

Item 192

Alcoholic Beverage Control

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

ITEM 192. of the Budget Bill

Budget page 490

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

Amount requested \$4,215,790

Estimated to be expended in 1962-63 fiscal year 4,120,173

Increase (2.3 percent) \$95,617

TOTAL RECOMMENDED REDUCTION \$4,524

Summary of Recommended Reductions		Budget	
	Amount	Page	Line
Operating Expenses:			
Communications	\$2,827	490	77
Traveling, in-state	1,697	490	78

GENERAL SUMMARY

The Department of Alcoholic Beverage Control was created by Article 20, Section 22 of the State Constitution effective January 1, 1955. The director is appointed, subject to confirmation by the majority vote of the Senate, and serves at the pleasure of the Governor. The director currently has four assistants exempt from civil service including one deputy director and three area administrators. The organization of the department includes a headquarters, three area, 18 district and 6 branch offices.

Departmental workload may be grouped into two general categories, licensing and enforcement. The department issues new licenses, handles transfers, and collects license fees for the renewal of 32 different types of licenses issued to retailers, wholesalers, manufacturers and importers. Workload relating to licensing activities has increased over the last two years. The department estimates that in 1960-61 there were a total of 56,000 licensing transactions involving approximately 45,500 licensed premises. Licensing activities for 1961-62 indicate that there were approximately 67,000 licensing transactions involving 46,145 licensed premises. As of December 1, 1962, a total of 241 new licenses had been issued since the effectuation of Chapter 783, Statutes of 1961.

Workload relating to the enforcement of the Alcoholic Beverage Control Act has been increasing also. In 1960-61 there were 1,627 disciplinary actions against licensees, in 1961-62 the total rose to 1,922.

Personal Services

The Department of Alcoholic Beverage Control has a total of 424.4 authorized positions. It is estimated that \$3,294,237 will be spent during 1963-64 for Personal Services, representing an increase of \$9,030 (0.3%) over the current year. This increase is the net result of merit salary increases and adding four new clerical positions while salary savings are estimated to be higher for 1963-64 than the current year and State Employees' Retirement is somewhat lower.

Four clerical positions (budget page 490, line 63) \$16,560

The department is requesting four additional clerical positions for three district offices located in the southern part of the State. The posi-

Department of Alcoholic Beverage Control—Continued

tions are being requested on the basis that increased workload, principally due to applications for new licenses and an increasing number of license transfers has resulted in investigators performing clerical functions such as typing and waiting on applicants at public counters in district offices.

We recommend approval of the four proposed new clerical positions in the 1963-64 budget at a cost of \$16,560.

The issuance of new licenses and the authorization by the Legislature in 1961 of intercounty transfers has had its major impact on the southern districts of the department which have experienced substantial population growth in recent years. This has resulted in the necessity for investigators in those areas to spend proportionately more of their time on license application investigation and less on enforcement. Application investigations in turn require more clerical support than enforcement activities. The departmental policy of requiring more thorough application investigations as well as the growing complexity of licensee relationships as more corporate and lessee situations develop, particularly in suburban shopping or recreation center developments, also has increased the amount of clerical activity in relation to application investigations. This policy is intended in the long run to reduce the necessity for extensive enforcement activity and to lessen the danger that widespread violations will become common in the industry once more. These considerations appear to justify the addition of clerical help as requested at this time.

While we approve the additional clerical help requested, we suggest that a clerical yardstick should be developed by the department which will provide a means by which the department can readily ascertain its clerical needs based on some standard of performance. It is felt that such a yardstick cannot be as simple as a ratio between professional positions and clerks because of differences in workload emphasis between district offices. A time allowance representing a standard of work should be computed to represent the amount of clerical time needed to complete a given function, for example, the renewal of a license or the issuance of a new license. Such time factors could be assigned to the total workload of a district office to determine the clerical needs of that office.

Clear job descriptions should also be developed and properly enforced and investigators should be prevented from performing functions which can be accomplished by clerks. In the 1960-61 fiscal year, 206 agents were reclassified as special investigators and given a one-step pay raise because the Personnel Board felt that current investigative responsibilities warranted such an increase. Proper responsibilities must be assumed by investigative personnel if the reclassification is to be justified. If continuing evidence exists of investigators performing clerical functions next year, consideration should be given to reducing the number of investigators in favor of more clerical help. The current salary range for special investigators is \$536-650.

Department of Alcoholic Beverage Control—Continued

Operating Expenses

Operating expenses for 1963-64 total \$861,497, which represents \$50,646 (6.2 percent) over the \$810,851 estimated to be expended in the current year. Increases in operating expenses are mainly due to increases in printing, Office of Administrative Procedure Services, communication, in-state travel and rent. Printing costs are expected to increase approximately 5 percent. Postage increased on January 1, 1963, and in-state travel is increasing due to a gradual trend toward the use of pool cars instead of agency cars. Rent is up slightly because of the addition of 706 square feet for a larger accounting office and supply room at headquarters.

Communications (budget page 490, line 77)----- \$84,242

The department is requesting a \$10,913 or 15 percent increase in this item over actual expenditures in 1961-62 for postage, telephone and telegraph services. A substantial portion of the increase (\$6,207) is due to increases in postal rates. The balance reflects increases in telephone charges.

We recommend that communications be reduced to \$81,415 for a savings of \$2,827.

A flat rate of \$2.36 per station is being charged in 1963-64 for lease line calls. Lease line coverage will be greatly expanded by 1963-64 thus the cost for lease line service should be offset by reductions in the cost of long distance toll charges.

Communications—Long Distance Calls

	<i>Actual 1961-62</i>	<i>Proposed 1963-64</i>
Long distance toll charges -----	\$20,119	\$18,900
Lease line service -----	1,222	5,268
Totals -----	\$21,341	\$24,168
Less Recommended Reduction -----		—2,827
		\$21,341

A reduction in long distance calls should stimulate increases in the use of lease line facilities. In any event, the total cost for long distance calls in 1963-64 should not exceed actual costs for 1961-62, because the Department of Finance is increasing lease line service on the basis that it is more economical.

Traveling—in-state (budget page 490, line 78)----- \$176,869

In-state travel reflects an increase of 10 percent, or \$16,501, over actual expenditures in 1961-62. This item includes per diem costs, common carrier expenses, relocation expenses, training and automobile operations. Major proposed increases are due to increases in meal and hotel costs plus a 5 percent estimated increase in the number of traveling days.

We recommend a reduction in traveling in-state to \$175,172 for a savings of \$1,697.

Department of Alcoholic Beverage Control—Continued

Since there is no increase in the number of employees who will travel in the budget year, there is no basis for increasing the estimated number of traveling days by 5 percent for meal and hotel allowances. Adjusting the actual number of man-days of travel in 1961-62 to reflect increases in meals and hotels but not for increases in man-days of travel will permit the above reduction in the proposed budget.

Equipment

The 1963-64 budget reflects an increase in equipment from \$28,115 in the current budget year to \$64,056. Major increases are due to the purchase of 16 new cars, the purchase of files and Kardveyors which constitute part of the conversion cost from a manual to a mechanical licensing process plus the purchase of additional office equipment.

Mechanization of Licensing

The Department of Alcoholic Beverage Control requested additional personnel and equipment in the 1962-63 Budget to shift manual licensing procedures to a mechanized process. Conversion costs at the time were estimated to be approximately \$40,000 and annual savings to be \$14,000. The calculated savings, however, were due mainly to the fact that a permanent license would be issued under a mechanized system instead of the present annual license, and were not the result of mechanization as such. The proposal was not accepted by the Legislature and the department has considered various alternatives during the interim, one of which is included in this budget request.

The alternative developed by the Department of Alcoholic Beverage Control appears to be far superior to the original proposal in the 1962-63 Budget. This new proposal is to contract services from the Department of Agriculture and appears to have the following advantages:

1. The annual savings (beginning in 1964-65) will be larger, approximately \$25,000 a year.
2. Conversion costs are lower—\$31,898.
3. A contract with the Department of Agriculture is particularly desirable because both departments are located in the same building.
4. The contract with the Department of Agriculture will enable it to utilize its present equipment more fully.
5. All benefits derived from mechanizing the licensing function will be made available to the Department of Alcoholic Beverage Control at a reasonable price without having to purchase a considerable amount of new equipment.

ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD

ITEM 193 of the Budget Bill

Budget page 492

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

Amount requested	\$116,394
Estimated to be expended in 1962-63 fiscal year	113,188
Increase (2.8 percent)	\$3,206

TOTAL RECOMMENDED REDUCTION	None
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GENERAL SUMMARY

The Alcoholic Beverage Control Appeals Board was created in 1954 under Article XX, Section 22 of the State Constitution. The board consists of three members serving at the pleasure of the Governor. A staff of five includes two attorneys and three legal stenographers. The purpose of the board is to hear appeals of license applicants or holders from decisions (imposing a penalty or affecting the status of a license) rendered by the Department of Alcoholic Beverage Control. Appeals must be made within 40 days after the department's decision is rendered. The appeals board reviews appeals upon the record of the department and any briefs which may be filed by the appealing party. However, no new evidence can be submitted.

The scope of review is limited to determining (a) that the department has jurisdiction, (b) lawful procedures were followed, (c) the department's findings supported its decision, and (d) there is substantial evidence to support the findings. If the board feels that relevant evidence exists which was improperly excluded from the department's hearing or could not have been produced with reasonable diligence, the case may be remanded to the department. In all other appeals the board either reverses or affirms the department's decision.

ANALYSIS

Most of the increase in the proposed budget occurs in operating expenses. In-state travel has been increased in accordance with the State Department of Finance's price letter and rent has increased slightly over actual expenditures in 1961-62 as a result of a slight increase in the amount of space utilized. The \$500 Emergency Fund allocation for 1962-63 is to cover an anticipated deficiency in in-state travel.

We recommend approval as budgeted.

CALIFORNIA DISTRICTS SECURITIES COMMISSION

ITEM 194 of the Budget Bill

Budget page 492

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

Amount requested	\$72,363
Estimated to be expended in 1962-63 fiscal year	71,863
Increase (0.7 percent)	\$500

TOTAL RECOMMENDED REDUCTION	None
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California Districts Securities Commission—Continued
GENERAL SUMMARY

Pursuant to Division 10 of the Water Code, the California Districts Securities Commission supervises certain fiscal affairs of irrigation and other water districts of the State by investigating proposed district construction plans, approving their financing, and informing lending institutions of the financial condition of districts seeking credit. The commission also reviews periodic financial reports of the districts. Headquartered in San Francisco, the commission is composed of the Attorney General, the Director of Water Resources, the Superintendent of Banks, and two officials or employees of irrigation districts appointed by the Governor.

ANALYSIS

The 1963-64 budget proposed by the commission, which is \$500, or 0.7 percent, higher than the \$71,863 estimated expenditure for the current fiscal year, indicates that no significant increase in activities is planned for the budget year. Last year the commission submitted a report as requested by the Legislature to justify continued financing from the General Fund rather than becoming self-financing. As has been stated in previous analyses, this office still is of the opinion that the commission should be self-supporting and that further consideration should be given to the problem.

In all other regards, approval of the request is recommended.

HORSE RACING BOARD

ITEM 195 of the Budget Bill

Budget page 494

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

Amount requested	\$217,331
Estimated to be expended in 1962-63 fiscal year	215,013
Increase (1.1 percent)	\$2,318
TOTAL RECOMMENDED REDUCTION	\$3,717

Summary of Recommended Reductions

	Amount	Page	Line
Traveling—in-state	\$2,717	494	55
Traveling—out-of-state	1,000	494	56

GENERAL SUMMARY

The California Horse Racing Board is composed of three members appointed by the Governor. The board licenses all horse racing meets where there is parimutuel betting and it likewise licenses all persons who conduct the meets or participate in them. The board promulgates rules and regulations governing racing meetings and the activities of the licensees. It conducts investigations to determine whether or not there is compliance with the rules and regulations.

Horse Racing Board—Continued
ANALYSIS

Expenditures proposed by the board for fiscal year 1963-1964 amount to \$217,331, an increase of \$2,318 or 1.1 percent over estimated expenditures for the current year.

Traveling—in-state (budget page 494, line 55)----- \$29,787

For this item the board proposes to spend \$29,787 during the budget year, an amount which exceeds the \$27,577 actual expenditure during the base year of 1961-62 by \$2,210.

This budget item has four components, "traveling—in-state" which includes (1) meals and lodging, (2) airplane fares, (3) automobile operation and (4) automobile mileage costs.

The board, in its supporting statements, derives the proposed increase by adding an amount of \$2,274 to the current year "traveling—in-state" component justifying the increase by reference to the price letter of the Department of Finance which suggests a 7-percent increase for meals and lodging over base year expenditures.

We recommend the deletion of \$2,717 to reduce this item to \$27,070.

The Auditor General estimates that the Horse Racing Board could have reduced travel expenses by \$1,840 in fiscal year 1961-1962 by disallowing living expenses of employees while at the Los Alamitos track. It appears also that not only were employees from the Los Angeles area placed on travel status at this track but that some drew living expenses even though they were off work from one to four days during this meet. We have, therefore, in our calculations reduced the base year travel expenditure from \$27,577 to \$25,737 as being the appropriate amount which should have been spent during the base year.

The 7-percent increase suggested in the price letter applies only to the meals and lodging component and is applied to the 1961-1962 year expenditure rather than to the current year estimate.

A review of the board's meals and lodging expenditure pattern shows that in this agency, meals and lodging account for 74 percent of the total item. Seven percent of 74 percent of the base year amount of \$25,737 gives a total of \$1,333 to be added to the latter amount for an item total of \$27,070.

Traveling—out-of-state (budget page 494, line 56)----- \$2,000

In support of its request for double the amount of money for out-of-state travel during the budget year as compared to the current year's estimate of \$1,000 for this purpose, the agency states that two of the board members are chairmen of committees and the remaining board member and the board secretary are members of committees of the National Association of State Racing Commissions and it is therefore desirable that they attend a convention of the association to be held in Chicago during the budget year.

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

While it is possible that the State may secure some advantage through representation of the Horse Racing Board at the national racing com-

Horse Racing Board—Continued

mission convention, it appears to us that the attendance of not to exceed two representatives at such meeting should be sufficient.

We point out further that the request as made is more than double the average amount which the board has spent for traveling out-of-state in recent years.

**Department of Investment
BANKING DEPARTMENT**

ITEM 196 of the Budget Bill

Budget page 496

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

Amount requested	\$926,849
Estimated to be expended in 1962-63 fiscal year	843,229

Increase (9.9 percent)	\$83,620
TOTAL RECOMMENDED REDUCTION	\$74,127

Summary of Recommended Reduction

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
New positions:			
1 Associate counsel	\$12,696	496	66
1 Intermediate stenographer	4,344	496	67
5 Bank examiner III	43,020	496	69
1 Intermediate clerk	4,242	496	70
1 Intermediate typist-clerk	4,242	496	71
Salary correction, associate counsel	1,770	496	66
Related equipment:			
For examination positions	2,130	497	13
For legal positions	1,683	497	13

GENERAL SUMMARY

Under the direction of the Superintendent of Banks, the State Banking Department conducts annual examinations of all state-chartered banks and trust companies as required by law (Sec. 1900 of the Financial Code). Applications for new banks or trust companies, new branch offices, consolidations, and mergers are submitted to the Banking Department for approval.

The Superintendent of Banks is appointed by the Governor and serves at the pleasure of the Governor.

Department headquarters are maintained in San Francisco and a second office is located in Los Angeles. Table 1 shows the distribution of personnel as of November 1962, according to classification.

Table 1. Authorized Positions, by Location

<i>Classification</i>	<i>San Francisco</i>	<i>Los Angeles</i>	<i>Total</i>
Superintendent	1	—	1
Chief deputy superintendent	1	—	1
Chief bank examiner	1	1	2
Bank examiner IV	7	4	11
Bank examiner III	9	7	16
Bank examiner II	15	10	25
Accounting staff	3	—	3
Clerical staff	10	3	13
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Total	47	25	72

Banking Department—Continued

Support for the activities of the Banking Department are provided through the State Banking Fund. The revenues accruing to this special fund are derived from annual assessments on every state bank at a rate not in excess of 0.01 percent of total assets, less secured deposits and accounts payable (Sec. 270, Financial Code).

As in other states, banks in California are subject to regulation by either federal or state authorities, depending on whether a bank is licensed by the State Superintendent of Banks or the Controller of the Currency of the United States. Membership in the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation (FDIC) is required of national banks and is optional for state banks. Every member bank of the Federal Reserve System (FRS) must submit to an annual examination by that agency. Each state-chartered bank which elects to belong to the FRS is automatically included within the FDIC since membership in the FDIC is mandatory for all FRS members, and is subject to a federal examination by the FRS, as well as the mandatory examination by the State Superintendent of Banks. In addition, the FDIC makes examinations of those state banks which are FDIC members but which do not belong to the FRS.

Table 2 indicates the relative distribution as of September 28, 1962, of the number of state banking offices and the total assets of state banks by membership in the foregoing federal agencies.

Table 2. State Banks Classified by Membership in Federal Agencies
As of September 28, 1962

Membership	Number		Total offices		Total assets	
	Banks	Branches	Number	Percent of total	Amount (millions)	Percent of total
FRS and FDIC	17	328	345	59.7	\$7,037	74.1
FDIC only	59	139	198	34.2	1,887	19.9
Subtotal	76	467	543	93.9	\$8,924	94.0
None	22	13	35	6.1	571	6.0
Total	98	480	578	100.0	\$9,495	100.0

During 1961-62 examinations were completed of 93 state banks of which five banks, including the three largest, were examined jointly with either the FRS or the FDIC, and 88 banks were examined separately. Table 3 shows the relative distribution of the total offices and the total assets of the banks examined jointly or separately, the asset figures shown being those as of June 30, 1962. Not included in Table 3 are examinations of fiduciary trusts.

Table 3. Joint and Separate Examinations Completed 1961-62

Type			Total offices		Total assets	
	Banks	Branches	Number	Percent of total	Amount (millions)	Percent of total
Joint	5	344	349	61.8	\$6,132	65.5
Separate	88	128	216	38.2	3,225	34.5
Total	93	472	565	100.0	\$9,357	100.0

Banking Department—Continued

These two tables indicate that 93.9 percent of the total number of banking offices representing banks with 94 percent of total assets are subject to examination by both state and federal authorities whereas during 1961-62 only 61.8 of such offices representing banks with 65.5 of total assets were examined on a joint basis. It appears to us that an expansion of the joint program to include substantially all banks subject to both state and federal examinations would result in significant savings to the State and *we recommend that consideration be given to expanding the joint examination program to the maximum extent possible.*

As of January 1, 1963, the State Banking Department reports the following nine vacant positions among its authorized staff of 72. All vacancies are from the San Francisco office staff.

Table 4. Vacant Positions, by Date Vacated

Class	Date vacated
Intermediate account clerk	4/8/60
Bank examiner II	5/1/62
Bank examiner II	5/1/62
Bank examiner IV	8/6/62
Bank examiner III	8/15/62
Bank examiner IV	9/30/62
Bank examiner III	9/30/62
Bank examiner II	11/30/62
Bank examiner II	12/6/62

ANALYSIS

The Banking Department requests a total of 11 new positions for the 1963-64 fiscal year.

Two associate counsel positions and two intermediate stenographers are included to assist the superintendent in his review of charter applications and related legal work. One attorney and one stenographer have been added on a workload and administrative adjustment basis during the current year, so that in effect the agency is requesting that these positions be continued on a permanent basis, and that two comparable positions be added.

Prior to the addition of the attorney during the current year the agency had no attorneys on its staff, the function of charter application review being handled entirely by the Superintendent of Banks and his chief deputy.

We recommend approval of one associate counsel, budget page 496, line 66, and one intermediate stenographer, budget page 496, line 67, for one year only.

We recommend deletion of one associate counsel, budget page 496, line 66, \$12,696 and one intermediate stenographer, budget page 496, line 67, \$4,344.

We recommend a reduction of \$1,683, budget page 497, line 13, representing new equipment for the associate counsel and intermediate stenographer positions recommended for deletion.

Recently, there has been a sizable increase in the number of applications for new bank licenses filed with the Superintendent of Banks. During the 10-month period, January through October 1962, the depart-

Banking Department—Continued

ment received 37 such applications. There were 38 applications received during the five-year period, July 1956 through June 1961.

However, until such time as the Banking Department can provide reasonable projections of charter application rates in the future, we cannot recommend the addition of both attorney positions.

We recommend a further reduction of \$1,770, budget page 496, line 66, to correct the salary budgeted for the associate counsel.

The pay scale of \$1,058-1,286 shown for associate counsel, budget page 496, line 66, is in error, the correct scale being \$914-1,111. A further reduction should accordingly be made to provide a salary for the new position of \$11,244 during the budget year, representing six months at \$914 and six months at \$960.

The five examiner and two clerical positions are requested by the department to meet workload increases related to growth in the state banking industry.

We recommend deletion of five bank examiner III positions, budget page 496, line 69, \$43,020, one intermediate clerk, budget page 496, line 70, \$4,242, and one intermediate typist-clerk, budget page 496, line 71, \$4,242.

We recommend a further reduction of \$2,130, budget page 497, line 13, representing new equipment for the foregoing seven positions.

We are recommending against these positions for three reasons.

The first is that we believe the effectiveness of the existing staff could be increased by increasing the extent of joint examinations with federal agencies as recommended previously.

The second is the high vacancy factor on the examiner staff as indicated in Table 4, which shows 8 vacancies at January 1, 1963.

The third is that our workload calculations which are explained in the following paragraphs appear to us to indicate that the existing staff is adequate.

Examination workload can be measured by the number of banking facilities existing under the Superintendent's jurisdiction, including both banks and branch offices. While total assets in state banks are also indicative of workload, Table 5 indicates that average assets per facility have remained in relative balance over the past 3 fiscal years for which we have actual figures.

Table 5. Average Assets per Banking Facilities

Fiscal year	Banks	Branches	Facilities	Bank assets		
				Total	Average per facility	
					Amount	Percent increase over prior year
1959-60__	93	400	493	\$7.6 billion	\$15.4 million	-
1960-61__	95	426	521	8.4 billion	16.1 million	5
1961-62__	100	470	570	9.4 billion	16.5 million	2

The anticipated increase in banking facilities will be due primarily to a growth in newly chartered banks. We feel that it is reasonable to expect the average assets of these new facilities, therefore, will be lower than those of long-established institutions. It appears probable there-

Banking Department—Continued

fore that the statewide average assets per facility for 1963-64 will be lower than those presented in Table 4.

The use of total banking facilities as a workload indicator thus appears to be an appropriate means of estimating examination personnel needs.

During fiscal year 1961-62, the Banking Department completed its examination program, covering 100 percent of the facilities under its jurisdiction, namely 570 offices as shown on budget page 496, with an examination staff of 43.3 filled positions. This represents an average of .76 man-years per facility. Using this record as the most recent working model, Table 6 presents estimates of examination personnel requirements for 1963-64. No change in level of service is contemplated over that of 1961-62.

Table 6. Workload Projections, Examination Staff

<i>Fiscal year</i>	<i>Total facilities</i>	<i>Man-years per facility</i>	<i>Total man-years</i>
1961-62 -----	570	0.76	43.3 (actual)
1963-64 -----	700	0.76	53.2 (projected)

At the present time, the examination staff of the Banking Department numbers 54 authorized positions as per the 1962-63 budget. Any increase in examination staff would result in an excess of personnel needs according to workload calculations appearing in Table 6.

**Department of Investment
DIVISION OF CORPORATIONS**

ITEM 197 of the Budget Bill

Budget page 498

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

Amount requested -----	\$2,863,547
Estimated to be expended in 1962-63 fiscal year -----	2,754,508
Increase (3.9 percent) -----	\$109,039
TOTAL RECOMMENDED REDUCTION-----	\$40,800

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
Field examinations of licensees:			
3 Auditor I -----	\$17,496	498	68
1 Intermediate typist-clerk-----	4,140	498	69
Written examinations for security brokers, agents, etc.:			
1 Deputy commissioner of corporations I-----	6,744	498	66
3 Intermediate typist-clerk -----	12,420	498	69

GENERAL SUMMARY

The Division of Corporations is under the direction of the Corporations Commissioner who is appointed by the Governor with the consent of the Senate and serves at the pleasure of the Governor.

The main work of the division is that of administering the Corporate Securities Act. Business concerns seeking to issue securities for sale

Division of Corporations—Continued

in California submit applications to the Corporations Commissioner. Approval is given upon satisfaction that the security issue will be a "fair, just and equitable" offer to the public.

Approximately 60 percent of the division's workload is in the issuance of permits to offer securities and the regulation and licensing of securities brokers, agents and counsels. The following table shows statistics related to the workload in the enforcement of the Corporate Securities Act. The first item, "permits to issue securities," is indicative of the more detailed review of permit applications. Other items reflect clerical or mechanical treatment.

Table 1. Actions Completed During Year

Activity	1961-62 (projected)	1961-62 (actual)	1962-63 (estimated)	1963-64 (projected)
Permits to issue securities	28,595	19,314	20,400	21,300
Escrow and miscellaneous orders	22,720	18,303	19,000	19,800
Authorizations of agents to sell securities	20,567	16,795	17,800	18,800
Brokers licenses	1,242	1,029	1,100	1,180
Investment counsel certificates	226	190	200	210
Certificates of security owner protection	5	8	8	10
Total	73,355	55,639	58,508	61,300

The other 40 percent of the workload arises from the regulation, licensing and financial examination of other finance industries. These include personal property brokers, small loan companies, credit unions, industrial loan companies, escrow agents, check sellers and cashers, retirement systems and trading stamp companies. Each of these industries is covered by separate sections in the Financial Code and the relative degrees of control to which they are subject varies under each law. Table 2 shows the number of licenses in effect, which is the workload indicator regarding the examination, regulation and licensing of these various industries. Security brokers and investment counsels are included since they are subject to similar controls.

Table 2. Licenses in Effect

Licenses	1961-62 (projected)	1961-62 (actual)	1962-63 (estimated)	1963-64 (projected)
Personal property and small loan brokers	1,335	1,240	1,320	1,400
Credit unions	665	595	600	610
Industrial loan companies	190	144	159	170
Escrow agents	380	363	370	380
Check sellers and cashers	30	29	30	30
Retirement systems	365	355	405	455
Trading stamp companies	45	35	38	40
Security brokers	1,242	1,209	1,100	1,180
Investment counsels	226	190	200	210
	4,478	4,160	4,222	4,475

Division headquarters are maintained in Sacramento, but the Board of Control lists the commissioner's headquarters as San Francisco for travel purposes.

Division of Corporations—Continued

Distribution of personnel exclusive of temporary help, is shown in the following table. Functional categories are not shown because there is no delineated organization of functional sections within the Division of Corporations.

	<i>Los Angeles</i>	<i>San Francisco</i>	<i>Sacramento</i>	<i>San Diego</i>	<i>Total</i>
Filled positions as of October, 1962-----	180	100	77	15	372
Vacant positions as of October, 1962-----	3	6	3	0	12
Established positions, 1962-63-----	183	106	80	15	384

Among the agencies in the Department of Investment, the Division of Corporations is the only one supported through the General Fund. Fees and reimbursements collected from industries under divisional regulations are deposited in the General Fund. In fiscal year 1961-62, revenues collected by the agency exceeded cost of operations by \$1,293,347.

Examination activities of the Division of Corporations are entirely reimbursed on an "at cost" basis by the individual business firms examined.

Table 3 indicates the amounts of revenue and reimbursements received in 1961-62 under the several laws administered by the Corporations Commissioner.

Table 3. Revenues and Reimbursements, 1961-62

<i>Law</i>	<i>Revenues</i>	<i>Reimbursements</i>	<i>Total</i>
Corporate securities -----	\$3,337,655	\$1,200	\$3,338,855
Security owners protection -----	275	--	275
Credit union -----	35	300,976	301,011
Personal property brokers -----	269,200	116,384	385,584
Small loan brokers -----	2,900	818	3,718
Retirement systems -----	4,450	2,572	7,022
Check sellers and cashers -----	18,842	7,758	26,600
Escrow -----	49,633	69,703	119,336
Industrial loan -----	--	128,437	128,437
Trading stamp -----	11,450	--	11,450
Miscellaneous -----	15	4,626	4,641
	<u>\$3,694,455</u>	<u>\$632,474</u>	<u>\$4,326,929</u>

ANALYSIS

The agency is requesting 27 new positions, two of which, corporation examiners II, are in effect merely reclassifications of two existing positions of deputy commissioners I. The result is a proposed net increase in staff of 25 distributed as follows:

<i>Justification</i>	<i>Auditor I</i>	<i>Inter- mediate typist</i>	<i>Deputy I</i>	<i>Total</i>
Increase in examination and licensing workload	11	5	--	16
New program, check sellers agents -----	4	1	--	5
New program, written examinations for certain licenses -----	--	3	1	4
Total -----	15	9	1	25

Division of Corporations—Continued

Continuing Program

The 11 additional auditor I positions and related 5 intermediate typists are requested for workload increases in the examination programs. Those include field examinations of various classes of licensees, the estimated man-hours required for which will total 214,311 during 1963-64, the calculated man-year equivalent of which is 107.2.

This will require an increase of 13 over the existing staff of 94 examiners and auditors, as shown in the salary supplement, page 382, lines 12 to 16.

The increase represents the two examiner II positions proposed to be established on a conversion basis plus the 11 new auditor II positions requested for workload increases.

We recommend deletion of three auditor I positions, budget page 498, line 68, \$17,496, and one related intermediate typist-clerk position, budget page 498, line 69, \$4,140.

In estimating the total examination time of 214,311 hours required for 1963-64 the agency has multiplied the estimated number of licensees to be examined by the average time per examination required during the past year, 1961-62. Annual examinations of certain licensees are mandatory under the law, while in the case of others, including escrow agents, retirement systems and check sellers and cashers, the number to be examined each year is at the discretion of the commissioner.

The agency proposes to examine a higher percentage of these three during 1963-64 than during 1961-62. We believe this represents an increase in the level of service and are recommending that these examinations be reduced to the 1961-62 level as follows:

Licensee	1961-62 Actual			1963-64 Proposed		
	Licenses in effect	Examinations made	Percent	Licenses in effect	Examinations proposed	Percent
Escrow agents	363	280	77.1	380	380	100.0
Check sellers and cashers	29	20	69.0	30	30	100.0
Retirement systems	355	38	10.7	455	75	16.5

We believe the number to be examined during 1963-64 should be reduced to the 1961-62 percentages, and the reduction is calculated as shown in Table 4.

Table 4.

Recommended Decrease in Hours Budgeted for Licensee Examinations, 1963-64

Licensee	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Licenses, 1963-64			Average hours per exami- nation	Total hours		
	In	To be examined			Required (3)×(4)	Budgeted	Decrease
	effect	Percent	Number				
Escrow agents --	380	77.1	293	48.29	14,149	18,351	4,202
Check sellers and cashiers	30	69.0	21	91.60	1,924	2,748	824
Retirement sys- tems	455	10.7	49	18.68	915	1,401	486
Total	--	--	--	--	16,988	22,500	5,512

Division of Corporations—Continued

The reduction of 5,512 hours represents 2.8 man years, using the agency's formula of 2,000 hours per man-year, which is the approximate equivalent of our recommended reduction of three auditor I positions.

New Programs

Included in personnel requests for 1963-64 are four auditor I positions, budget page 498, line 68, and one intermediate typist-clerk position, budget page 498, line 69, for staffing the proposed program of expanded examinations of check sellers and cashers' agents.

We recommend approval of these five positions, as budgeted.

There are 29 check sellers and cashers doing business in California at this time. Transactions are handled through some 1,000 or more affiliated agents throughout the State. These agents are usually proprietors of local drugstores, markets, etc.

Section 12300.3 of the Financial Code provides that an agent must deposit money received in the trust account of his principal within three days after receipt and that money received by the principal must be deposited in his trust account within one day after receipt.

It is believed by the agency that compliance with this code section can best be achieved through unannounced financial examinations of the agents. Present levels of examination of the agents by the division are at 1 percent to 2 percent. The proposed expansion would raise this coverage to 10 percent, according to division estimates.

As with other examining programs in the Division of Corporations, costs of these examinations would be reimbursed by the industry.

One deputy commissioner I and four intermediate typist clerk positions are requested for staffing a new licensee examination program. The proposed program would subject all of the estimated 4,000 annual applicants for securities agent, broker and dealer licenses to written tests on general corporate security laws and practices. This is not done at the present time.

The Division of Corporations estimates that the cost of administering this examination program would amount to \$24,995, including \$1,746 for original equipment purchases.

The Corporation Commissioner intends that the costs of the proposed examination function be supported entirely by the General Fund, without increase in fees.

We recommend a reduction of \$6,744, budget page 498, line 67, representing one deputy corporations commissioner I. We recommend a further reduction of \$12,420, budget page 498, line 69, representing three intermediate typist-clerk positions.

We are not aware of any public alarm over the knowledge and conduct of security licensees at the present time which an annual examination would correct and, accordingly, we regard the suggested program as an unnecessary increase in the level of service.

Of the 834 securities brokers who are currently licensed by the Division of Corporations, 584 or 79.6 percent are members of the National Association of Securities Dealers. There are 15,708 licensed agents in this State who sell securities through these brokers. All agents who work

Division of Corporations—Continued

for NASD brokers are required to take an examination administered by the association. On the basis of the broker membership in NASD, we estimate that approximately 80 percent of the 15,708 securities agents are subject to this examination. This examination, which has recently been revised, tests the knowledge and experiences of the examinee to a degree sufficient to render any further examination superfluous.

**Department of Investment
DEPARTMENT OF INSURANCE**

ITEM 198 of the Budget Bill

Budget page 500

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

Amount requested	\$2,682,834
Estimated to be expended in 1962-63 fiscal year	2,586,178
 Increase (3.8 percent)	 \$96,656
TOTAL RECOMMENDED REDUCTION	\$52,194

Summary of Recommended Reduction

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
New positions:			
4 Intermediate clerks	\$16,968	502	8
1 Insurance examiner II	7,080	502	43
1 Intermediate typist-clerk	4,242	502	45
4 Examiners I/II	23,904	502	44

GENERAL SUMMARY

The Department of Insurance, headed by the Insurance Commissioner, licenses and regulates all companies, brokers, agents and solicitors engaged in the insurance business within the State of California. Section 12900 of the Insurance Code establishes a fixed four-year term for the Insurance Commissioner with appointment by the Governor subject to consent of the Senate.

Distribution of personnel throughout the State, as of November 1962, was as follows:

Table 1

Authorized Positions by Function and Location

<i>Division</i>	<i>Total</i>	<i>San Francisco</i>	<i>Los Angeles</i>	<i>San Diego</i>	<i>Sacramento</i>
Administration	38.5	23.5	10	2	3
Compliance and legal	98	53	42	1	2
License	47.5	43.5	4	—	—
Examination and financial analysis	85	50	35	—	—
Totals	269	170	91	3	5

Among these 269 authorized positions, the Department of Insurance listed 15 vacancies. The following table shows all vacant positions as of December 1, 1962, and the date vacated.

Department of Insurance—Continued

Table 2
Vacant Positions December 1, 1962

<i>Classification</i>	<i>Functional division</i>	<i>Number positions</i>	<i>Date vacated</i>
Chief Deputy Insurance Commissioner-----	Administration -----	1	9-18-59
Associate counsel-----	Comp. and Legal-----	1	6-17-62
Policy examiner-----	Comp. and Legal-----	3	7- 1-62
Insurance examiner I-----	Examination -----	5	7- 1-62
Insurance examiner III-----	Examination -----	1	7- 1-62
Semisenior insurance rate analyst-----	Examination -----	4	7- 1-62
Total-----		15	

Compliance and legal functions center about enforcement of the Insurance Code. Investigation deputies process public complaints and policy inquiries. The legal staff reviews applications for company admissions, policy changes and stock permits.

The license program is handled almost exclusively in San Francisco. Examinations are conducted throughout the State and processed centrally. License fees and penalties are collected and licenses issued from department headquarters.

Examination activities are conducted on a basis which is discretionary with the commissioner. Companies examined by the Insurance Commissioner pay for the services rendered on a salary plus expenses basis, in accordance with Section 736 of the Insurance Code. Financial analysis deals primarily with the review of rates and the annual gross premium insurance tax returns.

The Insurance Commissioner also plays the major role in administration of the gross premiums tax on insurance companies, which since 1959 has been imposed on what amounts to a self-assessed basis, since the return and payment is made to him in the first instance, and the tax liability is verified as a part of his regular examination program of the records of all insurers. The Board of Equalization assesses the tax while the Controller does the collecting. We regard the performance of these functions by these two agencies as unnecessary duplications, as commented upon more fully later.

The agency is supported out of the Insurance Fund which was created August 14, 1929.

The law creating the fund (Chapter 147, Statutes of 1929) provided, as does existing Section 12974 of the Insurance Code, that "All moneys received by the commissioner for fees, fines, penalties, taxes or from similar sources, and belonging to the State . . ." shall be deposited in the Insurance Fund.

Between August 14, 1929, and June 6, 1939, the law provided that the balance in the Insurance Fund on June 30 of each year should revert to the General Fund, while between June 6, 1939, and September 9, 1953, no such provision was in effect.

Since September 9, 1953, Section 12974 of the Insurance Code has required the transfer to the General Fund of amounts in the Insurance Fund in excess of \$2,000,000 at June 30 of each year, and in the nine years intervening between September 6, 1953, and June 30, 1962, a total of \$3,261,416 has been transferred.

Department of Insurance—Continued

Transfers in the immediate future are unlikely, as indicated by the data in Table 3, which shows estimated income to be less than estimated outgo for 1962-63 and 1963-64.

Table 3

Summary of Insurance Fund Transactions 1959-60 to 1963-64

Fiscal year	Income		Outgo		
	Revenue	Prior year	Expenditures	Transfers to	Ending
		adjustments		General Fund	surplus
1959-60 (actual) -----	\$2,427,282	\$2,960	\$1,919,862	\$510,380	\$2,000,000
1960-61 (actual) -----	2,198,733	2,927	2,110,359	91,301	2,000,000
1961-62 (actual) -----	2,474,072	67,387	2,208,700	332,779	2,000,000
1962-63 (estimated) ----	2,371,135		2,586,191		1,784,944
1963-64 (estimated) ----	2,638,900		2,682,834		1,741,010

Revenues for the Insurance Fund are from the following sources as shown in Table 4:

Table 4

Revenues for Insurance Fund, by Source, 1959-60 to 1963-64

Source	Actual 1959-60	Actual 1960-61	Actual 1961-62	Estimated 1962-63	Estimated 1963-64
Surplus line brokers tax-----	\$846,551	\$811,273	\$748,878	\$740,000	\$730,000
Insurance company license fees and penalties-----	864,025	619,053	924,541	687,000	936,000
Reimbursement for costs of insur- ance company examinations--	517,017	616,759	642,022	764,090	796,000
Other fees-----	89,189	88,522	101,519	110,000	110,000
Miscellaneous services to public	15,923	15,719	15,247	18,150	18,150
Interest on investments-----	94,577	47,407	41,885	51,895	48,750
Total -----	\$2,427,282	\$2,198,733	\$2,474,092	\$2,371,135	\$2,638,900

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

Surplus line insurance is high risk insurance business which has been rejected by insurance companies admitted to do business in California and is placed by brokers with nonadmitted insurers. Risks assumed by surplus line companies may only be those which are not acceptable to admitted firms. (Lloyd's of London is a typical surplus line insurer.) Because they are not permitted to conduct direct business in this State, these companies write their policies through surplus line brokers who are licensed and regulated by the Insurance Commissioner.

The gross premium insurance tax imposed on admitted insurers is established at 2.35 percent. Surplus line insurance firms are not subject to this tax, being nonadmitted insurers, but are taxed indirectly through the surplus line brokers tax.

Because the surplus line brokers tax is apparently imposed as a complement to the regular gross premiums tax on admitted insurers it appears to us that it should be directed to the same purpose; that is, that it should constitute a General Fund revenue source rather than a source of revenue to the Insurance Fund, and we so recommend. Such a diversion, which would probably require a law change, would

Department of Insurance—Continued

result in a rapid depletion of the Insurance Fund under the existing fee schedules.

We recommend that fees be increased to the extent necessary to cover all operating costs of the Department of Insurance. It should be noted that fees, all of which are statutory, have not been increased for a number of years.

Economies and Improvements Requiring Legislation

We repeat two recommendations previously made which would require legislation. The first relates to the administration of the gross premiums tax on insurance companies.

The Auditor General in a report to the Joint Legislative Audit Committee on November 19, 1962, included the following statement:

“The Legislative Analyst, in his 1958-59 analysis and his 1961-62 analysis of state budgets, recommended that Section 14 $\frac{1}{2}$ (h) of Article XIII of the Constitution be repealed and that appropriate legislation be drafted to place the entire responsibility for all phases of administration of the gross premiums tax on insurance companies on the Insurance Commissioner, except that provision should be made for an administrative appeal from his findings as to tax deficiencies. This would correct the overlapping of activities that now exists where the Insurance Commissioner does practically all the work but the Board of Equalization goes through the motions of assessing the tax in all cases and the State Controller maintains records of all assessments. In effect, three agencies are maintaining what amounts to the same records regarding the insurance tax. Any action taken by either the Board of Equalization or the State Controller relating to the assessment or collection of the insurance tax is predicated in the first instance upon information furnished them by the Insurance Commissioner. Chapter 39, Statutes of 1959 changed the law so that the tax is now virtually self-assessed and payment is made by the insurance companies to the Insurance Commissioner when they file their tax returns.

“We reviewed the procedures in our examination of the Insurance Fund and stated that we concurred with the Legislative Analyst’s recommendation.

“The Insurance Commissioner stated in his reply to our report:

“The Department of Insurance agrees with the recommendations regarding handling of the gross premiums tax as set forth in this Report and as recommended by the Legislative Analyst in his report on the fiscal budget year, ending June 30, 1962, and we will co-operate in drafting and presenting to Committees of the Legislature the bills which will be required to carry out these recommendations.” ”

The second recommendation is that the Legislature give consideration to the elimination of the deduction currently allowed insurance companies by Article XIII, Section 14 $\frac{1}{2}$ (e) of the Constitution for property taxes paid on the principal office of the insurance company in Cali-

Department of Insurance—Continued

fornia. Elimination of this deduction would increase the yield from the insurance tax, a General Fund revenue source, by \$4.3 million per year.

Because of the existence of this deduction certain insurance companies have acquired office buildings in California containing space in excess of their home office needs, the rent from which provides them with an additional source of income. Under existing law, they are allowed to deduct the property tax paid on this excess space, while at the same time the added revenue is not subject to the California franchise or corporation income tax because the gross premiums taxes paid by insurance companies are, by constitutional provision, in lieu of all other taxes, except property taxes.

As a result insurance companies who own and rent excess office space enjoy a competitive advantage over other owners of comparable space whose income is subject to a California tax.

As indicated in Table 5 the property tax credit has increased from 3.66 percent of the total gross premiums tax assessed in 1948, the first year in which the 2.35 percent rate applied and the deduction was limited to taxes on home offices, to 5.68 percent in 1962. Stated differently, total taxes have increased 258 percent during the period while property tax credits have increased 457 percent.

Table 5
Ratio of Principal Office Property Tax Deduction to Total Taxes
Assessed on Premiums, 1948 to 1962

<i>Tax Year</i>	<i>Taxes assessed on premiums</i>	<i>Proper taxes claimed as credits</i>	<i>Ratio of credits to taxes assessed</i>
1962	\$75,504,917	\$4,291,305	5.68%
1961	71,235,283	3,854,507	5.41%
1960	65,169,948	3,341,844	5.13%
1959	58,377,347	3,153,605	5.40%
1958	53,461,244	2,714,160	5.07%
1957	48,365,723	2,278,623	4.71%
1956	44,476,726	2,026,931	4.56%
1955	40,810,154	1,781,071	4.36%
1954	40,040,521	1,601,342	4.00%
1953	35,034,480	1,393,689	3.91%
1952	30,384,576	1,331,108	4.38%
1951	26,404,608	1,266,639	4.80%
1950	24,045,733	1,099,147	4.57%
1949	23,689,427	915,103	3.86%
1948	21,045,450	770,733	3.66%

ANALYSIS

The Department of Insurance budget increase of \$96,656 for 1963-64 includes \$71,478 for 13.5 proposed new positions.

Administration

Temporary help is requested equivalent to 0.5 position, budget page 501, line 14, \$2,226, in order to meet increased workload in insurance policy service cases and inquiries received from the public.

We recommend approval as budgeted.

Department of Insurance—Continued

Compliance and Legal

Three additional positions are requested for the Los Angeles office, an attorney, an investigator and a stenographer.

One junior-assistant counsel position is requested, budget page 501, line 60, \$6,912. This position is requested not because of workload increases but because of pending backlogs of legal work to be completed.

We recommend approval of the position for one year only.

One junior/senior investigator position is requested budget page 501, line 61, \$5,694, to meet increased workloads in the investigation bureau of the Los Angeles office. The following table shows workloads for that section over the past two actual years, the current year, and the budget year, as contrasted with workloads in the San Francisco office.

Table 6

Workload, Investigation Bureau, Los Angeles

	Cases received		Positions		Caseload per position	
	San Francisco	Los Angeles	San Francisco	Los Angeles	San Francisco	Los Angeles
Fiscal year						
1960-61 (actual)	1913	2961	9 (filled)	12	212	247
1961-62 (actual)	2331	3440	9 (filled)	12	259	297
1962-63 (estimated)	2403	3646	9 (auth.)	12	267	304
1963-64 (projected)	2473	3849	9 (requested)	13	275	296

The request for one junior/senior investigator appears reasonable in that it would result in a workload position that is comparable with the level that existed during fiscal year 1961-62.

We recommend approval as budgeted.

Included in the request for investigative and legal personnel is the addition of one intermediate stenographer, budget page 501, line 62, \$4,452.

We recommend approval as budgeted.

Licensing

The department requests four new intermediate clerk positions for 1963-64 to meet estimated increases in the license handling function.

We recommend deletion of the four proposed new intermediate clerk positions, budget page 502, line 8, \$16,968.

As of July 1, 1963, there will be an effective change in the licensing process of the Department of Insurance whereby the number of licenses on hand will be reduced, due to a new system of issuing licenses for agents to sell insurance. Presently, each agent is licensed separately for each company he represents. Thus, there may be any number of licenses on record for an individual agent. The new procedure will issue a single license to each agent by which he is authorized to act for any number of companies. The companies will be required to notify the commissioner of appointments of their agents, but this will not enter into the actual licensing process.

The department is unable to state the number of individual agents currently licensed under their jurisdiction. Drawer-sample estimates have indicated that under the new system there will be an elimination of one-half the number of existing licenses. Although the department

Department of Insurance—Continued

estimates an increased workload due to processing of company appointment documents, we are not confident that the existing level of process load will sustain itself after the new program is implemented. We do not approve of adding new positions until realistic workloads have developed under the new system. We believe a reduction in workload is entirely possible, but recommend no reductions in existing manpower until actual statistics are available.

Examination and Financial Analysis

Five examiner and one intermediate typist-clerk are requested by the Insurance Department, budget page 502, lines 43 to 45, in order to meet increased workloads in the examination of insurance companies and the analysis of their financial statements. Agency justifications do not include records of past workload and staff relationships.

The agency has stated that the addition of one insurance examiner and a typist are requested in order to "... permit a more extensive audit and analysis of each statement submitted" to the financial analysis bureau.

We recommend a reduction of \$7,080, budget page 502, line 43, and \$4,242, budget page 502, line 45, representing one insurance examiner II and one intermediate typist-clerk.

We believe this request is related to an increase in the level of service and not to workload increases.

The four examiner positions requested for the examination bureau, budget page 502, line 44, are justified by the agency on the basis of workload forecasts.

We recommend deletion of four insurance examiner I/II positions, budget page 502, line 44, \$23,904.

We believe that the workload forecasts of the agency are too inadequate and incomplete for proper analysis.

Table 7 shows authorized and filled positions in the examination bureau on a calendar year basis in line with the examination program which is conducted on that basis.

Table 7

Examination Bureau Staffing Total Positions

<i>Calendar year.</i>	<i>Authorized</i>	<i>Filled</i>
1960 (actual) -----	40.5	38.5
1961 (actual) -----	45.0	41.0
1962 (estimated) -----	48.0	43.5
1963 (requested) -----	53.0	-

The agency measures its examination personnel demands on the basis of the number and asset-premium size of insurance companies admitted to do business in California. The examination program under the Department of Insurance is conducted both in this State and on a co-operative basis in other states.

The following table shows the agency's best estimates of personnel needs for the examination of institutions in 1963-64.

Department of Insurance—Continued

Table 8

<i>Estimated man-days required 1963</i>	<i>Type of work</i>	
924	In progress since 1962	} 2,240 backlog
1,316	Carryover from 1962	
7,573	Scheduled, domestic	} 9,496 scheduled
1,923	Scheduled, out-of-state	
<u>11,736</u>		<u>11,736</u>

Apparent in the foregoing table is the extent to which backlogs of incompleeted examinations comprise the total workload. The total estimate of 11,736 man-days used by agency to justify staff increases should more properly be stated as 9,496 man-days, thereby excluding the 2,240 man-days required to clear existing backlogs.

The Department of Insurance bases its examination program on the premise that each man can produce 228 effective days of work each year. Our estimates of staff requirements follow.

9,496 man-days (scheduled examinations, 1963)

÷
228 man-days

41.7 men

The currently authorized staff in the examination bureau assigned to this work, as shown on page 383, line 46 to 53 of the Salary Supplement, exclusive of 1 chief insurance examiner, 2 supervising insurance examiners and 1 insurance examiner IV which are regarded as administrative positions, is as follows:

<i>Class</i>	<i>Number</i>	<i>salary range</i>
Insurance examiner IV	8	\$870-1,166
Insurance examiner III	11	717- 960
Insurance examiner I/II	24	463- 790
Insurance claims procedure examiner	3	619- 829
Auditor I	1	463- 650
Total	<u>47</u>	

We believe that the present level of staffing is sufficient to meet the scheduled workload and any increases that might arise during the budget year. On the basis of our calculations, the existing staff authorization provides an additional 5.3 positions for purposes of clearing accumulated backlogs.

**Department of Investment
DIVISION OF REAL ESTATE**

ITEM 199 of the Budget Bill

Budget page 504

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

Amount requested	\$2,292,327
Estimated to be expended in 1962-63 fiscal year	2,259,104
<hr/>	
Increase (1.5 percent)	\$33,223

TOTAL RECOMMENDED REDUCTION None

GENERAL SUMMARY

The total expenditure program of the Division of Real Estate is detailed on page 504 to 506 of the printed budget and is supported from two appropriations as follows:

<i>Fund</i>	<i>Item No.</i>	<i>Total expenditures</i>			<i>Increase 1963-64 over 1962-63</i>	
		<i>1961-62 actual</i>	<i>1962-63 estimated</i>	<i>1963-64 proposed</i>	<i>Amount</i>	<i>Percent</i>
Real Estate -----	-----	\$2,044,448	\$2,259,104	\$2,292,327	\$33,223	1.5%
Real Estate Education and Research -----	-----	196,288	379,174	386,863	7,689	2.0%
Total -----		\$2,240,736	\$2,638,278	\$2,679,190	\$40,912	1.6%

The programs financed by the Real Estate Education and Research Fund, including those administered by the University of California, are discussed under item 200 in this analysis.

The Real Estate Fund derives its revenue from the various fees provided under the California Real Estate Law, Sections 10000 to 11709 of the Business and Professions Code, except that Section 10450.6, which was added in 1956, provides that one-fourth of the amount of any license fee collected by the commissioner shall go to the Real Estate Education and Research Fund.

Section 10451.5, also added in 1956, provides that money in the latter fund is available for appropriation by the Legislature to be used by the commissioner in carrying out the provisions of the Real Estate Law and . . . "in the advancement of education and research in real estate at the University of California, state colleges and junior colleges."

The division is headed by the Real Estate Commissioner, who is appointed by the Governor with the consent of the Senate for a term of four years. The Real Estate Commissioner maintains his headquarters in Sacramento. Principal functions of the division are the licensing and regulation of persons and firms engaged as real estate, business opportunity, or mineral, oil, and gas salesmen or brokers. Various duties related to subdivisions and mortgage loan brokers have been assigned to the Real Estate Commissioner by other provisions of the Real Estate Law.

Functionally, the Division of Real Estate includes five sections: examinations, licensing, regulation, administration, and education and research.

Division of Real Estate—Continued

For purposes of administering real estate laws in California, the State is divided into six regions with an office located in each. Licensing, education and research and examinations are centralized in Sacramento while regulatory activities are programed through the San Francisco and Los Angeles offices. The following table shows the distribution of permanent full-time personnel by location and by functional units.

<i>Location</i>	<i>Licensing</i>	<i>Exam- ination</i>	<i>Regu- lation</i>	<i>Admin- istration</i>	<i>Education and research</i>	<i>Total</i>
Sacramento (HQ)---	53	13	--	18	7	91
Los Angeles-----	--	6	73	--	--	69
San Diego-----	--	--	9	--	--	9
Fresno-----	--	--	6	--	--	6
San Francisco-----	--	3	33	--	--	36
Oakland-----	--	--	7	--	--	7
Sacramento (Reg. Ofc.)----	--	--	9	--	--	9
Totals-----	53	22	137	18	7	237

The examination section writes and administers all examinations required for the various classes of licenses to do real estate business in California. All offices, except Oakland, serve as examination centers and, periodically, the division holds examinations in parts of the State not immediately served by a regional office.

Regularly, throughout the year, the division finds it necessary to reschedule examinations at times more convenient for those who are unable to meet original examination schedules. The administrative costs in programming such repeat examinations are absorbed by the division without penalty charges to those for whom the rescheduling is made. The number of postponement requests averages 4,800 per year. Costs of rescheduling, including clerical man-hours and postage average \$3,664 annually.

Workload in the examination section is directly related to total volumes of applications and the number of examinations conducted.

The licensing section issues and renews licenses for salesmen, brokers, and others. Licenses in effect on June 30, 1962, totaled 141,443 of which 76,543 were for real estate salesmen, 51,872 for real estate brokers, totaling 128,415, and 13,028 for others. Of these, 31,018 are inactive.

Regulation of real estate practices involves audit, investigative and legal activities. Complaints received by the public are entertained by division deputies who determine whether or not a broker or salesman has violated the Real Estate Law.

Of recent years there has been widespread growth of promotional activities in the sale of large subdivisions, especially between various states. During the 1961-62 fiscal year, the Division of Real Estate issued public reports on lands offered for sale from within California and from other states; within California, 56,343 acres; out-of-state, 148,209 acres; a ratio of more than 5 to 2. Quite often, land developers will offer land for sale on installment plans and may sell the parcels sight unseen. Not infrequently, these lands are highly speculative and

Division of Real Estate—Continued

of little immediate value. Sales are often consummated by the influence of misleading advertisement and high-pressure sales pitches.

California is both an "investor" state and a "situs" state. That is, residents of California are sought out by land developers as prospective customers. Also, there are several subdivisions within California that are offered for sale in other "investor" states.

The Division of Real Estate has fallen heir to the task of regulating these out-of-state land developers. Control is limited to the issuance of a public report in which the land is described in objective detail, but no value judgment is rendered as to real worth or speculative potential. A promoter may be issued a desist and refrain order if it is conclusively found that he has advertised deceptively or concealingly, but only if the advertising originated in California.

The United States Postal Department has been effecting some control in connection with the Federal Mail Frauds Act.

Over the past four years this activity has continued to attract the attention of state enforcement agencies throughout the nation. On October 1-2, 1962, California's Attorney General hosted a meeting of the National Conference on Interstate Land Sales in San Francisco at which representatives of 32 states met to review the interstate land sales problems and various means of protecting the public from fraudulent abuses on the part of land developers.

Emanating from this conference of state, federal and private organization regulatory officers was the consensus that real estate laws for the control of promotional land sales should include "fair, just and equitable" clauses. Such laws would permit a promoter to offer land for sale within a state only if the regulating body determined that such offering was "fair, just and equitable."

At present, the Division of Real Estate does not have a "fair, just and equitable" clause in the laws which it administers. Rather, the commissioner can require only a full disclosure in sales promotion.

ANALYSIS

No new positions are being requested since it is anticipated that any increases in workload can be handled by the existing staff.

We recommend approval as budgeted.

Publications

As a service to its licensees, the Division of Real Estate publishes and distributes a bimonthly bulletin of information relative to the real estate industry and the division's activities. Included in the mailing list are 31,018 inactive licensees. We believe consideration might well be given to the elimination of bulletin service to this group of persons as their interest in real estate matters is obviously slight, and have estimated that a saving in printing costs of \$3,725 per year would result.

The *Real Estate Bulletin* is distributed bimonthly. The nature of this publication is such that we feel a quarterly issue of more digested content might be adequate, and have estimated that an additional saving in printing costs of approximately \$6,000 per year would result from such a change.

Department of Investment
REAL ESTATE EDUCATION AND RESEARCH

ITEM 200 of the Budget Bill

Budget page 504

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

Amount requested	\$646,863
Estimated to be expended in 1962-63 fiscal year	639,174

Increase (1.2 percent)	\$7,689
TOTAL RECOMMENDED REDUCTION	\$125,760

Summary of Recommended Reductions		Budget		
	Amount	Page	Line	
Support, Division of Real Estate:				
Real estate education and research needs	\$11,280	505	68	
Real estate education and research program, state colleges and junior colleges	68,310	505	70	
Unallocated salaries and other costs	28,230	505	77	
Support, University of California	17,940	506	79	

GENERAL SUMMARY

The Real Estate Education and Research Fund was created in 1956 and a summary of its transactions since its inception is given in Table 1. Amounts for fiscal years 1956-57 through 1961-62 are actual, those for 1962-63 are estimated and those for 1963-64 are as proposed.

Table 1. Real Estate Education and Research Fund

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Fiscal year	Income		Expenditures		Total	Ending balance
	Revenues	Adjust- ments	Division of Real Estate	University of California		
1956-57	\$644,841	--	--	--	--	\$644,841
1957-58	329,020	--	--	\$28,096	\$28,096	945,765
1958-59	421,888	\$262	\$75,567	194,365	269,932	1,097,983
1959-60	438,301	-1,748	105,894	249,957	355,851	1,178,685
1960-61	448,276	8,857	177,970	241,542	419,512	1,216,306
1961-62	420,865	17,581	196,288	186,157	382,445	1,272,307
1962-63	507,326	--	379,174	260,000	639,174	1,140,459
1963-64	533,051	--	386,863	260,000	646,863	1,026,647
Totals	\$3,743,568	\$24,952	\$1,321,756	\$1,420,117	\$2,741,873	\$1,026,647

The objective of the real estate education and research program, which is financed by this fund, is to assist in upgrading the industry toward professionalization through the advancement of education and knowledge in the field of real estate, at the University of California, state colleges and junior colleges.

Real Estate Education and Research—Continued

The present program consists of the following:

- (a) Basic research at the University of California and the state colleges.
- (b) University and state college instruction for credit, both graduate and undergraduate.
- (c) Adult education through the junior colleges and the university extension, which include programs of real estate certification.

The Real Estate Commissioner has, as his policy advisory body in administering real estate education and research, a committee consisting of representatives of the University of California, state colleges, junior colleges, the real estate industry and his own office. This committee is known as the California Real Estate Education and Research Advisory Committee (CREERAC).

At the 1962 session of the Legislature the Senate Finance Committee on March 13, 1962, when acting on the proposed appropriation from the Real Estate Education and Research Fund, approved the following recommendation from its Subcommittee No. 1 for a report by the Division of Real Estate.

“Your subcommittee also recommends that the agency submit a report to the 1963 session of the Legislature setting forth the evaluation by the industry of the results of the real estate education and research program and the direction proposed to be taken in the future and that this report be made available to the Legislative Analyst for review in connection with the 1963-64 budget request for any appropriation from this fund.”

A progress report on this subject was submitted to our office by the Division of Real Estate on January 1, 1963.

The report tabulates answers to a series of questions sent to 1,912 licensees representing a random sample of the 128,415 licensed real estate salesmen and brokers. As of January 24, 1963, replies had been received from 677 licensees, or 35.4 percent of those to whom the questionnaires were sent.

Questions included related to the contents of the bimonthly bulletin issued to all licensees by the Division of Real Estate, to the educational programs of junior colleges, state colleges, the University of California and the university extension division, and to the adequacy of the 25 percent of license fee revenues set aside for the program. Nineteen questions were included on which a yes-or-no answer was requested and replies are tabulated in the report. In addition, six requests for general comments or suggestions were included, the answers to which were not tabulated or summarized.

As an illustration of the content of the questionnaire we include an excerpt relating to the University of California.

University of California

The University of California, at its Berkeley and Los Angeles campuses, has maintained real estate research programs for about 12 years. The principal support for these programs has been pro-

Real Estate Education and Research—Continued

vided by the Real Estate Education and Research Fund. In recent years the allocation to the university real estate research program has been approximately two-thirds the size of the combined total allocated to the state colleges and junior colleges.

The university is generally acknowledged as the leader in real estate research among the world's institutions of higher learning. Areas of inquiry include urban land economics, financing, brokerage practices, valuation methods, investment experience, etc. The research institutes have made it possible to maintain a program of graduate studies in real estate at the university.

Research results have been included in real estate course composition and in textbooks, and condensed for publication in journals, trade magazines and in the *Bulletin* (see *Bulletin*, July-August, 1962, for more information). In the light of this information and further information you may have, please answer the following questions:

1. Do you think the university program should be supported at about its present level?

Responses _____

Yes 329 No 139

2. If answer to (1) above is "no," should research efforts at the university be more or less?

Responses _____

More 95 Less 22

3. Are you generally satisfied with the type of research conducted by the university?

Responses _____

Yes 411 No 32

4. If the university is successful in producing a "popularized" or condensed version of its research results, would you be interested in receiving the publication or publications?

Responses _____

Yes 467 No 12

5. Can you suggest specific research projects which you would like to see developed?

(Responses not included in progress report)

While the answers to the questionnaire, as illustrated in the foregoing and as contained in other sections of the progress report appear to indicate substantial approval of the program by the industry, at least in terms of responses to the questions posed, we do not consider the report to be a complete response to the Senate Finance Committee resolution previously quoted. The report is only a progress report, it contains no evaluation of the suggestions and recommendations received in response to questions of that type included, nor does it contain any indication of the "direction proposed to be taken in the future."

We recommend complete reporting as contemplated by the Senate Finance Committee resolution.

Real Estate Education and Research—Continued

ANALYSIS

This item proposes an appropriation of \$646,683 from the Real Estate Education and Research Fund for educational and research needs of the real estate industry in California to be allocated by the Department of Finance in amounts as it finds necessary to the University of California and the Division of Real Estate to carry out the provisions of Section 10451.5 of the Business and Professions Code. The provisions of Section 10451.5 are described in the General Summary for the previous item.

Appropriations containing identical language have been made each year, starting with item 109 of the Budget Act of 1959.

The request for \$646,683 for this item for 1963-64 represents the following:

For Division of Real Estate:

Real estate education and research needs, budget page 505, line 68		\$30,000
Real estate education and research programs, state colleges and junior colleges, budget page 505, line 70		270,000
All other:		
Salaries and wages	\$65,240	
Operating expenses	16,984	
Retirement, health and welfare	4,639	\$86,863

Total, Division of Real Estate		\$386,863
For University of California, as detailed in Table 7		260,000
Total		\$646,863

The amounts appropriated or otherwise made available to the Division of Real Estate from the Real Estate Education and Research Fund since its creation in 1956, together with actual expenditures, are as shown in Table 2.

Table 2. Amounts Available to Division of Real Estate and Actual Expenditures From Real Estate Education and Research Fund 1958-59 to 1963-64

Source	Actual				Estimated Proposed	
	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64
Budget Act appropriations	\$104,628	\$178,826	\$185,367	\$272,330	\$374,439	\$386,863
Augmentation, Chapter 1123, Statutes of 1959	36,855	---	---	---	---	---
Emergency authorizations	---	---	23,525	2,738	---	---
Salary increase authorizations	---	---	---	760	5,405	---
Retirement, health and welfare	2,758	2,744	3,790	4,716	5,603	---
Total available funds	\$144,241	\$181,570	\$212,682	\$280,544	\$385,447	\$386,863
Actual expenditures	75,567	105,894	177,970	196,288	379,174	NA
Unexpended balance	\$68,674	\$75,676	\$34,712	\$84,256	\$6,273	NA
Unexpended balance as percent of total available	47.6%	41.7%	16.3%	30.0%	1.6%	

Real Estate Education and Research—Continued

It is apparent from the foregoing that during the four completed years, 1958-59 to 1961-62 amounts budgeted were substantially in excess of actual needs, and based upon past experience the same will probably be true during 1962-63.

The amounts available have been allocated to the following three general classes of expenditures:

- (1) Real estate education and research needs.
- (2) Real estate education and research programs, state colleges and junior colleges.
- (3) All other, including related expenditures by Division of Real Estate.

Our budget recommendation for 1963-64 will be considered for each of these three categories in turn, in the light of past experience.

Tables 3, 4, and 5, which follow segregate the total available funds, the actual expenditures, and the unexpended balances as shown in total in Table 2, for each of the three general classes of expenditures mentioned in the foregoing.

Real Estate Education and Research Needs

This is described by the agency as study of real estate educational needs and the preparation of instructional aids. Allotments and expenditures in this category have been as shown in Table 3.

Table 3. Real Estate Education Needs and Aids

<i>Fiscal year</i>		<i>Allotment</i>	<i>Expenditure</i>	<i>Unexpended balance</i>	
				<i>Amount</i>	<i>As percent of allotment</i>
1958-59 Actual	-----	\$30,000	\$7,981	\$22,019	73.4
1959-60 Actual	-----	30,000	16,276	13,724	45.7
1960-61 Actual	-----	30,000	18,735	11,265	37.9
1961-62 Actual	-----	30,000	18,724	11,276	37.6
Total actual		\$120,000	\$61,716	\$58,284	48.6
1962-63 Estimated	-----	\$30,000	---	---	---
1963-64 Proposed	-----	30,000	---	---	---

We recommend a reduction of \$11,280, budget page 505, line 68.

This recommendation reduces the amount proposed for this purpose to the 1961-62 level of actual expenditure, a reduction of 37.6 percent.

The expenditures shown above are for preparation of instructional aids and do not include any amounts for a study of needs. The allotment, on the other hand, has continuously included amounts for both purposes.

The Division of Real Estate has continued to budget for the expense of a "study of needs" on the premise that the original "Study of Real Estate Education and Research Needs in California," published by the State Department of Education and presented to the Legislature early in 1959, recommended continuing appropriations for the extension of this type of study. We find no such recommendation in that report. To date the division has not conducted any study of this nature.

Real Estate Education and Research—Continued

Real Estate Education and Research Programs,
State Colleges and Junior Colleges

This represents financial aid to state colleges and junior colleges for specific purposes. Allotments and expenditures in this category have been as shown in Table 4.

Table 4. Real Estate Education and Research Programs
State and Junior Colleges

Fiscal year	Allotment	Expenditure	Unexpended balance	
			Amount	As percent of allotment
1958-59 Actual -----	\$39,000	\$23,862	\$15,138	38.8
1959-60 Actual -----	76,056	44,383	31,673	41.6
1960-61 Actual -----	110,000	93,236	16,764	15.2
1961-62 Actual -----	173,000	129,239	43,761	25.3
Total actual -----	\$398,056	\$290,720	\$107,336	27.0
1962-63 Estimated -----	\$270,000	---	---	---
1963-64 Proposed -----	270,000	---	---	---

We recommend a reduction of \$68,310, budget page 505, line 70.

Based on actual experience in 1961-62, the most recently completed actual year, we estimate that the request for 1963-64 is excessive by 25.3 percent, the amount of the recommended reduction.

Other Expenditures, Division of Real Estate

This represents salaries, operating expenses and other costs in the Division of Real Estate which are related to real estate education and research. Allotments and expenditures have been as shown in Table 5.

Table 5. Other Expenditures, Division of Real Estate

Fiscal year	Allotment	Expenditures	Unexpended balance	
			Amount	As percent of allotment
1958-59 actual -----	\$75,241	\$43,724	\$31,517	41.9%
1959-60 actual -----	75,514	45,235	30,279	40.1
1960-61 actual -----	72,682	65,999	6,683	9.2
1961-62 actual -----	77,544	48,325	29,219	37.7
Total actual -----	\$300,981	\$203,283	\$97,698	32.5%
1962-63 estimated -----	\$85,447	---	---	---
1963-64 proposed -----	86,863	---	---	---

We recommend a reduction of \$28,230, budget page 505, line 77, to be allocated on a detailed line item basis by the Department of Finance.

This will reduce the proposed expenditures in this category for 1963-64 by 32.5 percent the same ratio as that between actual expenditures and total allotment as shown for the actual four-year period in Table 5.

University of California

The proposed allocation to the University of California for 1963-64 is \$260,000, the same as in 1962-63.

Allocations and expenditures since 1956 are shown in Table 6. In 1958-59 the amount of \$218,350 shown as an "allocation" was a direct appropriation to the university made by item 101.5 of the Budget Act of 1958. In all other instances the "allocations" were made by the

Real Estate Education and Research—Continued

Department of Finance from an appropriation to it in accordance with current practices.

Table 6. University of California, Allocations, and Expenditures for Education and Research

Fiscal year	Allocation	Actual Expenditure	Unexpended balance	
			Amount	As percent of allocation
1957-58 actual -----	\$31,000	\$28,096	\$2,904	9.37%
1958-59 actual -----	218,350	194,365	23,985	10.98
1959-60 actual -----	255,000	249,957	5,043	1.98
1960-61 actual -----	260,000	241,542	18,458	7.10
1961-62 actual -----	202,500	186,157	16,343	8.07
Total actual -----	\$966,850	\$900,117	\$66,733	6.90%
1962-63 estimated -----	\$260,000			
1963-64 proposed -----	260,000			

The data in Table 6 indicates an average degree of overbudgeting of 6.9 percent from 1957-58 to 1961-62.

We recommend a reduction of \$17,940, budget page 506, line 79, in the total allocation to the University of California.

This will reduce the proposed allocation by 6.9 percent, the average percent of overbudgeting for this item for the actual five-year period shown in Table 6.

This money is spent for research projects, associated operations and general educational expenses at the northern and southern campuses. The proposed expenditures for 1963-64 are detailed in Table 7.

Table 7. Proposed Budget, Real Estate Education and Research at University of California—1962-63

	Coordinator budget	North	South	Total
Research Projects -----	-	\$61,200	\$66,000	\$127,200
Associated Operations:				
Editorial and publication -----	-	\$8,500	\$8,000	\$16,500
Equipment and facilities -----	-	1,000	500	1,500
Supplies and expense -----	-	-	5,500	5,500
Library and dissemination of information -----	-	9,300	2,500	11,800
Grants-in-aid -----	-	12,500	10,000	22,500
Total associated operations -----	-	\$31,300	\$26,500	\$57,800
General Educational Expenses:				
Academic salaries -----	\$9,150	-	-	\$9,150
Secretarial and part-time help -----	7,000	-	-	7,000
Syllabi workbooks, travel and relocation -----	11,850	-	-	11,850
Equipment -----	2,000	\$2,000	\$1,000	5,000
Subsidizing small classes -----	-	12,500	14,000	26,500
Promotion expense -----	-	4,000	6,000	10,000
Inservice training -----	-	4,000	1,500	5,500
Total general educational expense -----	\$30,000	\$22,500	\$22,500	\$75,000
Grand Total -----	\$30,000	\$115,000	\$115,000	\$260,000

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

ITEM 201 of the Budget Bill

Budget page 507

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

Amount requested	\$1,297,873
Estimated to be expended in 1962-63 fiscal year	1,258,592
Increase (3.1 percent)	\$39,281
TOTAL RECOMMENDED REDUCTION	\$15,756

Summary of Recommended Reductions

Budget

New positions:	Amount	Page	Line
1 Assistant savings and loan commissioner	\$10,968	507	55
1 Senior stenographer	4,788	507	56

GENERAL SUMMARY

All state-chartered savings and loan associations in California are under the jurisdiction of the Savings and Loan Commissioner who acts as chief administrator of the Division of Savings and Loan. The Savings and Loan Commissioner is appointed by the Governor with the Senate's consent and serves at the pleasure of the Governor.

Savings and loan associations deal in finance much the same as do commercial banks. The main distinguishing characteristics are that savings and loan associations: (1) may not carry checking accounts for depositors; (2) they may not loan money for purposes other than home construction, renovations and mortgaging; (3) deposits are not subject to immediate withdrawal demand by depositors; (4) there is no set legal limit to rates of interest on deposits.

Section 8800 of the Financial Code directs the commissioner to make financial examination of every association, at least once a year. In support of these examinations, sample appraisals are made from association loan portfolios for the purpose of ascertaining soundness of loaning policy. These two functions, examination and appraisal, comprise the body of the workload for the Division of Savings and Loan. The remaining portion of the commissioner's duties consists of review and analysis of applications for charters, new branch offices, mergers and consolidations, and name changes. This latter function is handled by the administrative and legal staffs of the division.

Distribution of personnel according to functional organization is presented in the following table.

Table 1. Authorized Personnel, by Location

	Administration	Examination	Appraisal	Legal	Actg. and clerical	Total
San Francisco	2	20	10	0	9	41
Los Angeles	3	40	16	3	12	74
Total	5	60	26	3	21	115

Division headquarters are not specified by law. The commissioner conducts his activities from Los Angeles. Accounting and general housekeeping are centered in San Francisco under the direction of the chief civil service administrator.

Division of Savings and Loan—Continued

As is the case within the banking industry, the savings and loan associations of California are subject to both state and federal regulatory authorities. An association may be chartered either by the Commissioner of Savings and Loan or by the Federal Home Loan Bank Board which maintains federal banks throughout the nation to service its members. All nationally chartered associations are required to belong to the Federal Savings and Loan Insurance Corporation as well as the Federal Home Loan Bank System. State-chartered associations are permitted to join the Federal Home Loan Bank System, in which event they are required to belong to the Federal Savings and Loan Insurance Corporation. The Commissioner of Savings and Loan now requires all state associations to be insured under the federal agency.

The Federal Home Loan Bank Board performs supervisory and examination functions for both of the federal savings and loan authorities. In effect, the Federal Savings and Loan Insurance Corporation is a membership body without line functions in the examining of its members.

Federal examinations are conducted in all associations chartered by the Federal Home Loan Bank Board and all state-chartered associations belonging to either the federal banking system or insurance corporation. These examinations, undertaken by the examination division of the Federal Home Loan Bank Board, are performed regardless of the examinations conducted by the State's Division of Savings and Loan, and cover all state-chartered associations except eight with less than three-tenths of 1 percent of total assets.

For calendar year 1961 total associations in California were as follows:

<i>Type of charter</i>	<i>Associations</i>		<i>Total assets</i>	
	<i>Number</i>	<i>Percent of total</i>	<i>Amount in millions</i>	<i>Percent of total</i>
State -----	192	73.6	\$8,009.4	60.1
Federal -----	69	26.4	5,308.3	39.9
Total -----	261	100.0	\$13,317.7	100.0

In recent years, the Commissioner of Savings and Loan has developed a program of co-operative examination of state-chartered associations. By pooling his examiners with those of the Federal Home Loan Bank Board, the commissioner has managed to complete more examinations with a smaller staff than would otherwise be necessary. The Los Angeles office completed all of its scheduled examinations in 1962. While the same is not true of the Northern California office, the degree of coverage throughout the State was more complete than it has been over the preceding 10 years.

By joining forces with the Federal Home Loan Banking Board the Division of Savings and Loan has managed to eliminate unnecessary duplications of effort to the degree that the commissioner anticipates that increased workload in the forthcoming year can be met without an increase in examination or appraisal staffs.

We wish to commend the Division of Savings and Loan for having achieved the tangible economies and efficiencies that its joint examina-

Item 202

Board of Osteopathic Examiners

Division of Savings and Loan—Continued

tion program has made possible, and recommend that that program be expanded as far as possible.

During 1961-62 a total of 141 examinations were completed of state-chartered associations, of which 42 were joint and 99 single, as follows:

Type	Number	Associations		Total assets	
		Percent of Total	Amount in millions	Percent of total	
State only -----	99	70.2	\$3,314.0	46.0	
Joint -----	42	29.8	3,896.5	54.0	
Total -----	141	100.0	\$7,210.5	100.0	

ANALYSIS

Due to the implementation of co-operative examination programs with the Federal Home Loan Bank Board, the Division of Savings and Loan requests no new positions for its examination or appraisal staffs.

The division's request consists of one assistant commissioner position and one related stenographer position.

Under the present organization, the commissioner and his chief deputy operate out of Los Angeles while the assistant commissioner, the chief civil service position, acts on the commissioner's behalf in San Francisco. The additional assistant commissioner position is sought in order to relieve the commissioner and chief deputy of their administrative tasks in Los Angeles.

We recommend a reduction of \$10,968, budget page 507, line 55, representing an assistant savings and loan commissioner position.

We recommend a further reduction of \$4,788, budget page 507, line 56, representing one senior stenographer position requested in direct connection with the assistant commissioner position.

There has been no showing that these positions are justified on a workload basis.

The division requests \$2,000, budget page 507, line 57, representing temporary help equivalent to 0.5 positions.

We recommend approval of this request, as budgeted.

BOARD OF OSTEOPATHIC EXAMINERS

ITEM 202 of the Budget Bill

Budget page 509

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

Amount requested -----	\$75,211
Estimated to be expended in 1962-63 fiscal year -----	75,806

Decrease (0.8 percent) -----	\$595
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TOTAL RECOMMENDED REDUCTION -----	\$65,211
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Summary of Recommended Reduction

	Amount	Budget Page	Line
Reduce total budget to reflect program change -----	\$65,211	509	57

**Board of Osteopathic Examiners—Continued
ANALYSIS**

The Board of Osteopathic Examiners consists of five licensees appointed by the Governor and was created by an initiative act approved by the electorate in November, 1922. Doctors of osteopathy prior to that date had been regulated under the State's Medical Practice Act.

By reason of agreements between the two medical groups, by reason of legislation enacted at the 1961 General Session of the Legislature, and in accordance with amendments of the initiative act approved by the electorate in November, 1962, it became possible for doctors of osteopathy holding unlimited licenses as osteopathic physicians and surgeons to register as doctors of medicine and thereafter practice as such under the jurisdiction of the Board of Medical Examiners. The final date for such registry was December 31, 1962.

We are informed that as of January 1, 1963, and with reference to doctors of osteopathy holding unlimited licenses as physicians and surgeons, 2,579 had transferred to the Board of Medical Examiners and 379 had determined to remain subject to the Board of Osteopathic Examiners. Of the 379 doctors remaining with the osteopathic board, 237 are in practice in California and 142 are engaged in practice outside of the State.

Holders of limited licenses, of which 101 remain, could not make the transfer. Of these, 82 are "drugless practitioners" (63 in California, 20 elsewhere) and 18 are "osteopathic physicians", (17 in California, 1 elsewhere). Neither of these licenses have been issued to new licensees since 1943 and we are informed that attrition is reducing the number of these licensees at the rate of four or five a year.

Prior to January 1, 1963 approximately 135 clinic groups were licensed at the same fee as an individual doctor. It is now determined that clinics operating under the direction of a D.O. who has become an M.D. will no longer be subject to the osteopathic board. It is estimated that approximately 25 clinic groups will remain subject to the osteopathic board.

Pursuant to the changes made in the law, the osteopathic college has become a medical school, the degree of D.O. will no longer be granted in California and no new osteopaths may be licensed to practice in California either through examination or by reciprocity arrangements with other states.

The income of the Board of Osteopathic Examiners will, therefore, be limited to that received from approximately 500 licensees at \$25 a year—an estimated maximum of \$12,500—receivable on a declining scale by reason of removals, retirement and death. When the number of licensees declines to the number of 40, the remaining licensees are to be returned to the jurisdiction of Board of Medical Examiners. The osteopathic board has no source of income except the "annual tax" collected from licensees and some very limited miscellaneous revenue and when that total revenue is gone, resort would probably be made to the State's General Fund.

The present legal status of board members is not clear. All five of the board members at the time of transfer became M.D.'s. The terms

Board of Osteopathic Examiners—Continued

of two of these expired as this analysis was being prepared. The law requires that to be eligible for board membership, a doctor must have five years of state residence, be licensed to practice and be a graduate from a college of osteopathy.

With reference to future operational status, we understand that overtures have been made by the board to the Department of Professional and Vocational Standards for assistance and for possible affiliation with that department.

It appears that as of the beginning of the budget year, only the present assistant secretary and an intermediate stenographer, both located in the Sacramento headquarters office, will remain as employees of the board. The other members of the former staff will have retired or secured other employment.

We are informed that as of December 1, 1962, the Contingent Fund of the Board of Osteopathic Examiners contained a balance of approximately \$70,000. For the current year the board's estimated expenditures were to reach the sum of \$75,806. Our calculations suggest that by the end of the current fiscal year the board's surplus will have declined to approximately \$30,000.

With these known facts and the reasonable assumptions to be made, it appears that the board will begin the budget year under approximately the following limitations:

1. Possible confused legal status of board members.
2. Two civil service employees remaining out of a former staff of six.
3. Five hundred licensees remaining out of approximately 3,194 one year ago.
4. A bank balance estimated at \$30,000.
5. A top possible income of \$12,500 decreasing annually.

The budget proposed by the board for fiscal year 1963-1964 makes no provision for the circumstances set forth above and simply recites in effect that a study of the situation is being made and that operations are to continue at the current level until study results are available for consideration.

This board has acquired a reputation for being one of the thrifty regulatory boards in state government. It appears now that thrift must be greatly increased since the only alternative which this board has is to continue its operation under the law at a caretaker level. That means to us that all future operation costs must be conducted within the sharply limited income which will be available in order that this operation be self-sustaining as long as possible.

The board should reduce its formal meetings to not more than two a year. Its office operation should be restricted to Sacramento. It is probable that there will be few if any discipline cases and little need for hearing services. There will be no examination costs. Office expense, printing, communications will be required only for license renewal and record purposes. Accounting services and prorata charges should be limited. For staff it would appear that one full secretarial position should be adequate to carry the indicated workload.

Board of Osteopathic Examiners—Continued

In view of all these circumstances, it appears to use that board operation at a level of expenditures not to exceed \$10,000 a year should and can be undertaken at the beginning of the budget year and should prove sufficient to maintain the board's responsibilities at the level now provided by law.

We recommend that the budget proposed be reduced from \$75,211 to \$10,000 for fiscal year 1963-1964.

BOARD OF HARBOR COMMISSIONERS FOR HUMBOLDT BAY

ITEM 203 of the Budget Bill

Budget page 510

FOR SUPPORT OF THE BOARD OF HARBOR COMMISSIONERS
OF HUMBOLDT BAY FROM THE GENERAL FUND

Amount requested	\$2,547
Estimated to be expended in 1962-63 fiscal year	2,547
Increase	None
TOTAL RECOMMENDED REDUCTION	\$2,547

Summary of Recommended Reductions

	Amount	Budget Page	Line
Commissioner—secretary-surveyor	\$1,621	210	75
Commissioners	926	210	77

GENERAL SUMMARY

Section 3800 of the Harbors and Navigation Code establishes a three-man Board of Harbor Commissioners for Humboldt Bay, each of whom is appointed for a four-year term by the Governor with the advice and consent of the Senate. This section was added to the code by the Statutes of 1945. Until the fiscal year 1953-1954 the operations of this board were supported by the General Fund at a relatively low level of several thousand dollars a year. The 1953 Budget Act contained the last appropriation for this purpose.

From the end of that fiscal year until February 1 of 1962 there was apparently no activity on the part of the Board of Harbor Commissioners until the Governor appointed a new board on February 1 of 1962. The Governor provided support for these appointments from his Emergency Fund to the extent of \$2,547.

The duties of this board in accordance with other sections of the Harbors and Navigation Code consist of keeping a record of the arrivals and departures of vessels in Humboldt Bay together with a complete detailed record of their cargos and their ports of origin or destination. In addition, the duties involve seeing to the physical conditions of the harbor and that the Corps of Engineers maintain the harbor in the condition standardized in 1953. The reactivation of the board in 1962 apparently stems from unsafe conditions that had developed in the bay.

ANALYSIS

In earlier years when the board was still active we had recommended that it be abolished and the duties transferred to some other agency in the area which might easily perform these duties in connection with

Board of Harbor Commissioners for Humboldt Bay—Continued

other functions. At this time we feel there is no justification for reactivating the board since the services performed by the board could have been performed by other state agencies in the area. We would point out that San Francisco Harbor is totally self-supporting, requiring no appropriations from the General Fund and that its support comes generally from the use of its facilities by various fees and charges levied by the San Francisco Board of Harbor Commissioners. All other harbors in the state are managed by local agencies. We suggest that if a board is required for Humboldt Bay that its operations be supported from levies against all commercial shipping using the harbor. This would involve a relatively minor fee in every case. *We therefore recommend that this request be denied at a savings to the General Fund of \$2,547.*

BOARD OF PILOT COMMISSIONERS FOR THE HARBOR OF SAN DIEGO

ITEM 204 of the Budget Bill

Budget page 511

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

Amount requested	\$1,435
Estimated to be expended in 1962-63 fiscal year	1,435
Increase	None

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

This board, appointed by the Governor, is composed of the mayor, a nautical man, and a private citizen who must all be from San Diego. The board licenses pilots and fixes pilotage rates for San Diego Bay. The board is supported by the General Fund. Licenses and fees to be collected for the budget year are estimated at \$5,800.

Expenditures proposed for fiscal year 1963-1964 amount to \$1,435, which is the same as estimated expenditures for the current year.

Licenses and fees anticipated to be collected during the budget year will more than offset the requested salary and operating funds.

We recommend approval as budgeted.

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

ITEM 205 of the Budget Bill

Budget page 512

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

Amount requested	\$28,619
Estimated to be expended in 1962-63 fiscal year	28,737
Decrease (0.4 percent)	\$118

TOTAL RECOMMENDED REDUCTION	None
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Board of Pilot Commissioners for the Bays of San Francisco,
San Pablo, and Suisun—Continued

ANALYSIS

This board, composed of three part-time members appointed by the Governor to four-year terms, regulates piloting on San Francisco, San Pablo and Suisun Bays by licensing pilots on these waters.

A 1961 enactment of the Legislature established a Pilotage Rate Committee of five members, two representing pilots, two representing the shipping industry and a public member who receives a per diem of \$50 a day and travel expenses for his services. This committee requires audits and may hold hearings. It is required to report its recommendations with reference to pilotage rates biennially to the Legislature.

Both the commission and the Pilotage Rate Committee are supported by the Pilot Commissioners' Special Fund. The commission provides secretarial help for the committee.

Expenditures proposed for this operation for fiscal year 1963-1964 total \$28,619, a decrease of \$118 or 0.4 percent under estimated expenditures for the current year.

Proposed expenditures for the budget year show an increase of \$4,853, or 20.4 percent, over those for fiscal year 1961-1962. The 1961-1962 figures, however, did not include any items of expenditure for the Pilotage Rate Committee which became operative during the current year. Added charges for per diems, communications, hearings, special audits and report printing, as required by the new committee, are included in the current and proposed expenditures. These amounts will be stabilized as experience accumulates.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

DEPARTMENTAL ADMINISTRATION

ITEM 206 of the Budget Bill

Budget page 515

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

Amount requested	\$2,096,931
Estimated to be expended in 1962-63 fiscal year	2,108,592
Decrease (0.6 percent)	11,661

TOTAL RECOMMENDED REDUCTION

None

GENERAL SUMMARY

The Department of Professional and Vocational Standards has within it, 27 boards, commissions and agencies which exercise a licensing and regulatory function over a total of approximately 600,000 individuals pursuing 50 professions and trades in California. As the result of legislation in 1961, the various boards now have a lay member who sits with them. The department serves as the co-ordinating and supervising agency which provides a number of central services for the various boards and commissions.

Departmental Administration—Continued

More than 1,800 people are associated with this department's operations—241 board and committee members, nearly 620 full-time employees and some 1,000 part-time examiners and other part-time help. Of the more than 600 full-time employees in the department, approximately 32 percent work for the department itself. Twenty-one percent of the full-time employees work for the Contractors State License Board. The remaining 47 percent are scattered throughout the other agencies with an average of about 10 employees for each agency.

Two of the constituent groups, the Athletic Commission and the Board of Guide Dogs for the Blind, are supported by the General Fund. Each of the other agencies contained in the department operates with its own special fund or funds obtained primarily through its licensing function. As the result of legislation in 1961, licenses are being renewed on a biennial rather than an annual basis by a majority of the boards and commissions.

The boards and agencies vary greatly in size with reference to the number of licensees, income, expenditures and size of staff.

Headquarters of most boards are in Sacramento. The department maintains branch offices in San Francisco and Los Angeles where the various boards either have some staff located or are represented by other clerical help. The Division of Investigation has offices in these three cities and also in Fresno and San Diego. The Contractors State License Board has offices in 21 California cities at which it receives complaints and from which it conducts investigations.

To supply a part of the common needs of its constituent agencies, the department provides several types of administrative services—management and analytical services such as fiscal and budget, personnel, business services, internal auditing, management analysis; data processing; headquarters building management; and investigative and inspection services. These common services are paid for by rent and through pro rata and other charges which are proportioned to the constituent agencies in accordance with their size, use and needs. Under estimates for the budget year, these costs to the agencies in total represent 29.6 percent of the total proposed agency expenditures as compared with 27.6 percent during the current year.

Increasing costs of operation are reflected in serious fund problems in the case of a few agencies and may, unless corrected, place future licensing and regulatory activity in jeopardy. The addition of a lay director to the membership of agency boards while desirable, has caused increases in per diems and in the expense items incident to travel. Items of operating expense over which the constituent agencies have only limited control are rents, pro rata charges, costs of data processing and of investigations. However, all of these services are fundamental to the existence of licensing and regulatory agencies.

Biennial license renewals have placed a premium on the more careful planning of expenditures by the various agencies since funds collected to cover a two-year period must be spread over expenditures for two years. Many of these agencies exhibit a tendency to over spend. Emergency authorizations, in addition to amounts approved by the

Departmental Administration—Continued

Legislature in agency budgets, are estimated to total \$211,673 for the current year. We have long been concerned with the inability of a number of the agencies to budget their proposed expenditures accurately enough to provide costs within which an agency can operate for a fiscal year.

ANALYSIS

Expenditures proposed for administration for fiscal year 1963-1964 total \$507,567, an increase of \$930, or 0.1 percent, over estimated expenditures for the current year.

The department seeks one clerical position for the personnel section on a workload basis.

Data Processing Operation

In its proposals for the department's data processing operation, one clerical position is sought on a workload basis. This position has been approved administratively during the current year and the department now proposes it on a permanent basis.

Building Maintenance and Operation

The department proposes to expend the sum of \$431,781 for operation and maintenance of the Business and Professions Building and Annex, a decrease of \$37,071 below estimated expenditures for the current year.

Division of Investigation

Most of the investigative and inspector positions formerly attached to the several boards and agencies in the department were transferred by executive order to the Division of Investigation in the 1960-1961 fiscal year. Twenty-two of the constituent agencies now use the services of this division. The division is supported by charges made for its specific services as they are utilized. The various agencies budget amounts for payment to the division in some instances sufficient to pay salaries for one or more full-time investigators who will be assigned to the work of the particular agencies.

Expenditures proposed for this division for fiscal year 1963-1964 amount to \$1,157,583, an increase of \$24,480, or 2.1 percent, over estimated expenditures for the current year.

Personal Services

The division seeks to make permanent five intermediate stenographer positions which terminate on June 30, 1963. The continuance of these positions was made contingent upon the results of a clerical and workload staffing study. We are informed that the workload study indicates that the continuance of these positions is necessary.

Four investigator structural pest control positions were authorized administratively during the current year. Funds are budgeted by the Structural Pest Control Board to cover cost of these positions.

One special investigator position has been administratively approved in the current year to handle the investigation of unlicensed private investigators in behalf of the Bureau of Private Investigators and Ad-

Departmental Administration—Continued

justers. Amounts have been budgeted in the agency request to cover this cost. However, it is pointed out that the Private Investigators and Adjusters Fund shows insufficient income to maintain the current level of expenditures and we understand that the problem is to be placed before the Legislature at this session.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF ACCOUNTANCY

ITEM 207 of the Budget Bill

Budget page 520

FOR SUPPORT OF THE BOARD OF ACCOUNTANCY
FROM THE ACCOUNTANCY FUND

Amount requested	\$304,821
Estimated to be expended in 1962-63 fiscal year	316,951

Decrease (3.8 percent)	\$12,130
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TOTAL RECOMMENDED REDUCTION	\$800
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Summary of Recommended Reductions

Budget

	Amount	Page	Line
Traveling, out-of-state	\$945	521	19

ANALYSIS

The Board of Accountancy consists of seven professional and one public member appointed by the Governor. The board examines, licenses and regulates certified public accountants and public accountants within the State.

The board proposes expenditures of \$304,821 during fiscal year 1963-1964, a decrease of \$12,130, or —3.8 percent, compared to estimated expenditures for the current year. The decrease is attributable principally to the lack of publishing and mailing a directory during fiscal year 1963-1964 and to a reduction in proposed equipment costs.

Committee member per diem (budget page 521, line 6) \$500

This item is added, according to information supplied by the board, to provide compensation at the per diem rate of \$25 a day prescribed by law for each day of service by each committee member. Committee members have heretofore received per diem fees for only part of the days served.

We recommend approval of the per diem request as budgeted.

Traveling—out-of-state (budget page 521, line 19) \$1,890

The board proposes to expend \$1,890 for out-of-state travel during fiscal year 1963-1964, an increase of \$916, or 94 percent, over the actual 1961-1962 budget base year expenditures for this purpose.

We recommend the deletion of \$800 to reduce this item to \$1,090.

From information supplied, it appears that only four persons will be traveling in the budget year while five traveled in the base year. No explanation is provided for the 94 percent increase proposed. Our recommendation allows for fare increases over the base year and would otherwise retain the level of travel in that year.

Department of Professional and Vocational Standards

BOARD OF ARCHITECTURAL EXAMINERS

ITEM 208 of the Budget Bill

Budget page 522

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

Amount requested	\$108,285
Estimated to be expended in 1962-63 fiscal year	106,537

Increase (1.6 percent)	\$1,748
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TOTAL RECOMMENDED REDUCTION	\$500
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Summary of Recommended Reductions

Budget

	Amount	Page	Line
Traveling, out-of-state	\$500	522	61

ANALYSIS

The Board of Architectural Examiners consists of five architects and one lay member appointed by the Governor. The law provides that the board shall determine qualifications, examine, and license architects and regulate the practice of architecture in California.

Expenditures proposed by this board for fiscal year 1963-1964 amount to \$108,285, an increase of \$1,748, or 1.6 percent, over estimated expenditures for the current year.

Proposed New Positions

0.4 Commisisoner on examinations—intermittent (budget page 522, line 45)	\$3,100
0.1 Temporary help (budget page 522, line 47)	654

These two positions were added administratively during the current year and are now presented for continued authorization. The 0.4 commissioner on examination—intermittent increases this authorization to 2 and the 0.1 in temporary help is added to the existing authorized equivalent of one position in temporary help. The board cites as justification for the proposed new positions a 19-percent increase in estimated workload over fiscal year 1959-1960.

We recommend approval as budgeted.

Operating Expenses

Traveling—out-of-state (budget page 522, line 61)	\$1,600
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This board proposes sending three representatives to a national meeting in St. Louis during fiscal year 1963-1964.

We recommend the deletion of \$500 from this item to reduce it to \$1,100.

It appears to us that while representation of a state agency at a national conference may have some merit such representation should be kept small in numbers. It is our view that not more than two representatives for any board should be sent to national conventions at state expense. Our proposed deletion reduces the requested item by approximately one-third.

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

ITEM 209 of the Budget Bill

Budget page 523

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

Amount requested	\$193,446
Estimated to be expended in 1962-63 fiscal year	193,377
Increase (0.03 percent)	\$69
TOTAL RECOMMENDED REDUCTION	\$500

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Budget Line</i>
Traveling, out-of-state	\$500	524	17

ANALYSIS

The Athletic Commission consists of five members appointed by the Governor. It is charged with the regulation of boxing and wrestling matches in the State and the licensing of all participants therein.

During fiscal year 1963-1964 the board proposes to spend the sum of \$193,446 which is \$69 or 0.03 percent, over estimated expenditures in the current year.

Legislation changed this commission from a special fund to a General Fund agency in 1961. Revenues of \$165,000, estimated to be collected during the budget year from licenses, fines and penalties, will fail to cover estimated expenditures by \$28,446.

Traveling—out-of-state (budget page 524, line 17) *\$1,500*

The commission, in justification of this proposed expenditure, indicates that it plans to send two representatives to a western states convention during the budget year.

We recommend the deletion of \$500 to reduce this item to \$1,000.

While there has been a small increase in air fares, the per diem rate of \$21 a day for travelers in this category has not changed. Since the same number of representatives will be traveling in the budget year as in 1961-1962, it appears to us that the reduced amount which provides an 11 percent increase over 1961-1962 expenditures should be adequate for this item.

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

ITEM 210 of the Budget Bill

Budget page 525

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

Amount requested	\$233,231
Estimated to be expended in 1962-63 fiscal year	224,613
Increase (3.8 percent)	\$8,618
TOTAL RECOMMENDED REDUCTION	\$1,000

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Budget Line</i>
Traveling—in-state	\$1,000	525	51

Professional and Vocational Standards

Item 211

Board of Barber Examiners—Continued

ANALYSIS

The Board of Barber Examiners is composed of four barbers and a public member appointed by the Governor. Three barber members of the board receive a salary. One barber member and the lay member receive a per diem and expenses only for their days of service.

This board has the function of examining and licensing apprentices, instructors and barbers and of regulating the practice of barbering in the State.

Expenditures proposed by the board for fiscal year 1963-1964 amount to \$233,231, an increase of \$8,618, or 3.8 percent, over estimated expenditures for the current year.

Proposed New Position

1 Temporary help (budget page 525, line 39)----- \$4,452

This and an additional 0.2 position were administratively established on a workload basis during the current year. The board now seeks to retain the one temporary-help position on a permanent basis. The workload basis cited is that the number of petitions for the establishment of minimum price schedules under the law for cities and for counties has increased substantially. Each petition involves the handling of many documents.

We recommend approval of this position as budgeted.

Operating Expenses

Traveling—in-state (budget page 525, line 51)----- \$17,800

The board proposes an expenditure of \$17,800 for traveling—in-state during fiscal year 1963-1964. This is an increase of \$2,020 or 12.8 percent over actual expenditures in the base year of 1961-1962.

The board seeks to justify the increase in part on the basis of the added travel by the two added members of the board.

We recommend the deletion of \$1,000 to reduce this item to \$16,800.

According to the supporting data supplied by the board, the number of individuals who will travel will be the same in the budget year as in fiscal year 1961-1962. The price letter of the Department of Finance suggests an increase of 7 percent in meals and lodging costs and a 2.5-percent increase in amounts set up to cover air fares and automobile operation. The net effect of the suggested increases is protected by the \$1,020 increases in this item after the recommended deletion is made.

Department of Professional and Vocational Standards

CEMETERY BOARD

ITEM 211 of the Budget Bill

Budget page 526

FOR SUPPORT OF THE CEMETERY BOARD FROM THE CEMETERY FUND

Amount requested ----- \$66,513

Estimated to be expended in 1962-63 fiscal year----- 66,185

Increase (0.5 percent) ----- \$328

TOTAL RECOMMENDED REDUCTION----- None

Item 212

Professional and Vocational Standards

Cemetery Board—Continued ANALYSIS

The Cemetery Board consists of five licensees experienced in the management of cemetery enterprises and a public member each appointed by the Governor. This board administers the Cemetery Act under which cemeteries, brokers and salesmen are licensed and interment contract practices are regulated. Licenses are issued on an annual basis.

The board proposes to expend during fiscal year 1963-1964 the sum of \$66,513, an increase of \$328 or 0.5 percent over estimated expenditures for the current year.

The board proposes to continue permanently the 0.1 position of temporary help which was authorized administratively during the current year on the basis of increased workload. The proposed addition increases temporary help to 0.2.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF CHIROPRACTIC EXAMINERS

ITEM 212 of the Budget Bill

Budget page 527

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

Amount requested	\$106,292
Estimated to be expended in 1962-63 fiscal year	103,424
Increase (2.8 percent)	\$2,868
TOTAL RECOMMENDED REDUCTION	\$1,500

Summary of Recommended Reductions

	Amount	Budget Page	Line
Traveling—in-state	\$1,500	528	14

ANALYSIS

The Board of Chiropractic Examiners consists of five professional members appointed by the Governor. This board administers the 1922 initiative Chiropractic Act which provides for the examination and licensing of persons to practice and regulates the teaching of the profession in California. Licenses are issued on an annual basis.

During fiscal year 1963-1964 the board proposes to expend the sum of \$106,292, an increase of \$2,868, or 2.8 percent, over estimated expenditures for the current year.

Traveling—in-state (budget page 528, line 14) \$8,600

The board's proposed expenditure for this item during the budget year exceeds the 1961-1962 actual expenditure by \$2,045, an increase of 31.2 percent. No justification is presented in support of this proposed increase.

We recommend the deletion of \$1,500 from this item to reduce it to \$7,100.

The supporting information provided by the board shows that the same number of individuals are expected to be traveling in the budget

Board of Chiropractic Examiners—Continued

year as were traveling in fiscal year 1961-1962. The Department of Finance price letter has suggested a meal and lodging allowance increase of 7 percent, a plane fare increase of 2.5 percent and an automobile operation increase of 2.5 percent. Our recommended reduction takes these suggested increases into account.

Department of Professional and Vocational Standards

BOARD OF REGISTRATION FOR CIVIL AND PROFESSIONAL ENGINEERS

ITEM 213 of the Budget Bill

Budget page 529

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

Amount requested	\$422,683
Estimated to be expended in 1962-63 fiscal year	392,359
Increase (7.7 percent)	\$30,324
TOTAL RECOMMENDED REDUCTION	\$650

Summary of Recommended Reductions

	Amount	Page	Budget Line
Traveling—in-state	\$650	529	59

ANALYSIS

The Board of Registration for Civil and Professional Engineers consists of eight professional and one lay member, all appointed by the Governor. This board has the function of examining and licensing applicants for the practice of the various branches of professional engineering within the State.

Expenditures proposed by the board for fiscal year 1963-1964 amount to \$422,683, an increase of \$30,324 or 7.7 percent over estimated expenditures for the current year. The principal increases are found in the salary and operating expense categories.

Proposed New Positions

1 Senior typist-clerk (budget page 529, line 42)	\$4,788
2 Intermediate typist-clerk (budget page 529, line 43)	8,280
0.3 Expert examiner—intermittent (budget page 529, line 44)	3,000

The board supports its request for the proposed positions on the basis of workload increase particularly with reference to the processing of applications and examinations. The proposed positions appear to be justified if the current level of the board's activity is to be maintained.

Operating Expenses

Traveling—in-state (budget page 529, line 59)	\$15,650
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The board's proposed expenditure for fiscal year 1963-1964 exceeds the 1961-1962 actual expenditure for this item by \$1,512 or 10.69 percent. Supporting information supplied by the board indicates that the same number of individuals are expected to be traveling in the budget year as were traveling in 1961-1962.

We recommend the deletion of \$650 to reduce this item to \$15,000.

Board of Registration for Civil and Professional Engineers—Continued

The price letter issued by the Department of Finance suggests a 7 percent increase on the meal and lodging portion of this item and a 2.5 percent increase on air fares and automobile operation. Our proposed reduction takes the net effect of these suggested increases into account.

Professional Engineers' Fund

The board estimates that it will receive a total of \$785,000 in revenue from fees and penalties during the licensing biennium 1962-1964. Approximately one-half of this amount, \$392,000 must be applied to each year's expense during the period. Estimated expenditures by the board during budget year 1963-1964 amount to \$422,683 or an excess of \$30,183 over estimated income available for the year. This excess will reduce accumulated surplus to an estimated \$142,282 compared with \$163,154 in the past actual year of 1961-1962. If expenditures continue to exceed revenues at the same or an accelerated rate for the next several years, the accumulated surplus in this fund will be depleted.

Department of Professional and Vocational Standards

COLLECTION AGENCY LICENSING BUREAU

ITEM 214 of the Budget Bill

Budget page 530

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

Amount requested	\$251,995
Estimated to be expended in 1962-63 fiscal year	212,879
Increase (18.4 percent)	\$39,116
TOTAL RECOMMENDED REDUCTION.....	\$26,214

Summary of Recommended Reductions

	Amount	Budget Page	Line
0.5 Assistant chief of bureau	\$4,974	531	23
3 General auditor II	21,240	531	24

ANALYSIS

The Collection Agency Licensing Bureau is operated by a part-time chief appointed by the Governor and supervised by the director of the department. Within the bureau is a five-member California Advisory Board of Collection Agencies also appointed by the Governor.

It is the function of this bureau to examine, license, register and regulate collection agencies and their officers and employees; to examine licensee accounts and to appoint conservators in the event of liquidations.

Expenditures proposed for the bureau for fiscal year 1963-64 total \$251,995, an increase of \$39,116 or 18.4 percent over estimated expenditures for the current year.

The Collection Agency Fund, out of which the costs of operating this agency are paid, became insolvent in fiscal year 1961-62, the most recent completed fiscal year. Special session legislation in 1962 increased license and other fees for a limited period of time in an effort to restore a self-support position for the bureau. The added revenue

Collection Agency Licensing Bureau—Continued

anticipated did not reach the estimated total because of a decrease in the number of licensees.

The fund deficit will reach an estimated \$20,514 at the end of the current year. These annual deficits have been met out of General Fund loans which will total approximately \$20,635 by the end of the current year.

The bureau is obviously faced with the need for drastic action. Further accumulation of deficits threatens the continued existence of the bureau. Proposed expenditures for the budget year are conditioned on the approval of legislation raising added income. It is pointed out, however, that the scheduled cost of operation will represent an annual average cost of approximately \$400 for each licensee.

Personal Services

0.5 Assistant chief of bureau (budget page 531, line 23) ----- \$4,974
3 Auditor II (budget page 531, line 24) ----- 21,240

The bureau already has a half-time assistant chief. The requested half-time position will make the assistant's position a full-time position to be used for increased supervision and technical assistance in disciplinary matters. The three proposed auditor positions are requested to enable the bureau to complete an audit of each licensee once in three years.

We recommend the deletion of the proposed new positions for a saving of \$26,214.

It is our view that the very serious financial condition in which this agency now finds itself should preclude further additions to staff at this time.

Department of Professional and Vocational Standards

CONTRACTORS' LICENSE BOARD

ITEM 215 of the Budget Bill

Budget page 532

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

Amount requested ----- \$1,518,609
Estimated to be expended in 1962-63 fiscal year ----- 1,587,406

Decrease (4.3 percent) ----- \$68,797

TOTAL RECOMMENDED REDUCTION ----- **\$19,948**

Summary of Recommended Reductions

	Amount	Page	Line
1 Temporary help -----	\$4,408	532	78
1 Assistant examiner -----	7,800	533	4
1 Intermediate typist-clerk -----	4,140	533	5
Traveling—in-state -----	3,600	533	22

ANALYSIS

The Contractors' State License Board consists of seven contractors chosen from specialty fields and one public member all appointed by the Governor. This board examines, licenses and regulates contractors in the various branches of the construction industry.

Contractors' License Board—Continued

Expenditures proposed by the board for fiscal year 1963-1964 total \$1,518,609, a decrease of \$68,797, or 4.3 percent, under the current year estimate of \$1,587,406. The proposed budget year expenditure, however, represents an increase of \$305,024 over 1961-1962 actual expenditures due in large part to the addition of 22 new positions in the current year budget, 20 of which were recommended in a reorganization study by the Division of Organization and Cost Control.

Personal Services

1 Temporary help (budget page 532, line 78)-----	\$4,408
1 Assistant examiner (budget page 533, line 4)-----	7,800
1 Intermediate typist-clerk (budget page 533, line 5)-----	4,140

The equivalent of two positions of temporary help were added administratively to the board staff during the current year, at an estimated cost of \$8,548. These two man-years of temporary help were added to the already authorized 2.5 temporary help positions. The board now requests that one position of temporary help be abolished.

The board proposes the new position of assistant examiner to meet an increased examination workload and to assist in revising and formulating examinations.

One new intermediate typist-clerk position is requested on a workload basis.

We recommend the deletion of the remaining administratively authorized temporary help position, the proposed position of assistant examiner and the proposed position of intermediate typist-clerk for a saving of \$19,948.

No substantiating detail is presented in support of these requests. The board's own experience and estimates show a decline in applications filed since the high year of 1959-1960. The number of licensees has increased, according to board statistics, only 4.3 percent since the same high application year. The organization and cost control study recommended 20 positions. Twenty-two were authorized for the current year. In view of this considerable staff increase, the nearly level workload and the reorganization designed to increase staff efficiency, it does not appear to us that the need for additional positions is justified at this time.

Operating Expenses

Traveling—in-state (budget page 533, line 22)-----	\$78,000
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The board notes a one time moving expense of \$6,400 for the budget year for the relocation of eight employees as a part of this item. Otherwise no justification is provided for the \$13,941 proposed increase in this travel item for fiscal year 1963-1964 over the actual expenditures made in fiscal year 1961-1962. Information supplied is that the same number of individuals will be traveling in 1963-1964 as in the base year of 1961-1962.

We recommend the deletion of \$3,600 to reduce this item to \$74,400.

The price letter of the Department of Finance suggests a 7-percent increase in meal and lodging and a 2.5-percent increase in air fares and

Contractors' License Board—Continued

automobile operation. The net effect of these percentage increases applied to the 1961-1962 expenditure amounts to \$3,843. This amount and the allowance for moving employees have been added to the base year expenditures to arrive at our recommended reduced amount.

Department of Professional and Vocational Standards

BOARD OF COSMETOLOGY

ITEM 216 of the Budget Bill

Budget page 534

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

Amount requested	\$477,642
Estimated to be expended in 1962-63 fiscal year	476,101
Increase (0.3 percent)	\$1,541
TOTAL RECOMMENDED REDUCTION	\$23,701

Summary of Recommended Reductions

	Amount	Budget Page	Line
2 Intermediate clerk	\$8,480	534	36
0.6 Temporary help	2,721	534	37
General expense	3,500	534	48
Communications—postage	1,000	534	50
Pro rata charges—Attorney General services	4,500	534	54
Pro rata charges—hearing services	3,500	534	54

ANALYSIS

The Board of Cosmetology consists of six professional members and one public member who are appointed by the Governor. The board has the function of examining, licensing and regulating the practice of hairdressers, cosmeticians, manicurists, electrologists, beauty shops and cosmetology schools.

Expenditures proposed by the board for fiscal year 1963-1964 amount to \$477,642, an increase of \$1,541, or 0.3 percent, over estimated expenditures for the current year.

Personal Services

2 Intermediate clerk (budget page 534, line 36)	\$8,480
0.6 Temporary help (budget page 534, line 37)	2,721

The proposed clerical positions would increase the number of intermediate clerks to 3 and the 0.6 man-years temporary help would increase this authorization to 3.8 man-years. The board already has 12.5 clerical positions mostly located in Sacramento.

The board contends, in the material submitted in support of its request for the additional positions, that an increase in the number of licensees and applications for licensing justifies added staff. The board notes that it has become necessary to refund enrollment fees for students enrolled in public schools as the result of a ruling of the Attorney General. It maintains that the new requirement that there must be an application fee paid for a new license after successful completion of the examination is causing extra work.

Board of Cosmetology—Continued

The board is presently using a 10 percent fingerprint sample of applicants to help discover whether or not such applicants have a criminal record. It seeks to increase this sample to 20 percent since it has found that 10 percent of those sampled have undisclosed criminal records. We are informed that honesty of applicants in disclosing prior criminal records is considered as one of the indicators of "good moral character and temperate habits," or conversely that failure to disclose a prior criminal record is evidence of poor moral character. The increase in processing the fingerprint sample is advanced as an increase in workload.

Additionally, the board has adopted a policy of requiring a 100 percent fingerprint check on shop applications of which there were 3,000 in 1961-1962 according to the board.

We recommend deletion of the requested 2.6 proposed new positions for a saving of \$11,201.

The board's workload statistics for the most recent three completed years as set forth in the budget show an annual growth rate of less than 5 percent in the number of licensees. This rate of growth projects, for the current and budget years, a smaller number of licensees than that estimated by the board. The estimates for the number of applicants, shops and schools made by the board likewise are larger than estimates based on a projection of the growth rate experienced in these categories and no reason has been advanced for the unusual increase in applicants or licensees projected in the budget year. The board has not supplied any workload staffing ratios which show need for added clerical staff.

It appears to us that the refund of fees occasioned by the Attorney General's opinion is a one-time operation which does not require full time staffing.

While the new statutory requirement that a successful applicant must now apply for a license after examination, does in fact add one more step to the licensing process, it does not appear to us to add any substantial workload. Those applicants who fail the examination are notified of the fact, as has been the previous custom. The successful applicants now receive an application for license instead of the license as was formerly the practice. The receipt of the fee check and the mailing of the new license is the only new work which is involved. With central cashiering, now being considered for the department, even check handling would not be required.

We are informed that the board's present policy with regard to prior criminal records as they affect "good moral character and temperate habits" is that such a prior record will not preclude the issuance of a license if, at the time of application, the applicant has such "good character." Thus it appears that the primary purpose served by securing a fingerprint check is to uncover those who have failed to voluntarily disclose a prior record in their application. This is borne out by the fact that the only statistic that the board's sample has produced to date is the fact that 10 percent of applicants with prior criminal records fail to voluntarily disclose them.

Board of Cosmetology—Continued

The board is seeking to enlarge its sample from the current 10 percent of all applicants who do not disclose a prior record to 20 percent and to secure full fingerprint check coverage of all shop applications. The enlarged sample sought by the board will not provide any additional information which the present sample has not already provided—i.e. that 10 percent of all applicants who fail to voluntarily disclose a prior criminal record on their application do, in fact, have such a record.

If the board believes that such a failure to disclose is evidence of poor moral character and, therefore, a basis for denial of a license, it would appear to be faced with the problem of either securing fingerprint checks on all applicants or of securing the voluntary disclosure of prior records of applicants by other means. If the sample is only made larger, the fact will be that some individuals will be licensed who have not disclosed a prior record and who, therefore, according to the board's own criteria are not qualified. Thus, the real determining factor as to whether a part of the applicants will secure licenses will be simple chance—whether they fall in the group which is checked or not, with the selection of the groups being a random numerical choice from among all applicants. The alternative of reducing the number of non-disclosures would appear to be more practical than enlarging the sample and would appear to require no more than a clear disclosure of board policy to applicants before they submit an application. This could be accomplished by printing a statement on the application advising the applicant that failure to disclose a prior record would be grounds for denial or revocation of the license. Coupled with such a statement, the board's present sampling technique should be continued both as an actual incentive to applicants to make a full disclosure and as a means of checking the effectiveness of the alternative. The results of the present sample can be checked against the results of next year's sample to determine whether the rate of nondisclosure remains the same or diminishes when board policy is clearly stated to applicants.

There is some indication in the material supporting the board's request for 100 percent criminal record checking for shopowner applicants that these records are intended to be used in the board's determination of "good moral character" in regard to this class of applicants. The requirement of the law is the same with regard to all classes of applicants and it would appear to be inconsistent to interpret the legal requirement of good moral character differently in relation to prior criminal records for different classes of applicants. There would also appear to be an inconsistency between the board's announced policy of considering good moral character as of the time of application and its consideration of a prior record. There would also appear to be a potential for considerable confusion and inconsistency in view of the State's overall policy of correction and rehabilitation of criminal offenders, particularly through vocational training and specifically through cosmetological training in correctional institutions. And, more particularly since we are informed that the course offered at Corona is

Board of Cosmetology—Continued

approved and accredited by this board in the same manner as all other school of cosmetology under its jurisdiction.

In view of the apparent lack of a firm and consistent policy in regard to the question of good moral character in this field, we suggest that the board continue its present sampling technique for one year and during that time, re-examine its policy with a view to developing a firm and consistent basis for any future requests for expansion of its activities in this area.

All of our recommendations for reduction of this budget are intended to implement this suggestion.

Operating Expenses

General expense—fingerprint reports (budget page 534, line 48) \$5,000

The board proposes to spend \$5,000 for fingerprint reports in fiscal year 1963-1964 at a cost of \$1 a copy.

We recommend the deletion of \$3,500 to reduce this item to \$1,500.

The amount of \$1,500 more than covers the current 10 percent sample, the cost of which will be \$1,300 if this year's application estimates prove to be correct. However, as we have noted previously estimates for both the current and budget year are in excess of the actual trend as projected. Even if the estimate for the budget year is correct the recommended allowance of \$1,500 will be sufficient for a 10 percent sample. It does not appear to us from any of the justification material supplied that a fingerprint sample larger than 10 percent would serve any useful purpose.

Communications—postage (budget page 534, line 50) ----- \$12,500

The board proposes to spend \$12,500 for postage in fiscal year 1963-1964 which is an increase of \$4,050, or 47.9 percent, over estimated expenditures of \$8,450 for the current year. This increase is requested to cover costs of securing added fingerprint reports.

We recommend the deletion of \$1,000 to reduce this item to \$11,500.

First-class postage rates have increased 25 percent over current year costs. The reduced amount we have recommended includes more than a 25 percent increase over current estimated expenditures. The total amount requested by the board becomes unnecessary if the fingerprint report program is not permitted to exceed present levels.

Pro rata charges, Attorney General services (budget page 534, line 54) ----- \$11,552

This board proposes in fiscal year 1963-1964 to raise its expenditures for services of the Attorney General from the estimated \$6,201 in the current year to \$11,552, an increase of \$5,351 or 86.3 percent. The board seeks to justify the request for added services on the basis, we assume, of its presumed denials of licenses to applicants who do not possess "good character" and who in increased numbers will seek hearings at which the board must be represented by the Attorney General.

We recommend the deletion of \$4,500 to reduce this item to \$7,052.

Board of Cosmetology—Continued

The price letter of the Department of Finance suggests that the Attorney General's hourly charges will be increased for the budget year from \$10.60 to \$11.20 or 5.6 percent. We have recommended against the board's policy of securing an increased sample of fingerprints. We are given no reasons as to why requests for hearings should abruptly increase. The necessity for substantially increased services of the Attorney General does not appear to us to be justified. The reduced amount which we recommend includes normal growth and the anticipated cost increase of representation by the Attorney General.

Pro rata charges, hearing services (budget page 534, line 54)--- \$6,900

The board requests expenditures for these services during fiscal year 1963-1964 in the sum of \$6,900 which is an increase of \$4,008 or 138.5 percent over estimated expenditures of \$2,892 for the current year. This increased expenditures is requested on the basis that the issue of "good character" may result in the need for more hearing officer services.

We recommend the deletion of \$3,500 to reduce this item to \$3,400.

The board appears to hold the view that if a larger sample of fingerprints results in more applications being denied and more hearings being requested by applicants, the services of more hearing officers will be required. As we noted with reference to the postage and Attorney General's items, it does not appear to us that any abrupt increase in hearing officer services has been justified since such increase would rest in turn upon a substantial increase in the use of fingerprint reports which in turn does not appear to us to be justified. The reduced amount recommended provides for a growth increase.

Department of Professional and Vocational Standards

BOARD OF DENTAL EXAMINERS

ITEM 217 of the Budget Bill

Budget page 535

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

Amount requested	\$162,818
Estimated to be expended in 1962-63 fiscal year.....	149,895
Increase (8.6 percent).....	\$12,923

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

The Board of Dental Examiners consists of seven licensed dentists and one public member, all of whom are appointed by the Governor. This board examines and licenses dentists and dental hygienists and regulates the practice of dentistry in California.

The board proposes to spend \$162,818 during fiscal year 1963-64 which is an increase of \$12,923 or 8.6 percent over estimated expenditures for the current year.

The steadily increasing cost of personal services to this board is being offset in some measure during the current year and is also sched-

Item 218**Professional and Vocational Standards****Board of Dental Examiners—Continued**

uled to be offset during the budget year by reductions in board member per diem and in temporary help. The principal item of increase in the proposed expenditures for operations during the budget year is for the publication of the directory of licensees. In the equipment category the major item of cost during the budget year will be for a new automobile for use by an investigator stationed in Los Angeles.

However, we again call attention as we have done previously, to the fact that the surplus in the Dentistry Fund continues to grow smaller. Licenses are renewed biennially by this board and the first two-year collection was made beginning in May, 1962. Income to the board during fiscal years 1961-62 and 1962-63 is estimated at \$278,772, one-half of which is \$139,386. When this latter figure is compared to the \$149,895 estimated current year cost, a potential operating deficit of \$10,509 is disclosed which presumably will be met from the gradually shrinking annual accumulated surplus.

It appears, therefore, that greater economy of operation must be secured or license fees increased in the near future if this fund is to remain solvent.

We recommend approval of this item as budgeted.

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

ITEM 218 of the Budget Bill

Budget page 537

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

Amount requested	\$306,270
Estimated to be expended in 1962-63 fiscal year	312,114

Decrease (1.9 percent)	\$5,844
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TOTAL RECOMMENDED REDUCTION	\$5,144
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Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
1 Intermediate stenographer	\$4,344	537	46
Traveling—in-state	800	537	62

ANALYSIS

The Board of Dry Cleaners consists of seven members appointed by the Governor. This board regulates the drycleaning industry through a program of licensing, inspection and the enforcement of rules and regulations which it promulgates. A portion of the support of the office of State Fire Marshal is provided by the Dry Cleaners' Fund.

The board proposes to spend \$306,207 during fiscal year 1963-1964 which is a decrease of \$5,844 or 1.9 percent from estimated expenditures for the current year.

Board of Dry Cleaners—Continued

Personal Services

1 *Intermediate stenographer (budget page 537, line 46)*----- \$4,344

During the current year one position of intermediate stenographer was added to the board's staff by administrative adjustment. The board now proposes to make this authorization permanent on the basis that this position is to provide information to the public at the Los Angeles office and perform stenographic work for the board members and secretary when they are in Los Angeles. Other clerical duties would be the typing of reports, forwarding of mail to Sacramento and the furnishing of supplies to field staff working for the board.

We recommend the deletion of this proposed position for a saving of \$4,344.

From the statistics published by the board it appears that during the most recently completed three years, the number of licensees served by this board has remained almost stationary. Applications have increased to some extent. However, this proposed new position is not based on a licensing or application processing workload increase but rather on an enrichment of services to the public and to the board. There is no indication that the board's work has been seriously impaired by a lack of this proposed new position and consequently the need for it does not appear to us to be justified.

Operating Expenses

Traveling—in-state (budget page 537, line 62)----- \$16,650

The board proposed to expend the sum of \$16,650 during fiscal year 1963-1964 for in-state travel which is an increase of \$1,779 or 11.9 percent over actual 1961-1962 expenditures for this purpose. The proposed expenditure is the same, however, as that estimated for the current year. No justification is offered for the increase over 1961-1962 levels.

We recommend the deletion of \$800 to reduce this item to \$15,850.

From the information supplied to us in explanation of expenditures we note with reference to this board that the same number of individuals is scheduled for travel in the budget year as in the past completed year of 1961-1962. We note further that the number of licensees has remained substantially level since that fiscal year. A 7 percent increase in meals and lodging and a 2.5 percent increase in air fare costs and automobile operation cost is suggested by the Department of Finance to apply for the budget as compared to 1961-1962 levels. The reduced amount we have recommended gives effect to these increases.

Item 219

Professional and Vocational Standards

Department of Professional and Vocational Standards

BOARD OF FUNERAL DIRECTORS AND EMBALMERS

ITEM 219 of the Budget Bill

Budget page 538

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

Amount requested	\$87,610
Estimated to be expended in 1962-63 fiscal year	87,639

Decrease	\$29
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TOTAL RECOMMENDED REDUCTION	\$3,500
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Summary of Recommended Reductions

	Amount	Budget Page	Line
Traveling—in-state	\$3,500	539	28

ANALYSIS

The Board of Funeral Directors and Embalmers consists of five licensees and one public member all appointed by the Governor. The board examines, licenses and regulates funeral directors and embalmers and carries forward an apprentice embalmer program.

Expenditures proposed by this board for fiscal year 1963-1964 amount to \$87,610, a decrease of \$29 under estimated expenditures for the current year.

Personal Services

Board member per diem (budget page 539, line 13) \$750

0.2 Temporary help (budget page 539, line 14) 690

The amount of \$750 board member per diem is provided as compensation for the board's public member, first appointed in March 1962. The proposal for 0.2 of a man-year in temporary help is requested so that vacation help may be secured. Provision was made for both of these items by administrative adjustment during the current year. The board now seeks to make them permanent.

We recommend approval of these items as budgeted.

Operating Expenses

Traveling—in-state (budget page 539, line 28) \$15,098

The board proposes to spend \$15,098 for in-state travel during fiscal year 1963-1964 which is an increase of \$5,666, or 60 percent, over actual 1961-1962 expenditures for this purpose. According to the information supplied by the board in support of the proposed increase, travel money has been added for the new board member and for increased use of private cars.

We recommend deletion of \$3,500 to reduce this item to \$11,598.

The reduced amount for in-state travel which we recommend provides funds for travel by the new board member at 1961-1962 levels plus increases for meals and lodging, air fares and automobile operation as suggested in the price letter of the Department of Finance. The increase which is provided by the reduced total amounts to approximately 23 percent rather than the 60 percent requested by the board.

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

ITEM 220 of the Budget Bill

Budget page 540

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

Amount requested	\$510,461
Estimated to be expended in 1962-63 fiscal year	508,436

Increase (0.4 percent)	\$2,025
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TOTAL RECOMMENDED REDUCTION	\$6,168
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Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
1 Intermediate typist-clerk	\$4,968	540	56
Traveling—in-state	1,200	540	71

ANALYSIS

The Bureau of Furniture and Bedding Inspection operates under the supervision and control of a chief appointed by the department director. Within the bureau is a seven member advisory board appointed by the Governor. This bureau licenses and regulates the processors and sellers of articles of furniture and bedding. It maintains a laboratory for testing purposes.

Expenditures proposed for the bureau for fiscal year 1963-1964 amount to \$510,461, an increase of \$2,025, or 0.4 percent, over estimated expenditures for the current year.

Personal Services

1 Intermediate typist-clerk (budget page 540, line 56) \$4,968

This position was authorized for the bureau during the current year by administrative action and it is now requested that the position be continued permanently. The bureau states that the position is needed to handle "unanticipated clerical workload related to the processing of investigative and inspection reports from the Division of Investigation" to which these activities were transferred in fiscal year 1960-61, under a departmental reorganization plan.

We recommend deletion of the proposed position for a saving of \$4,968.

Twenty-one inspectors, four investigators and two intermediate stenographers were transferred in fiscal year 1960-1961 to the Division of Investigation from this bureau and similar and proportionate transfers were made from all but four other agencies in the department. This reorganization, long recommended by our office, was effected to improve the services offered and increase the efficiency of the operation. The workload to which the bureau refers appears to us to be executive rather than clerical. Much of the clerical workload with reference to investigations was shifted to the Division of Investigation.

Bureau of Furniture and Bedding Inspection—Continued

Operating Expenses

Traveling—in-state (budget page 540, line 71)----- \$9,550

The bureau proposes to spend \$9,550 for this item in fiscal year 1963-1964 which is an increase of \$1,993, or 20.8 percent, over actual expenditures for this purpose in 1961-1962, the last completed year.

We recommend the deletion of \$1,200 to reduce this item to \$8,350.

Information provided in support of the request indicates that the amount reflects an increase for a proposed new traveling position which is not now requested. It further appears that otherwise the same number of individuals will be traveling in the budget year as in 1961-1962.

Increases in meal and lodging, air fare and automobile operation are suggested in the price letter of the Department of Finance. The reduced amount we recommend provides for such increases plus a small growth percentage.

Department of Professional and Vocational Standards

BOARD OF GUIDE DOGS FOR THE BLIND

ITEM 221 of the Budget Bill

Budget page 541

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

Amount requested -----	\$2,605
Estimated to be expended in 1962-63 fiscal year -----	2,605

Increase -----	None
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TOTAL RECOMMENDED REDUCTION -----	None
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ANALYSIS

The Board of Guide Dogs for the Blind consists of seven members appointed by the Governor, one being superintendent of the California School for the Blind and another the head of the State's Bureau of Vocational Rehabilitation. Such staff work as is necessary is provided by the department and by the bureau. This is a General Fund agency.

The board examines, licenses and regulates guide dog trainers and guide dog schools. There are reported to be nine licenses in effect.

Expenditures proposed by the board for fiscal year 1963-64 are the same in amount as the estimated expenditure for the current year.

We recommend approval of this item as budgeted. However, we seriously question the need for this board as a separate agency.

Department of Professional and Vocational Standards

BOARD OF LANDSCAPE ARCHITECTS

ITEM 222 of the Budget Bill

Budget page 542

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

Amount requested -----	\$26,380
Estimated to be expended in 1962-63 fiscal year -----	26,374

Increase -----	\$6
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TOTAL RECOMMENDED REDUCTION -----	None
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Board of Landscape Architects—Continued

ANALYSIS

The State Board of Landscape Architects consists of five licensees and one public member appointed by the Governor. The board has as its function the examining, licensing and regulation of landscape architects throughout California.

Expenditures proposed by this board for fiscal year 1963-64 amount to \$26,380 which is an increase of \$6 over estimated expenditures for the current year.

Certain functions of the board are combined with those of the short-hand reporters, examiner in veterinary medicine, and yacht and ship brokers agencies for administrative purposes. The costs of personnel and facilities are adjusted between the four agencies.

We recommend approval of this item as budgeted.

Department of Professional and Vocational Standards

BOARD OF MEDICAL EXAMINERS

ITEMS 223, 224 and 225 of the Budget Bill

Budget page 544

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

Amount requested	\$648,942
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Estimated to be expended in 1962-63 fiscal year	638,662
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Increase (1.6 percent)	\$10,280
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

The Board of Medical Examiners consists of 12 members appointed by the Governor.

Within the board's jurisdiction are three Governor-appointed committees each containing a public member. The committees are the following: the Podiatry Examining Committee of six members, the Psychology Examining Committee of eight members and the Physical Therapy Examining Committee of five members.

The board controls two funds, the Medical Examiners' Contingent Fund which covers income and expense of administration of the medical practice act including the registered physical therapist program and the Physical Therapy Fund which finances the licensed physical therapist program.

This board examines, licenses and regulates physicians and surgeons, drugless practitioners, podiatrists, naturopaths, midwives, dispensing opticians, psychologists, registered physical therapists and licensed physical therapists.

Expenditures from all funds proposed by the board for fiscal year 1963-1964 total \$648,942 which is an increase of \$10,280 or 1.6 percent over estimated expenditures for all purposes for the current year.

Approval of Proposition 22 by the electorate in November 1962 completed changes in the law under which more than 2,400 doctors of

Item 226

Professional and Vocational Standards

Board of Medical Examiners—Continued

osteopathy have transferred titles from doctor of osteopathy to doctor of medicine. This budget does not include the workload added by the approximately 2,400 new physician and surgeon licentiates from this source. This added workload will involve all categories of expense under the portion of the budget dealing with the medical practice act and will probably require an augmentation when the added workload can be estimated.

To the extent that the budget represents on-going activity exclusive of the osteopathic workload, we recommend its approval.

Department of Professional and Vocational Standards

BOARD OF NURSING EDUCATION AND NURSE REGISTRATION

ITEM 226 of the Budget Bill

Budget page 547

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

Amount requested	\$486,244
Estimated to be expended in 1962-63 fiscal year	472,513
Increase (2.9 percent)	\$13,731

TOTAL RECOMMENDED REDUCTION \$5,000

Summary of Recommended Reductions

	Amount	Page	Line
Traveling—in-state	\$5,000	547	72

ANALYSIS

The Board of Nursing Education and Nurse Registration consists of six members appointed by the Governor. Five of the members must be licensed professional nurses and one member is a public representative. The board established courses of study for schools of nursing, examines and licenses nurses and regulates the practice of nursing.

Expenditures proposed by this board for fiscal year 1963-1964 total \$486,244, an increase of \$13,731, or 2.9 percent, over estimated expenditures for the current year.

Personal Services

1 Intermediate stenographer (budget page 547, line 54)	\$4,908
2.5 Intermediate typist-clerk (budget page 547, line 55)	11,431

The new positions requested were provided by administrative action during the current year and the board now seeks permanent authorization for them. The positions were recommended by the Division of Organization and Cost Control of the Department of Finance after a study of the need for reorganization of the board's staff operation. Three of the positions are to be located in Sacramento and one-half in Los Angeles.

We have reviewed the report upon which the board's position request is based and recommend approval of the positions as budgeted.

Professional and Vocational Standards

Items 227-228

Board of Nursing Education and Nurse Registration—Continued

Operating Expenses

Traveling—in-state (budget page 547, line 72)----- \$27,100

The board proposes to spend \$27,100 for this item during fiscal year 1963-1964 which is an increase of \$9,842 or 57 percent over actual expenditures during 1961-1962, the most recent completed fiscal year.

We recommend the deletion of \$5,000 from this item to reduce it to \$22,100.

From material supplied there will be no increase in the number of individuals who are to travel in the budget year. Our recommendation allows an increase of 28 percent which would appear to be sufficient to take care of normal growth in the travel pattern and the increase in travel costs suggested by the Department of Finance.

Department of Professional and Vocational Standards

BOARD OF OPTOMETRY

ITEM 227 of the Budget Bill

Budget page 549

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

Amount requested ----- \$59,169

Estimated to be expended in 1962-63 fiscal year----- 61,106

Decrease (3.2 percent) ----- \$1,937

TOTAL RECOMMENDED REDUCTION----- None

ANALYSIS

The Board of Optometry is composed of six members appointed by the Governor. Five members of the board must be licensees; one member represents the public. This board has the function of examining, licensing and regulating optometrists.

Expenditures proposed by this board for fiscal year 1963-64 total \$59,169 which is a decrease of \$1,937 or 3.2 percent under estimated expenditures for the current year.

We recommend approval of this item as budgeted.

Department of Professional and Vocational Standards

BOARD OF PHARMACY

ITEM 228 of the Budget Bill

Budget page 550

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

Amount requested ----- \$417,709

Estimated to be expended in 1962-63 fiscal year----- 405,958

Increase (2.9 percent) ----- \$11,751

TOTAL RECOMMENDED REDUCTION----- \$11,748

Summary of Recommended Reductions

	Amount	Page	Budget Line
1 Assistant secretary -----	\$9,948	550	72
Traveling—in-state -----	\$1,200	551	6

Board of Pharmacy—Continued
ANALYSIS

The Board of Pharmacy consists of seven licensed pharmacists and one nonlicensed public member all appointed by the Governor. This board examines, licenses and regulates pharmacists and pharmacies, manufacturers, and wholesalers of drugs, general dealers and itinerant vendors. It issues permits for hypodermics and licenses and regulates the sale of poisons and dangerous drugs throughout California.

The board proposes to spend the sum of \$417,709 during fiscal year 1963-1964 which is an increase of \$11,751, or 2.9 percent, over estimated expenditures for the current year.

Personal Services

1 Assistant secretary (budget page 550, line 72)-----	\$9,948
1 Intermediate typist (budget page 550, line 73)-----	4,140
Temporary help (budget page 550, line 74)-----	270

The position of assistant secretary is proposed to free the executive secretary's time for increased contacts with law enforcement and other agencies and with the various local groups within the profession.

The intermediate typist position is sought on a workload basis.

The amount of increased temporary help requested was granted administratively during the current year and the board now seeks to make it a permanent addition to the \$530 a year now authorized for a total of \$800 or approximately 0.15 man-years.

We recommend the approval of the position of intermediate typist and of the request for temporary help, however, we recommend the deletion of the position of assistant secretary for savings of \$9,948.

The material submitted by the agency indicates that clerical workload requirements have been such as to necessitate the borrowing of help from Departmental Administration in substantial amounts in recent years. This has resulted in excessive temporary help costs, which are offset for the budget year by this request. The addition of one typist and a minor increase in the amount of temporary help budgeted are better budgeting and administrative practice than the financing of temporary help through emergency authorizations, which appears to have been the practice in the past.

With regard to the assistant secretary, we are informed that the secretary of this board serves part time as area administrator for the department in the San Francisco office. Under these circumstances, the addition of an assistant will not necessarily have the result of freeing the secretary to spend more time in the field, but may as well result in his spending more time on departmental business in San Francisco. The board receives no remuneration from the department for this sharing arrangement so in effect is donating a part of the cost of its secretary to the rest of the department. If the board wants the secretary to "work more closely with various police agencies in training programs, designed to acquaint them with this problem" (i.e. dangerous drugs), and "... to clarify the responsibilities of pharmacists in performing their professional functions in the interest of the public" "... by having the board secretary attending meetings of local as-

Board of Pharmacy—Continued

sociations at least once a year," it will not accomplish its purpose if the secretary continues to devote part of his time to departmental affairs. We suggest that the board require its secretary to devote full time to Pharmacy Board activities in an effort to "raise the existing level of service" before asking for an additional full-time administrative position for a staff of 24 persons of whom 4 are in supervising positions already.

Operating Expenses

Traveling—in-state (budget page 551, line 6)-----\$35,500

The board requests an expenditure of \$35,500 for in-state travel for the budget year which exceeds actual expenditures for this purpose in the last complete year of 1961-1962 by \$4,574, or 14.7 percent. The increase over the current year is based on requested new positions.

We recommend the deletion of \$1,200 to reduce this item to \$34,300.

Except for the new positions requested, the same number of individuals will travel in the budget year as in the most recent completed year. Only one of the new positions is a traveling position. The total amount requested does not appear to us to be justified. The reduced amount we have recommended contains a travel allowance for one new position plus upward price adjustments for the items in this category in accordance with the suggestions in the price letter of the Department of Finance.

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

ITEM 229 of the Budget Bill

Budget page 552

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

Amount requested	\$145,096
Estimated to be expended in 1962-63 fiscal year.....	139,412
Increase (4.1 percent).....	\$5,684

TOTAL RECOMMENDED REDUCTION-----None

ANALYSIS

The Bureau of Private Investigators and Adjusters operates under the direction of a part-time chief appointed and supervised by the director of the department. The bureau chief also serves as chief of the Collection Agency Licensing Bureau.

This bureau has as its function the examining, licensing and regulation of private detectives, insurance adjusters, repossessioners and the officers and employees of private investigation agencies.

The bureau proposes to spend during fiscal year 1963-64, the sum of \$145,096 which is an increase of \$5,684 or 4.1 percent over estimated expenditures for the current year.

Without emergency legislation increasing the income of this bureau's supporting fund during the 1963 session of the Legislature, it appears

Item 230

Professional and Vocational Standards

Bureau of Private Investigators and Adjusters—Continued

that the fund at the current level of income and expenditures will become insolvent during the 1963-64 fiscal year. We understand that legislation to increase revenues to the board is to be introduced. The statement of fund condition in the budget indicates amounts of revenue necessary to avoid insolvency.

Personal Services

0.5 Assistant chief (budget page 552, line 59)----- \$4,518
2 Intermediate typist-clerk (budget page 552, line 60)----- 8,676

The half-time position of assistant chief of bureau, one intermediate typist-clerk and one man-year of temporary help were authorized administratively for the bureau during the current year. The bureau now seeks permanent authorization for the assistant chief and the clerk positions and to add a second clerical position in lieu of temporary help. The request in effect increases the present half-time assistant chief position to full time and provides for a total of five clerical positions.

The supporting material states that increased enforcement, upgrading testing procedures, review and modification of the act, decisions upon matters exposed by investigation have resulted in workload which is not being met under present staffing.

The two clerical positions are requested on the basis of workload represented in part by application processing backlog.

We recommend approval of the positions as requested.

While statistics and estimates published by the bureau show a gradual decline in the number of licenses issued the number of registrations of employees required to be registered continues to increase. The number of applications for license appears to remain level. It appears that clerical unit workload is increasing and it further appears that the number of investigations being made in behalf of the bureau by the Division of Investigation involves about 10 percent of the licensees.

Our recommended approval of this proposed expansion of activity is necessarily dependent upon passage of legislation designed to solve the bureau's income problem.

Department of Professional and Vocational Standards

CERTIFIED SHORTHAND REPORTERS BOARD

ITEM 230 of the Budget Bill

Budget page 553

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

Amount requested ----- \$27,796
Estimated to be expended in 1962-63 fiscal year ----- 27,426

Increase (1.3 percent) ----- \$370

TOTAL RECOMMENDED REDUCTION ----- \$10,000

Summary of Recommended Reductions

	Amount	Budget Page	Line
Reduce overall program -----	\$10,000	554	28

Certified Shorthand Reporters Board—Continued
GENERAL SUMMARY

The Certified Shorthand Reporters Board consists of five members appointed by the Governor. Two members must be members of the bar, the others must be licensed by the agency. The board has as its function, the examining, certifying and regulation of shorthand reporters.

Section 8015 of the Business and Professions Code states that the law is "designed to encourage proficiency in the practice of shorthand reporting as a profession, to promote efficiency in court and general reporting, and to extend to the courts and to the public the protection afforded by a standard of competency for those engaged in it."

Section 8016 of the same code provides that no person shall engage in shorthand reporting (defined by Section 8017 as being the making of a verbatim record of any oral court proceeding, deposition, or proceedings before any grand jury, referee or court commissioner) without a certificate issued by the board unless they are a full-time salaried employee employed as a hearing reporter by a district attorney or a department or agency of the State.

Thus, the act only affects court reporters and the number of certificates to be issued will approximate that of the number of judges of courts of record in the State.

This board combines certain of its administrative functions with those of the agencies regulating landscape architects, doctors of veterinary medicine and yacht and ship brokers, with costs being allocated between these four agencies.

Expenditures proposed by this board for fiscal year 1963-1964 amount to \$27,796, an increase of \$370, or 1.3 percent, over estimated expenditures for the current year.

ANALYSIS

During fiscal 1961-1962, 145 applications for certificates were received by the board. Of these, 4 were rejected and 141 scheduled for examination at the two examinations held by the board during the year. The board's published statistics for that year state that 233 persons were examined, of whom 42 passed and 66 failed. Some explanation of the disposition of the other 125 examinees should be forthcoming if in fact they took the examination. We note that Section 8023 of the Business and Professions Code states that no certificate shall be issued until the applicant has passed the examination prescribed by the board; however, the board's statistics show that 79 original licenses were issued in 1961-62 although only 42 persons are reported as passing the examination. These statistics indicate that as of June 30, 1962, there were 899 licenses in effect rather than the 968 shown in the budget. It is reported that four complaints were received, three investigations completed and one warning issued during the period.

Thus, the workload of this agency in 1961-62 can be evaluated as being the acceptance and processing of 145 applications, the administration of 2 examinations and evaluation of 108 examination results, the issuance or renewal of approximately 900 licenses utilizing the mecha-

Certified Shorthand Reporters Board—Continued

nized central licensing facilities of the department, the acceptance of four complaints, the referral of three of these to the Division of Investigation and the subsequent evaluation of reports on these three investigations and the issuance of one warning.

To accomplish this relatively minor amount of work, the agency proposes to spend \$27,796. Of this total, approximately one-half will be for personal services. Per diem's for board members are estimated at \$2,600. At the rate of \$25 per day, this allows for 104 days or approximately 21 days per board member. There is approximately \$2,500 provided for temporary clerical help. The part-time services of an executive secretary are paid for under the item of Services From Other Agencies together with additional clerical help in a total amount of \$8,500. The executive secretary serves this board, the Veterinary Medicine Board, the Yacht and Ship Brokers Commission and the Landscape Architects Board. He is carried as a full-time employee of the Yacht and Ship Brokers Commission at a salary of \$13,992. That commission is reimbursed in the amount of \$10,262 for services to the other agencies, which in large part is to offset the salary of this employee. Thus, it would appear that the Shorthand Reporters Board pays well over half of the joint costs of this sharing arrangement among the four agencies. Section 8005 of the Business and Professions Code limits the salary of a part-time secretary for this agency to \$2,400. It appears that this limit is being exceeded.

The budget for operating expenses also reflects overestimation and overexpenditure. For example, \$380 is requested for 200 fingerprint reports. These cost approximately \$1.25 each from the Department of Justice. Thus the cost should be about \$250, with perhaps some additional allowance for those cases in which a more intensive search of the records is required and for which a price of \$2.25 will be charged. Apparently the board does not intend to check all fingerprints since its request is based on an estimate of 200 fingerprint checks although the budget shows it anticipates 250 applicants. Fingerprint checking is a new activity entered into by the board during the current year, although the qualification of good moral character has always been required of court reporters. Incidentally, the number of new employment opportunities in 1963-64 for certified shorthand reporters will largely be governed by the number of new judgeships created by the Legislature at this session together with the loss of licensees through death or other attrition. These losses amounted to nine in 1961-62.

Printing is estimated to cost \$750. Of this approximately \$500 will be the cost of printing a directory listing the names of the approximately 900 court reporters in California. There is no requirement in the law that such a directory be printed, and its value to the general public is questionable. Approximately \$40 a month is budgeted for long distance toll charges, about the same amount as was spent in 1960-61, despite the extension of lease line long distance service which is being made available through the Department of Finance. Five hundred fifty dollars is requested for postage. This is \$215 more than was spent in 1960-61. Even at the new rate of 5 cents per ounce for first class

Certified Shorthand Reporters Board—Continued

postage now in effect, this amount will mail 11,000 letters. Presumably a large part of the increase is intended to mail the aforementioned directory which the board wants to print in the budget year. Three thousand seven hundred dollars is asked for instate travel. The greater part of this is for traveling expenses for board members to attend approximately four meetings of the board each year. If we assume that \$3,000 of the total is for board travel, there will be available approximately \$150 per member per two-day board meeting. When per diems, at \$25 per day, are added, the board cost per meeting becomes \$1,000 or \$4,000 per year. The balance of the traveling expense of \$700 is probably for the part-time travel of the executive secretary and in large part for his attendance at the meetings of the board. Under these circumstances, we are compelled to raise the question of what public purpose is served by four meetings of this board each year, attended by six people at an approximate annual cost of \$5,000, in connection with a group of employees limited by law as to numbers and function and with virtually no disciplinary or regulatory problems. This would appear to be an exceedingly high price to pay to qualify the limited number of persons who will in fact qualify in this field in 1963-64. This \$5,000 is to be spent on board meetings and is not the total cost of such qualification, which must also include the cost of examinations, a proportion of the clerical costs and general overhead expense of the agency.

Other items of operating expense appear to be equally out of line with reasonable anticipations of actual requirements. For example, \$1,038 is budgeted for Attorney General services and \$1,000 for Division of Administrative Procedure hearing services despite the fact that only four dispositions of investigations were reported during 1961-62 with no resulting suspensions or revocations of licenses. The items of departmental administration budgeted at \$1,904 and general administrative charges at \$1,242 relate generally to the size of this agency in relation to other agencies in this department as reflected by their budgets and if this budget is smaller these costs should be smaller.

It is apparent that the entire budget for this agency bears little relationship to the actual amount or kind of public responsibility carried by the agency, which is stated in the law as being to protect the public by establishing a standard of competency in shorthand reporting, a responsibility which inherently is shared with the courts which are their primary employers.

In view of the excessive costs noted above, it appears that the present board operation can meet its defined responsibility with a reduced budget.

Therefore, we recommend that \$10,000 be deleted from this item and the agency instructed to so reorganize itself as to be able to accomplish its assigned function within the limit of a \$17,796 appropriation for the 1963-64 fiscal year.

Department of Professional and Vocational Standards

BOARD OF SOCIAL WORK EXAMINERS

ITEM 231 of the Budget Bill

Budget page 555

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

Amount requested	\$35,998
Estimated to be expended in 1962-63 fiscal year	34,140
Increase (5.4 percent)	\$1,858
TOTAL RECOMMENDED REDUCTION	None

ANALYSIS

The Board of Social Work Examiners is composed of seven members, two of whom must be lay persons and the remainder registered social workers. Appointments are made by the Governor. This board administers a noncompulsory program of registration and certification of social workers.

Proposed expenditures for the budget year amount to \$35,998, an increase of \$1,858 or 5.4 percent over estimated expenditures for the current year. The increase is largely caused by the proposed biennial printing of the directory of registered workers.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

STRUCTURAL PEST CONTROL BOARD

ITEM 232 of the Budget Bill

Budget page 556

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

Amount requested	\$290,019
Estimated to be expended in 1962-63 fiscal year	279,259
Increase (3.9 percent)	\$10,760
TOTAL RECOMMENDED REDUCTION	\$8,900

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
1 Deputy registrar	\$7,800	557	3
0.3 Overtime	1,100	557	5

ANALYSIS

The Structural Pest Control Board consists of five licensees and one public member appointed by the Governor. The board examines, licenses and regulates operators, salesmen and establishments engaged in the control of structural pests. As the result of 1961 legislation, the board's workload was substantially increased by the requirement that every pest control operator's report must be filed and certified copies thereof furnished to escrow holders and real estate brokers where property including structures is being transferred. This operation is based on fees designed to provide for its support. Thirteen and one-half positions, two years of temporary help and considerable equipment were provided for the board in the 1961-1962 budget period but the actual

Structural Pest Control Board—Continued

cost of annual operations will not be reflected on a full-year basis until the completion of the current year.

Expenditures proposed by the board for fiscal year 1963-1964 amount to \$290,019, an increase of \$10,760, or 3.9 percent, over estimated expenditures for the current year.

Personal Services

1 Deputy registrar (budget page 557, line 3)-----	\$7,800
1 Intermediate stenographer (budget page 557, line 4)-----	\$4,452
0.3 Overtime (budget page 557, line, 5)-----	\$1,100

The board is requesting the addition of one deputy registrar for the primary purpose of comparing inspection reports in those cases where more than one inspection report is filed on the same piece of property under the 1961 amendments to the act requiring the filing of all inspection reports. One deputy director is now authorized and with the requested addition, it is planned to have one deputy to supervise board activity in Southern California with the other deputy in charge in Sacramento. The intermediate stenographer position is requested to work approximately half time assisting the deputy registrar with the new inspection report comparison program and half time in processing inspection reports, applications, licensing and license renewal. The 0.3 man-years of overtime was authorized administratively during the current year and is requested to be continued in the budget year in addition to the new positions being requested.

We recommend the deletion of one deputy registrar (budget page 557, line 3) at \$7,800 and of 0.3 overtime (budget page 557, line 5) at \$1,100 for a total reduction of \$8,900. We recommend approval of one intermediate stenographer (budget page 557, line 4).

The material submitted in justification of the request for an additional deputy registrar position recites that during a six-week period, the existing deputy registrar position compared 300 cases in which more than one inspection report had been filed and of these found 82 in which conflicting types of infestation were reported and initiated investigations of these conflicts. No information has been submitted as to the results of these investigations in terms of fraud practiced, disciplinary actions taken or licenses revoked or suspended. The finding of 82 conflicting report cases is not in and of itself evidence of fraud, misrepresentation, carelessness, lack of qualification or any other violation of the act which would require action on the part of the board to protect the public interest. No information has been provided as to the number of cases of duplicate reports existing in the total file of reports, which would have to be compared under this proposed new program. Consequently it cannot be ascertained whether the full-time services of one deputy will be required to compare all duplicate reports and initiate investigations on those which conflict. We suggest that before requesting staff to implement a program of this character, that the board determine on the basis of its original sample to what extent the public interest will be served by the program and what the size of the workload required to produce those benefits will be.

Structural Pest Control Board—Continued

There is a serious policy question involved in determining whether the method of discovery and enforcement proposed by the board is appropriate to their licensing and regulation function. The purpose of the requirement for filing all inspection reports with the board which was incorporated into the act of 1961 was to make them available to prospective purchasers of property and to insure their availability to persons having pest control work done on their property. It does not appear to have been the intention of the law to insure that all inspection reports under all circumstances reflect the actual infestation conditions of the inspected property. To have done so would, in effect, make the board the guarantor of the judgment of its licensees for the benefit of their customers. If the report is not accurate and the customer is damaged thereby, he has recourse at law. If the alleged inaccuracy is the result of gross negligence or fraud the board has grounds for disciplinary action; however, if the alleged inaccuracy results from differences of professional judgment, limitations contained in the contract between the parties, or other possible reasons, the matter hardly warrants the attention of the board. What the board is really proposing is, in a case where two of its licensees disagree on the results of an inspection it will go out and make a third inspection. Whether it will assert its own findings as being correct even if they now disagree with both of the prior inspections raises an interesting question. If the board's inspection is to be the final word in all disputed cases, it would appear to be more appropriate to have them provide the original inspection and do away with all private inspections.

The appropriate role for the board in protecting the public interest does not appear to be in the area of adjudicating private disputes, nor does it appear reasonable to suppose that every private dispute necessarily involves a violation of law warranting a disciplinary action.

Those situations involving real damage to the public interest (as opposed to the private interest of a customer or a licensee) and which therefore involved a violation of the law should be more readily and economically discoverable on the basis of complaints than on the proposed exposure of some possible violation situations, without regard for the real potential for protecting the public interest.

Since approximately one-half of the proposed new stenographer's time would be devoted to this new program, the allowance of this position should take care of the projected overtime situation and make an allowance for that purpose unnecessary.

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

ITEM 233 of the Budget Bill

Budget page 558

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

Amount requested	\$37,965
Estimated to be expended in 1962-63 fiscal year	38,104
Decrease (0.3 percent)	\$139

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

The Board of Examiners in Veterinary Medicine is composed of five licensed doctors of veterinary medicine and a public member, all appointed by the Governor. This board examines and licenses veterinarians and regulates the practice of veterinary medicine in California.

The board proposes to spend for all purposes during budget year 1963-64 the sum of \$37,965, which is a decrease of \$139, or 0.3 percent, under estimated expenditures for the current year.

The veterinary board is discontinuing the use of professional examiners and is undertaking to handle the entire examination procedure itself. This step is to be taken in the budget year. It results in the addition of \$1,375 in \$25-a-day per diem fees, an increase of \$199 in temporary help costs, and an increase in in-state travel expense for the board members. The board calls attention to one specific offset to these new costs of \$1,074 obtained through discontinuance of professional examiners and to other approximate offsets totaling about \$1,700 in various examination costs.

The board's Veterinary Examiners Contingent Fund continues to show a decline in accumulated surplus each year in the face of a relatively level annual expenditure. Annual income, estimated at about \$30,300, will not equal estimated expense of \$37,965 as budgeted. The fund is to go on a biennial renewal basis beginning on September 1, 1963.

This board shares certain administrative activity and costs with three other agencies in the department—Landscape Architects, Certified Shorthand Reporters and Yacht and Ship Brokers and maintains no full-time staff of its own.

Two examinations are conducted by the board each year. In fiscal year 1961-1962 the number of licensees is recorded by the board as 2,097 and the number of applicants for examination as 152. The total of these two items is one less than the number of licensees estimated for the current year.

From material supplied to us it appears that fees now charged by the board in its licensing activity are at the top of the range set by the act. We suggest that, in view of the restricted income which this board receives, it should scale its expenditures back to its anticipated income level, or as an alternative, seek a change in its act making it possible to further increase fees to licensees.

Board of Examiners in Veterinary Medicine—Continued

We see urgency in this situation. Insolvency might well threaten this agency before another general session of the Legislature is held. Action to increase fees then should be taken at the current session of the Legislature to become effective at the outset of the budget year, or actual expenditures curtailed below the level projected in this budget.

We recommend approval of the item as budgeted.

Department of Professional and Vocational Standards

BOARD OF VOCATIONAL NURSE EXAMINERS

ITEM 234 of the Budget Bill

Budget page 559

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

Amount requested	\$125,351
Estimated to be expended in 1962-63 fiscal year	140,595

Decrease (10.8 percent)	\$15,244
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TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

The board of Vocational Nurse Examiners consists of nine members appointed by the Governor. Under the law this board administers two licensing and regulatory programs, that of the licensed vocational nurses and that of the voluntary certified psychiatric technicians. Under each program it has the responsibility of approving schools, examining and licensing applicants and regulating the practice of the profession. Fees collected from the two groups are deposited in the common fund but revenue from each is accounted for separately and each professional group is supported only from the revenue collected for its purposes.

Vocational Nurse Program

Expenditures proposed for the vocational nurse program for fiscal year 1963-1964 amount to \$125,351 which is an increase of \$8,866, or 7.6 percent, over estimated expenditures for this program for the current year.

Personal Services

1 Nursing education consultant (budget page 560, line 5)	\$9,982
1 Senior typist-clerk (budget page 560, line 6)	5,028
0.2 Temporary help (budget page 560, line 7)	724

A position of senior typist-clerk and 0.2 man-years of temporary help were authorized by administrative action for the current year. The board now seeks permanent authorization for these positions. A new position of nursing education consultant is requested. An identical position was carried by the psychiatric technician program for which the vocational nurses board paid one-half of the salary. The net effect of the requested change is to make this position a full time one for the vocational nurses activity.

The board seeks to justify the proposed new positions on the basis of increased workload. The clerical position was added during the

Board of Vocational Nurse Examiners—Continued

current year because of a backlog of application processing, need for increased filing and attention to increased correspondence. The nursing consultant is requested full time to provide increased nursing school inspections under new programs of training.

We recommend approval of the positions as requested.

Applications for licensing examinations and the number of licensed vocational nurses both show a steady increase during recent years. The clerical position and the temporary help requests appear to be justified.

The same comments apply also to the nursing consultant position requested. The number of approved nursing schools is increasing as is the number of extended campuses. Since the position has been used in this workload area, its loss would have to be met by other staff. The addition amounts actually to an increase of half the position salary.

Psychiatric Technician Program

No expenditures are budgeted for the certified psychiatric technician program for fiscal year 1963-1964. It appears that action must be taken at the current session of the Legislature to find some procedure by which the program may be continued on a sound financial basis, if licensing and regulation are to continue in this field.

During fiscal year 1961-1962 fees collected for the psychiatric technician program reached \$67,000. During the current year, which is the first half of the biennial licensing cycle, revenue dropped to an estimated \$9,000. Activity during the current year has been reduced to a bare minimum and activity cannot be continued into the budget year because of the absence of program funds.

All positions related to licensing of psychiatric technicians are being discontinued for the budget year by administrative action. The money reduction in that program offsets the proposed increased expenditures in the vocational nurse program and causes the board's total budget request to show what appears to be a decrease.

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

ITEM 235 of the Budget Bill

Budget page 561

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

Amount requested	\$26,066
Estimated to be expended in 1962-63 fiscal year	25,338
Increase (2.9 percent)	\$728
TOTAL RECOMMENDED REDUCTION	\$400

Summary of Recommended Reductions

	Amount	Page	Line
Traveling—in-state	\$400	562	35

ANALYSIS

The Yacht and Ship Brokers Commission consists of four licensee members and one public member all appointed by the Governor. The

Item 236

Public Utilities Commission

Yacht and Ship Brokers Commission—Continued

commission examines, classifies and licenses brokers and salesmen and administers the law regulating practices of yacht and ship brokers and salesmen.

The commission proposes to spend \$26,066 during fiscal year 1963-1964 an increase of \$728, or 2.9 percent, over estimated expenditures for the current year.

Certain commission functions are combined for administrative purposes with those of the agencies licensing and regulating landscape architects, certified shorthand reporters and veterinarians. The position of registrar serves the other boards which in turn reimburse the commission for shares of the registrar's salary.

Traveling—in-state (budget page 562, line 35)----- \$3,500

The commission proposes to expend \$3,500 for in-state travel in fiscal year 1963-1964, an increase of \$608, or 21 percent, over actual 1961-1962 budget base year expenditures for this purpose.

We recommend that \$400 be deleted to reduce this item to \$3,100.

From information supplied by the department, it appears that the number of individuals traveling in the budget year will not be increased over the number in the base year. The Department of Finance price letter suggests increases in meals and lodging, fares and automobile operation. The increase included in the recommended reduction provides for these increases.

PUBLIC UTILITIES COMMISSION

ITEM 236 of the Budget Bill

Budget page 563

FOR SUPPORT OF PUBLIC UTILITIES COMMISSION FROM THE GENERAL FUND

Amount requested	\$4,106,256
Estimated to be expended in 1962-63 fiscal year.....	3,996,008
Increase (2.8 percent)	\$110,248

TOTAL RECOMMENDED REDUCTION----- \$26,100

Summary of Recommended Reductions

	Amount	Budget Page	Line
5 Secretary II, reduction	\$3,420	564	32
1 Principal financial examiner, delete	13,992	566	7
2 Intermediate stenographer clerk, delete	8,688	567	25

GENERAL SUMMARY

The Public Utilities Commission consists of five members appointed by the Governor for six-year staggered terms, subject to confirmation by the Senate. Currently, broad regulatory and quasi-judicial powers are conferred upon the commission by the State Constitution and the Public Utilities Code. It may take testimony in the same manner as a court, issue decisions and orders, may cite for contempt, and may subpoena records of regulated utilities.

The major duty of the commission is to regulate the rates, service, accounting systems, safety, and issuance of notes and securities of

Public Utilities Commission—Continued

privately owned utility and transportation companies in California. In addition the commission regulates the rates and operations of highway carriers which have permits to transport property for the public for hire. Municipally or district-owned utility and transportation companies and mutual water companies which serve only stockholders or members at cost are not under commission jurisdiction.

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

Organization

Section 305 of the Public Utilities Code provides that the commission shall elect one of its number president. Other than the president, there is no central executive officer. The six division chiefs, several staff members, and immediate staff of the commission each report directly and individually to the five-member commission. The functions of the six divisions and the staff members are discussed in the following analysis.

We recommend that consideration be given to effecting the reorganization proposals contained in the Organization and Cost Control Division, Department of Finance Survey 880, dated November 25, 1958, and the Survey of Operations of the Public Utilities Commission by the Legislative Analyst, December 12, 1958.

In both of these independent surveys, the underlying organizational proposal is one of a strong executive officer position which would provide authoritative and unified direction of the commission divisions. Management of the staff supporting the commission can and should be delegated in order that the commission can devote its attention to its quasi-judicial activities.

Financing

Support for the commission is derived from the General Fund and the Transportation Rate Fund which is specifically provided for the regulation of transportation agencies which carry property for hire. The Transportation Rate Fund, as shown in the statement of fund condition on budget page 571 receives its revenues from a \$4 quarterly fee from specified carriers and a one-third of 1 percent fee on gross operating revenue as specified in Section 5003 of the Public Utilities Code and other miscellaneous sources. The quarterly fees are expected to provide \$3,050,000 of the total revenue to this fund in 1963-64.

Chapter 1260, Statutes of 1959, amended the existing Section 5003 of the Public Utilities Code, changing the quarterly fees and tax levy on gross operating revenue, and provided further, in Section 3, that "This act shall be operative until July 1, 1964, at which time Section 5003 of the Public Utilities Code is repealed."

We recommend that the Legislature consider re-enacting this code section.

Should this section expire as is presently provided, the projected surplus of \$2,810,924 in the fund at June 30, 1964, together with its miscellaneous revenues in 1964-65 will probably be insufficient to maintain the current level of operations for the 1964-65 year.

Public Utilities Commission—Continued

Natural Gas Matters

California is required to rely on the production of other states for the major part of the natural gas distributed to consumers by its public utilities. Rate increases granted by the Federal Power Commission are immediately passed on to the California utilities and in turn these increases must eventually be considered by the Public Utilities Commission in setting rates to consumers. As a consequence, the State has a vital interest in holding such increases authorized by the Federal Power Commission to a reasonable amount. For this purpose, the commission must intervene before the Federal Power Commission and in 1960-61 the Legislature authorized 21 new positions for this purpose which, with related expenses, are currently costing in excess of \$250,000 annually.

On September 28, 1960, the Federal Power Commission formulated a so-called area price standards policy whereunder it will automatically and without extensive examination deny rate increase requests above certain percentages prescribed for various producing areas. The United States Supreme Court is currently hearing arguments on this principle, and the Federal Power Commission has started hearings on two major producing areas under this program.

We recommend that all positions and expenses related to this natural gas effort be identified separately in order that reductions may be made commensurate with decreases in commission workload as progress in the area method of settling rates of gas producers progresses.

The Utilities, Utilities Finance and Accounts, and Legal Divisions are the primary units involved with the natural gas matters.

ANALYSIS

Total expenditure program for the Public Utilities Commission is shown in the following table:

Fund	Budget Bill Item No.	Total expenditure		Increase	
		1962-63	1963-64	Amount	Percent
General	236	\$3,996,008	\$4,106,256	\$110,248	2.8
Transportation rate.	237	3,210,422	3,344,364	33,942	1.0
Total		\$7,306,430	\$7,450,620	\$144,190	2.0

All divisions of the commission are supported in part from both the General Fund and the Transportation Rate Fund. The allocation of expenditures between the two funds is based upon a plan of financial adjustment which in turn is derived from a time reporting system.

This budget request includes provision for 12 additional positions, the cost of which total \$106,000 plus related expenses. Although we have evaluated these positions on the basis of the current organization, we feel reorganization of the commission will result in substantial economies as yet unrecognized. These economies will result from greater co-ordination, the lack of which in the past has resulted in variances of workload between divisions. This situation is most obvious in the Southern California office because the division chiefs in San Francisco control their staffs.

Public Utilities Commission—Continued

The only significant increase in operating expense is a new item for data processing totaling \$4,200. The major portion of this amount, we are informed, is related to a rate of return standards study.

Administration Division

The Administration Division consists of the commissioners, their personal staff and other staff members reporting directly to the commissioners, and the general office including the accounting and reporting sections.

In addition to a personal secretary, an attorney is provided for each of the commissioners. These latter five positions were furnished as a result of Chapter 2239, Statutes of 1957 which related to the Household Goods Carriers Act but also appropriated \$50,000 from the General Fund in augmentation of the Public Utilities Commission appropriations. The positions had not been included in the 1957-58 budget as originally presented. The civil service classification set up for the positions contemplated that an aide for each commissioner be appointed at the level of junior counsel (currently \$562-\$619). Each commissioner was to select his personal aide from a comparable salary classification in a field of his choice, such as law, engineering, economics, or accounting.

During 1960-61, the positions had been reclassified as assistant counsel (\$683-\$829). These same five positions were reclassified during the current year to that of public utilities counsel I (\$914-\$1,111), resulting in an annual salary and wage cost increase of \$21,120, at the minimum or \$29,520 at the maximum for the five positions when compared with their original classification.

We recommend that any further reclassifications of these five public utilities counsels I (such as possibly to counsel II) be subjected to normal budgetary review as proposed reclassifications rather than as accomplished reclassifications.

The five existing secretaries I (\$463-\$562) are proposed to be reclassified to that of secretary II (\$510-\$619).

We recommend a reduction of \$3,420 representing the increase budgeted for reclassification of these positions, budget page 564, line 32.

Reclassification of this nature without evidence of need represents an increased level of service which we do not feel is warranted.

The following five positions are also considered to be a part of administration as they are directly under the commissioners or once removed:

Position	Salary
Chief, Southern California area -----	\$18,768
Assistant Chief, Southern California area -----	17,028
Special representative -----	12,696
Associate special representative -----	8,604
Information officer I -----	9,948
Total -----	\$67,044

Heading the general office is the secretary to the commission. The functions of this division are the processing of formal applications and cases, maintaining records of official actions, accounting and budgetary controls, personnel, minor housekeeping activities, and recording and

Public Utilities Commission—Continued

transcribing hearings. The reporting section is considered separately in the budget and in this analysis.

An accounting officer II and a senior stenographer are requested, budget page 564, line 23.

We recommend approval of these two positions, totaling \$11,868.

Justification submitted to this office relative to budget preparation, personnel actions, and financial plan of adjustment calculations and clerical support for these activities appears to be sufficient to warrant the additional positions.

Utilities Division

In general, the utilities divisions supplies the commission with technical assistance, particularly that of an engineering nature, in matters concerning the regulation of utilities other than carriers and certain related activities. This assistance concerns rate setting and other formal matters such as applications for certificates of public convenience and necessity, customer services, such as in connection with disputed bills, tariff schedules, and technical general orders such as those respecting overhead line construction.

This division is organized into six engineering branches, the utilities customer service unit, and an administrative unit. This budget contains a request for one additional senior stenographer (\$4,788) budget page 565, line 10, for the stenographic pool of the administrative unit.

We recommend approval.

Utilities Finance and Accounts Division

This division has primary responsibility for the audit, examination, and analysis of the financial status of the utility companies falling within the jurisdiction of the commission, and is also responsible for the development and implementation of the uniform systems of accounts for use by all companies. A new activity in this division is that of rate of return calculation. This division and the utilities division operate with close co-ordination in the regulatory processes of the commission.

An additional supervisory position of principal financial examiner (\$13,992) is requested, budget page 566, line 7.

The agency states that this position is required due "... to the pressing need for delegation of other activities by the division chief to a high-level supervisory position, for the relative importance and intricacy of rate of return analysis will require very substantial supervision of this new activity by the chief and assistant chief." The position is also related to the expanding workload and quality of the division's performance.

We recommend deletion of one principal financial examiner, budget page 566, line 7, \$13,992.

We feel that the existing supervisory personnel, which include all of grade IV examiners and many of the grade III shown in the following

Public Utilities Commission—Continued

table, can, under a proper organizational structure, adequately direct the activities of the division, obviating the need for the additional high level supervisory position requested.

Position	1963-64 pay range	Authorized			Proposed 1963-64
		1960-61	1961-62	1962-63	
Chief -----	\$1,286-1,564	1	1	1	1
Assistant chief -----	1,166-1,419	1	1	1	1
Principal financial examiner	1,166-1,419	—	—	—	1
Financial examiner IV ----	870-1,058	5	6	6	6
Financial examiner III ----	717-870	15	14	14	14
Financial examiner II ----	590-717	12	12	12	12
Clerical -----	362-486	7	7	7	7
Total -----		41	41	41	42

Transportation Division

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

This division is organized into an engineering branch, composed of a passenger section, freight cost section, traffic engineering section and operation and safety section, a rate branch and a license and compliance branch. The titles reflect the general activities of each.

The traffic engineering section, for which an additional position is requested, is assigned work in connection with transit operations which include its determination of adequacy of service and facilities, railroad grade crossing work and miscellaneous engineering studies.

Based upon workload data furnished this office, *we recommend approval of one assistant transportation engineer, \$7,428, to accelerate work on grade crossing protection, budget page 567, line 18.*

The operations and safety section requests a new position for the inspection of regulated motor vehicles for compliance with safety regulations.

As no additional personnel have been added since 1958-59 for this function, and a 13-percent increase has been experienced, *we recommend approval of an assistant motor carrier operations supervisor, \$7,080, budget page 567, line 19.*

The rate branch requests an additional position to handle increased workload. Comparative data on this activity is shown in the budget document, page 566.

We recommend approval of one transportation rate expert, \$7,080, budget page 567, line 22.

The license and compliance branch has as its principal function enforcement of laws, rules, and tariffs as they relate to the trucking industry. The field section of this branch includes 13 small field offices, exclusive of those in San Francisco and Los Angeles. Nine of these offices are provided with full-time clerical help and are open full time while the four smallest offices are each provided with an intermediate stenographer-clerk on a half-time basis and are closed when the stenog-

Public Utilities Commission—Continued

raphers are not on duty. During the time when the offices are closed a telephone answering service is provided which indicates to callers that the transportation representative will return their call when he returns.

The agency is requesting two man-years of additional clerical personnel to place these offices, which are in Santa Barbara, Santa Ana, San Diego, and El Centro, on a full-time basis. The agency states that these positions are necessary to provide essential regulatory information and for filing of complaints.

We recommend disapproval of two additional intermediate stenographer-clerks, \$8,688, budget page 567, line 25.

These two positions were deleted from a similar request in the 1962-63 Budget on our recommendation.

Our reasons for this recommendation, as previously stated are: (1) full-time clerical personnel will not necessarily provide the public better service as such personnel would probably not be qualified to handle inquiries, and (2) there is no indication that the clerical workload resulting from the activities of the transportation representatives in these offices cannot be handled under existing arrangements.

We believe this request for an increased level of service can be deferred.

Legal Division

In accordance with Section 307, Public Utilities Code, the commission has established its own legal staff and relies upon such staff for all needed legal services to the exclusion of the Attorney General. The exempt position to which the commission is entitled under Section 4(a) of Article XXIV of the Constitution has in recent years been filled by the chief counsel, who heads this division.

The staffing of the legal division as authorized and proposed is as follows:

Position	Salary range	Authorized 1962-63	Proposed 1963-64
Chief counsel -----	\$1,745	1	1
Assistant chief PUC counsel -----	\$1,225-1,490	1	1
Public utilities counsel III -----	1,111-1,351	2	2
Public utilities counsel II -----	1,008-1,225	8	8
Public utilities counsel I -----	914-1,111	4	4
Assistant counsel -----	683- 829	2	5
Junior counsel -----	562- 619	8	4
Senior legal stenographer -----	419- 510	8	8
Total -----		34	33

The budget document states, "In order to obtain a higher degree of proficiency from the division's authorized legal staff, four positions were reclassified from junior counsel to assistant counsel. In so doing, one junior counsel was administratively eliminated to provide the additional financing required for the higher classifications."

The reduction of one junior counsel is indicated on budget page 568, line 39.

Public Utilities Commission—Continued

Examiner Division

This division is concerned exclusively with formal matters before the commission, the only regular duties of the staff being to (1) arrange for and preside at hearings, (2) analyze the matters to which assigned; (3) write or at least participate in the writing of decisions. This budget includes provision for two additional examiners, which the agency feels are required to assume some of the backlog before the division. The commission states that a lessening workload will not be sufficient to take care of the existing backlog.

We recommend approval of one engineer examiner and one transportation rate examiner, \$23,616, budget page 569, line 21.

We feel that the backlog of approximately 676 formal matters pending disposition requires the attention of these additional positions.

Reporting Section

The reporting staff consists of stenographic reporters and transcribers who prepare transcripts and testimony taken at all formal hearings. Although this section is shown separately in the budget, it is under the supervision of the secretary. The reason for its separation is that about 45 percent of its costs are reimbursable as reporting services to litigants as shown on budget page 570, line 11.

Chapter 1045, Statutes of 1943, brought all employees of the then Railroad Commission, under civil service except phonographic reporters and transcribers of its proceedings. Thus the existing 24 positions and additional reporter proposed in this budget are excluded from civil service and as a consequence the salaries are fixed by the Department of Finance under Section 18004 of the Government Code. Salaries for the reporters and transcribers are higher than those of the comparable civil service classes. In addition the Department of Finance exempt pay scales effective August 1, 1962, reflect an "extra compensation of 15 cents per folio for reporters and chief reporter and 20 cents per folio for transcribers or supervising transcriber while reporting or transcribing dailies."

While in the past the commission has opposed any change in this arrangement, we feel that consideration should be given to civil service status as is the case with all Office of Administrative Procedure, Department of Industrial Relations and Unemployment Insurance Appeals Board reporters. These three agencies have 151 authorized reporter positions for 1962-63 as compared with 10 full-time reporters and 10 full-time transcribers for the Public Utilities Commission.

An additional reporter is requested to handle the related increase in hearings anticipated by the addition of two examiners.

We recommend approval of one reporter, \$8,096, budget page 569, line 63.

This position appears to be justified on a workload basis.

PUBLIC UTILITIES COMMISSION

ITEM 237 of the Budget Bill

Budget page 563

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

Amount requested	\$3,344,364
Estimated to be expended in 1962-63 fiscal year	3,310,422
Increase (1.0 percent)	\$33,942

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

This appropriation is for costs of administration involving regulation of carriers of property for compensation by rail, truck, or water, the details of which are included under budget item 236. Any adjustments in that item relating to administrative costs of the foregoing will require a corresponding adjustment in this item.

RESOURCES AGENCY

Resources Agency Administrator

ITEM 238 of the Budget Bill

Budget page 572

**FOR SUPPORT OF RESOURCES AGENCY ADMINISTRATOR
FROM THE GENERAL FUND**

Amount requested	\$65,948
Estimated to be expended in 1962-63 fiscal year	45,251
Increase (45.7 percent)	\$20,697

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

This budget item proposes a direct appropriation for the staff of the agency administrator including two new positions. The 1962-63 budget bill did not appropriate support funds for this Agency directly as these funds were reported as expenditures in other department budgets.

We recommend approval.

DEPARTMENT OF CONSERVATION

ITEM 239 of the Budget Bill

Budget page 573

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

Amount requested	\$25,271,092
Estimated to be expended in 1962-63 fiscal year	24,277,651
Increase (4.1 percent)	\$993,441

TOTAL RECOMMENDED REDUCTION	\$268,910
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Conservation

Item 239

Department of Conservation—Continued

		Summary of Recommended Reductions			Budget	
Division of Forestry:		Amount	Page	Line		
2	Forest firefighter foremen	\$11,817	577	43		
12	Forest firefighter foremen	76,500	578	68		
8	Forest firefighter foremen	47,226	578	70		
1	State forest ranger I	8,031	578	66		
1/2	Forest firefighter foremen	—	578	68		
1/2	Forest firefighter foremen	—	578	70		
	Rent airplanes	125,336	579	13		

GENERAL SUMMARY

The Department of Conservation derives its legal authority from the Public Resources Code. Under the Reorganization Act of 1961 the Department of Natural Resources was divided into a Department of Conservation and a Department of Parks and Recreation which were made subordinate to the Resources Agency. The Department of Conservation is made up of the Divisions of Forestry, Mines and Geology, Oil and Gas, and Soil Conservation. For the purpose of centralizing the business management activities of the department, the director has established the Division of Administrative Services.

Division of Administrative Services

This phase of the department's budget provides for support of the office of the director, the departmental conservation education section and the general business management functions of the department. The entire staff of the division is quartered in Sacramento. Its functions include departmental fiscal control, departmental personnel management, management analysis, and office services for the director.

ANALYSIS

The budget proposes an expenditure of \$616,933 for support of the Division of Administrative Services. This compares with an estimated expenditure during the 1962-63 fiscal year of \$566,407. Of the total support, \$589,888 is derived from the General Fund, \$23,093 from the Petroleum and Gas Fund, and \$3,952 comes from the Subsidence Abatement Fund.

It is anticipated that the Division of Administrative Services will move from its present quarters in State Office Building No. 1 to the Retirement Building on May 1, 1964. In that light the sum of \$30,426 in additional rent is provided for.

Except for the move to the Retirement Building the budget proposes a continuation of the existing level of services. *We recommend approval of the budget for the Division of Administrative Services as submitted.*

Division of Forestry

General policies for the guidance of the Division of Forestry are determined by the State Board of Forestry, which is made up of seven members appointed by the Governor with the advice and consent of the Senate. Public Resources Code Section 505 requires that the membership of the board be made up of one representative from each of the following: the pine-producing industry, the redwood-producing industry, forest land ownership, the range livestock industry, agriculture, the

Department of Conservation—Continued

beneficial use of water, and the general public at large. The members hold office for four years and the appointments are made on a staggered basis.

The Board of Forestry is authorized and required to represent the State's interest in the acquisition and management of state forests, in federal land matters pertaining to forestry, the protection of the State's interest in forest resources on private lands and to determine, establish and maintain an adequate forest policy.

The State Forester, who is also the Chief of the Division of Forestry, is nominated by the Board of Forestry and appointed by the Director of Conservation. He must be a technically trained forester.

The functional responsibilities of the division include prevention and control of wildland fires in State responsibility areas, operation and management of the conservation camps, management of the several State forests, enforcement of the Forest Practice Rules and providing technical forestry advice to landowners.

The general organization of the Division of Forestry provides for a line-staff structure with the top echelon element headquartered in Sacramento. For administrative purposes the State is divided into six geographical units referred to as districts. District offices are located in Santa Rosa, Redding, Sacramento, Fresno, Monterey and Riverside.

Each district office also has a line-staff organization which is comparable to the headquarters element. The basic management element is called a ranger unit of which there are 31. Generally speaking, each ranger unit is accountable for the division's functional responsibilities within a single county.

Fire Control

The operation of a fire protection system in the suburban, rural and wildland areas of California is very complex because of the diversity of geographical responsibilities and ownership patterns. However, through contractual agreements and working relationships with the various governmental agencies concerned, the Division of Forestry has developed a system which provides wildland fire protection with a minimum of duplication of effort.

The U.S. Forest Service, at federal expense, provides forest fire protection to federally owned lands within the national forests. The National Park Service protects the several national parks and monuments in the State. The Bureau of Indian Affairs provides fire protection in the Hoopa Valley Indian Reservation in Humboldt County. The military agencies are responsible for fire protection on the military reservations; and fire protection on other federally owned lands which are intermingled with the state responsibility lands is generally provided by the State and in some instances by counties under contract with the appropriate federal agency.

Outside the incorporated cities, on lands which have not been classified by law as timber, watershed or contiguous range land, responsibility for fire protection falls upon local government. In some areas this protection is provided by local and countywide fire districts and others

Department of Conservation—Continued

by a county fire department. However, in 26 counties the Division of Forestry has contracted with local government to provide the complete protection service at county or fire district expense.

The areas in which the State is primarily responsible for maintaining the fire protection system are divided into three categories. Areas in which the Division of Forestry provides protection directly consists of 29,614,792 acres of timber, watershed and range lands lying generally outside the boundaries of the national forests. It includes about 3½ million acres of intermingled federal lands protected under contract with federal agencies. Subordinate to the districts are 31 ranger units through which is provided local administration, fire prevention, and fire suppression activities consisting of some 233 fire crews, 83 fire lookouts, fire protection patrolmen, the operation of specialized fire-fighting equipment and numerous citizen volunteer firefighting groups. In addition, within the six districts are 32 forestry conservation camps administered by the Division of Forestry in co-operation with the Department of Corrections and the California Youth Authority.

The second category of land consists of 4,792,436 acres mostly in private lands within the national forest boundaries. These lands are presently afforded protection by the United States Forest Service and are the subject of a separate budget item.

The third category is the state responsibility, land lying within the contract counties. These consist of 4,229,757 acres of timber, watershed and range land in five counties which have elected to provide by contract forest fire protection on state responsibility areas. The counties are Kern, Los Angeles, Marin, Santa Barbara and Ventura. The fire protection thereby afforded is integrated with the countywide fire protection system in rural areas of each county. The Legislature has annually appropriated funds for the partial support of the forest fire crew organization in these counties to reimburse the counties concerned for the cost of fire protection on state responsibility lands. This appropriation is the subject of a subsequent budget item.

State responsibility areas encompass about one-half of the water-producing land in California and one-half of its timber-producing areas. The average annual occurrence of forest fires in these lands exceeds 3,000 in number which burn an average of 190,000 acres each year.

Fire Plan—Objectives and Planning

The first complete Division of Forestry fire plan was prepared in 1939. That plan was slightly altered in 1945 to meet additions to state responsibility lands. It was completely revised in 1950. In 1956 the State Board of Forestry instructed the Division of Forestry to update the fire plan so as to reflect existing conditions. This latter plan has been referred to as the 1956 fire plan. Its objective was to establish the needs of basic fire protection to all areas of state responsibility. Basic fire protection is defined for the purposes of that plan as a level of intensity which would, through the application of properly integrated fire prevention, maximize the fire control efforts, hold the fire damage

Department of Conservation—Continued

below a level which would seriously interfere with the expected yield of products and social benefits accruing from the lands.

Basic fire protection envisioned an organization capable of reducing the occurrence of preventable fires to an acceptable minimum and providing satisfactory forest fire control under average fire danger conditions. The organization was not designed to prevent all man caused fires nor provide absolute maximum fire protection with all the possible refinements, but rather it was to be a basic organization contemplating the planned use of available co-operative forces. Its strength was not to come from having maximum forces in every location, but in its ability to expand rapidly so as to successfully meet emergency fire situations.

In planning its basic fire protection organization, the Division of Forestry recognized that population concentrations have made the forest fire problem more complex by removing former advantages of selecting time and places of fire control operations. The tremendous increase in California's population in recent years has had a corresponding effect upon the forest fire problem. A great many additional people and structures are now located in formerly unoccupied wildland areas. The presence of people and structures in these areas now compels the expenditure of effort and use of equipment in saving life and property that was formerly devoted exclusively to controlling the fire perimeter.

The first step in preparation of the 1956 fire plan consisted of segregating the levels of administrative action and then preparing a list of study questions pertaining to each level. Thereafter the responsible forest officer at each level or function proceeded to analyze the duties, efficiency and needs of his particular substantive area of responsibility in respect to the job at hand as well as the meshing of his work with all adjoining activities. A system of land classifications and values was developed and delineated upon maps expressed in terms of the vegetative ground cover. Superimposed on these maps was the fire occurrence by size. The graphic results presented are indications of the fire load expectancies upon which an analysis of the organizational requirements was based. The actual table of organization was developed from an on the ground evaluation by the unit ranger, thence subjected to a staff type modification by the respective district offices, followed by further modification at the headquarters fire control branch, the Executive Advisory Committee to the State Forester, the Division of Administrative Services of the Department of Natural Resources, the Director of Natural Resources, and the Board of Forestry. The Board of Forestry considered the proposal on three separate occasions, making purely subjective modifications each time, and finally adopting it as the "1956 fire plan" on August 8, 1956. The 1956 fire plan for the direct protection area of the Division of Forestry did not vary greatly from the basic suppression organization planned in 1945. Although several new fire stations were recommended, the greatest increases were in year-long employment for fire crew foremen, truck drivers and heavy equipment operators, additional seasonal firefighters and additional automotive equipment.

Department of Conservation—Continued

It is important to recognize that the forest fire problem in California is a changing one and as the problem changes the Division of Forestry's fire plan will necessarily need to be adjusted to maintain basic protection consistent with the fire load.

In November of 1961 the Division of Forestry issued an organizational inventory and plan which is an evaluation on the part of the Division of Forestry of its personnel and equipment needs. Briefly, the cost to implement the plan would amount to \$6.6 million of which \$3.5 million is for personnel and \$3.1 million for equipment. An additional \$100,000 would be necessary to support those positions that are now funded from the capital outlay program. In that light \$6.7 million would be necessary to fully implement the plan, which would constitute a 29 percent increase in the division's support budget. It is interesting to note, however, that very few of the shortages claimed by the Division of Forestry would be actually engaged in the fire control effort. Under the heading of "administration," the division would like 25 additional positions, only two of which would be involved in the fire prevention or fire control activity, namely, a fire prevention officer and an assistant dispatcher. The sum necessary to fully implement this phase of the inventory would be \$162,736. The cost of adding only the fire prevention officer and the assistant dispatcher (the only two positions that are directly engaged in the fire control effort) would be \$14,858, which represents only 9.1 percent of the claimed personnel shortage in the headquarters element. When we look to the district headquarters organization and use as an example District I, we find that the division claims a shortage of 10 positions, again only two of which would be directly involved in the fire control effort. The total cost for the 10 positions would be \$88,490 whereas the cost for the two fire control positions would be \$23,690 or 26.8 percent of the total claimed shortage. When one looks to the field services and camps organization in District I, as an example, we find a total claimed shortage of \$441,215 for personnel. Of that sum, \$220,178 would be for positions that would be directly involved in the fire control program which represents 50.4 percent of the total claimed shortage. In view of the above, it is quite probable that the State could fill out the Division of Forestry's proposed table of organization in the fire control classes for approximately 45 percent of the \$6.3 million previously referred to. *Such an estimate would, however, be based entirely upon the assumption that all of the claimed shortages in the division's inventory are necessary to effectively undertake the division's assigned task.*

Fire Prevention

It has often been said by professional fire control people that an effective wildland fire protection effort must include not only an effective fire control program but also an effective fire prevention effort. In the analysis of the 1960-61 fiscal year budget we pointed out that the Division of Forestry did not have an adequate fire prevention program. We noted at that time that the problem was not necessarily due to lack of personnel but, on the contrary, due to the lack of co-ordinated use

Department of Conservation—Continued

of existing personnel and an aggressive effort on the part of the Division of Forestry to undertake a fire prevention program.

Subsequent to our 1961-62 fiscal year budget the State Board of Forestry instructed the State Forester to prepare an effective fire prevention plan for the Division of Forestry. Thus far, an approach has been taken by the division to two areas of the fire prevention field. First, the establishment of a divisionwide policy for eventual implementation by the district and ranger unit level has been initiated. Secondly, the division has completed a survey of critical areas of forest fire hazards endangering life and property in the state responsibility areas.

The latter survey indicates that there are 233 critical areas in the State. A review of the 233 critical areas indicates that the single most important fire prevention measure that needs to be undertaken is the enforcement of adequate clearance requirements around residences and other structures in the legally classified wildland areas. The statistics of the Division of Forestry indicate that for the five-year period of 1957-1961 a total of 14,842 forest fires occurred within the 233 so-called critical areas which burned a total of 854,100 acres and caused \$11.5 million of damage to timber, range, hay, grain or other improvements. It is interesting to note, however, that the nonforest fires in the 233 so-called critical areas numbered 7,141 and caused \$21.6 million of damage. This indicates a rather high percentage of nonforest fires in the critical areas, approximately 32 percent. Upon further analysis, we find that most of the land area involved in the 233 so-called critical areas is in fact used for other than wildland purposes and can be more appropriately classified as residential or agricultural, and in that light, does not fall within the legal classifications of state responsibility areas. Therefore, it would appear to us that one answer to the so-called critical areas problem would be for the Division of Forestry to withdraw all of its fire protection from these localities and turn the complete job over to local government as is done in incorporated cities and areas not given the status of state responsibility lands. Inasmuch as the residential communities within an incorporated city must be totally protected by a direct tax upon the landowner it seems only equitable that the residential communities in the unincorporated areas should also be protected solely by financing from local sources rather than state government, or conversely the State should assist the incorporated cities with their fire protection costs.

Use of Aircraft in Forest Fire Control

The goal of forest firefighters since the beginning of organized fire suppression has been to control the fires when they were very small. Even the largest most disastrous fires could have been stopped in their early stages had a few experienced men reached them early enough and taken immediate action. Both the fixed wing airplane and helicopter have done a great deal to assist the firefighters in wildland fire suppression.

The use of airplanes in fire control work dates back to the so-called barnstorming days of the 1920's when they were used for observational

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purposes and to a limited degree the dropping of water bombs. Today, fixed winged aircraft and helicopters are used for reconnaissance, photographing the fire perimeter, transporting the firefighters to the fire by placing them over the fire area where they may parachute from fixed wing planes or debark from helicopters, the delivery of firefighting equipment by cargo drops or delivery to air terminals, detection and most recently the dropping of water and chemicals onto the fire perimeter.

In 1956 air tankers became a reality as tactical support for ground firefighters in California when they demonstrated their value in wild-land fire control with great success. But they also demonstrated that they had many limitations. In 1957 the number of fires in which air tankers were used quadrupled as did the number of air tankers available for use. This expanded use provided an opportunity to study the limitations of air tankers. Since the aircraft were used on fires throughout the State, a large variety of topographic and burning conditions was encountered. The fire control agencies expanded their attack programs in the 1958 and 1959 fire seasons.

An analysis of the 1957 reports, which were largely subjective in content, indicated that on about 25 percent of the fires, air tankers were completely effective in either extinguishing the fire or materially retarding its spread so that ground forces were able to control it with comparative ease. On 65 percent of the fires, reported effectiveness varied widely. On the remaining 10 percent all of the drops were termed ineffective. The ineffectiveness was generally attributed to pilot error, or the improper mixing of the chemical and water or too little retardant being dumped on a large fire.

Firefighters repeatedly say that air tankers have been generally most effective on initial attack because the small fire offered greater opportunity for proper placement of the drops. If the fire was not then extinguished the drops held the fire down until ground crews arrived. On larger fires the air tankers helped secure control and held burned acreages to a minimum by dropping on key points such as running fingers and spot fires. In some places where inaccessibility or lack of time had prevented construction of fire breaks, chemical lines were laid by the air tankers ahead of the fire and successfully retarded its spread. The chemical lines were generally most successful in lighter fuels.

The procedure employed by the Division of Forestry and to a large extent the U.S. Forest Service is as follows:

1. Contractual arrangements are made with private individuals operating the planes whereby the operator furnishes the fully equipped plane and pilot and the State furnishes the water and chemical mixture for the air tanker and an experienced firefighter in a supervisory capacity for the drop-co-ordinator plane. The planes and state personnel are stationed at established airports. The contracts generally provide for a minimum guarantee of a specific number of flying hours during

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the fire season. On the high fire danger days the plane must be ready for immediate takeoff.

2. Upon dispatching the air tankers the drop-co-ordinator planes take off and fly a direct route to the fire. The Division of Forestry representative in the drop-co-ordinator planes instructs the air tanker pilot via radio as to the spot the retardant should be placed. The air tanker generally makes the practice run and upon a subsequent run drops the water chemical mixture in a manner quite similar to the torpedo bombing methods of World War II. The air tanker then returns to an air-port for another load and the flight procedure is repeated.

Prior to the 1959 fire season very little objective evaluation of the air tanker program had been undertaken. Up to that time, the Division of Forestry had failed to present any statistical data or comparisons upon which to base an objective analysis. At that time we pointed out that an appropriate administrative analysis of the air tanker program was in order and the Division of Forestry then established a review of the program. The following chart indicates the use of air tankers in forest fires by the Division of Forestry during the 1959, 1960 and 1961 fire seasons and the general analysis of their effectiveness.

	1959	1960	1961
1. Number of fires on which air tankers took action -----	153	153	199
2. Gallons of retardant dropped:			
Borate -----	437,460	185,020	272,220
Bentonite -----	127,275	402,885	588,480
Algin gel -----	--	1,200	10,800
Water -----	--	--	3,900
Total -----	564,735	590,305	875,400
3. Percent of fires in (1) on which crews were already taking effective initial attack action prior to arrival of air tankers -----	37%	30%	35%
4. Percent of fires in (1) on which crews were not able to take effective initial attack prior to arrival of air tankers -----	63%	70%	65%
5. Percent of fires in (4) where air tanker action permitted crews to begin effective control action -----	87%	89%	74%
6. Percent of fires in (1) on which overall air tanker action was judged to be:			
Effective -----	66%	77%	75%
Ineffective -----	7%	12%	10%
Not needed -----	27%	11%	15%
7. Percent of fires in (1) on which it was felt that air tanker action was responsible for helping to reduce final acreage -----	--	73%	73%
8. Estimated acres saved by air tanker action -----	--	27,588	41,695

(These are incomplete figures; many reports declined to make an estimate of "acres saved.")

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Whereas the fixed wing aircraft has been most successful in dropping fire retardants, the helicopter has demonstrated its greatest utility in transporting firefighters and equipment to the fire. For several years the United States Forest Service has been using a team of highly trained heliattack crews. One objective demonstration of their effectiveness is indicated by the following data. Average travel time by heliattack crews is 30 minutes whereas followup ground crews average three hours 48 minutes, which is seven times slower than heliattack crews. This data vividly supports the subjective appraisals that substantial savings can be obtained in fire suppression costs and acreage burned when heliattack crews are utilized.

Helicopters have also performed an important job on large fires where they have been used for such tasks as reconnaissance, management of air traffic, delivery of equipment and spotting isolated sections of the fireline.

Conservation Camp Program

Since the World War II era the Division of Forestry has been utilizing inmates from the state prisons and the Youth Authority institutions for use in fire control and related activities. In co-operation with the Department of Corrections the Division of Forestry now administers 28 conservation camps with a population of 2,080 inmates. In co-operation with the Department of Youth Authority the division operates four conservation camps having a total of 345 wards.

The following table indicates the activities undertaken during calendar year 1961 by the inmates, the time involved and percent of each function to the total time involved.

<i>Activity</i>	<i>Time/man-days</i>	<i>Percent of total</i>
Forest fire suppression.....	87,303	12.8
Camp services and tool maintenance.....	126,590	18.5
Fire break construction and maintenance.....	121,168	17.9
Truck trail construction and maintenance.....	74,265	10.9
Forestry utility service, maintenance and development.....	35,919	5.3
Incamp projects.....	46,722	6.9
Nursery work, planting and forest demonstration.....	18,440	2.7
Forest insect disease control.....	8,668	1.3
Miscellaneous conservation work.....	34,258	5.0
Public camp work and recreational development.....	37,855	5.5
Game and fish habitat improvement.....	7,197	1.1
Other miscellaneous activities including training rescues, etc.....	82,222	12.1
Total	680,607	

In past years the "incamp" projects amounted to about 20 percent of the total. They are tasks such as building furniture and repairing automotive equipment that are economically attractive to the free man labor force. This has been reduced to 6.9 percent for which the division is to be complimented.

The program is highly regarded by both the corrections and forestry people. It provides a twofold objective, namely, that of rehabilitating

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the persons incarcerated in the state prison system and also a means of undertaking conservation type work that free man labor finds uneconomical to perform. Moreover, it has provided the Division of Forestry with a well-trained and organized manpower reserve for use in the fire control organization.

Service Forestry

Forest land in small tracts represents more than one-third of the private commercial timberland in California, and California ranks second in the United States in lumber production. These small forests are owned by tens of thousands of individual farmers and absentee owners, in contrast to the remainder of the private timberland which is in large tracts owned by a relatively few large companies. The State's expanding economy and the future needs for wood make it desirable that these small forests be managed to their fullest potential capacity. Trees can be grown as a crop just as agricultural products, but this cannot be accomplished in a season or two. It is essential to plan years ahead. Proper management applied now can create more income for small woodland owners maintaining a continuing supply of forest products for home use and the wood using industries of California in addition to enhancing wildlife, recreation, soil, watershed and real property values. In many cases the best use of these lands is the growing of trees.

The Legislature has recognized the importance of forest lands to the general welfare of the State. To protect this resource the State regulates the use of fire in logging practices, provides fire prevention protection service, assists owners in combating forest insects and diseases and produces and distributes tree planting stock.

Management of a forest property requires technical knowledge and skill which most small forest owners do not possess. The advice and assistance of a trained forester is needed to evaluate the potential of the forest and to decide how it should be protected, improved, harvested and marketed. Mistakes in management can be costly and take a long time to correct. Adequate protection from fire, insects, disease, animals and overgrazing must be applied. To accomplish these practices many foresters are now employed to manage private tree farms and forest lands belonging to federal and state government. The same professional services are essential to small forests if they are to contribute their full share to the economy and welfare of the State.

To assist the small forest landowner the State in co-operation with the federal government provides certain services directed toward better forest management.

The Division of Forestry has stationed its service foresters at Fortuna, Willets, Santa Rosa, Redding, Oroville, Sacramento, Camino, Monterey, Fresno and Riverside. All of these men are technically trained and experienced foresters. During the 1961 calendar year they received 12,222 requests for assistance. The 1,184 owners that received assistance owned 282,313 acres of forest land. The service foresters advised the owners on the planting of 3,706 acres and stand improve-

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ment on 6,827 acres. It is estimated that this assistance and advice saved 28,000 acres of young timber from premature harvest and improper land use conversions. Some of the timberland owners were also assisted in the sale of 5,500 acres of timber. Gross receipts to the owners from the forest products sales amounted to \$1,154,000. The service foresters also referred 126 of the requests to private forestry consultants where large timber sales or heavy management expenses indicated the desirability of more intensive professional service.

Enforcement of the Forest Practice Act

The Forest Practice Act which was enacted in 1945 provides for the regulation of commercial timber operations on private land. The act divides the State into four districts, namely the Redwood Forest District, North Sierra Pine Forest District, South Sierra Pine Forest District and the Coast Range Pine Fir Forest District. Each district comprises all privately owned timberland and all privately owned cut-over lands lying within the boundaries of the specific districts.

A forest practice committee made up of four members appointed by and serving at the pleasure of the Governor has been established for each district. Two members of each board represent timber owner-operators, one represents timber owners and one the farm timber ownership. A fifth member is a nonvoting secretary appointed by the State Board of Forestry from the Division of Forestry.

The forest practice committees are charged by law to enforce forest practice rules, and to govern timber harvesting regulations in their respective districts. Public hearings are held by the committee to discuss proposed regulations. The proposed regulations are then submitted for adoption to the State Board of Forestry and upon adoption by that body are filed with the Secretary of State and become a part of the California Administrative Code.

The primary purpose of the Forest Practice Act is to conserve and maintain the productivity of the timber lands in the interest of the economic welfare of the State and the continuance of the forest industry. The rules adopted under the act are directed towards that purpose. The act specifies that the rules shall be concerned with fire prevention and control, protection of timber growth and soil productivity, prevention of damage by forest pests and measures for restocking the land. Presumably, practices designed to enhance other resources such as fisheries and recreation do not fall within the purview of the Forest Practice Act unless they have a direct effect upon the forest industry objectives set forth in the law.

The act provides that all timber operators are required to obtain permits issued by the State Forester. Operating without a permit is a misdemeanor and the permits may be suspended or revoked by the Director of Conservation for failure to comply with the forest practice rules. At the close of the 1961 calendar year there were 2,152 such permits issued. Many of the permittees did not operate and changes in organization required others to apply for new permits because the permits are nontransferable. The number of active timber operators

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decreased from 1,598 in 1960 to 1,510 in 1961. This decline was due largely to adverse market conditions and competition for stumpage.

During the 1961 calendar year 2,440 inspections were made of timber operations by representatives of the Division of Forestry. Statewide, 87 percent of all items inspected were found to be in compliance while 1,778 infractions of the forest practice rules were observed. Nearly half of the infractions involved fire hazard reduction practices such as snag disposal, slash abatement and firebreaks around slash areas. Other frequent in noncompliance involved erosion control, fire plan filing and failure to post fire rules. Subsequent inspection demonstrated that almost half of the areas where infractions had previously been observed had been brought into compliance.

Also during the 1961 calendar year law enforcement efforts in the Forest Practice Act area were intensified. The Division of Forestry sent 1,053 violation notices to timber operators. The permits of eight timber operators were revoked for failure to comply with the rules and one operator was placed on probation for three years. By the end of 1961 eight litigation reports were on file with the Attorney General for prosecution against persistent violators of the forest practice rules. Twelve litigation cases were dropped during the year, two when the violations were corrected, one after the death of the offender and nine due to the three-year statute of limitations imposed by the act.

Improved procedures for Forest Practice Act rules have been slowly but progressively developed over the years. When the Forest Practice Act was first adopted in 1945, although rules were stated to have the force of law the act did not provide for any specific enforcement procedures. Consequently, compliance had to be sought primarily by education and persuasion, but nevertheless some progress was made. In 1951 the Forest Practice Act was amended to provide specific penalty measures. Upon finding that an operator had violated the rules, the Director of Conservation was authorized to suspend or revoke his permit. Before such action could be taken, however, the law requires that an operator be given notice of noncompliance by the State Forester and allowed a reasonable time to bring his operation into compliance. Failure to so comply constitutes grounds for bringing the matter before the Director of Conservation for a hearing under the Administrative Procedures Act to determine whether the permit ought to be suspended or revoked.

The Forest Practice Act received a major amendment in 1957 to clarify the language and further strengthen enforcement. The forest practice rules in all districts were also amended subsequent to 1957 in order to make them compatible with the amended act. Since these changes in the law and rules, the Division of Forestry has intensified its enforcement efforts. Additionally the division has stepped up the prosecution for violation of statutory fire laws pertaining to woods operation.

Despite this progress some practical difficulties in obtaining better minimum forest practices remain. Under the law, the basic responsibility for developing forest practice rules rests with forest practice committees and the Board of Forestry. The process of rule enactment

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involves timber owners, operators and organized industry, the forest practice committees and the Board of Forestry. The State Forester and his staff have responsibility only for administration of the program. While they may have opportunity to express their views as to the content of the rules they have no official voice in the rulemaking process. As a result, it has in some instances been difficult to incorporate statewide standards of performance. While this method of rule development may be proper, the situation leaves many questions unanswered for those who may be dissatisfied with the forest practice rules.

Administration of the State Forests

Pursuant to Public Resources Code Section 4421 the State has acquired a number of state forests for the purpose of investigating and demonstrating proper forest management.

The following table indicates the name of the state forest, the county where it is located, the date it was acquired and size.

Table I

<i>State Forest</i>	<i>County</i>	<i>Date Acquired</i>	<i>Area (acres)</i>
Jackson	Mendocino	1947-51	52,042
Latour	Shasta	1946	9,013
Mountain Home	Tulare	1946	4,562
Boggs Mountain	Lake	1949	3,433
Las Posadas	Napa	1929	796
Mount Zion	Amador	1932	164
Ellen Pickett	Trinity	1939	160
Loghry	Santa Cruz-Santa Clara	1944	68

The Jackson State Forest, Latour State Forest and Mountain Home State Forest are major units with professional foresters permanently assigned to each. The Boggs Mountain State Forest is also under intensive forest management but no personnel are permanently assigned to it. The Las Posadas, Ellen Pickett, Mount Zion and Loghry State Forests are smaller properties that were acquired as gifts to the State and are used for administrative, recreation and occasional experimental purposes.

On the Jackson, Latour and Mountain Home State Forests there was a total of nine major sales and 112 minor sales of forest products in 1961. Over 29.7 million board feet of timber and other forest products were cut, valued at \$733,890. These receipts are deposited in the General Fund.

The forest products are sold by competitive bids. The forest manager supervises the sale to insure that a proper logging job is accomplished and that damage to the reserve stands is kept at an absolute minimum.

The Jackson and Latour State Forests have been operated on a profit basis since their acquisition by the State. The Jackson State Forest, as an example, cost the State \$1,349,732 to purchase. Since its acquisition the State has expended \$1,391,259 for its management. The receipts have amounted to \$3,901,164 which represents a \$1,160,175 profit.

Additionally, state ownership of the lands involved has added materially to the State's recreation resource. Public Resources Code Sec-

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tion 4426 requires that the state forests may be used for hunting, fishing, recreation and camping.

The Public Resources Code also requires that an amount equivalent to the taxes levied by the county on similar land situated in the county should be paid to the county in which the state forest is located. However, this section applies only to Boggs, Jackson, Mountain Home and Latour State Forests. The money received by the county under this provision may be expended by the county for any proper county purpose. The distribution for the 1962-63 fiscal year is expected to be as follows:

<i>Forest</i>	
Boggs	\$1,034
Jackson	40,100
Mountain Home	1,750
Latour	4,500
Total	\$47,384

ANALYSIS

The budget proposes an expenditure of \$23,219,468 for support of the Division of Forestry during the 1963-64 fiscal year. This figure represents a \$1,069,529 or 4.8 percent increase over the estimated expenditure for the 1962-63 fiscal year.

An expansion of the conservation camp program with one new 190-man camp and one new 80-man camp to be activated during the 1963-64 fiscal year is proposed. Additionally, one 60-ward youth conservation camp will be replaced and increased in capacity to an 80-ward installation. Moreover, two assistant civil engineer positions are proposed for the conservation camp program, one to be assigned to the Redding district office and one to the Monterey district office. *We recommend approval of the increase in the conservation camp program.*

The budget proposes an increase in the division's air attack program which constitutes the first implementation of the sizable expansion of the use of aircraft in fire control work. This involves an addition of approximately \$243,000 of which \$117,000 will be for salaries and wages and approximately \$125,000 for operating expenses. By way of explanation, the Division of Forestry at this time enters into contractual arrangements with private airplane operators whereby the operators are to provide the planes and pilots at certain locations and are to be paid for their services during actual flight time. The proposed increase in operating expenses contemplates paying the airplane operators for keeping their aircraft available for immediate service. The present system whereby the operator voluntarily keeps his plane in readiness in anticipation of immediate service has worked most satisfactorily. There is no documentation of a breakdown of this system. An increased expenditure will not in our opinion increase the availability of the aircraft under contract with the State nor will it in any way increase the effectiveness of the air attack program. *In that light we recommend deletion of the sum of \$125,336 under rent for airplanes on page 579 line 13.*

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By way of additional personnel for the air attack the division anticipates employing 20 permanent firefighter foremen to be stationed at 20 different locations across the State. At the present time the functions that are planned for these proposed new positions are undertaken by seasonal personnel who are generally in the firefighting grade. There has been no breakdown in the effectiveness of the air attack program under the present arrangements. The firefighters have, however, been taken from the existing ground fire crews and the result has been to diminish the legislatively authorized table of organization for the initial attack ground forces. The necessity for assigning an employee of the Division of Forestry to the airport installations is recognized—but only during the going fire season. In that light it is recognized that a number of man-months of firefighter time is necessary to provide sufficient personnel to accomplish this activity. *In view of the above we recommend deletion of the sum of \$123,726 under proposed new foremen positions (page 578, lines 68 and 70) and that the Division of Forestry ascertain the number of man-months of firefighter time required to cover this activity during the fire season and that the moneys necessary to provide the required man-months of firefighter time be added to the budget.*

The budget also proposes the establishment of a ranger unit in Owens Valley. The justification given for this proposal is that existing initial attack fire crews and equipment are approximately six hours away. This justification fails to recognize that a conservation camp of 80 inmates and a permanent staff of Division of Forestry management personnel is now under construction. The positions have been authorized by the Legislature and it will be in operation during the coming fire season. Moreover, the fire incidence and the probability of fire damage in the area involved is so low that, in our opinion, the establishment of a ranger unit cannot be justified at this location at this time. The organization of a conservation camp includes a superintendent and assistant superintendent and 10 forest firefighter foremen all of whom must, by civil service classification, be well versed in fire control activities. In that light adequate fire protection services will be provided to the Owens Valley area immediately upon activation of this 80-man conservation camp. In our opinion a very minor workload that currently exists in the Owens Valley area can be easily undertaken by the conservation camp personnel. The placement of the ranger I and the firefighter foreman in Owens Valley will accomplish little more than to provide a public information outlet for the Division of Forestry in Inyo County. *In view of the above we recommend deletion of one ranger I for a savings of \$8,031 (page 578, line 66), the one-half forest fire foreman summer suppression crew (page 578, line 68), the one-half forest fire suppression—winter work crew (page 578, line 70) for a total salary and wages saving of \$8,031. The two half positions were covered in the previous recommendation.*

The budget also proposes the expansion of the division's training program. At the present time two training centers are maintained, one in Amador County and another in San Diego County. Current staffing

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of the training centers is provided by personnel normally assigned to ranger units. The training centers, per se, have never received direct legislative sanction. This proposal is the first of a number of implementations that are proposed for the training centers. It contemplates the assignment of two forest fire foremen to the Amador County center and another two positions to the San Diego County training center. The justification for operating two separate training centers has not yet been provided by the Division of Forestry. Certainly the need for one training center is obvious and due to the topographical and burning conditions existing in Amador County the establishment of the training center in Amador County would best serve the overall training needs of the Division of Forestry on a statewide basis. *In that light we recommend approval of the two forest fire foremen positions to be assigned to Amador County and deletion of the two forest fire foremen positions to be assigned to San Diego County (page 577, line 43) for a savings of \$11,817.*

Division of Mines and Geology**GENERAL SUMMARY**

The Division of Mines and Geology has been established pursuant to the authority of the Public Resources Code. Prior to the 1961 Reorganization Act the agency was known as the Division of Mines and was a unit of the Department of Natural Resources. Through the Reorganization Act the name was changed to Division of Mines and Geology and the agency was made a unit of the Department of Conservation.

The division is administered by the Director of Conservation in accordance with the Public Resources Code and the policies prescribed by the State Mining Board through a chief who is known as State Geologist. The State Geologist must be a technically trained engineer possessing general experience in geology, mining engineering and mineralogy and is appointed under the provisions of the State Civil Service Act by the Director of Conservation upon nomination by the State Mining Board.

The State Mining Board consists of five members appointed by the Governor with the advice and consent of the Senate for terms of four years. Members are selected from those citizens of the State who are associated with or have detailed knowledge of the prospecting for, production, processing or marketing of the minerals of the State. The State Mining Board is charged with representing the State's interest in the development, utilization and conservation of the mineral resources of the State. It is empowered to establish policies, conforming to the provisions of the Public Resources Code, to govern the administration of the Division of Mines and Geology.

By law the Division of Mines and Geology must maintain offices and a museum, library, and laboratory in San Francisco. Field offices have also been established at Sacramento, Redding and Los Angeles.

Duties of the State Geologist have been explicitly established by statute and are as follows:

1. Make, facilitate and encourage special studies of the mineral resources of the mineral industries of the State.

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2. Collect statistics concerning the occurrence and production of economically important minerals and methods pursued in making their valuable constituents available for commercial use.

3. Make a collection of typical geological and mineralogical specimens, especially those of economic and commercial importance. The collection constitutes the division museum in San Francisco.

4. Provide a library of books, reports and drawings bearing upon the mineral industry, the sciences of mineralogy and geology and the arts of mining and mineralogy. The principal library is located in San Francisco.

5. Make a collection of models, drawings and descriptions of the mechanical appliances used in mining and mineralogy processes which is also housed in San Francisco.

6. Preserve and maintain such collections and library as to make them available for reference and examination and open to public inspection at reasonable hours.

7. Maintain in effect a bureau of information concerning mineral industries of this State.

8. Issue from time to time such bulletins as may be advisable concerning the statistics and technology of the mineral industries of the State.

The publications of the Division of Mines and Geology are distributed free of charge to public libraries. However, distributions to the public are sold at cost by the division and the moneys received are deposited in the General Fund.

An additional function of the Division of Mines and Geology is the licensing of purchasers of gold or silver ores.

Pursuant to Senate Concurrent Resolution 33 of the 1959 General Session the Division of Mines has undertaken a program of mineral utilization and beneficial research for the purposes of enhancing the State's mineral industry. Due to the fact that the research program contemplated the employment of a number of highly trained experts who have been difficult to recruit the program is just now barely underway. As yet, no results have been obtained from this research program. It is anticipated, however, that henceforth the program will be fully underway and results will be forthcoming.

Since the division workload is closely related to the activity of California's mineral industry a review of the industry's growth is of interest. Since 1910 the production of minerals such as gold, copper and chrome has ranged between \$10 and \$75 million a year. The non-metallics such as gypsum, sand and gravel followed the same range up to about 1940, then climbed to approximately \$350 million a year in 1956 and have leveled off at that point. The fuels such as natural gas and petroleum have represented most of the mineral production in California since 1915. However, petroleum production has been dropping for the past eight years. At the present time the fuel group represents approximately 75 percent of the State's total mineral production. Since the workload of the Division of Mines is not directly involved in the production of oil and gas it can be seen that its work-

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load has remained relatively static over the past seven years and we can reasonably expect it to remain so in the foreseeable future.

ANALYSIS

The budget contemplates an expenditure of \$917,435 for the General Fund activities of the Division of Mines and Geology which compares to the \$909,989 estimated expenditure during the 1962-63 fiscal year or an increase of \$7,446 which represents an increase of 0.8 percent. *This contemplates a continuation of the existing level of service and we recommend approval as submitted.*

Division of Soil Conservation**GENERAL SUMMARY**

The Division of Soil Conservation has been established pursuant to Division 9 of the Public Resources Code. It is a component of the Department of Conservation and maintains a headquarters office in Sacramento and branch offices in Van Nuys, Ventura, Placerville, Redding, Paso Robles, Riverside, Fresno, Marysville, Lafayette, and Sebastopol.

The Public Resources Code also provides for a soil conservation commission which serves as an advisory body to the Director of Conservation. It consists of seven members who are appointed by the Governor for four years subject to the confirmation of the Senate. Five of the members must be directors of soil conservation districts whereas the remaining two must be representatives of agriculture but need not be directors of a soil conservation district.

The primary function of the Division of Soil Conservation is to assist in the formation, organization and operation of soil conservation districts.

The State's soil conservation program was initiated in 1938 when the Legislature established a soil conservation committee to advise and assist in the organization of soil conservation districts. In 1940 the name of the committee was changed to the State Soil Conservation Commission. The Division of Soil Conservation as a component of the Department of Conservation was established in 1955 and at that time the Soil Conservation Commission was continued as a policymaking body.

A soil conservation district is a unit of local government voluntarily organized by the landowners under the provisions of the Public Resources Code. Through the soil conservation district it is possible for individual landowners and entire watershed areas to undertake soil conservation programs. Improved farm irrigation, land drainage, land leveling, land clearing, diversion of runoff, construction of stock water ponds and reservoirs, gully control, channel alignment, bank protection and promotion of land use in accordance with recognized capabilities are some of the activities included in the district programs.

A board of directors consisting of five landowners in the district has the local responsibility of managing and conducting the affairs of the district. The board members are elected to office by landowners of the district for a term of four years each.

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A district board of directors may request the county board of supervisors to levy a tax, the maximum amount of which is limited in any one year to two cents on each \$100 of evaluation of land alone, exclusive of improvements and mineral rights. The tax is not mandatory or automatic. The directors must request that it be levied should they determine the tax is the best means of raising funds.

The ultimate goal of the Division of Soil Conservation is to cover all agricultural, range and timber land in the State with soil conservation districts. As of June 30, 1962 there were 161 soil conservation districts in California. There had previously been as many as 167 but due to consolidations the number has been reduced to 161. The 161 districts at this time total 67,827,541 acres. Since there are approximately 85 million acres of land which qualify for inclusion in a soil conservation district we might say that the Division of Soil Conservation has attained 80 percent of its program development goal. It is most unlikely that 100 percent of the goal will be attained since the remaining acreages are under ownership by persons who apparently do not subscribe to the soil conservation district approach to the soil conservation problems facing them. It should be pointed out that the services provided by the federal conservation service following organization of a soil conservation district are not the only such services available to the private landowners in California. The Agricultural Extension Service of the University of California and the California State Division of Forestry also provide similar and overlapping services. In the areas of the State where the latter two agencies have been most active, the landowners have been reluctant to organize soil conservation districts. In that light it is improbable that the number of soil conservation districts and the land area that they encompass will be expanded in the foreseeable future. This necessarily will have the effect of reducing the workload of the program development section of the Division of Soil Conservation.

Under the provisions of Chapter 1032, Statutes of 1949 the Soil Conservation Equipment Revolving Fund was created for the purpose of enabling the soil conservation commission to purchase, rent and sell equipment or machinery to establish soil conservation districts. At that time the sum of \$1 million was appropriated but in 1958 \$400,000 was returned to the General Fund since the full amount was no longer required for operation of the equipment program. The overall program met with very little success and now has been virtually discontinued.

The Division of Soil Conservation also administers the grants in aid program generally referred to as the 1144 program. This program is authorized by Public Resources Code Section 9063.1 and allows the commission to make grants to soil conservation districts to assist the districts in carrying out any work that they are authorized to undertake when the commission determines the work is necessary for the welfare of the people of the State. This program is the subject of an appropriation item under the local assistance section of the budget bill. It is estimated that one man-year of soil conservationist time is required to administer the program, and the support of that position comes from that budget bill item.

Department of Conservation—Continued

Small Watershed Planning

In addition to those functions delegated by the Public Resources Code the Governor has assigned supervisory responsibility over the State's co-operation with the federal government in the Federal Watershed Protection and Flood Prevention Act commonly referred to as Public Law No. 566. Under this act, the United States Soil Conservation Service is authorized to (1) conduct investigations and surveys as may be necessary to prepare plans for such works of improvement, (2) make such studies as may be necessary to determine the physical and economical soundness of plans, works and improvements including a determination as to whether the benefits exceed the cost and (3) co-operate and enter into agreements with local organizations.

Through Chapter 1886, Statutes of 1955, the Legislature enacted the California Watershed Protection and Flood Prevention Law which provides for the State's participation in the Public Law 566 program. This act provides that the State may pay the cost of lands, easements and rights-of-way for projects qualifying for Public Law 566 providing that the Secretary of Agriculture and local organizations have agreed on a plan for the project pertinent to Public Law 566 and the other requirements established by the federal government have been satisfied. The procedure for obtaining this federal assistance is as follows: The political entity such as the soil conservation district submits a request to the State Soil Conservation Commission for the subvention. A reconnaissance-feasibility investigation is then made to determine whether the basic requirements for the federal subvention have been satisfied. When the basic requirements have been satisfied the Soil Conservation Commission approves the project for planning and the application is forwarded to the Federal Soil Conservation Service for its approval for planning. When such approval is granted the project work plan is developed by the watershed planning section of the Division of Soil Conservation or similar section of the state office of the United States Soil Conservation Service. Upon completion of a watershed work plan it is submitted to the Washington office of the Soil Conservation Service, the Secretary of Agriculture and the Bureau of Budget for approval, then to the appropriate congressional committee for consideration. When a project has received congressional approval the moneys are then allocated for its construction.

In order to obtain the federal assistance made available through Public Law 566 the following criteria must be met for each proposed project. There must be acquired without cost to the federal government such land, easement or rights-of-way as are needed in connection with the project. The State or local governments must assume such proportionate cost share as is determined by the Secretary of Agriculture to be equitable in consideration of the direct identifiable benefits of the project which are applicable to the agricultural phase of the conservation, development, utilization of and disposal of water. The State or local government must assume all of the costs of installing any portion of the project applicable to other purposes except construction costs applicable to flood prevention. There is the further restriction that no

Department of Conservation—Continued

such project should contemplate the treatment of a watershed exceeding 250,000 acres or a single structure which provides more than 5,000 acre-feet of floodwater detention capacity and more than 25,000 acre-feet of total water capacity and it is our understanding that the Bureau of the Budget has promulgated the additional restriction that the federal share of any project should not exceed \$5 million.

The following table sets forth the estimated total federal and local obligations of the small watershed projects in California.

<i>Project</i>	<i>Federal expenditures</i>	<i>Local expenditures</i>	<i>Total expenditures</i>
Arroyo Grande -----	\$586,876	\$446,715	\$1,033,591
Adobe Creek -----	782,174	374,439	1,156,613
Central Sonoma -----	2,971,027	751,200	3,722,227
Buena Vista -----	643,964	152,900	796,864
Marsh-Kellogg -----	1,280,522	276,939	1,557,461
Ulati Creek -----	131,206	49,500	180,706
Napa River -----	--	--	--
Escondido Creek -----	--	--	--
	<u>\$6,395,769</u>	<u>\$2,051,693</u>	<u>\$8,447,462</u>

The following table indicates the total cost distribution of the Public Law 566 projects authorized for construction as of June 30, 1962.

<i>Project</i>	<i>Federal cost</i>	<i>Nonfederal cost</i>	<i>Total cost</i>
Adobe Creek -----	\$563,930	\$858,628	\$1,422,558
Arroyo Grande Creek -----	200,108	820,838	1,020,946
Buena Vista -----	618,200	1,770,500	2,388,700
Central Sonoma -----	8,378,000	4,056,100	12,434,100
Escondido Creek -----	3,070,400	5,557,800	8,628,200
Marsh-Kellogg Creek -----	1,589,800	4,352,400	5,942,200
Napa River -----	2,651,000	5,224,000	7,875,000
Ulati Creek -----	2,574,700	3,623,800	6,198,500

As indicated above there are eight Public Law 566 projects authorized for construction at this time. There are an additional two projects for which work plans are undergoing review, namely Llagas Creek in Santa Clara County and the San Gabriel River in Los Angeles County. Moreover, there are 15 projects for which work plans are in preparation. Four of the latter are being prepared by the United States Soil Conservation Service, four by the State Division of Soil Conservation and one by the United States Forest Service. Additionally, 17 applications have been received by the Soil Conservation Commission for pre-application study.

ANALYSIS

The budget contemplates the expenditure of \$544,301 during the 1963-64 fiscal year for support of the Division of Soil Conservation from the General Fund. This compares to an estimated expenditure during the 1962-63 fiscal year of \$546,630 representing a decrease in the expenditures of \$2,329 or a decrease of 0.4 percent.

We recommend approval of this item as submitted.

**Department of Conservation
DIVISION OF OIL AND GAS**

ITEM 240 of the Budget Bill

Budget page 582

**FOR SUPPORT OF DIVISION OF OIL AND GAS
FROM THE PETROLEUM AND GAS FUND**

Amount requested	\$881,230
Estimated to be expended in 1962-63 fiscal year	856,831
<hr/>	
Increase (2.8 percent)	\$24,399

TOTAL RECOMMENDED REDUCTION None

GENERAL SUMMARY

The legal authority for the establishment of the Division of Oil and Gas is found in Division 3 of the Public Resources Code.

The agency was established in 1915 as a segment of the State Mining Bureau. In 1929 it became a division of the newly established Department of Natural Resources and continues to be a division within the Department of Conservation. The budget under consideration here will provide for the transfer of its headquarters office from San Francisco to Sacramento. The division maintains district offices in Bakersfield, Coalinga, Inglewood, Santa Maria, Santa Paula and Taft.

Support of the Division of Oil and Gas comes entirely from charges imposed directly upon operators of producing oil and gas wells. The charges are based on amounts of oil and gas produced. Each year the division makes an estimate of the amount that is necessary from each of its support funds and then apportions the charge to each producer according to the amount produced during the preceding calendar year.

The regular work of the Division of Oil and Gas under the Petroleum and Gas Fund falls into the following categories:

1. Approving proposals of operators to drill, rework or abandon oil and gas wells or conduct water flooding or other types of secondary recovery operations or to dispose of waste waters underground.
2. Field inspection of all oil and gas wells during the process of drilling, reworking, maintenance and abandonment. These inspections are made on a 24-hour basis year in and year out. The purpose is to ascertain whether the wells are equipped and constructed with the proper amounts of casings and other materials or devices to prevent waste or damage to the oil, gas or fresh water deposits.
3. Maintenance of oil field maps.
4. Maintenance of production records.
5. Publication of reports or articles on oil or gas fields or related subjects. There is an estimated eight years of unfinished work in this category with the present staffing of the division.
6. Publication of statistics of oil and gas well drilling and production.
7. Publication of special reports of interest to the public in the oil and gas industry.

The budget of the division is predicated upon the continuation of the present workload.

Conservation

Item 241

Division of Oil and Gas—Continued

ANALYSIS

The budget proposes a total expenditure for the Division of Oil and Gas of \$881,230 which compares to the estimated expenditure of \$856,831 during the 1962-63 fiscal year for an increase of \$24,399 or 2.8 percent. None of these monies come from the General Fund.

The budget contemplates a continuation of the existing level of service and we recommend approval.

Department of Conservation

DIVISION OF OIL AND GAS

ITEM 241 of the Budget Bill

Budget page 583

FOR SUPPORT OF SUBSIDENCE ABATEMENT OPERATIONS FROM THE SUBSIDENCE ABATEMENT FUND

Amount requested	\$96,304
Estimated to be expended in 1962-63 fiscal year	94,488
Increase (1.9 percent)	\$1,816
TOTAL RECOMMENDED REDUCTION	None

GENERAL SUMMARY

Pursuant to Article 5.5 of Division 3 of the Public Resources Code the Division of Oil and Gas is authorized to require oil and gas producers to undertake repressuring operations which would tend to arrest or ameliorate subsidence by maintaining or replenishing underground pressures in those geographical areas overlying or immediately adjacent to producing oil and gas wells where valuable buildings, harbor installations and other improvements are being injured or imperiled.

This phase of the division's program is supported by charges annually imposed on the oil and gas producers within the boundaries of the recognized subsidence areas. The charges are based upon the oil and gas produced from such wells and is computed at a uniform rate per unit of production from each well during the preceding calendar year. The proceeds are deposited to the credit of the Subsidence Abatement Fund. The money in that fund must be used exclusively for the support and maintenance of the offices and personnel of the Division of Oil and Gas.

The program appears to be successfully solving the subsidence problem in the Wilmington-Long Beach locality. In August 1962 a survey of the Wilmington subsidence area indicated subsidence on land overlying the south flank of the field has substantially abated. There was no further subsidence in the downtown area of the City of Long Beach and in the major portion of the Long Beach Naval Shipyard. The survey indicated a continued decrease in the subsidence rate in all points measured. It is significant to note that the maximum subsidence rate at the center of the bowl during the last year was 0.4 foot, which represented one-half of the previous year's subsidence of 0.8 foot.

The subsidence abatement program has had the collateral effect of increasing the productivity in the oil wells surrounding the repressur-

Division of Oil and Gas—Continued

ing operations. Initially this affirmative effect was not expected and it has resulted in increasing California's oil and gas production in an area that had been on the decline for a number of years.

ANALYSIS

The budget proposal represents a continuation of the program at the same level of service provided in the current fiscal year. *We recommend approval.*

**Department of Conservation
DIVISION OF FORESTRY**

ITEM 242 of the Budget Bill

Budget page 585

**FOR SUPPORT OF WATERSHED PROTECTION BY CO-OPERATING
COUNTIES FROM THE GENERAL FUND**

Amount requested	\$1,526,127
Estimated to be expended in 1962-63 fiscal year	1,378,904

Increase (10.7 percent)	\$147,223

TOTAL RECOMMENDED REDUCTION None

GENERAL SUMMARY

Section 4050 of the Public Resources Code provides that any county board of supervisors may elect to assume responsibility for the prevention and suppression of forest fires on the lands that have been classified by the State Board of Forestry as qualifying for inclusion in the State's forest fire protection program. Pursuant thereto the Counties of Marin, Kern, Santa Barbara, Los Angeles and Ventura have elected to assume this responsibility.

The Public Resources Code establishes a formula to the effect that the counties shall be reimbursed to a degree that is "equal to the direct cost of fire protection . . . to include salaries and wages of the suppression crews and lookouts and maintenance of firefighting facilities." The Division of Forestry has adopted the policy of recommending reimbursement for a number of fire suppression crews, lookouts, certain operating expenses involved in the maintenance of the firefighting facilities. The level of service is said by the Division of Forestry to be equal to the level of service given to lands directly protected by the Division of Forestry as it relates to the establishment of fire crews and lookouts.

ANALYSIS

The budget proposes an expenditure of \$1,526,127 which compares to the estimated expenditure in the 1962-63 fiscal year of \$1,378,904 or an increase of \$147,223 or 10.7 percent.

The allocations to the specific counties are as follows:

<i>Co-operating county</i>	<i>Dollar allocation</i>
Kern	\$412,442
Los Angeles	569,640
Marin	132,463
Santa Barbara	201,379
Ventura	210,203

Division of Forestry—Continued

The increases contemplated in the budget are predicated upon the increase in salaries given to the Division of Forestry personnel during the 1962-63 fiscal year which ostensibly would have the effect of increasing the level of service provided to the areas protected directly by the Division of Forestry, but for all practical purposes would not amount to an increase in the services being provided to the wildland areas of the State. This increase is based upon the precedent of recognizing comparable dollar increases on the areas directly protected by the Division of Forestry. *We recommend approval as submitted.*

**Department of Conservation
DIVISION OF FORESTRY**

ITEM 243 of the Budget Bill

Budget page 585

**FOR SUPPORT OF PRIVATE LAND PROTECTION BY U.S.
FOREST SERVICE FROM THE GENERAL FUND**

Amount requested -----	\$1,278,995
Estimated to be expended in 1962-63 fiscal year -----	1,178,249
 Increase (8.6 percent) -----	 \$100,746

TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL SUMMARY

Public Resources Code Section 4005 authorizes the State Forester to enter into cooperative agreements with the federal government for the purpose of maintaining a fire control system for the prevention and suppression of forest fires.

The State Forester has entered into an agreement with the United States Forest Service for that agency's protection of private lands lying within and immediately adjacent to the national forest. The level of protection is determined by an on-the-spot field analysis by representatives of the Division of Forestry and the United States Forest Service which has resulted in the recognition of the number of the fire suppression crews, lookouts and prevention patrolmen. The reimbursement made to the federal government for protection of these lands is offset by the cost of the State's protection of certain federal lands which are more accessible to the state fire control units. The United States Forest Service presently protects approximately 4.7 million acres of private lands under the current agreement.

ANALYSIS

The budget proposes an expenditure of \$1,278,995 for the 1963-64 fiscal year which compares to an estimated expenditure during the 1962-63 fiscal year of \$1,178,249 representing an increase of 8.6 percent or \$100,746.

The increase is based upon the increases discussed in the previous budget item. *We recommend approval as submitted.*

**DEPARTMENT OF CONSERVATION
California Youth Forestry Program**

ITEM 244 of the Budget Bill

Budget page 585

**FOR SUPPORT OF CALIFORNIA YOUTH FORESTRY
PROGRAM FROM THE GENERAL FUND**

Amount requested	\$300,000
Estimated to be expended in 1962-63 fiscal year.....	None
 Increase	 \$300,000
TOTAL RECOMMENDED REDUCTION.....	\$300,000

ANALYSIS

At the time of this writing the only formal knowledge that we have of this program is contained in the printed Governor's Budget. We have received no data indicating how the funds are to be expended or the nature of the program in any way.

We are aware of the serious thought that is being given to pre-delinquents and school dropouts for whom, we assume, this program is intended. In the light of our total lack of formal information we can make no recommendations at this time.

However, we believe it to be necessary that certain points, with respect to the problem, be raised. First it would appear that a clear definition of the problem itself is required. What are pre-delinquents? What are dropouts? There is no formal agreement on what constitutes these classes of juveniles.

Secondly, once having determined the nature of the problem, consideration must be given to devices and techniques which will prevent the generation of these juvenile situations and which will enable the local community to cope with the problems. Elsewhere in our analysis we have dealt at some length on the subject of dropouts. We would refer to this as part of this consideration.

Third, the proposal under discussion at the time the request was made to place it in the budget involved placing one or two delinquent boys, in the 16-to-21 age group, in each Division of Forestry firefighting station and district headquarters. It was also proposed that the bulk of the funds will go towards paying the juveniles a salary somewhat less than half of that received by the normal seasonal firefighters from which they would rebate the cost of food and maintenance. Such an approach, we believe, would be deleterious to the high caliber and morale of the firefighting crews of the State Division of Forestry and might very well do more harm to the juvenile than good. A stay in a fire camp for six months or so would not make any individual more employable nor would it correct educational deficiencies. The fire stations are hardly equipped to undertake any form of education of such boys.

We suggest therefore that this item should not be acted on in the budget bill itself until the legislative policy and program is established and any necessary appropriation can be part of whatever legislation is required to launch such a program.

**Department of Conservation
DIVISION OF FORESTRY**

ITEM 245 of the Budget Bill

Budget page 586

**FOR SUPPORT OF WHITE PINE BLISTER RUST CONTROL
FROM THE GENERAL FUND**

Amount requested	\$75,000
Estimated to be expended in 1962-63 fiscal year	80,000
Decrease (6.3 percent)	\$5,000

TOTAL RECOMMENDED REDUCTION None

GENERAL SUMMARY

Public Resources Code Section 4453 declares that plant diseases which are harmful, detrimental and injurious to timber and forest growth are a public nuisance. Section 4454 requires that every owner of timberland shall control or eradicate plant diseases on lands owned by him or under his control and if he neglects to do so the work may be performed by the State. Public Resources Code Section 4454.5 gives authority to the State Forester and the Department of Finance to enter into agreements with any landowner or agency of government for the purpose of controlling or eradicating plant diseases which are a public nuisance and to make expenditures for that purpose. This budget item provides the funds necessary to carry out the eradication of white pine blister rust in the timberlands of California.

White pine blister rust is a fungus that causes damage to the California sugar pine. The trees can only be attacked by spores (primitive reproductive bodies) directly transmitted from current or gooseberry bushes into the pine tree and thence back to the berry bush for an alternate phase of its life cycle. The control program contemplates the eradication of the currant or gooseberry bush through chemical treatments and actually grubbing the bushes out of the ground.

The Public Resources Code requires that the Division of Forestry obtain prior approval of an eradication project from the Board of Forestry. The Board of Forestry policy is to "encourage" participation from the private landowners to the extent of 25 percent of the total cost.

Occurrence of the disease is such that its control can be planned out several years in advance thereby permitting the control agency to preplan each year's operation and to make appropriate agreements with the landowners involved. In that light the Division of Forestry should be able to present a definite plan of action to the Legislature that would specifically indicate the landowners involved and the extent to which each will contribute in each fiscal year thereby permitting the Legislature to allocate only those funds that are specifically planned for expenditure in each fiscal year. Such a plan has not been forthcoming from the Division of Forestry.

ANALYSIS

The budget proposes an expenditure of \$75,000 during the 1963-64 fiscal year which is \$5,000 or 6.3 percent less than the \$80,000 estimated to be expended during the 1962-63 fiscal year.

Division of Forestry—Continued

As discussed above, the control of white pine blister rust can be adequately planned out several years in advance thereby permitting the Division of Forestry to preplan each year's operation and to make appropriate agreements with the landowners involved. Therefore the Division of Forestry is in the position of being able to present a definite plan of action to the Legislature that would specifically indicate the landowners involved and the extent to which each landowner will contribute in each fiscal year thereby permitting the Legislature to appropriate only those funds that are specifically planned for expenditure in each fiscal year. *We recommend approval contingent upon the development of a definite plan of action that will insure adequate participation by landowners involved.*

**Department of Conservation
DIVISION OF FORESTRY**

ITEM 246 of the Budget Bill

Budget page 586

**FOR SUPPORT OF EMERGENCY FIRE SUPPRESSION AND
DETECTION FROM THE GENERAL FUND**

Amount requested	\$320,000
Estimated to be expended in 1962-63 fiscal year	900,000
Decrease (64.4 percent)	\$580,000

TOTAL RECOMMENDED REDUCTION None

GENERAL SUMMARY

This item extends authority to the Division of Forestry, through the Department of Finance, to make expenditures over and above those specifically authorized for the Division of Forestry in its general support appropriation to meet emergency situations developing from fire incidents that cannot be pinpointed in advance because of the highly variable factors which influence the fire control activity.

The largest single item of expenditure is for additional rental of equipment which includes the emergency use of aircraft, bulldozers and chain saws. As a specific example, during the 1961-62 fiscal year a total of \$2,133,117 was expended from this emergency fund, of which \$1,107,153 was for equipment rental. A breakdown of the equipment rental is as follows:

Type of equipment	Rental cost
Airplane	\$488,537
Bulldozers	421,201
Chain saws	15,927
Bussees	24,009
Jeeps, pickups, stake side trucks	44,720
Other	112,759
	\$1,107,153

The next largest item was subsistence which amounted to \$312,772 and covered the expenses of purchasing food for fire camps. The next significant expenditure was \$288,335 for contract labor.

Division of Forestry—Continued

ANALYSIS

The budget provides for an appropriation of \$320,000 for this item which is the usual amount budgeted each year based on long range experience. *We recommend approval of this item as submitted.*

**Department of Conservation
DIVISION OF FORESTRY**

ITEM 247 of the Budget Bill

Budget page 586

**FOR SUPPORT OF FOREST INSECT CONTROL
FROM THE GENERAL FUND**

Amount requested -----	\$20,000
Estimated to be expended in 1962-63 fiscal year -----	20,000
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Increase -----	None
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TOTAL RECOMMENDED REDUCTION -----	None

GENERAL SUMMARY

Public Resources Code 4453 declares that pine beetles and other insect pests which are harmful, detrimental and injurious to timber and forest growth are a public nuisance. Section 4454 of the code requires that every timber landowner shall control or eradicate such insect pests and should he fail to do so the work may be performed by the State Forester with the approval of the Department of Finance and in accordance with policies established by the State Board of Forestry. Section 4455 provides that whenever the State Forester determines that there exists an area which is infested with insect pests and the infestation is of such character as to be a menace to adjacent timberlands, the State Forester, with the approval of the State Board of Forestry, may declare the existence of a zone of infestation and describe its boundaries. Thereupon the State Forester has the power to go upon the land and cause the infestation to be eradicated or controlled in a manner approved by the Board of Forestry.

This budget item provides the fiscal support for such a program. The present policy of the Board of Forestry requires the private landowner to match the state expenditure either in cash or labor. When both state-owned and private lands are involved, the Division of Forestry share is 50 percent and the private landowners share is 50 percent. However, when federal lands are involved the government subvenes the project by 50 percent, the State participates to the extent of 25 percent and the private landowner 25 percent.

ANALYSIS

The budget proposes an expenditure of \$20,000 during the 1963-64 fiscal year which is the same level estimated for the 1962-63 fiscal year. *We recommend approval as submitted.*

**Department of Conservation
DIVISION OF FORESTRY**

ITEM 248 of the Budget Bill

Budget page 586

**FOR SUPPORT OF WILDLAND AND VEGETATION SOIL
MAPPING FROM THE GENERAL FUND**

Amount requested	\$116,111
Estimated to be expended in 1962-63 fiscal year	111,274
 Increase (4.3 percent)	 \$4,837
TOTAL RECOMMENDED REDUCTION	None

GENERAL SUMMARY

Public Resources Code Section 4445 provides that the State Forester may, under the supervision of the Director of Conservation and in accordance with the policy of the State Board of Forestry, engage in surveys of soils, vegetation and forest products in the forest range and watershed lands of the State.

At the present time the U.S. Forest Service is undertaking an extensive soil and vegetation survey of the national forest lands of the State. The U.S. Conservation Service is doing the same for the lands within the organized soil conservation districts and the Division of Forestry is undertaking the program on the lands not included in the responsibilities of the two above-mentioned federal agencies.

The State has been engaged in this program since 1947. A re-evaluation of the long range requirements of the program in 1953 estimated a 10-year completion. In 1958 the Division of Forestry again estimated the completion date which is set at approximately 20 to 30 years. Total cost for the mapping project will probably exceed \$3 million.

ANALYSIS

The budget proposes an expenditure of \$116,111 which compares to \$111,274 to be expended during the 1962-63 fiscal year representing a \$4,837 or 4.3 percent increase.

The increase is due to the increase in salaries and wages granted to both federal employees and also to employees of the University of California. *We recommend approval as submitted.*

**Department of Conservation
DIVISION OF FORESTRY**

ITEM 249 of the Budget Bill

Budget page 587

**FOR SUPPORT OF WATERSHED RESEARCH
FROM THE GENERAL FUND**

Amount requested	\$23,472
Estimated to be expended in 1962-63 fiscal year	23,472
 Increase	 None
TOTAL RECOMMENDED REDUCTION	None

GENERAL SUMMARY

Public Resources Code 4446 provides that the State Forester, with the approval of the Director of Finance, may enter into agreements

Division of Forestry—Continued

with federal agencies for the purpose of investigating the effect of forest cover in the conservation of water for the prevention of erosion on watershed areas. This budget item provides the moneys to undertake such investigations.

This budget item provides for the State's assistance in the co-operative watershed management research project of the San Dimas experimental station located near Glendora in Los Angeles County. The overall research project is aimed at finding ways to increase water yield and to reduce flooding, erosion and sedimentation.

Since it has been estimated that 60 percent of the water supply for the Los Angeles Basin comes from the surrounding mountains and this research project is aimed at increasing the water yields of the Sierra Madre Mountains the objectives of this research project are highly desirable.

ANALYSIS

The budget proposes an expenditure of \$23,472 during the 1963-64 fiscal year which is the same amount estimated to be expended during the 1962-63 fiscal year. *We recommend approval.*

**Department of Conservation
DIVISION OF FORESTRY**

ITEM 250 of the Budget Bill

Budget page 587

**FOR SUPPORT OF FOREST AND FIRE RESEARCH
FROM THE GENERAL FUND**

Amount requested	\$173,002
Estimated to be expended in 1962-63 fiscal year	164,764
	<hr/>
Increase (5.0 percent)	\$8,238
TOTAL RECOMMENDED REDUCTION	\$8,238

Summary of Recommended Reduction

	<i>Amount</i>	<i>Budget Page Line</i>
Reduced support to current year level	\$8,238	

GENERAL SUMMARY

By virtue of Chapter 2405, Statutes of 1957, the sum of \$100,000 was transferred from the State Lands Act Fund to the Division of Forestry on an annual basis for basic research and field studies with respect to the activities of the Division of Forestry. Chapter 892, Statutes of 1961, abolished the State Lands Act Fund and this activity was then supported directly from the General Fund, which is the case today.

Legal authority for this function is found in a number of sections in the Division 4 of the Public Resources Code. Some of the research activities are explicitly authorized by the Public Resources Code, while others are found through appropriate interpretations.

In addition to the direct appropriations made by this budget item, the Division of Forestry has converted considerable salary and operating expenses by the use of personnel and equipment which are normally assigned to other activities, to the research function. For example,

Division of Forestry—Continued

much work has been done on fuelbreaks in Southern California by conservation camp crews with technical aid and direction from ranger units, the district administrative office and headquarters personnel.

ANALYSIS

The budget proposes the expenditure of \$173,002 during the 1963-64 fiscal year which compares to an estimated expenditure of \$164,764 during the 1962-63 fiscal year, for an increase of 5 percent or \$8,238.

It will be noted that an across-the-board 5-percent increase has been proposed for each one of the research projects. No justification is given for this increase. Inasmuch as the expenditures for watershed research in Southern California have not been increased and certainly the research endeavors at the San Dimas experimental station are on the same basis as those being undertaken in this budget item, a consistent policy ought to be applied in the Division of Forestry's research endeavors and in that light the 5-percent across-the-board increase contemplated for these research projects should not be granted. *Therefore, we recommend a reduction in this item of \$8,238.*

**Department of Conservation
DIVISION OF MINES AND GEOLOGY**

ITEM 251 of the Budget Bill

Budget page 587

**FOR SUPPORT OF GEOLOGICAL EXPLORATION IN CO-
OPERATION WITH U.S. GEOLOGICAL SURVEY
FROM THE GENERAL FUND**

Amount requested	\$30,000
Estimated to be expended in 1962-63 fiscal year	30,000

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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GENERAL SUMMARY

The Public Resources Code authorizes the State Geologist to enter into contractual relations with the federal government for the purpose of undertaking joint exploratory activities. The program centers around geologic mapping and interpretation of the data with a view to determining areas having economic mining potential. The survey provides the commercial mining and mineral community with periodic technical reports in addition to the maps which result from the joint federal and state effort.

ANALYSIS

The budget contemplates an expenditure of \$30,000 which is the same amount estimated to be expended during the 1962-63 fiscal year and represents a continuation of the existing level of services. *We recommend approval.*

**Department of Conservation
DIVISION OF MINES AND GEOLOGY**

ITEM 252 of the Budget Bill

Budget page 587

**FOR SUPPORT OF STATE GEOLOGIC MAP
FROM THE GENERAL FUND**

Amount requested	\$15,754
Estimated to be expended in 1962-63 fiscal year	15,754
<hr/>	
Increase	None
TOTAL RECOMMENDED REDUCTION	None

GENERAL SUMMARY

The primary objective in preparing a state geologic map is to show regional relationships between various rock and type of rock units. The second objective is to present the detailed geology commensurate with the scale of the map for as many areas as the information is available. A third objective is to convey to the public the mass of geologic data contained in unpublished work which is otherwise unavailable or of limited distribution. A significant byproduct in preparing the state geologic map is the inventory made of unmapped or inadequately mapped areas. Such an inventory serves scientists, industry, government agencies, university staffs and the Division of Mines in planning future geologic work.

The state geologic map is of basic importance not only to mineral and petroleum exploration but also to civil engineering, groundwater development, land utilization planning, soil vegetation studies and industrial development as a whole. For these various purposes the map reveals the regional settings as well as details to an extent which is commensurate with the accuracy of the excellent topographic and cultural base maps now available.

It is the intent of the Division of Mines to put the project on a paying basis. The division encountered some difficulty in this regard initially, but the difficulty seems to have been remedied.

ANALYSIS

The budget proposes an expenditure of \$15,754 which is the same amount expected to be expended during the 1962-63 fiscal year. *We recommend approval as submitted.*

DEPARTMENT OF FISH AND GAME

ITEM 253 of the Budget Bill

Budget page 591

**FOR SUPPORT OF DEPARTMENT OF FISH AND GAME
FROM THE FISH AND GAME PRESERVATION FUND**

Amount requested	\$10,480,214
Estimated to be expended in 1962-63 fiscal year	10,343,715
<hr/>	
Increase (0.8 percent)	\$86,499
TOTAL RECOMMENDED REDUCTION	None

Department of Fish and Game—Continued
GENERAL SUMMARY

Legal authority for the establishment of the Department of Fish and Game is found in Section 25½ of Article 4 of the State Constitution which states that "the Legislature may . . . enact such laws for the protection of fish and game . . . as it may deem appropriate." That constitutional provision also establishes the Fish and Game Commission which is composed of five members, appointed by the Governor for six-year staggered terms subject to confirmation by the Senate.

The commission possesses only such powers as are delegated to it by the Legislature. In general, the Legislature has granted the commission the power to regulate the noncommercial taking and possession of fish and game. These powers have been delegated for two-year intervals by each general session of the Legislature. Other regulatory powers pertaining to less significant fish and game matters have been granted on an unrestricted basis. One of the major responsibilities of the commission is to hold public meetings to hear and consider the recommendations of interested citizens and groups before setting fish and game regulations.

General policies for conduct of the department are formulated by the Fish and Game Commission. The Director of the Department of Fish and Game is responsible to the commission for administration of the department in accordance with the policies thus established. Moreover, both the Wildlife Conservation Board and the Marine Research Committee indirectly set policies for the department since both agencies are empowered by the Fish and Game Code to direct the department to take certain actions. Even though the department is subject to certain decisions of the Fish and Game Commission, the Wildlife Conservation Board and the Marine Research Committee, the Director of the Department of Fish and Game is accountable to the Administrator of the Resources Agency.

The department maintains a headquarters staff in Sacramento. Five regional managers (located at San Francisco, Redding, Sacramento, Fresno and Los Angeles) are each responsible for departmental operations in his portion of the State. The marine resources operations are headquartered at Terminal Island in Los Angeles County.

Support of the Department of Fish and Game is primarily obtained from the Fish and Game Preservation Fund, which derives its revenue from the sale of hunting and fishing licenses, court fines and commercial fishing taxes. Generally speaking, one-half of the fines and forfeitures collected as a result of violations of the Fish and Game Code are deposited in the Fish and Game Preservation Fund and the other half goes to the county in which the offense was committed. The fine moneys going to the county must be deposited in the county fish and game propagation fund and expended for the propagation and conservation of wildlife within the county under the direction of the county board of supervisors.

A discussion of the conditions of the Fish and Game Preservation Fund appears further in the analysis of this budget item.

Department of Fish and Game—Continued

There are also grants of federal funds allocated under the so-called Dingell-Johnson and the Pittman-Robinson Acts. These grant programs are the subject of a separate, subsequent budget item.

Pursuant to Chapter 1887, Statutes of 1957 as implemented by Senate Concurrent Resolution No. 126, the Joint Legislative Budget Committee was directed to contract for a study of the Department of Fish and Game. The Legislative Budget Committee contracted with Booz, Allen and Hamilton, management consultants, whose report was presented to the Legislature by the committee on December 12, 1958. The report concluded that the Department of Fish and Game concepts of wildlife management with few exceptions are sound and up to date. The major deficiencies found in the department were of an administrative-management type. Of the 16 major recommendations made, all but one have been substantially adopted by the department. The one deficiency as yet uncorrected concerns the "generalist concept" whereby all of the field working personnel of the department would be in one civil service classification and the State broken into a number of administrative geographical units in which a generalist would be the manager and accountable to his superiors for the entire Department of Fish and Game function within that geographical unit. The department has been reluctant to aggressively support the adoption of the generalist concept and the matter has never been submitted to the State Personnel Board for appropriate action. In our opinion the generalist concept is essential if we are to obtain the highest degree of efficiency and economy from the field personnel of the Department of Fish and Game.

Water Projects and Pollution

Through adoption of Chapter 909, Statutes of 1961, the Legislature established the policy that the protection and conservation of the fish and wildlife resources of this State are declared to be of the utmost public interest, that fish and wildlife are the property of the people and provide a contribution to the economy of the State as well as providing a significant part of the people's food supply, and therefore their conservation is a proper responsibility of the State. To provide the conservation of the wildlife resources, any governmental agency, state or local, and any public utility which plans to construct any project to divert, obstruct or change the natural flow of any river, stream or lake, or any project which would use material from the streambeds must submit general plans sufficient to indicate the nature of the project to the Department of Fish and Game. When an existing fish or game resource may be adversely affected by such construction the department is under the obligation to propose, and the governmental agency or public utility must consider, prior to undertaking the construction of the project, any reasonable modifications in the proposed structure as would allow for the protection and continuance of the fish and game resource. The department is under obligation to determine any specific types of work methods or remedial measures reasonably necessary to protect the fish and wildlife resource. The department's activity in this area is undertaken by the water projects

Department of Fish and Game—Continued

branch. During the 1961-62 fiscal year \$290,277 was expended in support of the water projects investigations.

The Fish and Game Code makes it a crime to pollute any of the waters of this State and specifically defines pollution as any substance or material that deters fish, plant or bird life. The Department of Fish and Game is authorized to enforce that section by criminal prosecution in the case of continuing, chronic pollution or when discharge requirements have been established by the regional water pollution control board, irrespective of whether these requirements prohibit the discharger from committing the unlawful acts. During the 1961-62 fiscal year the sum of \$187,636 was expended in support of the department's investigation and prosecution of water pollution violations. The total cost for the water projects and water pollution investigations for the 1961-62 fiscal year was \$477,913.

Licensing

At the present time fishing and hunting licenses are available through offices of the Department of Fish and Game and its authorized license agents.

With respect to the authorized license agents, generally any businessman desiring to be a license agent is acceptable to the department provided he is bondable by the bonding company utilized by the Department of Fish and Game. Such bonding costs are borne by the department and amount to approximately \$6,500 per year. At the present time there are approximately 4,000 authorized license agents in the State. The procedure for issuance of the licenses is as follows: Bulk licenses are issued to authorized license agents on a consignment basis. The license agent is accountable to the Department of Fish and Game for licenses sold on a monthly basis. In general a commission of 5 percent of the basic license fee is allowed to the license agent and compensation for clerical and administrative work in connection with the license issue. All license agents are voluntary. Practically all license agents are engaged in retail type businesses which depend upon people coming into their place of business, or are engaged in business solely or closely allied to recreational activities. Consequently, the license agents derive an indirect benefit from the fact that actual or potential customers come to them to buy hunting and fishing licenses. As a group the license agents have been reimbursed approximately \$350,000 per year for their services. This considerable sum of money, the cost of which is borne by the fishing and hunting license buyer, could purchase for the license buyer more fish and game if it were directed to a more productive use.

It should be pointed out that license agents are acting on a voluntary basis and have the remedy of resigning their license agency if they deem the agency not to be desirable. There is no question in our mind, however, that most of the 4,000 fish and game license agents probably recognize the business building advantages of being a license agent and very few would resign their agencies if the agent fees were discontinued.

Department of Fish and Game—Continued

During the last calendar year the Department of Parks and Recreation through its Division of Small Craft Harbors has established a substantial licensing agent program throughout the State for the sale of small boat licenses required by the Small Craft Harbors Act. These license agents do not receive any fee and that agency had no problem in obtaining a sufficient number of agents to adequately serve the demands made upon the agency. In fact a great many more requests were received than were required.

In that light, a strong case can be made for discontinuing all commission payments to the license agents. This will have the effect of providing the Fish and Game Preservation Fund with an additional \$350,000 with which to further enhance the wildlife resources of this State. In view of the fact that a great deal of the work needs to be done in the area of enhancing fresh-water fisheries of the State, particularly in the southern part of the State, this \$350,000 could provide the people in the heavily urbanized areas with enhanced fishing opportunities within a relatively short drive from their homes.

The following discussion relates to the specific branches of the Department of Fish and Game.

Wildlife Protection Branch

This branch is headed by a chief of wildlife protection who is comparable in police rank to a supervising inspector of the California Highway Patrol. Its functions include all work connected with investigating and apprehending violators of fish and game laws, processing cases through the courts, patrolling to prevent violations, issuing warnings and citations, serving warrants and making arrests, preparing and presenting evidence in court actions, checking licenses of hunters, fishermen, commercial markets and boats, game or fish baiters and shooting preserves. Additionally, this function includes the hunter safety program with interested organizations such as school groups and license agents, making talks to conservation and other groups to explain the laws, regulations and departmental programs. This branch is supported entirely from the Fish and Game Preservation Fund. During the 1961-62 fiscal year the total expenditures for the wildlife protection function amounted to \$3,136,380 and represented 28.5 percent of the total budget of the Department of Fish and Game.

Inland Fisheries Branch

This branch is responsible for the production and stocking of catchable size trout in roadside waters, stocking subcatchable trout in highly productive waters such as Crowley Lake, airplane stocking of trout fingerlings in wilderness lakes, habitat improvement such as the chemical treatment of lakes to remove rough fish and introduction of different species of trout. Creel census studies to evaluate results of trout-stocking operations, research to develop new techniques and direct assistance of the fish and game warden with planting of catchable size trout are also a phase of this program. Additionally, the warm water game fishes program including large mouth and small mouth black bass, white and black crappie, several kinds of catfish and several kinds

Department of Fish and Game—Continued

of sunfish is a function of this branch. Departmental programs center around establishment and maintenance of the best combinations of game and sport species in the various types of California lakes and streams. Moreover, this branch is responsible for the striped bass operations.

During the 1961-62 fiscal year a total of \$2,235,725 was expended in support of this function, representing 20.3 percent of the departmental budget. Of that sum \$131,656 was federal money.

Game Management Branch

This branch is responsible for the big game, waterfowl, upland game, and the game bird research programs of the department. It includes all work associated with big game such as deer, elk, antelope, bighorn sheep, bear, European wild pig and control of the big game predators such as mountain lion, coyote and bobcat. It is estimated that 90 percent of the total departmental big game effort is directed toward deer alone. In the area of waterfowl, this function includes predatory animal control in waterfowl areas for such species as ducks, geese, swans, coot, gallinules, jacksnipe and all other shore birds and water birds. In the upland game program, the function includes management of the game birds and mammals except that phase involved in rearing and distributing pheasants. It also includes predatory animal control to benefit upland game except that on the waterfowl areas. Upland game species include pheasants, quail, chukar, partridges, doves, grouse, wild turkey, band-tail pigeons, rabbits and squirrels. In the game bird rearing program the function includes the management of the state game farms and the distribution of the products of the game farms for current utilization by hunting and also includes the cost of purchasing grown pheasants from vendors. At the present time pheasants are the only species involved in the purchase program.

The 1961-62 fiscal year saw a total expenditure of \$2,136,461 in this function, of which \$588,329 came from federal moneys. The total expenditure represented 19.4 percent of the department's budget.

Marine Resources Branch

This branch is responsible for the offshore migratory fish (sardine, anchovy, tuna, mackerel) and includes observations and measurements at sea of the number and size of schools, age groups, egg counts, water temperatures, salinities, plankton and other fish food. Additionally, this branch is responsible for work on the numerous species of near shore and bottom (flatfish, rockfish, halibut, lingcod, kelp bass, barracuda, white sea bass and many others) and includes sampling of commercial and sport fish catches for species, size and age composition, interviewing fishermen, analyzing catch records, and experiments with savings gear. Another activity within this function is the salmon and steelhead program. These fish spend part of their lives in fresh water and part in the ocean, hence the research and conservation programs are carried on both at sea and in the rivers. The work includes all phases of hatchery operations (egg taking, hatching, rearing and planting, checking on results), fish screen and fish ladder installation,

Department of Fish and Game—Continued

maintenance and experimentation, spawning and stream surveys, habitat improvement, fish rescue and analysis of the catch records. Research at sea and inland includes sampling of the catches for size, species and egg composition, marking experiments, recovery of marked fish, gear tests, field checks, water flow requirements and the like. Still another area within this function is the shellfish program. Abalone, shrimps, oysters, crab and clams are the important shellfish. Work is done aboard vessels, underwater with diving gear, and on the tide flats. It includes tagging and recovery, pest control, inspection, observation of oyster-eel grass relationship, measurement of specimens, search for and study of larval forms, gear studies, prediction of catches, surveillance of the shrimp fishery, life history studies and analysis of the catch records. A statistical resource-utilization program is undertaken at the San Pedro installation which includes gathering of information, editing, processing and reporting upon commercial sport catching fishes, gear and boat data and on the statistical aspects of the biological data. This is extremely important particularly to the commercial fishing industry of the State.

During the 1961-62 fiscal year the marine resources branch expended a total of \$1,693,174 which represented 15.4 percent of the total departmental expenditures of which \$104,512 was derived from federal funds.

Conservation Education Branch

The conservation education program provides information to the public on departmental programs. This function also includes the dissemination of information within the department. Other responsibilities include co-ordination of the statewide safety training program and direction of the natural resources library operation. Moreover, this function includes a production of visual aides and displays, various publications including laws and regulations, the operations manual of the department, research and technical reports, public information publications, monthly report of the Governor and the departmental newsletter.

During the 1961-62 fiscal year \$271,889 was expended from the Fish and Game Preservation Fund for this activity which represented 2.5 percent of the departmental budget.

ANALYSIS

The budget proposes an expenditure of \$10,480,214 from the Fish and Game Preservation Fund for the regular support of the Department of Fish and Game during the 1963-64 fiscal year. This represents an 0.8 percent or \$86,499 increase over the estimated expenditures during the current fiscal year.

The 1963-64 fiscal year budget contemplates revenues to the Department of Fish and Game of \$10,923,600 exclusive of amounts set aside for the Marine Research Committee. From the experience gained since July 1, 1960, it is most unlikely that this revenue will be realized. During the 1960-61 fiscal year the department's revenue estimate fell short of its goal by \$631,237. During the 1961-62 fiscal year the shortage amounted to \$115,058. During the 1962-63 fiscal year it is estimated

Department of Fish and Game—Continued

from the figures presented in the Governor's budget that the revenue to the Department of Fish and Game will fall below the amount originally estimated for the 1962-63 fiscal year budget by \$252,524. The total expenditure of the department is estimated at \$10,908,502, including capital outlay, for the budget year which is only \$15,098 less than the revenue expected by the Department of Fish and Game. If the experience gained since July 1, 1960, is at all significant we need not expect the revenue accruing to the Department of Fish and Game to either equal the estimate made in the Governor's budget or to fully cover the support expenditures of the department. The failure of the department's revenues to materialize has caused the department in the past three fiscal years to curtail many of its support functions. The curtailment has not been of such significance as to cause an easily recognized symptom but the department's overall program has not been and is not keeping pace with the demands being made upon it by more intensive hunter and fishermen utilization and by the problems of urbanization and population growth. In view of the above the Legislature will be faced with the alternative of increasing the moneys made available to the Department of Fish and Game or undertaking recognizable reductions in the departmental functions. The increase in revenue can be obtained either by an increase in license fees or through recapture of the license commissions as mentioned before. This would require specific legislation.

The 1963-64 proposed budget contemplates 25.2 proposed new positions. They are to work in established program areas and are distributed as follows. Eight and seven-tenths positions are for staff operations under water projects and Delta fish and wildlife protection studies; the cost involved is to be borne by the Department of Water Resources. One position is requested for marine resources under "fisheries investigations" to conduct pelagic fisheries investigations, which is to be supported by the Marine Resources Committee. Nine positions are requested for the Trinity hatchery to continue hatchery production work, which is supported by federal moneys. Five and one-half positions are proposed for the Camanche hatchery which will be reimbursed by the East Bay Municipal Utility District. One position has been proposed for the Fresno district headquarters, which is based upon a clerical workload and will be funded from the Fish and Game Preservation Fund.

We recommend approval of this item as submitted.

Department of Fish and Game

PROGRAMS IN CO-OPERATION WITH THE FEDERAL GOVERNMENT

ITEM 254 of the Budget Bill

Budget page 602

FOR SUPPORT OF GAME MANAGEMENT AND FISHERIES

MANAGEMENT IN CO-OPERATION WITH THE

FEDERAL GOVERNMENT FROM THE FISH

AND GAME PRESERVATION FUND

Amount requested----- \$1,278,828

Estimated to be expended in 1962-63 fiscal year (inc. federal)----- 1,292,300

Decrease (0.9 percent)----- \$13,472

TOTAL RECOMMENDED REDUCTION----- None

GENERAL SUMMARY

Pittman-Robertson Game Management Program

In 1937 Congress passed the Federal Aid to Wildlife Restoration Act which is commonly known as the Pittman-Robertson Act. It is administered by the Bureau of Sport Fisheries and Wildlife of the United States Department of Interior. Fish and Game Code Section 400 authorizes the State of California to take advantage of the federal program and establish co-operative wildlife restoration projects.

Under the terms of the federal act, the United States government pays up to 75 percent of the cost of approved projects while the State must contribute at least 25 percent of such project costs from its regular funds.

Federal funds for such aid to the State are derived from an excise tax on sporting arms and ammunition. These are apportioned to the various states in relation to the number of paid hunting license holders within each state and the total geographical area of each state as compared to the total area of all states. No state can receive more than 5 percent of the total federal funds nor less than one-half of 1 percent.

Today, nearly 30 percent of the budget for the game branch of the Department of Fish and Game is composed of funds obtained from the Pittman-Robertson federal aid program. These funds help to make possible the continual research projects and resulting management practices concerning wildlife diseases such as fowl cholera, botulism in waterfowl, foot rot in deer and a number of other wildlife diseases affecting the State's wildlife populations.

The Pittman-Robertson funds to California make possible our public waterfowl hunting area program since all waterfowl management areas in California are operated with Pittman-Robertson funds. Additionally, the Tehama winter deer range (which is immediately east of Red Bluff in Tehama County) was obtained entirely with federal aid funds. Other projects have included the purchase of additional pheasant hunting on waterfowl areas such as Grey Lodge, the introduction of exotic game birds such as chukar partridges and the construction of hunter access roads. Less apparent benefits are the indirect ones derived from game habitat improvement, research and investigations concerning wildlife population used in setting seasons and bag limits, the trapping and transplanting of wild game bird populations and research concerning the effects of commercial pesticides upon wildlife.

Programs in Co-operation With the Federal Government—Continued

The first Pittman-Robertson project in California was initiated in May, 1940. The aim of the project was to increase the sage grouse population by improving habitat. Existing springs and seeps were developed and fenced to provide water and cover during the critical summer months. Collaterally, this work was found to be beneficial to doves, quail and big game and in addition it indicated the general need for basic research prior to the initiation of development projects.

Since California entered into the Pittman-Robertson program a total of 50 projects have been initiated in the State. They have consisted of 18 development projects, 25 research projects, 5 land acquisition projects, 1 maintenance project and 1 co-ordination project.

The Pittman-Robertson program in California is administered by the game branch headquarters staff of the Department of Fish and Game. The extent and complexity of wildlife restoration activities involved in the various public Pittman-Robertson projects in the State require that some vehicle of general direction and co-ordination by experienced personnel be provided. This accounts for the so-called "co-ordination project." All projects are "co-ordinated to prevent duplication of effort and to make efficient use of equipment and personnel.

Pursuant to Assembly Concurrent Resolution No. 8 of the 1962 First Extraordinary Session the Department of Fish and Game will report to the Legislature on all expenditures which have been made under the federal act including all expenditures of state funds in conjunction therewith, particularizing the practical application made of the results accomplished by each expenditure.

Dingell-Johnson Fisheries Management Program

In 1950, Congress enacted the so-called Dingell-Johnson Act to provide that the United States shall aid the states in fish restoration and management projects. Under the provisions of Fish and Game Code Section 401, the Department of Fish and Game is authorized to co-operate with the federal government. Revenues from a federal excise tax on manufacturers, producers or importers of fishing rods, reels, artificial lures, baits and flies is made available to the states and territories in accordance with a formula based upon the number of fishing license holders and geographical areas of a state in relation to the total license holders and total of land and water areas of all the states.

Restoration and management projects are designed and developed by the states. Project activities are limited to fisheries research, purchase and development of lands and waters, restoration of environment and maintenance of completed projects. The Bureau of Sports Fisheries Wildlife of the United States Department of the Interior reviews the proposed projects to determine if the proposals are compatible with provisions of the act. When a project is completed the federal government reimburses the state to a maximum of 75 percent of the project cost.

Assembly Concurrent Resolution No. 8 of the 1962 First Extraordinary Session directs the department to report to the Legislature on the amounts expended on this program and the results thereof.

**Programs in Co-operation With the Federal Government—Continued
ANALYSIS**

The proposed budget for the 1963-64 fiscal year contemplates an expenditure of fish and game preservation funds in the sum of \$319,707. As previously pointed out the federal government contributes approximately 75 percent of the cost of this program. The federal grants will amount to \$959,121 bringing the total program cost to \$1,278,828. Of the total funds involved \$856,128 is under the Pittman-Robertson program and \$422,700 is under the Dingell-Johnson program.

For the first time it is proposed to advance state funds to cover the federal share in order to eliminate excessive paperwork occasioned by the fact that the federal funds must be billed after the fact. The federal share, when received, would then be deposited to the credit of the Fish and Game Preservation Fund.

The budget proposal contemplates a continuance of the existing program. *We recommend approval.*

**Department of Fish and Game
PACIFIC MARINE FISHERIES COMMISSION**

ITEM 255 of the Budget Bill

Budget page 612

**FOR SUPPORT OF PACIFIC MARINE FISHERIES COMMISSION
FROM THE FISH AND GAME PRESERVATION FUND**

Amount requested	\$26,600
Estimated to be expended in 1962-63 fiscal year	26,600
Increase	None
TOTAL RECOMMENDED REDUCTION	None

GENERAL SUMMARY

The Pacific Marine Fisheries Commission is established pursuant to an act of Congress approving an interstate compact.

The purposes of the compact are to promote better utilization of the fisheries which are of mutual concern to the Pacific Coast states, to develop a joint program of protection of the fisheries in all of those areas of the Pacific Ocean over which the States of California, Oregon and Washington jointly or separately now have jurisdiction.

The commission is composed of three members from California who are appointed by the Governor, eight from Oregon who are members of the Oregon Fish Commission and the Oregon Game Commission and one from Washington who is the Director of Fisheries of that state.

The signatory states have agreed to make available annual funds for the support of the commission in proportion to the primary market value of the products of their fisheries as recorded in the latest published reports over a five-year average, provided, however, that no state is to contribute less than \$2,000 per year. Since the amounts to be contributed by each state are on a ratio determined by a formula based upon the value of the respective fish landings, the failure of any one state to come up to its apportionment has the effect of reducing proportionately the contributions of the other states. During the 1961

Pacific Marine Fisheries Commission—Continued

calendar year it was impossible to obtain from all three states the proportionate shares estimated under the commission's budget. The amounts actually made available were the same as during the 1960 fiscal year, \$50,000. Therefore, the 1961 program had to be curtailed in order to live within the available funds.

The deficiency was met by cutting back proposed commission-financed co-operative research projects. Aside from the co-operative research program, the commission's 1961 program has been carried out substantially as planned.

The States of Alaska, Hawaii or any state having rivers or streams or tributaries to the Pacific Ocean may join the compact and they have been invited to do so. A bill has been introduced in the Alaska legislature to authorize affiliation by that state, the Idaho legislature has taken no action in that direction and the governor of Hawaii has declined the invitation to join.

ANALYSIS

The amount proposed for the budget year as California's share, in accordance with the formula, is the same as provided in the current fiscal year. To the extent that the other states do not provide their proportionate share or that market values vary, this contribution could be adjusted downward and the total operations of the commission reduced or re-emphasized.

We recommend approval.

**Department of Fish and Game
MARINE RESEARCH COMMITTEE**

ITEM 256 of the Budget Bill

Budget page 615

**FOR SUPPORT OF MARINE RESEARCH COMMITTEE
FROM THE FISH AND GAME PRESERVATION FUND**

Amount requested	\$113,205
Estimated to be expended in 1962-63 fiscal year	92,201

Increase (22.8 percent)	\$21,004

TOTAL RECOMMENDED REDUCTION None

GENERAL SUMMARY

The Marine Research Committee has been established pursuant to Fish and Game Code Section 725. It is a unit of the Department of Fish and Game and consists of nine members, five of whom are required to be men experienced in and actively engaged in the canning or reduction of sardines at the time of their appointment. The other four members are representatives of organized sportsmens groups and organized labor. All of the members are appointed by the Governor and hold office for two years.

The purpose of the committee is to finance research and development of commercial fisheries of the Pacific Ocean.

Support of the Marine Research Committee is obtained from a special privilege tax of 5 cents for each 100 pounds of sardines, Pacific

Marine Research Committee—Continued

mackerel, jack mackerel, squid, herring or anchovies purchased, received or taken by commercial fishermen.

The committee has financially assisted and co-ordinated the research programs of the United States Fish and Wildlife Service, Scripps Institution of Oceanography, Stanford University, the California Academy of Sciences and the State Department of Fish and Game. The co-ordination of the research activities of these agencies has made considerable advance towards understanding the basic relationships between marine-oceanic environments and the fish that dwell therein. The result has been to provide the commercial fishing industry in California with a quantitative analysis of the availability of the industry's basic resource, which has had the effect of giving the commercial fishing industry the ability to gage its marketing and purchasing activities.

Fish and Game Code Section 8041 provides that the privilege tax which is used to support the Marine Research Committee activities shall terminate on December 31, 1963. In that light it will be necessary to amend that section of the Fish and Game Code to continue this program. For the past several years the special revenue has exceeded annual expenditures so that a reserve of \$111,632 is expected to be available on July 1, 1963. Revenue is anticipated and estimated only on the six months period July 1, 1963, to December 31, 1963, when the tax legislation expires. For this period the income is expected to total \$80,500.

ANALYSIS

The budget proposed for the 1963-64 fiscal year is substantially larger than the authorized expenditures for the current fiscal year; increasing to \$113,205 from \$92,201. All of the increase will go for additional research at the institutions mentioned above. Since this is an industry sponsored and supported program we believe these expenditures are reflections of the industry's desires. *We recommend approval.*

**Department of Fish and Game
WILDLIFE CONSERVATION BOARD**

ITEM 257 of the Budget Bill.

Budget page 616

**FOR SUPPORT OF WILDLIFE CONSERVATION BOARD
FROM THE WILDLIFE RESTORTION FUND**

Amount requested	\$77,462
Estimated to be expended in 1962-63 fiscal year	86,720
Decrease (10.7 percent)	\$9,258

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

The Wildlife Conservation Board was created by the "Wildlife Conservation Act" of 1947 (Chapter 1325) to consist of the Director of Finance, the Director of Fish and Game and the President of the Fish and Game Commission. Additionally, there were three Members of the Senate and three Members of the Assembly to act as an advisory

Wildlife Conservation Board—Continued

group and as a joint interim investigating committee. Subsequently, the Wildlife Conservation Law was incorporated into the Fish and Game Code.

The sections of the Fish and Game Code currently dealing with the board provide an annual transfer of \$750,000 from horse race license funds to the Wildlife Restoration Fund which in turn was appropriated to the board without regard to fiscal years for allocations to projects of many types in connection with the restoration and maintenance of a high state of productivity of fish and wildlife. These funds would otherwise go to the General Fund. The funds were also available to the board for its expenses and employment of such staff as it considered necessary in carrying out its duties. Heretofore neither the projects proposed by the board nor its cost of administration were contained within the Budget Bill since they were the subject of a continuing appropriation. For the first time it is now proposed that the Legislature make a specific appropriation, in the Budget Bill, from the Wildlife Restoration Fund to cover the administrative costs of the board. This makes no material change in the method of operation.

The amount proposed for the budget year is \$77,462 or \$9,258 (10.7 percent) less than the current anticipated expenditure of \$86,720. This reduction is made up of many segments of operating expenses and particularly in the elimination of a special consultant who is established on an administrative basis for the current year only. The present staff consists of 5 permanent positions.

We recommend approval.

DEPARTMENT OF PARKS AND RECREATION

ITEM 258 of the Budget Bill

Budget page 617

**FOR SUPPORT OF DEPARTMENT OF PARKS AND RECREATION
FROM THE GENERAL FUND**

Amount requested.....	\$8,883,388
Estimated to be expended in 1962-63 fiscal year.....	8,281,413

Increase (7.3 percent)	\$601,975
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TOTAL RECOMMENDED REDUCTION.....	\$43,458
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Summary of Recommended Reductions

<i>Division of Recreation</i>	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
Senior planner	\$10,440	625	78
Associate research technician	7,170	625	79
2 Recreation planner III	14,340	625	82
Delineator	2,916	626	6
Intermediate stenographer	4,452	626	8
Temporary help—clerical	4,140	626	9

GENERAL SUMMARY

Within the Resources Agency there is the Department of Parks and Recreation which is made up of the Divisions of Beaches and Parks, Small Craft Harbors and Recreation. These three divisions existed prior to the Reorganization Act of 1961 as divisions of the Department