amended. Seven such grants were made during the 1959 Session; (3) issuance of permits for conduct of marine or other salvage operations over and upon ungranted tide and submerged lands of the State and the establishment of such rules and regulations as may be necessary to protect the people and lands of the State in this instance; and (4) distribution of a copy of calendar and minute items on a project or transaction to be acted upon by the commission to legislators in whose senatorial or assembly district the project or transaction may be located.

These new duties and increased workload factors which result in backlogs of about 13 percent, divisionwide, are directly responsible for the requested budget increases.

New Positions

To perform satisfactorily the new duties assigned and to reduce the backlogs, the division has requested eight new positions.

One new position is requested to compliment the staffing in the technical research unit of the Mineral Resources Section, which was established with legislative approval during the current year.

Workload—Reduction of backlogs

Position	Number	Salaries and wages
Junior counsel	1	\$5,496
Administrative assistant I	1	6,360
Intermediate typist-clerk	1	3,540
General auditor II	1	6,360
Accountant-auditor I	0.5	2,616
Oil ganger	1	4,980
Subtotal	5.5	\$29,352

On the basis of workload and existing backlogs which are beyond the division's control, we believe the above positions are justified and recommend approval.

State Lands Division—Continued

New Legislation—Added duties		Salaries and wages
Position	Number	
Associate mineral resources engineer-----	1	\$8,112
Accountant-auditor I -----	0.5	2,616
Assistant land agent-----	1	6,060
Subtotal -----	2.5	\$16,788

In view of the duties assigned by recent legislation and projected workload, we recommend approval of the above positions.

Increased Level of Service		Salaries and wages
Position	Number	
Senior mineral engineer (reservoir engineer)-----	1	\$9,884
Total new positions requested-----	9	\$55,524

The establishment in 1959 of the research unit in the Mineral Resources Section, for the purpose of insuring protection of the State's interest in the field of future gas and oil leases, leads to the accumulation of other useful technical data. The services of a specialist in oil reservoir engineering are needed to interpret properly these data in order that the maximum efficiency and recovery will be obtained from the field in question.

We recommend approval of this position.

Indexing of Lands Under Jurisdiction of the United States

The Legislature augmented this division's budget by \$27,000 during the 1959 General Session to permit the division to fulfill its responsibility, under Section 127 of the Government Code, for the indexing of lands over which the United States had acquired jurisdiction.

We are now advised that the division has been exploring the problem and have not as yet, encumbered or expended any portion of these funds.

We are further advised that it expects to enter into contracts in the spring of 1960 with federal agencies and others to accomplish this task. Lastly, the division advises that in all probability, the funds available at present will cover expenditures for this indexing purpose through the Budget Year 1960-61.

We recommend approval of this division's budget in the amount requested.

FRANCHISE TAX BOARD

ITEM 126 of the Budget Bill

Budget page 335

FOR SUPPORT OF FRANCHISE TAX BOARD FROM THE
GENERAL FUND

Amount requested -----	\$7,375,291
Estimated to be expended in 1959-60 Fiscal Year -----	6,992,984
Increase (5.5 percent) -----	\$382,307

TOTAL RECOMMENDED REDUCTION ----- \$1,930

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Automobile replacement -----	\$1,930	336	23

Franchise Tax Board—Continued

The Franchise Tax Board administers the personal income tax and the bank and corporation tax. The costs of administration of each for 1958-59, by major functions, based on the agency's cost analysis were as shown in Table 1. This makes provision for all state costs, including those not budgeted directly by the agency.

Table 1—Franchise Tax Board, Costs of Administration, by
Tax and Major Function

Function	Personal Income Tax	Bank and Corporation Tax	Total	
			Amount	Percent
Enforcement:				
Audit	\$1,532,401	\$931,490	\$2,463,891	36.7%
Other than audit	1,546,685	61,320	1,608,005	23.9%
Total enforcement	\$3,079,086	\$992,810	\$4,071,896	60.6%
Basic—other than enforcement	2,142,726	503,363	2,646,089	39.4%
Total	\$5,221,812	\$1,496,173	\$6,717,985	100.0%
Percent of total	77.7%	22.3%	100%	

As indicated in Table 1, personal income tax represents 77.7 percent of total costs, and bank and corporation tax 22.3 percent, while on a functional basis enforcement activities represent 60.6 percent and basic activities, other than enforcement, 39.4 percent.

The enforcement activities other than audit, for personal income tax, consist chiefly of two programs designed primarily to collect the tax from those who fail to file and pay on a voluntary basis. They consist of a comparison of state with federal returns and a comparison of income payments disclosed on information at source documents, with the corresponding income reported on tax returns.

New positions requested for 1960-61 total 51.1, at a cost of \$165,810. Of these, 47.1 are temporary help and four are permanent positions.

The temporary help is all at the clerical level, is distributed throughout the agency, and the increase is due primarily to the anticipated increase in personal income tax returns due to population growth and to 1959 legislation which will increase the returns to be received during the current year by approximately 500,000 because of lowered personal exemptions. The full impact of these new returns on the workload of the agency will not be experienced until 1960-61.

We recommend approval of the increase of 47.1 man-years of temporary help.

We believe this increase is fully justified on a workload basis, and the budgetary control process is such that it is only granted when and if the need develops.

Administration

One of the functions performed under administration is the review by an independent unit of proposed deficiency assessments resulting from the audit process. This review is conducted by the Appeals and Review Unit, headed by the appeals and review officer, who is an attorney, and consisting of four additional attorneys and two clerks.

Franchise Tax Board—Continued

It is stated that the number of cases on hand in this unit has increased from 1,227 on July 1, 1956, to 1,534 at June 30, 1959, and is estimated to increase to 2,231 at June 30, 1961. At the average rate at which cases are being cleared, at present, the 2,231 cases represent about 2.4 years work.

An additional attorney position is requested to assist in reducing the backlog.

We recommend approval of the additional junior counsel position requested, budget page 336, line 7.

According to the justification submitted by the agency, it is not expected that the additional attorney position will reduce the backlog, but only that it will retard the rate at which it is increasing, as shown in the following:

Undecided Cases at End of Fiscal Year		
	Without additional position	With additional position
1958-59 actual -----	1,534	--
1959-60 actual -----	1,834	--
1960-61 estimated -----	2,231	2,001
1961-62 estimated -----	2,725	2,265
1962-63 estimated -----	3,316	2,626

This indicates to us that a serious lack of long-range planning exists in the agency with respect to the appeals function, since the amount of money involved in these protested assessments has steadily increased from \$9,685,000 on July 1, 1955 to \$16,616,000 on July 1, 1959.

We believe that delay in processing these protested assessments is not only unfair to individual taxpayers, but is contrary to the best interests of the State, if for no other reason than it tends to retard collection of revenue which is due the State.

The function of this unit is to process appeals at the administrative level and the manner in which this is performed is entirely at the discretion of the agency.

An aggrieved taxpayer, against whom a proposed assessment for personal income or bank and corporation tax is pending, and who desires to exhaust his remedies at the administrative level before paying the tax under protest and suing to recover in the courts, would, under present conditions, encounter serious delay in the process at two points: The first in the unit in question, and the second when the appeal is taken to the Board of Equalization where, as we have pointed out elsewhere in this analysis, unwarranted delays also appear to be taking place.

This, to us, indicates the need for a complete overhauling of the appeals procedure in both major tax agencies and the creation of an independent board of tax appeals, appointed by the Governor, the function of which should be to enter the appeals process at the lowest possible level.

Automobiles

Included in equipment requested of \$14,988, budget page 336, line 23, is \$1,930, for replacement of an automobile.

We recommend the elimination of \$1,930 for replacement of one automobile, budget page 336, line 23.

Franchise Tax Board—Continued

We recommend the agency obtain a car, if needed for the purpose for which this car is used, from the Department of Finance pool on a rental basis, for while we have reason to believe that the car in question is an "undercover" car such cars are available from the pool on a rental basis.

We believe that the best interests of the State would be served if all the agency-owned cars of the Franchise Tax Board, of which there are 11, including the one for which replacement is requested, were to be transferred to the Department of Finance pool, and service obtained from the pool on a rental basis, particularly, since these cars are all located in Sacramento, San Francisco and Los Angeles, where such service is readily available.

Particularly do we recommend that car E 256338, which is a Sacramento-based car, be so transferred, since this is a new car, purchased August 4, 1959, which the travel log indicates was idle on 55 of the 80 working days between that date and November 30, 1959, or 68.8 percent of the time, and traveled only 2,661 miles, or at the rate of approximately 8,000 miles per year.

We believe that limited usage, such as this, is conclusive evidence that the car should be placed in the pool where adequate usage would be made.

Operations

This is the division in headquarters which performs the line functions involved in processing and auditing tax returns and collection of delinquent accounts. It is the board's largest division and the one where the chief impact of the increased workload will be felt. It also supervises operations in the two regional offices in San Francisco and Los Angeles.

Three additional positions are requested for Sacramento, a tax compliance supervisor I, an accounting technician II, and a field representative.

We recommend approval of the three new positions requested.

The tax compliance supervisor I position is requested to assist the supervisor of collections in review of legal documents filed in connection with bankruptcies, assignments, etc., and to assist in matters involving liens. He will also head up a small clerical unit currently handling such matters.

We believe the position is justified because of a demonstrated increase in workload.

The field representative position is requested in order to speed up the collection process on delinquent corporation taxes and appears to be justified, both on a workload increase basis, and because it will tend to secure more prompt payment to the State.

The accounting technician II position is for a unit handling correspondence in the collection section and appears to be justified on the basis of increasing workload.

It might be appropriate to mention at this time that two matters are under study by interim committees, either of which could have a marked effect on this agency's budget.

Franchise Tax Board—Continued

One is the possibility of amending the Personal Income Tax Law to bring the California tax more nearly into conformity with the federal. The executive officer has indicated that if a proposed bill, now under study, which is intended to accomplish this, should be adopted in its present form, a saving in administrative costs of \$250,000 per year would result.

The other is the possibility of placing the California tax on a withholding basis similar to the federal income tax and that imposed by many other states, including New York. While no specific plan is as yet under consideration, it is generally recognized that the adoption of withholding would substantially reduce the need for much of the present enforcement work on personal income tax matters, while at the same time increasing the workload as to other matters.

San Francisco Regional Office

This office is occupying new quarters in the San Francisco state building during the current year.

Included in equipment requested of \$10,853, budget page 337, line 78, is \$1,300 for a low volume paging system with 25 speakers. It is stated that this is needed to notify the 35 audit personnel and the 30 people in the enforcement unit who are working in that office at certain times during the year, of incoming telephone calls from taxpayers, since such employees are often away from their desks when such calls are received and cannot readily be reached directly by phone.

We recommend approval of \$1,300 for the paging system included in equipment, provided one of the speakers is installed in the area in the building where the employees normally take their coffee break.

STATE TREASURER

ITEM 127 of the Budget Bill

Budget page 338

FOR SUPPORT OF STATE TREASURER FROM THE
GENERAL FUND

Amount requested	\$380,189
Estimated to be expended in 1959-60 fiscal year	366,815
Increase (3.64 percent)	\$13,374
TOTAL RECOMMENDED REDUCTION	\$13,610

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
1 Bond market specialist	\$10,860	339	35
Related expense	2,750		

ANALYSIS

The State Treasurer's budget shows a net increase of \$13,374. Major changes occur in reimbursements from other agencies for bond services and collection expenses totaling \$48,123. This, in turn, offsets the in-

State Treasurer—Continued

creases in office costs, which amount to \$55,321 or a net increase of \$7,198. The actual increases in office costs may be summarized as follows:

	1959-60	1960-61	Change from 1959-60
Salaries and wages -----	\$279,607	\$295,410	\$15,803 (5.65%)
Operating expenses -----	173,438	212,956	39,518 (22.78%)
Equipment -----	22,447	28,623	6,176 (27.51%)

Fiscal agent fees which have increased \$23,419 and represent the largest increase in operating expenses, are computed on the basis of the number of bonds and coupons redeemed (25 cents per bond, and 4 cents per coupon). The gain in reimbursements is due to charges now levied against several agencies for administering matured bonds and coupons. The major increases in reimbursements are the administrative costs collected from the State Employees and Teachers Retirement Systems and the Department of Veterans Affairs.

The positions of Assistant Treasurer and stenographer-clerk were established in 1957 by the Legislature to relieve the State Treasurer and his deputy of administrative problems and allow the deputy more time for supervising daily office operations. The position of senior stenographer-clerk was reclassified in the current year to an administrative assistant to aid the Assistant Treasurer in the sale of bonds.

1 Bond market specialist (budget page 339, line 35) ----- \$10,860

This position is requested for the purpose of planning, organizing, collecting and analyzing data concerning economic and demographic factors in the bond market and advising the Treasurer with reference to these and related matters.

The Treasurer already has available to him the type of information which this position would secure and analyze. Agencies and institutions, professional bond people, informed investors and underwriters, and interested individuals who are active in the bond market constantly provide such information, much of it gratuitous, to those who have bonds to sell. In addition the Department of Finance, because of its programs of investment of state fund moneys, is in possession of the type of information useful in the bond markets.

The Treasurer's staff has already been augmented to provide essential services and positions upon which the Treasurer may rely in his activity as the designated selling officer for state bonds.

We find insufficient justification for the above-noted position and recommend disapproval.

Pooled Money Investment Board—Investment Policies

Chapter 1703, Statutes of 1955, which added Sections 16480 to 16480.8 to the Government Code, created the Pooled Money Investment Board, consisting of the Controller, Treasurer and Director of Finance and authorized the board to invest or deposit money in the State Treasury without regard to fund.

State Treasurer—Continued

The board meets, on an average, once each month and designates the amount of money to be kept in active noninterest-bearing bank accounts, in interest-bearing term bank accounts, and invested in securities, whereupon the State Treasurer makes the deposits or investments, as designated.

Section 16480.2 of the Government Code reads as follows:

"It is the intent of this article that money available for investment or deposit be invested in securities or deposited in bank accounts in such a way as to realize the maximum return consistent with safe and prudent treasury management."

The board is also charged with responsibility for investing or depositing money in the Condemnation Deposits Fund, pursuant to Chapter 1851, Statutes of 1957.

The November 1959 report of the Pooled Money Investment Board indicates that purchases of short-term securities amounting to \$99,701,000, were made during the month, at an average yield of 3.99 percent. These purchases were as follows, by maturities:

<i>Maturity</i>	<i>Yield</i>	<i>Amount</i>
January 1, 1960 -----	3.93%	\$13,404,200
January 14, 1960 -----	3.95	50,612,900
January 15, 1960 -----	4.01	18,851,400
January 28, 1960 -----	3.99	2,971,100
February 11, 1960 -----	4.14	13,861,400
Total -----	3.99%	\$99,701,000

The report also indicates that the board continues to maintain term bank deposits for the pooled money investment account of \$150 million, all drawing 3 percent interest, although the last remaining term deposits for the Condemnation Deposits Fund were terminated on December 5, 1959, and all money in that fund is now invested in securities.

If the \$150 million were to be invested in securities, at current short-term rates it could earn approximately 4 percent, or \$6 million per year, instead of 3 percent, or \$4.5 million per year, *an increase of \$1,500,000 in revenue per year.*

In this connection it is of interest to note that Department of Finance Report AN 768, issued October 25, 1955, subject: "Policy for Investing Treasury Cash," contains the following statement (page 5):

"In our opinion the *amount of increment* the State will receive should be the governing factor in determining whether excess moneys are (a) kept in time deposits, or (b) invested in government securities."

The report further points out that it has been contended by some that large amounts should be kept in time deposits for the following reasons, among others, regardless of whether more increment could be earned by other practices:

1. To provide banks with adequate funds to purchase California municipal bonds.
2. To provide banks with adequate funds to loan California industry.

State Treasurer—Continued

With respect to the first contention the report states:

"Municipal bonds must have been attractive to banks or they would not have purchased them in the past. They will continue to purchase them in the future if they remain attractive even though this means a decrease in investment in federal securities."

We concur in this view since banks are business enterprises, operated for profit, and in choosing securities for their investment portfolios would appear to be motivated solely by the quality and yield of the securities. It is hard to see how the quality and yield of the State's own bonds would be affected by withdrawal of the State's deposits, particularly since these amount to only two-thirds of 1 percent of the total of all deposits in all California banks, which amounted to \$22,537,815,000, on June 10, 1959, as reported by the Federal Deposit Insurance Corporation.

With respect to the second contention the report states:

"Even the complete withdrawal of state time deposits from the banks would not force them to curtail credit to California industry."

To the extent that the State purchased short-term federal obligations with these funds it would presumably pay cash to present holders of such securities who in turn would deposit their cash in banks which would be available for more loans to business, etc.

By maintaining time deposits of \$150 million in the banks at the present time and thus foregoing possible additional revenue of perhaps \$1 million to \$1.5 million per year, it appears that the State is, in effect, granting an indirect subsidy to the banks without any corresponding subsidy to other types of lending agencies, such as life insurance companies, credit unions, finance companies, building and loan associations and the like. Whether or not this is desirable appears to be a policy question which should be subjected to legislative review, particularly since the decision appears to have been made not on the basis of earnings or security, but for other reasons of a broad state policy nature.

In connection with both of the contentions referred to above it should be noted that during the period from April 1953 to February 1955, inclusive, according to data in Report AN 768, state demand deposits averaged \$102 million, while state time deposits averaged \$215,700,000, or a total of \$317,700,000.

At the present time state demand deposits are maintained at \$35,500,000, and time deposits at \$150 million, or a total of \$185,500,000. This represents a reduction in total state bank deposits of \$132,200,000, or 41.6 percent.

There has been no indication that this reduction in bank deposits has affected adversely either the banks capacity to purchase California municipal bonds or make adequate loans to California industry.

It should be noted that the reduction in bank deposits was not attributable to a reduction in cash available for investment or deposit, since the pooled money investment account has investments in securities of \$177 million at the present time.

State Treasurer—Continued

An interesting development which took place during October 1959, was the reduction in demand deposits from \$37.5 million to \$35.5 million, offset in part, by the creation of a term noninterest-bearing bank account of \$167,000, with a termination date of June 30, 1960.

This deposit was placed with one bank as compensation for acting as the Treasurer's collection agent for all maturing state-owned bonds and coupons for the period from October 1, 1959 to June 30, 1960, and was granted on the basis of competitive bids. The bank was willing to accept a term deposit in a lesser amount than a demand deposit as compensation for these services because of the lower reserve required to be maintained with the Federal Reserve Bank; 5 percent for a term deposit as compared to 16½ percent for a demand deposit.

We recommend reconsideration of the existing policy establishing the level of time deposits with banks with a view to making such deposits on the basis of the highest increment to the State.

DEPARTMENT OF THE CALIFORNIA HIGHWAY PATROL

ITEM 128 of the Budget Bill

Budget page 341

FOR SUPPORT OF THE CALIFORNIA HIGHWAY PATROL
FROM THE MOTOR VEHICLE FUND

Amount requested	\$29,792,442
Estimated to be expended in 1959-60 fiscal year	28,695,844
Increase (3.8 percent)	\$1,096,598

TOTAL RECOMMENDED REDUCTION..... \$21,772

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Salaries and wages			
1 Painter I	\$5,772	342	22
Operating expenses			
Contractual analysis services	9,000	342	38
Aircraft rental	5,000	343	32
Psychological services	2,000	344	67

ANALYSIS

The increase of 3.8 percent in this budget is principally for normal merit increases in salary and wages, the addition of 53.2 new positions, and acquisition of new and replacement equipment.

Painter I (budget page 342, line 22)..... \$5,772

The agency has requested the new position of Painter I for the principal purpose of repainting the crash helmets worn by uniformed personnel assigned to motorcycle duty. Additional work assignments of this man would be repairing fire extinguishers, steel and cloth tapes, brake testers, and arranging for repair of weighing devices.

It is recommended that this position be denied until the following questions are resolved.

The agency now has 709 helmets on hand. Of these, 336 were repaired last year at a contracted cost of \$6,337, or \$18.86 per helmet. The salary for the position under discussion (\$5,772) has been offset by a like reduction from operating expenses. A figure of \$750 is given as the annual