

Retirement System

Items 31-33

Lieutenant Governor—Continued

The budget for 1964-65 proposes an expenditure of \$120,020, which is \$3,940 or 3.4 percent more than is estimated to be spent during the current fiscal year.

The increase for 1964-65 over the current budget proposes to maintain the existing level of service.

We recommend approval of the budget as proposed.

STATE EMPLOYEES' RETIREMENT SYSTEM

ITEMS 31, 32 and 33 of the Budget Bill

Budget page 23

FOR SUPPORT OF STATE EMPLOYEES' RETIREMENT SYSTEM FROM THE STATE EMPLOYEES' RETIREMENT FUND, THE STATE EMPLOYEES' CONTINGENCY RESERVE FUND, AND THE GENERAL FUND

Amount requested.....	\$2,055,975
Estimated to be expended in 1963-64 fiscal year.....	1,842,171
Increase (11.6 percent)	\$213,804

Increase to maintain existing level of service.....	\$192,490
Increase to improve level of service.....	21,314

TOTAL RECOMMENDED REDUCTION..... \$7,256

Summary of Recommended Reductions

	Amount	Page	Line
1 Retirement officer II.....	\$7,256	25	67

ANALYSIS

The primary function of the State Employees' Retirement system is the administration of a retirement program for state employees, employees of local jurisdictions contracting with the state system, and nonacademic University of California employees employed prior to October 1, 1961. The system also administers the Meyers-Geddes State Employees' Medical and Hospital Care Act, which provides for a \$6-a-month contribution by the State toward the premium payment of an approved health insurance policy carried by state employees.

The State Employees' Retirement System is administered by a board of administration composed of eight members, which also administers the Legislators' Retirement System. When administering the Meyers-Geddes State Employees' Medical and Hospital Care Act, the board of administration is augmented by three members appointed by the Governor representing the public.

For the 1964-65 fiscal year the support for the State Employees' Retirement System comes from three sources:

Item 31 State Employees' Retirement Fund.....	\$1,769,407	(86.1%)
Item 32 State Employees' Contingency Reserve Fund	266,568	(12.9%)
Item 33 General Fund.....	20,000	(1.0%)

The 1964-65 budget request of \$2,055,975 from the above three funds is \$213,804, or 11.6 percent more than the amount estimated to be expended during the current fiscal year.

State Employees' Retirement System—Continued

The source of support for the system changed from the General Fund to the State Employees' Retirement Fund on July 1, 1959. The State Employees' Contingency Reserve Fund was established in 1961 when the Meyers-Geddes Medical and Hospital Care Act was enacted into law. The Retirement System's cost of administering the Medical and Hospital Care Act is appropriated from the Contingency Fund. The \$20,000 requested from the General Fund for the 1964-65 fiscal year will provide for the participation of the State of California in funding the cost of operation of the Old Age, Survivors' and Disability Insurance (OASDI) Division. This amount is necessary from the General Fund due to the integration of social security with the State Employees' Retirement System on January 1, 1962.

The budget proposes the addition of 26 new permanent positions and 2.6 temporary help positions for the 1964-65 fiscal year. Of the 26 proposed permanent positions, 17 were administratively established during the current year with the approval of the Department of Finance.

Mortgage Loan Investment Program

Of the 26 permanent positions proposed for the 1964-65 fiscal year, 14 are proposed for the system's new Mortgage Loan Program. Ten of the 14 were administratively established during the current year. The following table shows the number of positions and the dollar figures for 1963-64 and 1964-65 fiscal years. The 1963-64 figures are for a partial year only:

Staffing of New Mortgage Loan Investment Program
State Employees' Retirement System

	1963-64		1964-65	
	Number of positions	Funds	Number of positions	Funds
Legal Section				
Assistant counsel-----	1	\$5,464	1	\$8,468
Investments Division				
Chief of investments-----	1	9,800	1	15,188
Mortgage loan officer-----	1	8,064	1	12,496
Mortgage loan specialist-----	3	9,321	3	25,030
Assistant mortgage loan specialist-----	1	1,770	2	10,707
Senior stenographer-----	1	3,192	1	4,948
Intermediate stenographer-----	1	1,448	2	8,596
Accounting Division				
General accountant II-----	1	2,950	1	7,225
Accounting technician II-----	-	-	1	2,394
Key punch operator—IBM-----	-	-	1	4,242
Total-----	10	\$42,009	14	\$99,294

For several years the Board of Administration of the State Employees' Retirement System has sought ways to diversify the investment of the nearly \$2 billion that is presently in the State Employees' Retirement Fund. The system is faced with the necessity of investing \$1 million in new money every working day. That amount is in addition to the reinvestment of funds from maturing bonds and the sale of less profitable purchases for new, more profitable ones. Presently

State Employees' Retirement System—Continued

the system invests in government securities and industrial and utility bonds. The current yield of these investments is in excess of 4 percent.

During the 1963 General Session the system proposed legislation to remove the constitutional limitation upon the State or any political subdivision in subscribing for stock or becoming a stockholder in any corporation whatever. The legislation was defeated. At the time the system was proposing that it be allowed to invest in common stocks, it was also investigating the feasibility of investing in mortgages.

The system contracted with an independent consultant to develop recommendations for establishing a Mortgage Loan Section within the system. The recommendation to invest in mortgages and for starting with those having government backing was made in the Moody report to the system dated September 20, 1960. The Board of Administration has been giving consideration to the Moody proposal since that time.

The program recommended by the consultant and adopted by the board contemplates the purchase by the system of FHA insured and VA guaranteed loans on single family dwellings. The system will initially confine its mortgage investments to those purchased from reputable well-established mortgage bankers or from commercial banks engaging in the sale and servicing of mortgage loans. This approach will enable the system to enter the mortgage loan field with minimum risk and minimum expense at a yield that well justifies the necessary expansion of the investment staff.

The system fully anticipates expanding into areas of mortgage investments other than government-insured loans in order to realize the volume of investments that is desired. The board anticipates the volume of mortgage investments to ultimately be between \$200 and \$300 million. Noninsured mortgage loans will return a higher yield but will also be more risky.

We have reviewed the report of the consultant and his recommendations and are in general agreement with the proposed program, including the recommended staffing. While we are recommending approval of the proposed program we must point out that the system is embarking upon a very major change in its investment policy without any prior full legislative review.

Other Positions Established During Current Fiscal Year

Accounting Division

1 Senior tabulating machine operator (budget page 24, line 21) -----	\$5,992
1 Senior clerk (budget page 24, line 23) -----	3,402
2 Intermediate account clerks (budget page 24, line 24) --	4,864

Benefits Division

1 Senior account clerk (budget page 24, line 26) -----	3,192
5 Temporary help positions (budget page 24, line 27) -----	23,500

Health Benefits Division

1 Retirement officer II (budget page 25, line 61) -----	8,604
1 Temporary help position (budget page 25, line 62) -----	4,000

Items 31-33**Retirement System****State Employees' Retirement System—Continued****Old Age, Survivors' and Disability Insurance**

1 Intermediate account clerk (budget page 26, line 44)-----	2,070
0.1 Temporary help -----	200
Total -----	\$55,824

Six of the permanent positions and five of the temporary help positions listed above were established due to increased workload arising from legislation enacted at the 1963 General Session of the Legislature and the inclusion of the Los Angeles City Schools, on an optional basis, under social security coverage as of December 31, 1963. The cost for four of the established positions will be reimbursed by Los Angeles and other employers providing social security coverage for their employees. The retirement officer II and the temporary help position in the Health Benefits Division were established as a result of a Department of Finance review of the division's staffing. The positions were established to provide better communications between the division and the health officers in the many state agencies.

We recommend approval as budgeted.

Other Proposed New Positions

In addition to the proposed permanent positions for the Mortgage Loan Program and the continuation of the other permanent positions that have been administratively established, the system is proposing the following new positions:

Accounting Division

1 Accountant I (budget page 24, line 46)-----	\$4,167
1 Key punch operator—IBM (budget page 24, line 50)-----	4,242
1 Intermediate clerk (budget page 24, line 51)-----	3,156
Temporary help (budget page 24, line 54) -----	6,000

Health Benefits Division

1 Retirement officer II (budget page 25, line 67)-----	7,256
1 Intermediate typist-clerk (budget page 25, line 68)-----	4,140
0.8 Temporary help (budget page 25, line 69) -----	3,500

Old Age, Survivors' and Disability Insurance (OASDI)

0.3 Temporary help (budget page 26, line 51) -----	1,000
Total -----	\$33,461

One accountant I position is requested due to the increased workload in control accounting connected with the Contingency Reserve Fund and the Legislators' Retirement Fund. Through recent liberalization of the Legislators' Retirement System the Accounting Division must maintain more records on the members and must do more posting to their accounts. The keypunch operator, the clerk and the 1.5 temporary help positions are requested on an increased workload basis that we have reviewed and with which we are in agreement. The retirement officer II position for the Health Benefits Division is proposed for the

General Services

Item 34

State Employees' Retirement System—Continued

purpose of establishing a statewide health benefits training program so that personnel officers of employers might be in a better position to advise employees as to what health insurance program to select. The intermediate typist and the 0.8 temporary help positions are requested for workload increases in the Health Benefits Division. The 0.3 temporary help money for the OASDI Division is requested on a workload basis.

We recommend approval of all of the above proposed positions with the exception of the retirement officer II requested for the Health Benefits Division. We recommend the deletion of that position for a saving of \$7,256.

We can see no justification for the authorization of a position to establish a training program for personnel officers for the Health Benefits Program of the State. The Health Benefits Division and the various employee organizations prepare considerable material that clearly outlines the various health insurance plans that are available to the state employees. This material is made available to each new employee. We fail to see what a training program for personnel officers is going to achieve.

DEPARTMENT OF GENERAL SERVICES

ITEM 34 of the Budget Bill

Budget page 28

FOR SUPPORT OF DEPARTMENT OF GENERAL SERVICES FROM THE GENERAL FUND

Amount requested	\$6,489,909
Estimated to be expended in 1963-64 fiscal year (full-year basis)	6,297,670

Increase (3.1 percent)	\$192,239

TOTAL RECOMMENDED REDUCTION	\$241,806
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Summary of Recommended Reductions

	Amount	Budget Page	Line
Eliminate 5 positions	\$71,813	40	75
Administrative Service Division, Personnel:			
1 Assistant personnel analyst	7,080	29	19
1 Intermediate clerk	4,140	29	22
Administrative Service Division, Accounting:			
1 Accounting officer III	8,604	29	17
1 Junior staff analyst	5,832	29	20
2 Accounting technicians II	9,816	29	18
1 Intermediate clerk	4,140	29	22
Management Services:			
1 Training officer II	10,440	33	8
Data Processing:			
Eliminate 3 positions	19,941	40	19
Operating Expenses:			
General expense	100,000	41	4

ANALYSIS

The Department of General Services which was created by Chapter 1786, Statutes of 1963, effective October 1, 1963, comprises the following activities:

Department of General Services—Continued

1. Service functions formerly performed by the Department of Finance supported by direct budget act appropriations, with a total proposed expenditure program for 1964-65 of \$21.4 million and 2,043.1 employees which are covered by this item.

2. Service Revolving Fund activities formerly carried on by the Department of Finance on a wholly reimbursable basis, including printing, automotive management, central stores, etc., with a total proposed expenditure program and staff for 1964-65 of \$26.3 million and 1,388.5 respectively. These activities are discussed in our analysis of Item 297 of the Budget Bill.

3. Activities of the Division of Architecture formerly in the Department of Public Works which are discussed under our analysis of Items 36 and 406 of the Budget Bill.

In addition, Chapter 1743, Statutes of 1963, created the California Exposition and Fair Executive Committee as a "state institution within the Department of General Services" to operate the new State Fair at the American River site through a nonprofit corporation. It names the Director of General Services a member of the Executive Committee, and requires approval by the Department of General Services of many of its actions. Its activities are financed from sources other than this Budget Bill item as indicated on budget page 44.

Item 132 of the Budget Act of 1963 appropriated money from the General Fund for support during 1963-64 of all activities carried on by the Department of Finance at that time including those subsequently transferred to the Department of General Services on October 1, 1963. This money in effect was for three different purposes (1) activities of the new Department of Finance for the full year 1963-64, (2) activities of the Department of General Services for the nine-month period from October 1, 1963, to June 30, 1963, which is the \$4,650,800 shown on budget page 28, line 5, under 1963-64, and (3) an amount of \$1,646,870, which is included in the budget presentation of the Department of Finance for the support of activities during the three-month period from July 1, 1963, to September 30, 1963, which were subsequently transferred to the Department of General Services.

The presentation on budget page 28, lines 5, 6, and 10 includes in the estimated amounts for 1963-64 only those amounts applicable to the nine-month period from October 1, 1963, to June 30, 1964 so that the comparison with the proposed expenditures for 1964-65, which is for a

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Department of General Services—Continued

full year, presents a badly distorted picture. If the 1963-64 amounts are adjusted to a full-year basis, the comparison is as follows:

	<i>Estimated 1963-64</i>	<i>Proposed 1964-65</i>	<i>Increase from 1963-64</i>	
			<i>Amount</i>	<i>Percent</i>
Support (General Fund)-----	\$6,297,670	\$6,489,909	\$192,239	3.1
Support (State School Building Aid Fund) -----	889,553	907,167	17,614	2.0
Totals -----	\$7,187,223	\$7,397,076	\$209,853	2.9

However, the total proposed appropriations of \$7,397,076 for 1964-65 represent only 34.5 percent of the total expenditure program under this budget item, due to the fact that services performed for other state agencies are to a large degree on a reimburseable basis. A comparison showing gross expenditures, with 1963-64 adjusted to a full-year basis, is as follows:

	<i>Estimated 1963-64</i>	<i>Proposed 1964-65</i>	<i>Increase from 1963-64</i>	
			<i>Amount</i>	<i>Percent</i>
Personal services -----	\$11,845,174	\$12,841,728	\$996,554	8.4
Operating expenses and equipment	6,851,063	8,600,698	1,749,635	25.5
Total gross expenditures-----	\$18,696,237	\$21,442,426	\$2,746,189	14.7
Reimbursements -----	11,509,014	14,045,350	2,536,336	22.0
Net amount of appropriation ---	\$7,187,223	\$7,397,076	\$209,853	2.9

Reimbursements increased from 61.6 percent of gross expenditures in 1963-64 to 65.5 percent in 1964-65, while for the same activities when carried on by the Department of Finance they increased from 40.9 percent in 1958-59 to 57.9 percent in 1962-63.

While the net appropriation increased only 2.9 from 1963-64 to 1964-65 gross expenditures increased 14.7 percent and reimbursements increased 22 percent. Likewise, for the same activities when in the Department of Finance the net appropriations increased 14.5 percent from 1958-59 to 1962-63 while gross expenditures increased 60.8 percent and reimbursements increased 127.7 percent.

These data are evidence of a trend toward placing an increasing share of the programs on a reimbursable basis. This is not necessarily undesirable, but it raises questions as to standards of performance, reporting and controls, since reimbursable programs are financed by a multiplicity of individual appropriations for the services involved, which constitute a wide range of state activities. Without proper standards of performance, interagency cost accounting procedures, and reporting, these have a tendency to get completely out of hand. It is impossible to determine for example, the source of the reimbursements by agency and class of service from any information readily available on a current basis.

Department of General Services—Continued

It appears probable to us that the \$14.0 million in reimbursements, plus the \$26.3 million expenditure program of the Service Revolving Fund, which is in exactly the same category insofar as budgetary controls are concerned, must represent something in the area of 1,000 separate line items in the appropriations for operating expenses in the budgets of the state agencies using these services.

Reporting

We feel that the magnitude and impact of the reimbursements warrant full legislative consideration, and we are discussing three of the more significant categories in the sections which follow.

Building Maintenance and Protection

The building maintenance and protection unit currently maintains and operates 56 buildings with a total floor space of approximately 6,500,000 square feet. We are not prepared to be critical of the management of this operation, but find that there is no method readily available by which we may evaluate its activities. Expenditures projected for the budget year total \$9,497,614, with reimbursements of \$6,493,000. The reimbursements are from special funds, both included in and excluded from the control of the department.

Normal budgetary review requires continual evaluation of both procedures and expenditures. We find that to evaluate adequately the need for the staff of 1,369.8 positions proposed for the budget year, the \$1,868,104 in operating expenses, \$33,045 for equipment or \$6,493,000 for reimbursements would require the services of numerous specialists in the building maintenance and operation field. We recognize further that an accurate projection of these costs is difficult. Those exercising direct supervision over the activities should be apprised of the level of service desired by the Legislature and given a degree of flexibility in order to attain this level.

Requests for new positions are based upon maintaining a level of services which is not specified, other than in staffing standards which have not been tested for their validity.

We propose that such a level of service be designated by a composite figure, such as cost per square foot. This criteria is used by the University of California and most private firms to evaluate their programs. Supporting schedules for operating expense, equipment, and reimbursement items should be required.

We recommend more complete reporting to the Legislature on these matters in the future.

Telephone Services

Telephone services are budgeted separately for the first time on a wholly reimbursable basis. The cost of the central switchboards, toll charges, message units, and leased lines is shown. However, without supporting data, analysis of the figures presented is impossible, and even with data available, recommendations for improvements or reductions would be highly complex and technical.

Department of General Services—Continued

There is a measurement available in the form of a composite figure for cost per instrument or line. Review of the components of this composite figure would be required.

Correspondingly, we recommend that a program approach be taken in reporting these activities in the future.

Recommendations would be directed toward an increase or decrease in the level of service. The information required to implement this recommendation is now or should be readily available to the department.

Activities Reimbursed Within the Department

The more significant activities in this category are the property acquisition, accounting and data processing services which may be partially or wholly reimbursed primarily from funds or appropriations under the control of the department.

For these activities, however, there is no readily available measurement as has been suggested for the preceding two categories. All are generally reimbursed on the basis of time devoted to a given activity, which is in an amount sufficient to cover costs.

The Legislature must therefore be assured that the operation is efficient and that workload exists, which is not currently reported.

We believe that to provide assurance that expenditures are appropriate, whether reimbursed or not, the basis for charges and an accurate measurement of efficiency based upon acceptable procedures and standards should be submitted with each budget request.

With this information, budgetary review of these activities would be facilitated. Legislative control can be further improved in the future with the application of these principles to other programs, such as air travel, data processing and other expenses common to all agencies.

If accepted as constructive, and implemented, these recommendations could have significant value to management also. We do not envision an increased cost from reporting these figures as they are presently accumulated as raw data as a part of the normal accounting process but not communicated in usable form to management.

Staffing

Table 1, is a summary, by operating units as they appear in the printed budgets, showing in column (1) the total authorized for 1963-64, in column (2) adjustments other than proposed new positions which affect the final total proposed for 1964-65, in column (3) the proposed new positions and in column (4) the total proposed for 1964-65 after giving effect to the changes shown in columns (2) and (3).

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General Services

Department of General Services—Continued

Table 1. Department of General Services
Summary of Authorized Positions, by Units
1963-64 and 1964-65

Unit	(1)	(2)	(3)	(4)
	Author- ized 1963-64	Adjust- ments	Pro- posed new 1964-65	Total
Executive office -----	11 ⁷	—	—	11
Administrative services -----	100	—	8	108
Facilities planning services -----	18	—	—	18
Property acquisition services -----	31	+25 ¹	28	84
State Building Standards Commission ---	5	—1 ²	2	6
Legal services -----	17 ⁸	—	2	19
Management services -----	33	—	1	34
Office of Administrative Procedure -----	60.5	—	4	64.5
Office of Local Assistance -----	96.6	—	—	96.6
Office of Procurement -----	120	—	1	121
Property Management and Services:				
Building maintenance and protection --	1,344.9	—3 ³	27.9	1,369.8
Telephone services -----	50	—8 ⁴	2.5	44.5
Transportation services -----	16.5	—	—	16.5
Communications maintenance and service -----	13	—7 ⁵	—	6
Office services -----	8.2	—	1	9.2
"Little Hoover" Commission ⁶ -----	2	—	—	2
Data processing -----	0	+27 ⁶	6	33
Total -----	1,926.7	+33	83.4	2,043.1

¹ 25 positions transferred from the Division of Beaches and Parks during 1963-64 by administrative action.

² Position limited to June 30, 1964.

³ 3 positions dropped during 1963-64 by administrative action.

⁴ 8 positions proposed for elimination during 1964-65.

⁵ 7 positions transferred to Service Revolving Fund effective July 1, 1964.

⁶ 27 positions transferred from Service Revolving Fund effective July 1, 1964.

⁷ Includes 1 director, 2 deputy directors and 3 related clerical positions "established under provisions of Chapter 1786, Statutes of 1963".

⁸ Includes 1 chief counsel "established under provisions of Chapter 1786, Statutes of 1963".

⁹ Commission on California State Government Organization and Economy.

Executive

Chapter 1786, Statutes of 1963, which created the Department of General Services did not provide for any new services. It merely provided for the transfer of specified activities formerly carried on in the Department of Finance (service functions) and in the Department of Public Works (Division of Architecture) to the new department.

The current budget presentation indicates that for the Division of Architecture all positions in the division, including the State Architect have been transferred to General Services and that as to the service functions transferred from the Department of Finance all positions up to and including the level of the two civil service assistant directors concerned with these functions have been transferred. Still remaining in the Department of Finance, which has been reduced in size from an agency with an authorized staff of 2,231.7 for 1963-64 (exclusive of Service Revolving Fund positions which totalled an additional 949.6) to one of 367.5 positions, are the three exempt deputy director positions, including that formerly assigned to supervision of general service functions.

General Services

Item 34

Department of General Services—Continued

The current budget shows, on page 40, line 76, a total of 1,926.7 positions authorized for 1963-64, which represents 1919.7 positions transferred from the Department of Finance and previously authorized under Item 132, Budget Act of 1963, plus seven new positions "established under provisions of Chapter 1786, Statutes of 1963." These seven positions are identified in the Salary Supplement as follows:

Class	No.	1964-65	Supplement	
		Salary	Page	Line
Director -----	1	\$21,500	17	4
Deputy director -----	2	40,968	17	5
Secretaries (average salary \$6,589) -----	3	19,767	17	9
Chief counsel -----	1	17,667	18	50
Total -----		\$99,902		

We believe there is a sound basis for assuming that two additional positions, the director and a related clerical position, were authorized by implication at least, by Chapter 1786, since Section 12903 of the Government Code as added by that chapter provides for the appointment of the director at the specified salary, and that he can logically be regarded as necessary to assume the management responsibilities formerly exercised by the Directors of Finance and Public Works over the activities transferred. We do not, however, believe that the same reasoning applies to the other five positions.

While it is true that Chapter 1786 amended Section 11200 of the Government Code to include the Director of General Services in the category of directors of departments with respect to which the Governor, upon recommendation of such director, may appoint not to exceed two chief deputies in addition to those authorized by any other law, our view is that this legislation is permissive rather than mandatory, and it does not necessarily follow that authority for appointment of a noncivil service position conveys authority for an increase in the number of authorized positions in an agency or for the expenditure of additional funds.

We are unable to find any authority, either express or implied in Chapter 1786 for the establishment of an additional position of chief counsel.

We recommend deletion of five positions and \$71,813 from the total authorized positions shown on budget page 40, line 75.

It is the intent of this recommendation to eliminate the additional funds budgeted for the two deputy directors, the two related secretarial positions, and the chief counsel, with a corresponding reduction of five in the total authorized positions. It is not necessarily the intent of the recommendation to evaluate the need for the positions or to preclude their establishment, provided such action can be taken through internal adjustments without increasing the number of positions or the money required for salaries and related expenses.

Department of General Services—Continued

There are two provisions in Chapter 1786 which we believe have a bearing on this recommendation. One is contained in new Government Code Section 12900 which reads as follows (emphasis added):

"The Legislature hereby declares that a centralization of business management functions and services of state government is necessary to take advantage of specialized techniques and skills, provide uniform management practices, and to insure a continuing high level of *efficiency and economy* . . ."

The other is a provision in new Government Code Section 12920, which provides for the direct appointment by the Governor of three high level positions in the department, a general services planning officer, a procurement officer, and a local assistance officer, and reads as follows:

"It is the intent of the Legislature that this section is not to result in an increase in the number of positions in the department."

While it is true that the latter is not specifically directed toward the positions in question it is a clear expression of legislative intent in relation to a comparable situation.

Administrative Services

As reorganized, the administration service office contains the following:

Unit	Positions		
	1963-64 Authorized	1964-65 Requested	Total
Library and central files -----	7		7
Personnel -----	13	2	15
Accounting -----	60	6	66
Devonshire Downs -----	3		3
Merit award staff -----	5		5
Insurance section -----	5		5
Temporary help -----	8		8
Totals -----	100	8	108

Personnel

In the 1963-64 year, a new assistant personnel analyst was authorized, and has already been reclassified as an associate personnel analyst. Our recommendation for approval of the position was based upon the size of the staff and weaknesses in personnel practices disclosed by the Personnel Board. The department did not at that time support its request with a definitive statement of need or justification, nor has it given us any facts relating to the current request for an additional assistant personnel analyst and intermediate clerk which are requested for the Los Angeles area.

We recommend disapproval of the following positions for the personnel section:

	Amount	Budget	
		Page	Line
Assistant personnel analyst -----	\$7,080	29	19
Intermediate clerk -----	4,140	29	22
Total -----	\$11,220		

Department of General Services—Continued

We do not feel that it is appropriate to charge the entire cost of this position to special funds, while only the cost directly related to special funds is charged in the pro rata charges for administration levied against special funds for the other four positions.

We feel that the cost of auto liability insurance should not be distorted by this charge. Furthermore, it should be separately identified, as is tort liability amount, due to the magnitude of the expenditure which deserves individual consideration.

We recommend that the amounts budgeted for auto liability insurance, \$844,233, budget page 29, line 45, be transferred from this item and combined with the appropriation for tort liability, Item 302.

This recommendation would place greater emphasis on the amounts budgeted for insurance, the procedures for selecting the carrier and coverage, and alternatives to insuring with private carriers. Total proposed expenditures during 1964-65 for auto liability and tort liability approximate \$2.5 million.

Airplane Operation

Section 44.5, Chapter 8, Statutes of 1963, First Extraordinary Session, provided an augmentation to the Service Revolving Fund of \$475,000 for the purchase, modification and expense related to operation of an executive airplane.

As we have described previously, the only source of income to revolving funds is from charges paid out of appropriations to other departments. For the budget year, the Department of General Services requests \$134,255 on budget page 29, line 44 for airplane operation.

We recommend that this amount be transferred to the budgets of the agencies using the service.

Elsewhere in this analysis we have commented upon the fact that the Military Department should be reimbursed for its costs in connection with the operation of the plane, which would require that the appropriate budget or budgets to which this transfer is made be increased accordingly.

Property Acquisition Service

This division is responsible for the real property acquisition, management, and disposal activities of the Department of General Services, and also provides support for the Public Works Board. Provisions made during the 1963 session for the Capitol development plan and beaches and parks acquisition program have substantially increased the workload of this activity. An administrative transfer of 25 positions from the Division of Beaches and Parks and 28 new positions, added administratively during 1963-64 are proposed permanently to augment the existing 31-man staff, for a total of 84 positions in support of these acquisition programs.

Subject to reporting recommended previously for wholly reimbursed activities we recommend approval as budgeted.

Department of General Services—Continued

State Building Standards Commission

Two engineering positions are requested in furtherance of the development of a Building Standards Code which is anticipated to require at least three more years to complete.

We recommend approval as budgeted.

Legal Services

This section, with 17 authorized positions, one of which is the chief counsel "added under the provisions of Chapter 1786, Statutes of 1963," previously mentioned, is charged with review and approval of a variety of contracts, property transactions and other legal documents.

Two positions added administratively for the current year are requested on a permanent basis, based on the expanded property acquisition program.

We recommend two associate counsels, budget page 23, line 39, be approved for one year only.

In evaluating the need for new positions, the utilization of existing staff must be considered. We have no information on the amount of time devoted to the various functions performed, and have observed that the approval of interagency agreements, formerly a substantial part of the workload for this section, is currently being considered for exemption from approval by the department as announced in Management Memo 63-62.

These positions should be rejustified in the 1965-66 Budget based upon workload and time required in the performance of the various activities of this section. As certain of the work is reimbursed time reporting should be maintained.

Management Services

A training officer II is requested to develop and coordinate training programs for the various functions of the department.

We envision the need for a training officer and, correspondingly, a training program as being required for departments with relatively few classes each with a substantial number of positions authorized, and a recruiting problem. The classes are generally technical in nature, such as engineering and auditing. It does not appear to us that this agency, with its numerous different activities, fits such a classification.

Correspondingly, we recommend deletion of one training officer II, \$10,440, budget page 33, line 8.

Services of the Personnel Board Training Division may be utilized when required until such time as a more complete justification of need and opportunity for review is furnished.

Office of Administrative Procedure

Four positions established administratively during the current year are requested on a permanent basis to accomplish backlog and increased workload in hearing services in disciplinary proceedings.

Subject to reporting recommended previously for wholly reimbursed activities, we recommend approval as budgeted.

Department of General Services—Continued**Office of Procurement**

Formerly the Purchasing Division, this activity also includes supervision of the Service Revolving Fund Central Stores and documents sections.

One buyer I is requested based on increased workload.

We recommend approval as budgeted.

Property Management and Services

This division consists of five units, building maintenance and protection, telephone services, transportation, communication engineering and maintenance, and central office services, the last three of which supervise activities operating out of the Service Revolving Fund.

Building Maintenance and Protection

This unit, previously discussed under reporting proposes staffing of 1,369.8 positions and total gross expenditures of \$9,497,614 for the 1964-65 year. As we have stated, there is currently no measurement by which we can evaluate this activity, and we do not feel that we are in a position to recommend specific actions which would be productive of savings, such as less floor waxing, window washing and day maintenance personnel, due to the interrelationship of these factors with repairs, utilities costs and other, like expenses.

We do feel, however, that there is such a measure, one used by the University of California and many private enterprises, namely, the cost per square foot to maintain and operate buildings. This would necessarily be a composite figure and continual review would be required for revisions and in order to insure the validity of the measure. We currently cannot specify a tangible level of service or efficiency within this operation, but we do feel that information resulting from the following recommendation, would permit level of service determinations.

We recommend that a composite figure representing the cost per square foot for maintenance and operation of state-owned and leased buildings in various classes and locations be developed and compared with data for comparable buildings, either privately operated or operated by other governmental jurisdictions, and that this information be reported to the Legislature annually as a part of the budget justification.

Telephone Services

Table 2 was derived from figures presented in the budget, page 38, with 1963-64 adjusted to a full-year basis, which in part satisfies our recommendation in the 1963-64 analysis calling for centralized reporting of communications expense. Although not all expenses are shown, it does however, reflect the magnitude of telephone costs and the relationship of toll charges to leased lines.

Item 34

General Services

Department of General Services—Continued

Table 2

Expenditures and Reimbursements for Telephone Services, 1963-64 and 1964-65
(1963-64 Expenditures Adjusted to Full Year Basis)

	1963-64	1964-65	Increase	
			Amount	Percent
Expenditures:				
Telephone exchange ----	\$1,511,609	\$1,819,322	\$307,713	20.4
Telephone toll charges --	680,000	1,011,730	331,730	48.8
Message units -----	375,000	498,725	123,725	33.0
Leased lines -----	377,243	790,000	412,757	109.4
TOTAL -----	\$2,943,852	\$4,119,777	\$1,175,925	39.9
Reimbursements:				
Telephone exchange and toll charges -----	\$2,673,628	\$3,584,874	\$911,246	34.1
Leased line -----	421,509	834,616	413,107	98.0
TOTAL -----	\$3,095,137	\$4,419,490	\$1,324,353	48.8

Evidently the department intends to more than double leased line facilities from a cost of \$377,243 to \$790,000 and yet shows approximately a 50 percent increase (\$331,730) in toll charges. We had assumed that expansion of leased line facilities in the past had been predicated upon decreasing toll charges.

There is no indication given as to "key equipment" costs, push buttons, intercomm's and the like. Thus, when reviewing individual agency budgets, as well as for this unit which is completely reimbursed, figures are virtually meaningless.

As we stated earlier, we feel that based upon certain reporting, a legislative determination of level of service, expressed in terms of cost per telephone station, should be established to control the rapidly mounting communications costs.

Pending such a determination, we recommend that the existing leased line service be maintained and that any proposal for expanding the service be accompanied by factual information as to offsetting reductions in toll charges.

By maintaining leased line service at the current level until it can be demonstrated that additional leased line service will reduce toll charges, savings will be realized in the individual agency budgets.

Data Processing

The data processing section in this department performs certain cost and regular accounting work, as well as clerical functions which may be accomplished better through mechanized means due to their volume, virtually all of which is for, and reimbursed by functions supervised by the Department of General Services.

In the 1963-64 analysis, we recommended the deletion of eight positions which had been (1) established administratively in 1961-62, and (2) approved for one year only in 1962-63 pending evaluation of rejustification.

The Legislature upheld our recommended reduction of the eight positions.

Department of General Services—Continued

The department then elected to operate the section out of the Service Revolving Fund, and during the course of our review on December 11, 1963, six of the eight positions had been reestablished. These same six positions are now requested for increased workload on a permanent basis in this item, the section having been returned as a wholly reimbursed operation to the department's budget for 1964-65, page 40, for purposes of legislative review.

As we mentioned earlier, a review of the costs of operating this section, is virtually meaningless in that all costs are recovered through prorate of all expenses. Therefore, efficiency is the decisive factor in review.

Efficiency is reflected in the degree to which standards are achieved and the adequacy of procedures, both of which we have found to be virtually nonexistent in this section. Recognizing that inefficiency cannot be remedied overnight, and that the department was hampered by problems in scheduling the extreme fluctuations in work, in last year's recommendation we suggested that concurrently with the reduction of eight positions, the existing consolidated section be divided into two units which would have permitted the isolation of immediate problem areas and facilitated their correction. As by far the largest activity serviced by this section is the State Printing Plant, which accounts for 40 percent of the work, we suggested operating the second unit at that location.

For the purpose of resolving the question of the disputed six positions, there presently being no tangible measure of efficiency available, we will acknowledge that under the poor standards and procedures in effect the requirement for three of the six is real. The additional three positions would bring the authorized staff to a total of 30, of which 40 percent, or 12, are currently devoted to Printing Plant work.

We recommend the deletion of three of the six positions requested, budget page 40, line 49, \$19,941, based upon lack of justification, the positions to be selected by the agency and the Department of Finance.

We further recommend that 12 of the remaining positions, to be selected by the Department of Finance be transferred to the Office of State Printing for purposes of establishing a separate data processing unit at the plant.

We anticipate that as a result of the increased efficiency afforded by improved procedures, standards, and scheduling resulting from this action, improved reporting will follow and be reflected in savings to all agencies through lower manufacturing as well as overhead charges.

Operating Expense—General Expense

General expense, one of the operating expenses separately identified in the budget, includes such items as rental of equipment (excluding tabulating machines) transportation charges on materials, stationery, supplies and minor services.

We have compiled the figures in Table 3 from the budgets of the Departments of Finance and General Services to indicate the \$135,074 in-

Items 35-36

General Services

Department of General Services—Continued

crease proposed in general expense which we feel, based on past experience, is overbudgeted.

We recommend that a reduction of \$100,000 for general expense be deducted from amounts shown on budget page 41, line 4.

We do not feel that the latitude afforded by overstated allotments is conducive to economy and should be curtailed.

Table 3

		General Expense	
		Department	
		Finance	General Services
1962-63	Actual	\$206,357	
1963-64	Estimated	66,330	\$179,555
1964-65	Proposed	50,000	330,959
Increase 1964-65 over 1963-64			
Amount			\$135,074
Percent			54.9

DEPARTMENT OF GENERAL SERVICES

ITEM 35 of the Budget Bill

Budget page 28

FOR ADDITIONAL SUPPORT OF DEPARTMENT OF GENERAL SERVICES FROM THE STATE SCHOOL BUILDING AID FUND

Amount requested	\$907,167
Estimated to be expended in 1963-64 fiscal year (full-year basis)	889,553
Increase (2.0 percent)	\$17,614

TOTAL RECOMMENDED REDUCTION None

ANALYSIS

This appropriation is all for support of the Office of Local Assistance (formerly the Local Allocations Division of the Department of Finance) which is shown on budget pages 34 and 35, and supports activities relating to the School Building Aid Program which constitute approximately 95 percent of the workload of that office. For comparative purposes 1963-64 expenditures have been adjusted to a full-year basis by including those of the Department of Finance for the period from July 1, to September 30, 1963.

We recommend approval as budgeted.

Department of General Services

OFFICE OF ARCHITECTURE AND CONSTRUCTION

ITEM 36 of the Budget Bill

Budget page 42

FOR SUPPORT OF OFFICE OF ARCHITECTURE AND CONSTRUCTION FROM THE ARCHITECTURE PUBLIC BUILDING FUND

Amount requested	\$1,304,438
Estimated to be expended in 1963-64 fiscal year	1,308,262
Decrease (0.3 percent)	\$3,824

TOTAL RECOMMENDED REDUCTION None

Office of Architecture and Construction—Continued

ANALYSIS

The second of the two major missions of the Office of Architecture and Construction covers the review and approval of designs and the field supervision of construction of public school buildings, both elementary and high school, to assure that the structures will have adequate safety features and resistances against earthquake, storm and fire. This service is performed by a separate staff assigned to this purpose, the cost of which is defrayed by charges levied against each project submitted for review. These charges are based on a sliding scale of percentages of the estimated cost of construction in accordance with Section 15457 of the Education Code. The income from these fees nominally makes this service fully self-supporting.

The workload for the budget year is anticipated to be slightly down from that of the current fiscal year which is part of a short-term trend. It is anticipated that this load will rise again in the next year or two. As a consequence of this slight downward trend the budget proposal is somewhat less than that of the anticipated expenditures for the current fiscal year and calls for the elimination of three full-time positions plus the equivalent of four positions in temporary help and overtime. These reductions are slightly offset by the proposal to establish one new position of senior structural engineer at \$11,520 annually. Actually this position was established administratively in the current fiscal year and the proposal is to make this position permanent with the approval of the Legislature.

The revenue for this operation has run somewhat behind actual cost for the last few years which resulted in annual deficits. However, these deficits have been decreasing and it is anticipated that the current fee structure will eventually catch up. In the meantime the cash flow from projects which are chargeable to the following year will be sufficient to keep the operation solvent. *We recommend approval of this item.*

CAPITOL BUILDING AND PLANNING COMMISSION

ITEM 37 of the Budget Bill

Budget page 45

**FOR SUPPORT OF CAPITOL BUILDING AND PLANNING
COMMISSION FROM THE GENERAL FUND**

Amount requested _____	\$2,500
Estimated to be expended in 1963-64 fiscal year _____	2,500
Increase _____	None
TOTAL RECOMMENDED REDUCTION _____	None

Items 38-39**Personnel Board****Capitol Building and Planning Commission—Continued****ANALYSIS**

The Capitol Building and Planning Commission was created by Chapter 1952, Statutes of 1959, to supervise the establishment of a master plan for the development of the Capitol area and subsequently to supervise any changes or modifications in such a plan, as required.

The work of the commission has now settled down to a relatively static observation level required by the implementation of the plan. The cost level has remained at the proposed amount for several years. *We recommend approval.*

CALIFORNIA COMMISSION ON INTERSTATE COOPERATION

ITEM 38 of the Budget Bill

Budget page 45

FOR SUPPORT OF CALIFORNIA COMMISSION ON INTERSTATE COOPERATION FROM THE GENERAL FUND

Amount requested	\$68,535
Estimated to be expended in 1963-64 fiscal year	65,905
Increase (4.0 percent)	\$2,630
Increase to maintain existing level of service	\$830
Increase to improve level of service	1,800

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS

The commission considers the formulation of and proposals for co-operation with other states and the Federal Government and by contract provides funds to help support the Council of State Governments. California's share, on a population pro rata basis with the other 49 states, is \$63,000.

An amount of \$68,535 from the General Fund has been requested to support the commission's activities in fiscal year 1964-65. This amount is \$2,630, or 4 percent, greater than is estimated for the current year.

Increases in general expenses and postage totaling \$830 are necessary to continue the same level of service. An increase of \$1,800 in out-of-state travel represents an increase in level of service.

We recommend approval as budgeted.

PERSONNEL BOARD

ITEM 39 of the Budget Bill

Budget page 46

FOR SUPPORT OF THE PERSONNEL BOARD FROM THE GENERAL FUND

Amount requested	\$3,700,620
Estimated to be expended in 1963-64 fiscal year	3,471,826
Increase (6.6 percent)	\$228,794
Increase to maintain existing level of service	\$186,121
Increase to improve level of service	35,541
Increase for new service	7,132

TOTAL RECOMMENDED REDUCTION	\$53,564
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Personnel Board

Item 39

Personnel Board—Continued

Summary of Recommended Reductions		Budget	
	Amount	Page	Line
Division of Administration:			
Delete 0.5 temporary help-----	\$6,372	47	55
Personnel Services Division:			
Delete 2 associate personnel analysts-----	17,208	48	26
Delete 1 assistant personnel analyst-----	7,080	48	27
Add 3 junior staff analysts-----	15,840	--	--
Recruitment and Field Services Division:			
Delete 1 associate personnel analyst-----	8,604	48	82
Delete 1 junior intermediate typist-clerk-----	4,242	48	83
Delete 0.5 junior intermediate stenographer-----	2,172	48	84
Reduce in-state travel-----	4,000	49	22
Office Services Division:			
Delete 3 junior intermediate typist-clerk-----	12,726	51	24
Delete reimbursement for services by Buildings and Grounds-----	5,000	51	42
Training Division:			
Reduce in-state travel-----	2,000	52	14

ANALYSIS

Workload Criteria

The primary function of the Personnel Board is to serve as the State's central personnel administration agency for civil service employees, and its workload is often discussed in terms of the ratio between board staff and the number of civil service employees. Two developments which have taken place over the last several years have tended to destroy much of the meaningfulness of this ratio. These developments are:

1. Increasingly, personnel officer and related clerical positions have been authorized at the agency level. The authorization of these positions tends to change the nature of the agencies' transactions with the Personnel Board, although not necessarily reducing the board's workload. At the same time, the agency personnel officer relieves agency line management of personnel administration functions and is in a position to provide training, organizational and other services to the agency more intensively than was done previously by the board staff. A generally higher level of personnel administration service to the agency probably results. The following table shows the extent of this trend since 1954 and indicates how the ratio between board staff and civil service employees has increasingly failed to reflect the changes in the total level of personnel management service in the state civil service system.

Personnel Board—Continued

Table 1
Ratio of Civil Service Employees to Personnel Board Technical Staff
And to Technical Personnel Staff in all Agencies, 1954-1962

Year (December 31)	(1) Full-time civil service employees	Personnel technician class		(4) Total	Civil service employees per unit of personnel technician on staff of	
		(2)	(3)		(5)	(6)
		Personnel Board	All other agencies		State Person- nel Board	All state agencies
					(1) ÷ (2)	(1) ÷ (4)
1954	54,156	82	16	98	660	553
1955	57,542	85	20	105	677	548
1956	62,663	89	18	107	704	586
1957	67,994	97	28	125	701	544
1958	70,945	108	46	154	657	461
1959	74,802	117	47	164	635	453
1960	77,553	117	70	187	663	415
1961	82,732	126	79	205	657	404
1962	85,978	129	85	214	666	402

2. Under another form of decentralizing personnel administration the Personnel Board, in cooperation with various agencies, has established programs whereby activities which were originally the direct responsibility of the board have been delegated to agencies. These programs vary with the needs and capabilities of individual agencies and positions. The Department of Employment, for example, tests and certifies clerical classes in many areas for all state agencies. The Department of Water Resources has authority to allocate positions to specific classes. At institutions, classes such as correctional officer and psychiatric technician are tested and certified for employment at the particular institution by the agency. These programs have unquestionably relieved the board staff of workload, but data as to man-years equivalents are not readily available.

The significance of this decentralization in state personnel administration services to the board's budget request is that there is no longer a generally accepted objective measure of workload which applies to all positions or to the board generally. Rather, each position request must be examined in terms of the specific workload of the position, or positions, requested. At the same time, the size of the board's staff is not a realistic measure of the level of personnel administration service in the civil service system.

Board

The board proposes to abolish one full-time hearing reporter position, \$7,800, on its own staff (budget page 47, line 8) and add a part-time hearing reporter, \$4,457 (budget page 47, line 10) for a net savings of \$3,343.

We recommend approval of this proposal. The board presently has two authorized hearing reporter positions but is authorized only one hearing officer. When required by hearing workload peaks, the board secures assistance from the Office of Administrative Procedure. Elimination of a full-time hearing reporter position and use of temporary help as required by workload would be a flexible, realistic means of meeting the need for an occasional second hearing reporter, and will result in a nominal saving.

Personnel Board—Continued

Division of Administration

This division is requesting 0.5 man-year of temporary help "to provide consultative assistance to the executive officer on state employment and personnel practices as they relate to minority groups."

We recommend deletion of 0.5 man-year of temporary help, \$6,372, budget page 47, line 55.

There already exists in state government ample resources of expert assistance for the executive officer in analyzing state personnel practices in terms of equal employment opportunities without resort to outside consultants. The Fair Employment Practices Commission, in the Department of Industrial Relations, with its staff of 19 consultants, is available to advise the executive officer in this important and special area of employee relations. If legal advice is needed, the services of the Department of Justice are readily available. In addition, the executive officer has ready access to the varied capabilities of the staffs of the various divisions of the Personnel Board in matters of state employment policy.

Personnel Services Division

The division is requesting three additional personnel analyst positions for its Operations Section on the basis they are required by increased workload expected in 1964-65.

We recommend that the request for two associate personnel analyst positions, \$17,208, budget page 48, line 26, and one assistant personnel analyst position, \$7,080, budget page 48, line 27, be denied and, instead, three positions of administrative trainee—junior staff analyst be allowed at a total salary cost of \$15,840 during the budget year.

The savings in salary as a result of this change would be \$8,448.

This division's increase in workload appears to justify additional staff. The division's Operations Section workload is best measured by the number of examinations given each year and the number of competitors in these examinations. The number of examinations and competitors fluctuates from year to year but the long-term trend has been for gradual growth with the number of competitors increasing about 2 percent per year and the number of examinations by more than 3 percent per year since 1958-59. The number of authorized analyst positions has not changed in five years. The requested three positions are equivalent to an increase in analyst staff of about 6 percent.

Our recommendation that these positions be authorized at the entering junior staff analyst level is based on data shown in Table 2, below. Since this division last received a significant increase in total technical positions, the ratio between supervisory (staff analyst and higher) and other technical positions has shifted from 9 to 1 in 1958-59 to only 4.3 to 1 in 1963-64. Two new classes have been created at the supervisory level since 1962-63, supervising analyst and staff analyst, with two positions of supervising analyst established in 1962-63 and five staff analyst positions established in 1963-64. As a result, the number of higher salaried positions has increased from 5 to 9 while the number of positions in the lower ranges has decreased from 45 to 39 so that supervision workload has been reduced as the number of supervisory

Table 2
Personnel Services Division Operations Section
Authorized Technical Positions 1958-59 to 1963-64

<i>Class</i>	<i>Fiscal year</i>					
	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64
Nonsupervisory Positions:						
Junior staff analyst	11	10	9	6	7	7
Assistant personnel analyst and equivalent	13	16	13	20	18	14
Associate personnel analyst and equivalent	21	19	22	18	19	18
Total	45	45	44	44	44	39
Supervisory Positions:						
Staff personnel analyst	-	-	-	-	-	5
Senior personnel analyst and equivalent	5	5	5	5	2	2
Supervising personnel analyst	-	-	-	-	2	2
Total	5	5	5	5	4	9
GRAND TOTAL	50	50	49	49	48	48
Nonsupervisory per supervisor	9	9	8.8	8.8	11.2	4.3

Personnel Board—Continued

positions has increased. Establishment of the requested positions at the entering level of junior staff analyst would appear to be a more economical means of providing for increased workload as well as creating a better balanced staff.

The division is also requesting 0.3 position of temporary help on the basis it is required by the expected increase in the workload of qualification appraisal panels in 1964-65. *We recommend approval of the requested increase of \$2,829 for temporary help.* These funds are used to reimburse the public members of qualification appraisal panels in instances where, because of special circumstances, it is not possible to secure such members on a nonreimbursable public service basis. Reimbursement is at a flat rate of \$35 per day. This request would provide funds sufficient for an increase of 81 man-days in 1964-65, and is consistent with the rate of growth in this expense item in recent years.

Recruitment and Field Services Division

This division is requesting 1 associate personnel analyst and 1½ clerical positions to carry on a reimbursable engineer recruitment program for the Department of Water Resources.

We recommend that the request for one associate personnel analyst, \$8,604, budget page 48, line 82, one junior-intermediate typist-clerk, \$4,242, budget page 48, line 83, and 0.5 junior-intermediate stenographer, \$2,172, budget page 48, line 84, be denied.

In January 1963 the Personnel Board and the Department of Water Resources reached an agreement whereby the board would undertake a recruitment program for engineers and technicians for the department which was beyond the normal activity level of the board. The agreement provided that the department would reimburse the Personnel Board for its costs for this extraordinary activity. The board initiated the program late in the 1962-63 year and it is being carried on in the 1963-64 year with a staff of 1 associate personnel analyst and 1.5 clerical positions. These positions do not appear, as such, in the budgets of either the Department of Water Resources or the Personnel Board. The costs of the program, however, are in the Department of Water Resources budget. The effect of the division's request, if allowed, would be to add 2.5 positions to the authorized permanent staff complement of the Personnel Board in 1964-65 and the reimbursements from the Department of Water Resources would appear for the first time in the board's budget.

Our recommendation would permit the board and the department to continue this program in 1964-65 as they did in 1962-63 and are doing in 1963-64. This recruitment program was initiated on a crash basis at the request of the Department of Water Resources to meet urgent needs in that department. When these needs are no longer so pressing it will be appropriate for both the department's reimbursements and the board's special program to be discontinued. If the division, at that time, feels the normal level of recruitment activity justifies the addition of the 2.5 positions to the regular staff, they should be requested on a workload basis. In the interim, no purpose would be served by the proposed addition of the 2.5 positions to the board's authorized staff. If

Personnel Board—Continued

the positions are authorized, it should be with the provision that they would be automatically abolished upon the discontinuance of the reimbursements.

The division also proposes to add 2 typist-clerk positions, 1 each in the San Francisco and Los Angeles field offices, to act as receptionists for qualification appraisal panels meeting at those locations and to assist at information counters. *We recommend that this proposal be approved as justified by workload increases.* The number of qualification appraisal panels has been increasing in the last several years in the field offices at a rate disproportionate to increases in clerical staff. Between 1959-60 and 1962-63, the increase in examinations per field office clerical position increased by 41 percent. In the same period, the average number of public information counter contacts per clerical position increased 60 percent at Los Angeles and 84 percent at San Francisco.

The division request for operating expenses for 1964-65 includes \$11,524 for traveling in State. *We recommending that \$4,000 be deleted from the request for traveling in State, budget page 49, line 21.*

In 1962-63, the most recent year for which actual in-state travel costs are available, the division spent \$5,789. In that year, 36 employees of the division incurred travel expense. In 1964-65, one less, 35 employees are expected to incur travel costs, yet the amount requested, \$11,524, is almost double that actually spent in 1962-63. In the interim the aggregate increase in the prices of the components of in-state travel expense has been less than 10 percent. The division has described no new activities or factors which would justify the increase. The recommended reduction of \$4,000 would leave \$7,524, a substantial increase over the amount actually spent in 1962-63 even after allowing for increases in the price level.

Office Services Division

Included in the total of 10.5 new positions requested by this division for several programs and functions are 6.6, which we question, and 3.9, which we believe are justified on a workload basis and should be approved.

A total of 3.6 positions for its Data Processing Section are being requested. Two permanent positions, a programmer I and a tabulating machine operator, are justified by the division as required to prepare for expansion of the present file system and to reprogram roster and certification procedures. Temporary help equivalent to 1.6 man-years are requested as necessary to assist in this work.

We recommend that one programmer position, \$6,120, budget page 51, line 17; one tabulating machine operator position, \$4,674, budget page 51, line 18, and 1.6 man-years of temporary help, \$7,680, budget page 51, line 25, be allowed for one year only.

The board's data processing facility will be faced with two substantial nonrecurring programming tasks in 1964-65. One of these will involve a major reprogramming and expansion of facilities to process continuing roster, certification and other activities. The other will center on the conversion of Personnel Board state employee records

Personnel Board—Continued

from the present six-digit employee number system to nine digit Social Security account numbers (as will also be done by the Controller and the State Employees' Retirement System).

It is not clear that these tasks will be completed in 1963-64, but at the same time they will be one-time efforts and it is unknown what the permanent personnel needs of the Data Processing Section will be after they are completed. Any permanent increase in staff required by continuing workload will not necessarily be related to the staff requirements of the nonrecurring projects. Positions required for continuing activities should be requested and justified on that basis upon completion of the two nonrecurring programming projects. The above recommendation would provide personnel for the nonrecurring projects but not make them a permanent addition to the division's staff unless they are justifiable on the basis of permanent workload after completion of the programming.

Three typist-clerk positions are requested for the division's certification section on the basis that serious backlogs are creating delays in the certification process.

We recommend that this request be denied and that three junior intermediate typist-clerk positions, \$12,726, budget page 51, line 24, be deleted.

It is highly unlikely that the addition of three clerks to the complement of the certification section would have any significant impact on any serious backlogs which might exist in the certification process. There is evidence that the certification process is unduly lengthy and this may be causing serious difficulties for both state agencies seeking to fill positions and persons desiring to enter state employment. In 1962-63, the entire process, from test date to release of a certified list, took an average of 73 days. In the first half of 1963-64, the process took an average of two months. For specific positions the process may take four or five months.

However, the time required to complete that phase of the operation performed by the certification section requires only 24 to 48 hours. Only in occasional peak workload periods or when the data processing unit fails to provide required information promptly is more time required by the certification unit. Any shortening of the one or two days now required by the certification unit would be an insignificant gain when compared with the two or more months taken for the other steps in the total certification process.

Much of the new programming effort requested for 1964-65 by the division for its data processing unit, discussed in the previous recommendation, is to be for procedures for certification. This activity may succeed in producing or eliminating the occasional delays which now occur in the certification unit.

Under operating expenses the division has included in its request \$5,000 for "Services by Building and Grounds." These funds are to reimburse the General Services Department for janitorial and state police services required by the board on Saturdays when examinations are held.

Personnel Board—Continued

We recommend that \$5,000 for services by Buildings and Grounds, budget page 51, line 42, be deleted from the division's Operating Expense request. It is the policy of the General Services Department to require reimbursements for building and grounds services from all special fund agencies but not from General Fund agencies. Starting in 1963-64, an exception was made to this policy for one General Fund agency, the Personnel Board. These are not new services, but have been provided to the Personnel Board on a nonreimbursable basis. Since no real purpose is served by the reimbursement and it needlessly complicates the budgeting process, it should be discontinued.

The remainder of the division's request is for 0.5 temporary help for its general files unit, 1 temporary help position in the roster unit and 1 clerk for its clerical services section. *These requests appear to be justified by workload and we recommend that they be approved.*

Training Division

This division is requesting \$7,274 for in-state travel in 1964-65.

It is recommended that \$2,000 be deleted from the division's request for in-state travel, budget page 52, line 14.

The division's staff proposed for 1964-65 is 14.4 positions, the same as authorized for 1962-63 when in-state travel expenditure was \$4,494. In the interim, the aggregate price increase in the cost components of in-state travel has been less than 10 percent. The division has not described any special or unusual activities which might justify the increase. The recommended deletion would result in \$5,274 being available in 1964-65, still a substantial increase over the actual expenditures of 1962-63.

The division's request for funds to support various meetings, courses, and consultant's services for 1964-65 totals \$40,628 as shown on budget page 52, lines 16 to 20, and in Table 3. As that table indicates, actual expenditures for these activities have increased from \$378 in 1958-59 to \$30,963 in 1962-63, with \$40,598 estimated for 1963-64, before reimbursements. The 1964-65 request is 31 percent greater than was actually spent on these programs in 1962-63. As further indicated in Table 3, interagency management courses are conducted on a wholly reimbursable basis which in effect transfers the costs to the budgets of other agencies.

In view of the rapid and consistent growth in expenditures and difficulty of evaluating such programs, it is recommended that the division be required to submit to the Legislature with its next budget request a detailed and specific description of each of the programs, including:

- 1. The purpose of each activity.*
- 2. The past accomplishments of each activity.*
- 3. The source of the initial impetus for creation of the activity, i.e., at the request of an agency, at the initiative of the Personnel Board, etc.*
- 4. The long range plans for each activity, including a projection of expenditures against which the Personnel Board and the Legislature could measure future budget requests and performance.*

Table 3
Training Division Expenditures and Reimbursements for Meetings,
Consultants and Courses 1958-59 to 1964-65

	<i>Actual</i>					<i>Estimated</i>	<i>Proposed</i>
	<i>1958-59</i>	<i>1959-60</i>	<i>1960-61</i>	<i>1961-62</i>	<i>1962-63</i>	<i>1963-64</i>	<i>1964-65</i>
<i>Expenditures</i>							
Special consultants, conferences and seminars-----	\$378	\$1,561	\$570	\$645	\$175	\$1,530	\$1,530
Management training and conferences-----	--	11,116	12,590	11,728	9,554	12,098	12,098
Interagency management courses-----	--	--	13,218	16,062	21,234	24,870	21,900
Correspondence course in supervisory practices-----	--	--	--	--	--	2,100	2,100
Interagency specialized training-----	--	--	--	--	--	--	3,000
Total-----	\$378	\$12,677	\$26,378	\$28,435	\$30,963	\$40,598	\$40,628
<i>Reimbursements</i>							
Management conferences and courses-----	-\$903	--	--	--	--	--	--
Services to other state agencies-----	--	-\$3,436	--	--	--	--	--
Interagency management courses-----	--	--	-\$15,844	-\$19,032	-\$23,658	-\$26,970	-\$24,000
Net total-----	-\$525	\$9,241	\$10,534	\$9,403	\$7,305	\$13,628	\$16,628

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Item 40

Secretary of State

Personnel Board—Continued

Cooperative Personnel Services

The division, which is reimbursed by local governments for its full costs, proposes to add 2 positions to its staff located at Los Angeles, a junior staff analyst and 1 clerk, on the basis they will be required by increased workload. *We recommend approval of this proposal as submitted.*

SECRETARY OF STATE

ITEM 40 of the Budget Bill

Budget page 53

FOR SUPPORT OF THE SECRETARY OF STATE FROM THE GENERAL FUND

Amount requested -----	\$599,303
Estimated to be expended in 1963-64 fiscal year -----	558,122
Increase (6.9 percent) -----	\$41,181

Increase to maintain existing level of service -----	\$15,672
Increase for new service -----	25,509

TOTAL RECOMMENDED REDUCTION -----	\$25,509
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Summary of Recommended Reductions

	Amount	Budget Page	Line
Preservation program for historical documents -----	\$25,509	55	33, 55, 56

ANALYSIS

The total amount requested for fiscal year 1964-65 is \$599,303 which is an increase of \$41,181 or 6.9 percent more than is estimated to be expended in fiscal year 1963-64. This increase consists of \$25,509 to finance a preservation program for historical documents in the archives and \$15,672 for two additional positions to review incorporation documents, which are more complex than heretofore, to provide the same level of service that has been maintained in the past.

We recommend deletion of the amount of \$25,509 requested to provide personnel, equipment and operating expenses for the purpose of treating and laminating certain documents which the Secretary of State believes are of historical value.

Our major reasons for this recommendation are as follows:

1. Many of the documents under consideration for treatment and lamination are presently kept in places which do not provide proper security against fire, theft, flood and deterioration. Expenditures for lamination will not necessarily correct these conditions.
2. The historical value of many of these documents proposed for treatment and lamination is questionable.
3. Purchasing of equipment for a long-term program of preservation of documents has not been fully justified.
4. The Legislature has disapproved the request for funds since 1949 to establish this program which is presented again for the 1964-65 fiscal year.

Secretary of State—Continued

5. Chapter 1938, Statutes of 1963, established a California Heritage Commission. The California Heritage Preservation Act of 1963 provides that:

"The commission shall prepare a plan for the restoration, preservation and display in the State Capitol of the historic documents of the State of California on deposit with the Secretary of State. The plan for the displays shall be directed to the instruction and inspiration of all California citizens, particularly students.

"The commission shall report such plan to the Legislature no later than the 31st legislative day of the 1965 Regular Session.

". . . The commission is authorized to accept funds, donations, gifts, and grants from any source, public or private, to assist it to carry out the purposes of this chapter. All funds shall be deposited in the California Heritage Preservation Fund which is hereby created in the State Treasury.

"The Legislature may authorize the use of such funds to carry out the purposes of this chapter in accordance with plans and recommendations of the California Heritage Preservation Commission."

It is recommended that action on this request be deferred until the commission presents its plan.

Two new positions, assistant counsel, \$8,196, and intermediate stenographer, \$4,452, are requested to review incorporation documents before filing. Corporate structures, in general, have become more complex and require more time for review. *We believe these positions are justified and recommend approval.*

The Legislature enacted the Uniform Commercial Code at the 1963 session. The Secretary of State will be required to file certain financial statements due to the provisions of this code. The amount of \$10,000 was appropriated to the Secretary of State to study this code, develop procedures and ascertain costs to carry out the duties pertaining to his office and report his findings. Fees for services will be charged to offset all cost incurred by the office of the Secretary of State.

We recommend approval of this budget item in the reduced amount of \$567,794.

SECRETARY OF STATE

ITEM 41 of the Budget Bill

Budget page 53

FOR PRINTING OF ELECTION PAMPHLETS
FROM THE GENERAL FUND

Amount requested ----- \$250,000

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS

Election pamphlets contain summaries of the proposed constitutional amendments and of the initiative and referendum measures prepared

Secretary of State—Continued

by the Legislative Counsel. Arguments for and against these measures are prepared by interested parties.

The above request in the amount of \$250,000 is the amount estimated to cover the printing costs for these pamphlets. These costs are based primarily on the number of copies. More than 8 million copies were printed for the last General Election. However, a few additional copies would not increase the cost significantly.

If printing pamphlets are required for the June primary this appropriation is also available for printing costs incurred in the current year.

We recommend approval of the budget as submitted.

DEPARTMENT OF AGRICULTURE

ITEM 42 of the Budget Bill

Budget page 57

FOR SUPPORT OF DEPARTMENT OF AGRICULTURE
FROM THE GENERAL FUND

Amount requested	\$11,297,643
Estimated to be expended in 1963-64 fiscal year	11,085,262

Increase (1.9 percent)	\$212,381
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Increase to maintain existing level of service	\$212,381
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TOTAL RECOMMENDED REDUCTION	\$14,042
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Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Reduce two junior plant quarantine inspectors from permanent to temporary status	\$552	67	49
Decrease funds for plant quarantine temporary help by one position	5,402	67	51
Eliminate Yermo janitor	4,044	67	50
Eliminate Fresno junior-intermediate stenographer	4,044	62	12

ANALYSIS

The Department of Agriculture is a protective, regulatory, and service agency, as prescribed in the policy statement of Section 30 of the Agricultural Code, with responsibilities in such fields as the control of pests and diseases that affect plants and animals; the supervision of marketing programs for various agricultural products; the dissemination of market news, production statistics and forecasts; and the enforcement of standards of quality and cleanliness in agricultural and certain other products.

While the major responsibility of the department is to protect and improve California's agricultural industry, some of the department's programs, such as inspections of weights and measures, and inspection of meat and meat products for wholesomeness, serve a broader public interest. The financing of the department's activities generally reflects this relationship between function and benefit in that programs which benefit or protect the interests of the general public are supported by the General Fund, and programs conducted as services to