

**State Scholarship Commission—Continued**

5.2 percent of total expenditures and \$34 per award for 1963-64. The amount requested includes \$8,177 for one additional clerical position to meet increase workload, as measured by the number of applications and awards to be processed in the budget year, and 0.4 of a position in temporary help and overtime to assist with analysis of academic qualifications. It is proposed to give greater weight to high school achievement beginning with the awards for 1965-66, and this is expected to require somewhat more evaluation work than has been necessary in the past.

*We recommend approval of this item in the amount requested.*

**Student Aid Study**

At the 1963 session the State Scholarship Commission requested and received an amount of \$50,000 in state support to undertake a comprehensive study of student aid and to prepare a 10-year plan for student financial assistance for presentation to the Legislature in 1965. The primary objective of such a plan would be to minimize or eliminate economic barriers to higher education for residents of California.

This study was begun in June 1963 with the appointment of a small staff and selection of an advisory committee representing interested state agencies and private groups. The study is intended to determine what the student costs in California are, how such costs are being met with family resources and the many separate aid programs throughout the State, what effect such costs have in the failure of qualified students to enroll in and complete college study, and what methods and funds are desirable to minimize cost as an obstacle to higher education. All forms of student aid including scholarships, loans and employment are to be considered. The findings and recommendations may be expected to provide a measure of the value of the present program and suggest the methods and funds necessary to improve its effectiveness during the next 10 years.

**Employment****COMMISSION ON MANPOWER, AUTOMATION AND TECHNOLOGY**

ITEM 132 of the Budget Bill

Budget page 351

**FOR SUPPORT OF THE COMMISSION ON MANPOWER, AUTOMATION AND TECHNOLOGY FROM THE DEPARTMENT OF EMPLOYMENT CONTINGENT FUND**

Amount requested .....	\$75,000
Estimated to be expended in 1963-64 fiscal year .....	75,000

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

**ANALYSIS**

This 29-member commission has as its objective the continuous appraisal of the impact of automation and technological changes as related to the skills required by industry in California and to keep labor, management and public agencies informed of these requirements in order that adequate programs may be developed in a timely manner to meet these changing needs of industry.

**Commission on Manpower, Automation and Technology—Continued**

The amount requested continues support of the commission at the same level of expenditure as in the current year. We are advised that, as the commission is at present in its organizing stage, if new expenditure levels are anticipated, they will be brought before the Legislature during the budget session.

*We recommend approval as budgeted.*

**BOARD OF CONTROL**

ITEM 133 of the Budget Bill

Budget page 353

**FOR SUPPORT OF BOARD OF CONTROL  
FROM THE GENERAL FUND**

Amount requested .....	\$26,154
Estimated to be expended in 1963-64 fiscal year .....	26,018
Increase (0.5 percent) .....	\$136
Increase to maintain existing level of service .....	\$136

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

**ANALYSIS**

Chapter 1786, 1963 Regular Session, which created the Department of General Services, also provided that the Director of the Department of General Services, rather than the Director of Finance would serve on and act as Chairman of the Board of Control. The other members of the board are the State Controller and a member appointed by and serving at the pleasure of the Governor. The Department of General Services will provide technical assistance for the board on a nonreimbursable basis, which assistance was formerly furnished by the Department of Finance.

The most significant activity of the Board of Control in terms of workload is the review and approval of claims against the State for which settlement is provided by law but for which no funds are available, or the settlement of which is not otherwise provided for by law. After approval by the board and the Governor the amounts are included in a budget bill appropriation item for legislative claims, and if approved by the Legislature, the claims are paid. Item 288 in the Budget Act of 1963 appropriated \$272,119 for this purpose.

The Board of Control also approves certain tax refunds, makes merit awards, discharges state officers from accountability, makes rules regarding travel allowances, use of state cars, etc., and has authority to hear appeals where differences arise between operating agencies and the Department of General Services as to quality specifications on purchases.

The allocation from the Emergency Fund which increased the amount available for the current year is principally for increased rent to provide larger quarters for the three man staff of the board.

*We recommend approval as budgeted.*

## STATE CONTROLLER

ITEM 134 of the Budget Bill

Budget page 354

FOR SUPPORT OF STATE CONTROLLER  
FROM THE GENERAL FUND

Amount requested .....	\$4,590,136
Estimated to be expended in 1963-64 fiscal year .....	4,498,367
Increase (2.0 percent) .....	\$91,769
Increase to maintain existing level of service .....	\$31,330
Increase to improve level of service .....	21,577
Increase for new service .....	38,862

TOTAL RECOMMENDED REDUCTION .....

\$14,036

## Summary of Recommended Reductions

	Amount	Budget Page	Line
Rent—accounting division .....	\$5,000	356	27
1 District manager—tax-deeded lands division .....	9,036	361	66

## ANALYSIS

The State Controller is an elected constitutional official who is the accounting and disbursing officer of the State. The Controller also administers the inheritance and gift taxes and collects the motor vehicle fuel, the motor vehicle transportation (truck), and the insurance premium taxes. The local government fiscal affairs division of this office administers the laws relating to county budgets, city and district financial transactions, the report on street and road expenditures under the Collier-Burns Highway Act, and the audit provisions of the new Collier-Unruh Local Transportation Development Act. The tax-deeded lands division advises local governments on property tax delinquencies and administers tax-deeded lands.

The Controller's 1964-65 proposed budget is \$123,389 higher than the revised budget for the current fiscal year. Table 1 shows that the accounting, disbursement, and local government fiscal affairs division account for the major part of this increase.

Table 1  
Comparison of Total Expenditures 1963-64 and 1964-65  
by Division and Fund

Division	Total expenditures		Increase or (—) decrease		
	Revised 1963-64	Proposed 1964-65	Total	General fund	Other funds
Administration .....	\$339,200	\$348,294	\$9,094	\$8,266	\$828
Accounting .....	533,130	556,389	23,259	23,206	53
Audits .....	616,392	614,711	—1,681	—1,839	158
Disbursement .....	1,771,131	1,782,681	11,550	11,550	—
Inheritance and Gift Tax .....	1,042,698	1,045,082	2,384	2,384	—
Local Government Fiscal Affairs .....	378,386	444,546	66,160	43,100	23,060
Tax Collection and Refund .....	670,299	678,004	7,705	184	7,521
Tax-deeded Lands .....	189,465	194,383	4,918	4,918	—
Total .....	\$5,540,701	\$5,664,090	\$123,389	\$91,769	\$31,620

Table 2 allocates these budget increases by purpose, i.e., to maintain the existing level of services, to provide an improved level of services, or to provide new services.

## State Controller—Continued

**Table 2**  
**Allocation of the Increases in the Controller 1964-65 Budget**

<i>By Division</i>	<i>Budget increase to finance</i>			<i>Total</i>
	<i>Existing level</i>	<i>Improved level</i>	<i>New service</i>	
Administration -----	\$9,094	--	--	\$9,094
Accounting -----	5,997	\$5,940	\$11,322	23,259
Audits -----	1,681	--	--	1,681
Disbursement -----	11,550	--	--	11,550
Inheritance and Gift Tax -----	2,384	--	--	2,384
Local Government Fiscal Affairs -----	4,841	10,719	50,600	66,160
Tax Collection and Refund -----	7,705	--	--	7,705
Tax-deeded Lands -----	--	4,918	--	4,918
<b>Total -----</b>	<b>\$39,890</b>	<b>\$21,577</b>	<b>\$61,922</b>	<b>\$123,389</b>
<i>By Fund</i>				
General -----	\$31,330	\$21,577	\$38,862	\$91,769
Motor Vehicle Fuel -----	6,091	--	23,060	29,151
Motor Vehicle Transportation -----	2,215	--	--	2,215
School Building Aid -----	254	--	--	254
<b>Total -----</b>	<b>\$39,890</b>	<b>\$21,577</b>	<b>\$61,922</b>	<b>\$123,389</b>

**Administration Division**

This division provides general housekeeping and staff service for the entire agency. During the current fiscal year the Controller augmented his personal clerical staff by transferring an intermediate stenographer position from the tax collection and refund division to this division. The proposed budget requests that this transfer be made permanent.

*We recommend approval of the amount requested.*

**Accounting Division**

The 1963 Legislature approved two new positions for one year only to conduct a compliance program regarding abandoned and escheated property. These positions were not filled because of pending litigation regarding the application of the Unclaimed Property Act. The Controller is now requesting that these two positions be reestablished but with the understanding that they will not be filled until and unless the litigation is resolved in the State's favor. We concur with this request.

The Controller is also requesting a \$5,940 increase in rent so that additional space can be provided in the Veterans' Affairs building for two bureaus of this division. The additional space is justified, but the amount budgeted is excessive since latest available information is that the space will not be available until May or June 1965.

*We recommend a \$5,000 reduction in the amount budgeted for rent, budget page 356, line 27.*

**Disbursement Division**

During the current fiscal year, the Controller purchased (on a six-year payment contract) \$475,000 in new computer equipment to install an IBM 7074 EDP system. This expenditure will be financed internally by eliminating 11 authorized positions and by obtaining substantial

**State Controller—Continued**

their existing accounting systems. In order to prescribe a uniform accounting and reporting system that can be applied to these districts, the Controller's office will have to obtain a considerable amount of information on how these districts presently operate. To perform this task, the Controller is requesting two auditor positions as field personnel plus one supporting clerical position.

Working with the Controller on this task will be a seven-member advisory committee, the members of which represent various types of local governments.

*We recommend approval of 2 new governmental auditor II positions \$14,160, and 1 intermediate stenographer \$4,452, budget page 360, lines 10 and 11.*

**City Financial Transactions**

During the last few years the State has obtained significant improvements in the quality and uniformity of reports on city financial transactions. These improvements have been obtained voluntarily through the cooperative efforts of state, local and interested private officials.

These reports presently are compiled almost exclusively on the basis of written information submitted to Sacramento. Practically no field review is made of these reports. As the result of turnover of local governmental personnel who compile these reports, and other factors, doubts still exist concerning their accuracy and uniformity. To correct these conditions and obtain reports which are reliable, the Controller proposes to add one auditor position who would spend most of his time in the field advising the cities of the proper methods of compiling these reports.

*We recommend approval of 1 new governmental auditor II position for city financial transactions \$7,080, budget page 360, line 10.*

**Tax Collection and Refund Division**

This division is requesting one man-year of additional temporary help to process the heavy volume of gasoline tax refund claims during the period July to October 1964. These claims will be more complicated than normal because they will include purchases at both the old 6¢ and new 7¢ per gallon tax rates.

*We recommend approval of the amount requested.*

**Tax-deeded Lands Division**

One of the six district manager positions (salary range \$619-\$753) in this division currently is vacant. Each of the remaining managers is in charge of a field office. The Controller does not propose to add any new field offices. However, he is proposing that the vacant manager position be downgraded to the senior clerk level (\$399-\$486) and that it be used to provide field clerical assistance to the district managers in Oakland, Fresno, and Sacramento. The position also would be used as a training ground to fill future vacancies among the manager positions.

*We recommend that the vacant district manager position be abolished \$9,036, budget page 361, line 66.*

## State Controller—Continued

In our last three analyses we have criticized the operations of this division's field offices, contending many of their functions are not needed, and that there is insufficient workload for the existing staff. The proposed reclassification is an enrichment of services which we do not feel is justified.

## STATE CONTROLLER

## ITEM 135 of the Budget Bill

Budget page 354

FOR SUPPORT OF STATE CONTROLLER FROM THE  
MOTOR VEHICLE TRANSPORTATION TAX FUND

Amount requested .....	\$150,886
Estimated to be expended in 1963-64 fiscal year .....	148,671
Increase (1.5 percent) .....	\$2,215
Increase to maintain existing level of service.....	\$2,215

TOTAL RECOMMENDED REDUCTION..... None

This appropriation is for the cost of collecting the Motor Vehicle Transportation (truck) Tax, the details of which are included under Item 134.

*We recommend approval.*

## STATE CONTROLLER

## ITEM 136 of the Budget Bill

Budget page 354

FOR SUPPORT OF STATE CONTROLLER  
FROM THE MOTOR VEHICLE FUEL FUND

Amount requested .....	\$761,224
Estimated to be expended in 1963-64 fiscal year .....	732,073
Increase (4.0 percent) .....	\$29,151
Increase to maintain existing level of service.....	\$6,091
Increase for new service.....	23,060
Total increase .....	\$29,151

TOTAL RECOMMENDED REDUCTION..... None

The \$23,060 increase in new services is for the support of additional auditor positions required by the Collier-Unruh Act of 1963. Expenditures from this fund are discussed in more detail under Item 134.

*We recommend approval.*

STATE CONTROLLER

ITEM 137 of the Budget Bill

Budget page 354

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

Amount requested	\$161,844
Estimated to be expended in 1963-64 fiscal year	161,590
Increase (0.2 percent)	\$254
Increase to maintain existing level of service	\$254

TOTAL RECOMMENDED REDUCTION None

This appropriation covers the auditing and accounting of the expenditures of school districts for property financed by state loans under the State School Building Aid Program. Operations of these activities are included under Item 134.

*We recommend approval.*

BOARD OF EQUALIZATION

ITEM 138 of the Budget Bill

Budget page 363

FOR SUPPORT OF BOARD OF EQUALIZATION  
FROM THE GENERAL FUND

Amount requested	\$15,973,924
Estimated to be expended in 1963-64 fiscal year	15,659,369
Increase (2.0 percent)	\$314,555

Summary of Increases

Increase to maintain existing level of service	\$264,947
Increase to improve level of service	41,412
Increase for new service	8,196

TOTAL RECOMMENDED REDUCTION \$264,268

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
30 Vacant positions	\$185,000	368	30
1 Tax regulations communications officer—administration	8,196	364	59
Out-of-state travel—administration	2,300	365	10
6 Tax representatives—business taxes	34,992	366	6
Printing—business taxes	28,500	366	21
1 Junior real property appraiser—valuation division	5,280	367	29

ANALYSIS

The board's proposed budget is \$211,655 higher than the revised estimate for the current fiscal year in terms of total expenditures from all funds. Table 1 shows that 76.6 percent of this increase is to finance the existing level of services, 19.5 percent for an improved level of services, and only 3.9 percent for new services.

The General Fund increase for the same period is \$314,555, or \$102,900 higher than the total increase. This situation occurs because the board plans to devote less emphasis to the administration of the truck

## Board of Equalization—Continued

and gasoline taxes during the budget year, and as a result the Motor Vehicle Transportation Tax Fund and the Motor Vehicle Fuel Fund will contribute \$102,900 less to the support of this agency.

Table 1. Comparison of the State Board of Equalization's  
1963-64 and 1964-65 Budgets, All Funds

By Division	1963-64 Revised	1964-65 Proposed	Increase	To Finance		
				Existing level	Improved level	New services
Administration	\$3,803,629	\$3,868,861	\$65,232	\$57,036	—	\$8,196
Business taxes	12,160,986	12,336,297	175,311	140,319	\$34,992	—
Property taxes	1,671,250	1,693,766	22,516	16,096	6,420	—
Contract mapping	41,404	—10,000	—51,404	—51,404	—	—
Total	\$17,677,269	\$17,888,924	\$211,655	\$162,047	\$41,412	\$8,196
Increase—percentages			100.0%	76.6%	19.5%	3.9%
By Fund						
General	\$15,659,369	\$15,973,924	\$314,555	\$264,947	\$41,412	\$8,196
Motor Vehicle Transportation Tax	1,033,400	980,000	—53,400	—53,400	—	—
Motor Vehicle Fuel	984,500	935,000	—49,500	—49,500	—	—
Total	\$17,677,269	\$17,888,924	\$211,655	\$162,047	\$41,412	\$8,196

The budget presentation, on page 363, and also in the recapitulation on page 368, lines 32 and 33, indicates a reduction of 43.8 positions and an increase of 25.1 during 1964-65.

The reduction of 43.8 includes 31.8 positions which are to be dropped because of program changes, which are detailed in Table 2, and 12 positions which are being abolished in order to provide funds for the establishment of a like number of new positions of higher priority, as detailed in Table 3. This latter procedure is in accordance with a recommendation which we have made in the past that, wherever possible, new programs or a shift in emphasis in existing programs should be financed by the elimination of positions of lower priority and the substitution of positions of higher priority so that such changes could be accomplished without any overall increase in staff or proposed expenditures, and that further, where such shifts in emphasis are proposed they should be clearly set forth in the budget presentation in order that they be subject to the normal processes of budgetary review.



Board of Equalization—Continued

Likewise, the proposed increase of 25.1 includes the 12 positions requested on the substitution basis previously indicated and detailed in Table 3 and 13.1 new positions which are detailed in Table 4.

Table 2. Positions to be Permanently Eliminated in 1964-65

	Number	Amount	Budget	
			Page	Line
Administration :				
Women's restroom attendant * -----	1	\$4,788	364	52
Business taxes—office:				
Junior-intermediate account clerk <sup>a</sup> -----	1	2,070	365	78
Automobile use tax				
Tax auditor II * -----	3	25,812	365	81
Tax representative * -----	2	12,400	365	82
Junior-intermediate clerk * -----	10	50,260	365	83
Property taxes—county contract mapping:				
Senior delineator -----	3	23,460	367	74
Delineator -----	8	54,306	367	75
Drafting aid II -----	2	12,126	367	76
Intermediate typist-clerk -----	1	4,452	367	77
Temporary help -----	0.3	1,000	367	78
Overtime -----	0.5	2,500	367	79
Total -----	31.8	\$193,174		

\* Deletions commenced during 1963-64.

<sup>a</sup> Abolished effective January 1, 1965.

As the result of a shift in programs, the board proposes to eliminate the 31.8 positions listed in Table 2. No real savings will result from the elimination of the restroom attendant because the board will have to pay the same amount to the Department of Professional and Vocational Standards to perform this function. The elimination of the account clerk will offset only part of the \$6,410 increase in electronic data processing equipment rental (budget page 365, line 13) when the board converts to an IBM 1410 system around November 1964. The enactment of Chapter 1858, Statutes of 1963, which shifted most of the responsibility for collecting the use tax on automobiles to the Department of Motor Vehicles, is responsible for the reduction of 15 positions in the board's auto use tax unit. More detailed comments on this program will be given later in the Analysis. The county contract mapping program, the cost of which is borne by the counties through reimbursements, is expected to be terminated by June 30, 1964 because there is no longer a demand for this service.

## Board of Equalization—Continued

Table 3

Positions to be Abolished in 1964-65 in Order to Provide Funds for  
Establishment of New Positions Without an Increase in Total Staff

	No.	Amount	Budget	
			Page	Line
Positions to be abolished:				
Business Taxes:				
"Tax auditor III" -----	2	\$15,440	365	72
Senior clerk* -----	1	5,832	365	73
Junior-intermediate clerk -----	2	9,490	365	74
Junior-intermediate typist-clerk (H.Q.) -----	5	20,700	365	75
Property Taxes—Valuation:				
Calculating machine operator -----	1	4,140	367	16
Junior-intermediate typist-clerk -----	1	3,756	367	17
Total -----	12	\$59,358		
Substitute positions to be established:				
Administration:				
Junior counsel* -----	1	\$7,081	364	61
Associate personnel analyst* -----	1	9,034	364	63
Business Taxes:				
Junior-intermediate typist-clerk (districts) ---	5	20,700	366	7
Property Taxes:				
Intercounty equalization:				
Junior property appraiser* -----	1	5,544	367	23
Assessment standards:				
Assistant administrative analyst* -----	1	7,350	367	25
Junior property appraiser* -----	1	5,544	367	26
Valuation:				
Utility valuation analyst -----	1	9,036	367	28
Junior real property appraiser -----	1	5,280	367	29
Total -----	12	\$69,569		
Net increase -----	0	\$10,211		

\* Change also took place during 1963-64 year.

While the proposed shifts indicated in Table 3 will involve reclassifications in most instances, and will result in a net increase in salaries of \$10,211 during the budget year, we believe, that with one exception, they are justified on the basis of workload increases and shifts in emphasis among activities. *Accordingly we recommend approval of all of the changes indicated in Table 3, with the exception of the last item, the junior real property appraiser \$5,280, budget page 367, line 29, which is commented upon later in this analysis under Property Taxes.*

Table 4 identifies the 13.1 proposed new positions for 1964-65 which are in no way related to position changes detailed in Tables 2 and 3. The positions in Table 4 which we question are commented upon later under the headings of the divisions to which they are related.

*The positions which are justified on a workload basis, and which we approve, are: the key punch operator \$4,140, the account clerk \$3,576, overtime \$13,526, and intermittent help \$2,000.*

Board of Equalization—Continued

Table 4  
Proposed New Positions, 1964-65

	Number	Amount	Budget	
			Page	Line
Administration:				
Tax regulations communication officer-----	1	\$8,196	364	59
Key punch operator-----	1	4,140	364	65
Junior-intermediate account clerk-----	1	3,576	364	66
Overtime-----	3.5	13,526	364	67
Intermittent help-----	0.6	2,000	364	68
Business taxes:				
Tax representative-----	6	34,992	366	6
Total-----	13.1	\$66,430		

Vacant Positions

There are several indications that the number of vacant positions in the Board of Equalization has been excessive in recent years, in relation to the total authorized staff. Table 5, which is based upon data shown in the printed budgets, shows the relationship between the total authorized positions for the years 1959-60 through 1962-63 and the total filled positions, after eliminating county contract mapping, a wholly reimbursed activity where positions are filled only to the extent needed to fulfill existing contracts and no meaningful relationship exists between authorized and filled positions as shown in the printed budgets.

Table 5  
Vacant Positions as a Percent of Authorized Positions 1959-60 to 1962-63  
As Shown by Printed Budgets (Exclusive of County Contract Mapping)

	1959-60	1960-61	1961-62	1962-63
(1) Proposed as shown by printed budgets	2467.7	2496.5	2471.9	2405.8
(2) Legislative adjustments-----	+43	—4	—38	0
(3) Total authorized-----	2510.7	2492.5	2433.9	2405.8
(4) Less authorized for contract mapping--	56.4	52.8	52.1	20.8
(5) Authorized, other activities-----	2454.3	2439.7	2381.8	2385
(6) Total filled-----	2284	2289.1	2280.1	2270.8
(7) Less filled for contract mapping-----	27	22.3	10.6	5.8
(8) Filled, other activities-----	2257	2266.8	2269.5	2265
(9) Vacant (line 5 minus line 8)-----	197.3	172.9	112.3	120
(10) Percent vacant (line 9 as a percent of line 5)-----	8.0	7.1	4.7	5.1

The corresponding vacancy percentages for the Franchise Tax Board, which has a staff approximately half the size of the Board of Equalization and is engaged in a somewhat comparable type of activity were 2.6 percent, 3.0 percent, 0.4 percent and 1.1 percent respectively for the same years.

For the year 1962-63, total savings of \$580,174 as shown on budget page 368, line 63 included \$559,132 in savings in salaries and wages according to Schedule 10 submitted with the budget justification

## Board of Equalization—Continued

papers. This is in addition to \$596,000 in salary savings budgeted or a total in salary savings actually realized of \$1,155,132 which represents the sum of the two. This amounts to 6.6 percent of \$17,448,373, the total gross salary funds for the year, calculated as follows:

Salaries and wages, item 123, Budget Act of 1962-----	\$15,783,156
Add—budgeted salary savings -----	596,000
Add—salary increase funds, per Schedule 10 -----	1,069,217
<b>Total -----</b>	<b>\$17,448,373</b>

Having in mind the desirability of a continuing review of vacant positions in the light of current information the Legislature has included in each Budget Bill, starting with the Budget Act of 1951, a provision to the effect that no money could be used to pay the salary of any position during the budget year which had been continuously vacant for the nine-month period immediately preceding the start of that year except with the specific approval of the Director of Finance given after the start of the budget year. The Director of Finance in turn has been required to report all such positions to the Joint Legislative Budget Committee with an indication of the action he has taken on each. (The current provision is in Section 20, Budget Act of 1963).

As part of the regular budgetary process the Controller prepares from his payroll records a tab listing as of the end of each fiscal year of all authorized positions in each agency, identified by organizational unit, class, and individual serial number. Vacant positions are identified as such although the date vacated is not shown, while filled positions are identified by the name and employee number of the incumbent. This list is reviewed by the agency and as to all vacant positions, the date vacated is inserted by the agency. The agency then forwards the list to the Department of Finance together with a certification identifying those positions which have been continuously vacant during the preceding nine months, with an explanation of the reason therefor, and a request for either their continuance or deletion.

These documents, in turn, are the basis on which the Department of Finance takes the actions required under the budget act (Section 20) procedure previously outlined.

On July 30, 1963, the Board of Equalization certified to the Department of Finance that there were only two positions in the agency coming within the purview of Section 20, and requested their continuance, which was granted.

Because of the extremely low number of such vacancies in relation to total vacancies of 120 during 1962-63, as shown in Table 5, and because, on a previous occasion, as pointed out on page 321 of our 1961-62 analysis, we had evidence that in 26 instances transfers between positions had been made to circumvent the intent of the comparable control section, we made a detailed comparison of the tab listings prepared as of June 30, 1962 and June 30, 1963.

Board of Equalization—Continued

This comparison disclosed 11 positions as to which all of the following conditions applied:

1. They were vacant at June 30, 1962.
2. They were filled at June 30, 1963 by an individual in the same class in the identical section of the reporting unit who had previously filled another position in the same class and unit on June 30, 1962.
3. Vacancies existed in the same units on both dates.
4. No reason for the transfer appeared on the supporting documents, which indicated only a serial number change.

From this it appears that had it not been for these purely paper-type transfers the positions shown in Table 6 would have been reported as continuously vacant during the entire fiscal year 1962-63 on the tab listing submitted by the agency to the Department of Finance.

Table 6  
Vacant Positions Entire Year 1962-63

Class	Location	Position number	Date vacated	Minimum salary
Administration:				
Senior stenographer	Sacramento	301-1257-005	6-30-62	\$4,788
Business Taxes:				
Intermediate clerk	Fresno	43-1115-700	3-14-62	4,140
Tax auditor II	San Jose	73-4283-027	6-5-62	7,080
Tax representative	Marysville	123-8629-007	2-28-62	5,832
Tax auditor III	Pasadena	213-4281-016	2-14-62	8,604
Senior stenographer	Pasadena	263-1257-001	4-25-62	4,788
Tax representative	Downey	283-8629-012	6-4-62	5,832
Intermediate account clerk	Headquarters	343-1733-718	5-1-62	4,140
Out-of-state auditor II	Chicago	403-4292-017	4-30-62	7,080
Out-of-state auditor II	Chicago	403-4292-018	4-30-62	7,080
Property Taxes:				
Associate real property appraiser	Sacramento	322-5011-003	3-31-62	8,196
Total				\$67,560

We believe it is entirely possible that a detailed examination of all personnel transactions would disclose a number of additional positions where the circumstances are substantially similar to those pointed out in the foregoing discussion and that in reality perhaps as many as one-fourth or one-third of the total vacancies of 120 in 1962-63, or a minimum of 30 to 40 positions might be disclosed as falling within the intent of Section 20 were such a detailed examination to be made.

*We recommend a reduction of \$185,000, budget page 368, line 30, in total salaries and wages, representing 30 existing positions to be selected by the agency with approval of the Department of Finance.*

We believe the facts cited in the preceding paragraphs constitute sufficient evidence to indicate a substantial overbudgeting for salaries in this agency and that the recommended reduction would in no way hamper the agency in carrying out its responsibilities and would place the proposed 1964-65 Budget on a more realistic basis as far as salaries and wages are concerned.

## Board of Equalization—Continued

## Administration

The board proposes to establish a new position of tax regulations communication officer, budget page 364, line 59, \$8,196, who would:

1. Prepare articles for trade association newspapers and magazines on common misunderstandings concerning the application of laws administered by the board,

2. Edit the releases on matters of current interest which are mailed to the taxpayers with their quarterly returns, concerning such items as changes in the law or regulations,

3. Edit the board's annual report and periodic news releases, and

4. Help draft pamphlets and materials which would explain the activities and laws administered by the board.

*We recommend the new tax regulations communication officer position not be allowed, \$8,196, budget page 364, line 59.*

The board has not demonstrated satisfactorily that its existing staff is incapable of performing the above duties. On the contrary, the releases on matters of current interest and the annual report, which are prepared by the existing staff, indicate that the board definitely has personnel with writing talents who could, if given the opportunity, perform the above duties. The fact that the last trade association article was published in 1955 shows that the board has not placed a high priority on this activity rather than that it did not have the staff to write the material. The same holds true for the lack of pamphlets and other materials on the board's activities.

## Out-of-State Travel

The proposed budget contains \$10,500, budget page 365, line 10, to finance 36 attendances at 19 out-of-state conventions. Table 7 lists these conventions and our recommended reductions.

Our main criticism of the out-of-state travel budget relates to the number of persons attending various conventions. For example, the board has not shown why it is necessary for six persons to attend the Electronic Business Systems conference, or why one board member, the executive secretary, the two assistant executive secretaries, and a division chief should attend the National Association of Tax Administrator's convention.

The American Bar Association convention is in a different category. The board has a representative at this convention primarily to observe the activities of the tax section which is studying how interstate corporations should be taxed by the various states. This problem has been a controversial subject for years, and has been under intensive study since 1959 by the Willis Subcommittee of the United States House of Representatives. If any legislative recommendations on this subject develop, they will originate with this Congressional subcommittee, and then become the concern of all interested parties such as the National Tax Association and especially the National Association of Tax Administrators. The board is a member of both of these organizations, and its dues to the latter amounts to \$6,700 during 1964-65.

## Board of Equalization—Continued

Table 7. Out-of-State Travel, 1964-65

Convention	Number attending	Cost	Our recommended reductions	
			Number	Cost
1. National Association of Tax Administrators -----	5	\$2,000	—1	—\$400
2. NATA—executive committee ----	1	300	—	—
3. National Tobacco Tax Conference -----	2	600	—1	—300
4. National Tax Association -----	4	1,400	—	—
5. NTA—executive committee -----	2	600	—	—
6. Western States Association of Tax Administrators, Public Utilities Valuation -----	1	400	—	—
7. WSATA—timber assessment -----	1	400	—	—
8. Federation of Tax Administrators—trustees -----	1	300	—	—
9. North America Gas Tax Conference -----	1	300	—	—
10. NAGTC—uniformity committee --	1	250	—	—
11. Gasoline Tax Conference -----	3	600	—1	—200
12. Gasoline Tax Conference—uniformity committee -----	1	200	—	—
13. American Bar Association -----	1	300	—1	—300
14. Oregon Assessors Conference -----	1	150	—	—
15. Tax Institute of America -----	2	600	—1	—300
16. Advisory Committee for Bureau of Census -----	1	300	—	—
17. Electronic Business Systems Conference -----	6	1,200	—4	—800
18. Data Processing Management Association -----	1	300	—	—
19. International Association of Assessors Officers -----	1	300	—	—
TOTAL -----	36	\$10,500	—9	—\$2,300

It is our belief that the board can follow the activities of the House subcommittee by obtaining information from these national tax organizations. The deputy director (\$19,971) of the Department of Finance who is permanently stationed in Washington, D.C. also should be a source of information.

We recommend a \$2,300 reduction in the amount budgeted for out-of-state travel, budget page 365, line 10.

**Business Taxes****New Compliance Positions**

The budget proposes, page 366, line 9, a total of 11 additional field compliance positions (6 tax representatives and 5 clerical) to handle the 1.8 percent growth in sales and other business tax accounts. Five of the clerical positions were obtained during 1963-64 by releasing similar positions in the headquarters office and transferring them to the field. This shift corresponds with the decentralization of compliance activities which has occurred during the last two years. The budget proposes six new tax representative positions for 1964-65. In addition it is stated that four additional positions are to be obtained through "emphasis on recruiting compliance classes" although these positions are not identified in any way in the budget presentation.

**Board of Equalization—Continued**

The board's justification for these new positions is based upon the assumption that their existing staff is incapable of absorbing additional workload without reducing compliance activity below a minimum standard. Their budget request also implies that there is no way to handle this increased workload except by asking for additional positions. We cannot accept the validity of either assumption.

During the summer of 1963, the board made a preliminary report on the criteria for compliance staffing which attempted to relate personnel needs to recordable transactions (i.e., registrations, close outs, collections, and return activity) rather than to the number of permits. This approach is a step in the right direction. However, this report did not study the basic issues which are:

1. What is an acceptable minimum compliance staffing pattern?
2. Which functions currently performed by the staff can be improved and what would be the resulting personnel savings?
3. What is the magnitude, if any, of the staff surpluses and deficits among the 62 board field offices?
4. Can the staffing problem be resolved internally instead of asking for additional personnel?

Until the board has answers to the above questions, we do not believe additional positions should be approved.

*We recommend that the six new tax representative positions not be allowed, \$34,992, budget page 366, line 6.*

**Printing**

The printing schedule includes \$25,000 for 312,500 end tab folders, and \$1,000 for guide and out cards, both of which would be used only if the board converts its headquarters central file unit to open shelf filing. However, the final decision has not been made on whether this conversion is economically feasible. Even more important, the proposed budget does not contain any allowance for the new open shelf equipment or the personnel costs which would be required for conversion. Since the open shelf equipment will not be available during 1964-65, the related printing items referred to above will not be necessary.

*We recommend a \$26,000 reduction in the amount budgeted for business tax headquarters printing, budget page 366, line 21.*

The printing schedule of the Fresno district also includes \$2,500 for the purchase of folders which would be used only if their files are converted to the open shelf system. These folders also are unnecessary because the proposed budget does not contain any equipment allowance for new shelves.

*We recommend a \$2,500 reduction in the printing budget of the Fresno district, budget page 366, line 21.*

**New Automobile Use Tax Program**

Prior to the enactment of Assembly Bill 1252 (Chapter 1858, Statutes of 1963), the board collected a retail use tax on automobiles purchased



**Board of Equalization—Continued**

outside of California, but for use in this State. Revenues from this program amounted to about \$2,900,000 during 1962-63, from 26,400 taxpayers. To administer this program the board had a staff of 25 positions and an annual budget of about \$185,000.

Chapter 1858, which became operative October 1, 1963, made two significant changes in this program:

1. For the first time the retail use tax applies to domestic occasional (nondealer) sales of automobiles, e.g., a transaction between two private persons. However, the law allows the first occasional sale by a seller during a 12-month period to be tax exempt.

2. Most of the responsibility for administering both the out-of-state and the new domestic use tax on automobiles was transferred to the Department of Motor Vehicles. The Board of Equalization will reimburse the department for its expenses in connection with these programs which are estimated at \$429,779 in 1963-64 and \$488,518 in 1964-65 as shown on budget page 366, line 28.

Since most of the board's automobile use tax workload was shifted to the department, the board eliminated 15 positions effective December 1, 1963 for a savings of \$57,000 in the current year and \$102,750 in the budget year. Therefore, the net increase in the cost of this new program is the difference between the department's expenses and the board's savings, or \$372,779 in 1963-64, and \$385,768 in 1964-65.

In 1963, the Department of Finance estimated that the enactment of Assembly Bill 1252 would produce \$1,875,000 in additional revenue during 1963-64 and \$2,500,000 in 1964-65.

**Sales Tax Audit Productivity**

Table 8 shows that the sales tax field audit program costs amounted to \$9,098,360 during 1962-63, and the resulting net revenues amounted to \$15,005,734, or a ratio of \$1.65 for each dollar of cost. However, the Fresno and San Diego districts operated at a deficit during this year, and two other districts, Sacramento and Santa Rosa, were only slightly profitable.

Table 9 shows that the productivity of this program has declined during the last few years. This trend probably will accelerate in the future as a result of the 10 percent salary increase granted auditors effective January 1, 1964, which will increase costs without affecting the amount of net revenue collected.

In the past, the board has justified new positions on the basis that they would produce significant amounts of additional net revenue. This argument also works in reverse. The probability that this program will be less productive in the future raises questions concerning the justification of the size and geographic deployment of the existing staff.

It is also significant to note that the net revenues of \$15,005,734 resulting from this program in 1962-63 are \$804,334, or 5.1 percent less than the \$15,810,068 realized in 1961-62.

## Board of Equalization—Continued

Table 8-  
Sales Tax Field Audit Revenue and Cost by District, 1962-63

<i>District</i>	<i>Net revenue</i>	<i>Audit costs</i>	<i>Revenue per \$1 of costs</i>
Los Angeles -----	\$6,569,094	\$3,615,534	\$1.82
San Bernardino -----	1,053,552	594,688	1.77
Marysville -----	419,103	245,220	1.71
San Francisco -----	1,423,555	1,022,279	1.39
San Jose -----	556,942	440,458	1.26
Oakland -----	782,007	639,480	1.22
Santa Rosa -----	378,704	326,667	1.16
Sacramento -----	546,802	474,603	1.15
San Diego -----	434,643	456,359	.95
Fresno -----	385,435	406,597	.95
Total California -----	\$12,549,837	\$8,221,885	\$1.53
Out-of-state -----	2,455,897	876,475	2.80
Total all locations -----	\$15,005,734	\$9,098,360	\$1.65

Table 9  
Net Revenue per Dollar of Cost From  
The Sales Tax Field Audit Program

<i>District</i>	<i>1959-60</i>	<i>1960-61</i>	<i>1961-62</i>	<i>1962-63</i>
Los Angeles -----	\$1.97	\$1.81	\$1.90	\$1.82
San Bernardino -----	1.71	1.52	1.40	1.77
Marysville -----	1.57	1.53	1.34	1.71
San Francisco -----	1.52	1.33	1.30	1.39
San Jose -----	.99	1.99	1.35	1.26
Oakland -----	1.39	1.15	1.80	1.22
Santa Rosa -----	1.69	1.17	1.19	1.16
Sacramento -----	1.37	1.15	1.49	1.15
San Diego -----	2.19	2.16	1.03	.95
Fresno -----	1.19	1.21	1.08	.95
Total in-state -----	\$1.68	\$1.61	\$1.60	\$1.53
Out-of-state -----	3.20	4.47	3.48	2.80
Total -----	\$1.78	\$1.80	\$1.78	\$1.65

## Property Taxes

The valuation division proposes to delete two existing clerical positions and establish two new technical positions for its analyst section. The new positions would be one utility valuation analyst (\$9,036) and one junior real property appraiser (\$5,280).

The analyst section reviews the financial statements of all the private utilities, and computes the appropriate capitalization rates for each class of property. Workload has increased as the result of changes in state and federal income tax laws and the regulations affecting depreciation allowances. The existing staff of this section consists of:

- 2 Utility valuation analysts
- 1 Assistant appraiser
- 1 Junior appraiser

Total 4

**Equalization****Items 139-140****Board of Equalization—Continued**

The new positions would constitute a 50 percent increase in the staff of this section, which is far in excess of the increase in workload. The new analyst position seems to have a stronger justification than the other, therefore we recommend its approval.

*We recommend that the new junior real property appraiser position be denied, \$5,280, budget page 367, line 29.*

**BOARD OF EQUALIZATION****ITEM 139 of the Budget Bill****Budget page 363****FOR ADDITIONAL SUPPORT OF BOARD OF EQUALIZATION  
FROM THE MOTOR VEHICLE TRANSPORTATION TAX FUND**

Amount requested	\$980,000
Estimated to be expended in 1963-64 fiscal year	1,033,400
Decrease (5.2 percent)	\$53,400

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

The State Board of Equalization assesses and the State Controller collects the 1.5 percent gross receipts Motor Vehicle Transportation License Tax on for-hire truck operators. This appropriation is to cover the board's costs of administering this tax, the details of which are included under Item 138.

*We recommend approval as budgeted.*

**BOARD OF EQUALIZATION****ITEM 140 of the Budget Bill****Budget page 363****FOR ADDITIONAL SUPPORT OF BOARD OF EQUALIZATION  
FROM THE MOTOR VEHICLE FUND**

Amount requested	\$935,000
Estimated to be expended in 1963-64 fiscal year	984,000
Decrease (5 percent)	\$49,500

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

The State Board of Equalization assesses and the State Controller collects the Motor Vehicle Fuel (gasoline) Tax. The board assesses and collects the Use Fuel (diesel) Tax. This appropriation is to cover the board's costs of administering these two taxes, the details of which are included under Item 138.

*We recommend approval as budgeted.*

## DEPARTMENT OF FINANCE

ITEM 141 of the Budget Bill

Budget page 370

FOR SUPPORT OF DEPARTMENT OF FINANCE  
FROM THE GENERAL FUND

Amount requested .....	\$3,439,360
Estimated to be expended in 1963-64 fiscal year (as adjusted) .....	2,731,173
Increase (25.9 percent) .....	\$708,187
Increase to maintain existing level of service .....	\$156,842
Increase to improve level of service .....	183,002
Increase for new service .....	368,343

TOTAL RECOMMENDED REDUCTION .....	\$194,752
RECOMMENDED FOR SPECIAL REVIEW .....	\$329,000

## Summary of Recommended Reductions

	Amount	Page	Line
Executive Office:			
1 deputy director and 1 related secretary .....	\$27,128	370	76
Audits Division:			
6 state financial examiners .....	47,052	371	40
Office of Planning:			
7 new positions .....	39,229	374	54
Office of Housing:			
Eliminate entire function .....	81,343	375	75
Recommended for Special Review:			
Office of California Development .....	329,000	374	6

## ANALYSIS

During 1962-63 the support activities of the Department of Finance included a staff of 1,981.5, budget page 382, line 56, and a gross expenditure program (before reimbursements) of \$19.1 million, and the department was also responsible for activities of the Service Revolving Fund with a staff of 946.9 and income available for expenditure of \$18.2 million. Thus the department had a total staff of 2,928.4 and total expenditure programs of \$37.3 million. For the budget year the staff proposed is 311.6 involving an expenditure program of \$4.5 million.

This decrease resulted from two pieces of legislation, Chapter 1786, Statutes of 1963, which transferred service functions, including Service Revolving Fund activities, to the new Department of General Services, and Chapter 1714, Statutes of 1963, which transferred responsibility for general fiscal supervision of local fairs to the Department of Agriculture. Neither of these acts became effective until October 1, 1963, with the result that the expenditures for the Department of Finance of \$5,680,805 for 1963-64 as shown on budget page 370, line 13, include expenditures from July 1 to September 30, 1963, for those activities subsequently transferred. It appears to us that these expenditures are as follows by funds:

Fund	Amount
General .....	\$1,646,870
Fair and Exposition .....	47,415
State School Building Aid .....	205,964
Total .....	\$1,900,249

## Department of Finance—Continued

For purposes of comparison we have eliminated \$1,646,870 from the 1963-64 expenditures shown in our introductory summary.

Likewise, since this budget includes activities of the San Francisco World Trade Center Authority for 1964-65 in the proposed Office of California Development, on the assumption that legislation will be enacted at the current session authorizing such inclusion, the General Fund expenditures for that activity during 1963-64, of \$60,238, have been added in the introductory summary. These expenditures are for the World Trade Development Program including \$10,000 for the California exhibit at the United States World Trade Fair, and contractual services for overseas commercial attachés.

The proposed General Fund expenditures of \$3,439,360 represent an increase over the estimated expenditures of \$2,731,173 for the comparable activities for 1963-64 of \$708,187 or 25.9 percent.

The General Fund increase attributable to new services includes \$81,343, budget page 375, line 75, for a proposed new Office of Housing, \$200,000 for tourism in the proposed new Office of California Development, budget page 373, and the assumption of \$83,371 for support of the California World Trade Center Program formerly financed out of transfers from the San Francisco Harbor Improvement Fund. The last two are the result of legislation to be proposed at the 1964 session.

The authorized positions of 267.5 for 1963-64, budget page 382, line 56, are all positions previously approved for the old Department of Finance in Item 132, Budget Act of 1963, while the corresponding authorized positions of 273.6 for 1964-65 include the same positions plus 6.1 formerly in the San Francisco World Trade Center Program.

## Executive

Included in the positions approved in the executive office of the old Department of Finance under Item 132 of the Budget Act of 1963 were 14 positions in the director's office consisting of the director, 3 deputy directors, 3 assistant directors and 7 related secretarial positions. Of these, 2 assistant directors and 2 related secretarial positions were transferred to the Department of General Services effective October 1, 1963, leaving 10 positions in the director's office as presently constituted, the director, 3 deputy directors, 1 assistant director and 5 secretarial positions.

*We recommend a reduction of \$27,128 in salaries for authorized positions, budget page 370, line 76, representing \$20,768 for one deputy director and \$6,359 for one related secretarial position, as detailed in the Salary Supplement, page 285, lines 6 and 11.*

Our reason for this recommendation is that the position was formerly assigned to management of the General Service functions transferred to the Department of General Services on October 1, 1963, and in view of the greatly reduced staff and expenditure programs for which the Department of Finance, as presently constituted is responsible, the position is not needed for other purposes. We believe that its continuance at the budgeted level would constitute an increase in the level of service not justified at the present time.

## Department of Finance—Continued

The remaining top management staff in the director's office appears adequate to assist the director in proper discharge of his existing responsibilities. One deputy director is located in Washington, D.C., to maintain liaison with the federal government, and the second currently supervises the activities of the Office of Planning and the Economic Development Agency and would presumably exercise supervision over the latter's proposed successor agency, the Office of California Development, and the proposed new Office of Housing with a staff of four, while the assistant director, now as before, supervises the Budgets Division and the Audits Division.

## Audits Division

Six additional auditor positions are requested on the ground that Government Code Section 13294 requires the Department of Finance to "... examine and expert the books of the several state agencies, at least once every two years ..." and that the time required to make these audits has increased as the size and complexity of state government has increased.

*We recommend deletion of six state financial examiner positions, \$47,052, budget page 371, line 40.*

The language quoted is based on former Political Code Section 658, added by Chapter 251, Statutes of 1927, the act which created the Department of Finance.

The original act required that the examinations be made "at least once in each year" but this was changed to "at least once every two years" by Chapter 662, Statutes of 1955, the same year in which legislation creating the Joint Legislative Audit Committee and the Office of Auditor General was enacted (Chapter 1699, Statutes of 1955).

In 1963-64, 3 additional auditor positions were requested for this staff and in recommending against these positions, a recommendation accepted by the Legislature, we pointed out, on page 347, of our analysis:

"In our 1961-62 analysis, page 344, we stated that in our opinion the total audit effort of the State was not being expended in the most effective manner and suggested that a review be made by the Auditor General, taking into consideration the recommendations made by Price Waterhouse and Company, a nationally known firm of certified public accountants in a survey for the Joint Legislative Budget Committee in 1954 on 'Accounting and Auditing for the State of California.'

"Such a review has been completed by the Auditor General and a report issued in December, 1962."

The report contains far reaching recommendations for a redeployment of existing audit staffs, both those of the Department of Finance and the internal audit staffs in certain departments and was critical of certain aspects of the work of the Department of Finance auditors. An example is the comment on page 21 of the report to the effect that they were "generally doing more detailed auditing than is necessary to verify the validity of the financial statements."

On January 30, 1963, a copy of the report was forwarded to the Director of Finance by the Joint Legislative Audit Committee with a

## Department of Finance—Continued

letter of transmittal asking for his comments on the recommendations contained in the report. The reply was not received until January 24, 1964.

We have reviewed the report of the Auditor General and believe his recommendations should be given very serious consideration by the Department of Finance and until such time as better guide lines than exist at present have been developed as to the allocation of the overall audit effort of the State, we are of the opinion that no increase in staff is justified.

The position of Chief of the Audits Division has been vacant since January 19, 1962, despite the fact that a civil service eligible list from which the position could have been filled was established on December 12, 1962. In the interim the assistant chief has been acting as chief of the division, without a comparable increase in salary, and without the help of an assistant chief. We believe that such a situation is not conducive of good management and that the position should either be filled or abolished without further delay.

## Budget Division

A summary of the number of positions on the staff of the budget division for 1963-64 and 1964-65 is as follows:

Section	1963-64	1964-65 Proposed new	Total
Chief of division -----	1	—	1
Budget operations -----	63	5	68
Staff services -----	4	1	5
Financial and population research -----	16	5	21
Temporary help and overtime -----	4	—	4
Totals -----	88	11	99

The budget operations section is responsible for technical preparation and administration of the state budget, one of the important aspects of which is periodic evaluation of the actual need for the amounts appropriated in the light of changing conditions between the date of the appropriation and the time the expenditure takes place, which can be as much as 14 months later. It is in this area where the exercise of good judgment can result in significant economies since an appropriation is not necessarily a mandate to expend the total amount appropriated.

We believe that the five additional positions requested for the budget operations section are justified on a workload basis and could well result in significant economies through strengthening of the budgetary control process, *and we recommend approval.*

The additional position requested for staff services, one of the functions of which has to do with administration of exempt pay scales for salaries set by the Director of Finance, is justified on a workload basis *and we recommend approval.*

## Department of Finance—Continued

Of the five positions requested for financial and populations research, one, the assistant research analyst, is justified on a workload basis, to assist in projection of enrollments in public junior colleges *and we recommend its approval.*

The remaining four positions in this section are requested primarily for testing the validity of data developed by the Office of Planning in connection with projections of population and economic trends. While this is an activity which we would be inclined to classify as an increase to improve the level of service rather than one directly related to workload, we believe that it will improve the effectiveness of the planning activity and *recommend approval on that basis.*

## Office of California Development

This request would implement, financially, proposed legislation to combine the former Economic Development Agency and San Francisco World-Trade Center Programs, and to add tourism promotion, under a single office and advisory board.

The cost of these programs and the authorized staff during the current year are as follows:

	Authorized staff	Total expenditures	Budget Page	Line
Economic Development Agency -----	13	\$190,774	376	35
San Francisco World Trade Center Authority :				
World Trade Development Program, including overseas commercial at- taches -----	—	50,238	384	64
California exhibit at United States World Trade Fair -----	—	10,000	384	79
San Francisco World Trade Center Pro- gram -----	6.1	83,371	385	35
Total -----	19.1	\$334,383		

Of the foregoing, \$251,012 is financed by the General Fund, and \$83,371 by a transfer from the San Francisco Harbor Improvement Fund.

Table 1 compares these expenditures by categories for 1963-64 with those proposed for 1964-65 as shown on budget pages 373 and 374. It will be noted that one effect of the proposal is to eliminate any support from the San Francisco Harbor Improvement Fund, with the result that the General Fund will assume this obligation.

As compared with existing functions the proposed budget for the Office of California Development represents a net increase of \$258,711 or 77.4 percent and an increase of \$342,082 or 136.3 percent as far as the General Fund is concerned.



## Department of Finance—Continued

Table I  
Office of California Development  
Proposed Expenditures 1964-65 Compared With Estimated  
Expenditures of 1963-64 Components

<i>Function</i>	<i>Estimated 1963-64</i>	<i>Proposed 1964-65</i>	<i>Increase</i>
Personal services, net -----	\$179,812	\$287,144	\$107,332
Operating expenses:			
General expense -----	8,750	14,100	5,350
Printing -----	11,800	69,500	57,700
Communications -----	11,000	17,400	6,400
Traveling—in-state—board -----	—	8,000	8,000
Traveling—in-state—staff -----	13,250	17,000	3,750
Traveling—out-of-state -----	7,500	17,500	10,000
Rent -----	16,633	16,200	—433
Library -----	800	950	150
Accounting, fiscal legal service -----	2,700	—	—2,700
Contract services -----	15,000	10,000	—5,000
Contract services—attachés -----	39,000	65,000	26,000
Directors' expenses, guests and meals -----	2,500	3,500	1,000
World Trade publicity and promotion -----	10,800	48,800	38,000
World Trade research and development -----	6,000	10,000	4,000
California exhibit at San Francisco			
World Trade Fair -----	10,000	—	—10,000
Total -----	\$155,733	\$297,950	\$142,217
Equipment -----	1,838	10,000	8,162
Reimbursements—sale of publications -----	—3,000	—2,000	1,000
Grand Total -----	\$334,383	\$593,094	\$258,711
Summary by funds:			
General Fund -----	\$251,012	\$593,094	\$342,082
San Francisco Harbor Improvement Fund --	83,371	—	—83,371
Total -----	\$334,383	\$593,094	\$258,711

The General Fund increase appears to us to be attributable to the following:

New services:	
Tourism -----	\$200,000
Assumption by the General Fund of activities formerly financed by the San Francisco Harbor Improvement Fund (calculated at approxi- mately 105 percent of 1963-64 expenditures to allow for growth)	87,000
Increase in level of service -----	42,000
Maintenance of existing level of service (increase of approximately 5 percent in 1963-64 General Fund expenditures to allow for growth)	13,082
Total -----	\$342,082

*We recommend that the amount of \$329,000 for new and improved service in the request for the Office of California Development be given special review by the Legislature.*

The reason for this recommendation is that this matter was given intensive study by the Assembly Ways and Means Committee during the interim and we believe that the final report of that committee and

**Department of Finance—Continued**

its recommendations be made available and given special consideration by the Legislature prior to approval of the budget request.

**Office of Planning**

The first planning agency at the state level since 1948 was established by Chapter 1890, Statutes of 1955, which created the Local Planning Advisory Committee to assist the State Allocation Board in securing reports, information and recommendations relating to local planning in connection with school districts.

Chapter 33, Statutes of 1956, First Extraordinary Session, provided for a Local Planning Advisory Committee to provide guidance to the Department of Finance in the planning function and required the Department of Finance to employ personnel, make space available and make its facilities available to perform the functions related to local, regional or state planning in accordance with the policies and advice of the committee.

The State Office of Planning, as it exists today, was created by Chapter 1641, Statutes of 1959, in effect September 18, 1959.

The most significant responsibility assigned to it was the preparation, maintenance and periodic revision of a comprehensive state development plan.

A federal planning grant was made available to the State to assist in formulating the state development plan during 1962-63, and in May 1963 a progress report was furnished the Legislature.

The progress report states "... the development plan is a process for furnishing executive and legislative decisionmakers at the state level with a reliable, consistent, and comprehensive body of information about statewide and regional development trends, problems, and potentials. This information can then be used by the Governor and the Legislature in identifying and describing the areas of state responsibility in the overall development process, and in framing appropriate policies and programs for state action in these areas."

The second federal grant application reflects the effort to assimilate the basic information for this purpose.

We view as necessary to evaluate the planning program, and this budget request, (1) a definitive statement of goals or guidelines directed in specific terms to such matters as maximum employment, full utilization of natural resources, and economic stability; (2) a projection of current trends in these areas, identifying specific problems which will be faced in attaining the specific goals, and (3) a coordinated work program in the various problem areas which would, in an orderly fashion, result in recommendations of logical alternative methods for resolving the problems previously defined.

Upon review, we believe the initial step of establishing goals has only been stated rather than developed, and in terms more nebulous than specific. The projection of current trends has been undertaken simultaneously with information-gathering studies in other areas, which may not be of priority nor have direct bearing on a given problem.

**Department of Finance—Continued**

The results of these efforts have not been communicated so that local planning efforts may keep abreast of developments.

Finally, as the effort appears to be primarily information gathering, the work program does not reflect coordination of effort. It may, in fact, be designed to make maximum utilization of existing ongoing departmental planning for the purpose of obtaining matching federal grants to further the information gathering activity. We believe that distortion of the departmental planning efforts which are directed to resolving immediate problems is probably unwarranted.

For an adequate evaluation of requests for support of planning activities, a well defined, tangible program which would establish the priority of projects, their interrelationship, and the time schedule, is necessary.

*We recommend deletion of seven new positions, \$39,226, budget page 374, line 54.*

In the absence of data required for evaluation of this program, we cannot recommend further staff additions.

**Program and Policy Office**

This section was created by the transfer of 10 positions from those authorized for the Organization and Cost Control Division, the balance of which went to the Department of General Services. Its function is to evaluate ongoing and proposed state programs and policies. No new positions are requested and the office would seem to serve a significant purpose.

**Office of Housing**

A new program with expenditures of \$81,343 is contemplated in this request for an Office of Housing. We have no information describing the program other than that printed in the budget document, page 375. A similar program, with a \$2,000,000 subvention item related thereto, was introduced during the 1963 session, but failed to pass.

As there is no indication that legislation will be requested to sanction this proposed program, and considering the defeat of the 1963 proposal as a policy determination by the Legislature, *we recommend deletion of \$81,343, budget page 375, line 75, for an Office of Housing.*

**Fiscal Control Activities**

Chapter 1786, Statutes of 1963, which transferred the service activities from the Department of Finance to the Department of General Services also transferred a number of activities of a fiscal control nature. As to these there are significant differences of opinion on the question as to whether they might not better have been left with the Department of Finance. Among the more significant of the activities in question are authority to devise, install and supervise a modern and complete accounting system for each agency handling public money or its equivalent.

*We believe that this area merits further study and so recommend.*

## DEPARTMENT OF FINANCE

ITEM 142 of the Budget Bill

Budget page 370

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

Amount requested .....	\$103,000
Estimated to be expended in 1963-64 fiscal year (as adjusted) .....	92,312
Increase (10.4 percent) .....	\$10,688

TOTAL RECOMMENDED REDUCTION..... None

## ANALYSIS

This appropriation is for the cost of auditing district and county fairs, and, to the extent that any adjustments made in the preceding item affect this activity, Item 142 should be adjusted accordingly.

*Subject to the foregoing we recommend approval as budgeted.*

## Department of Finance

## CALIFORNIA STATE FAIR AND EXPOSITION

ITEM 143 of the Budget Bill

Budget page 386

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

Amount requested .....	\$2,994,131
Estimated to be expended in 1963-64 fiscal year .....	2,976,188
Increase (0.6 percent) .....	\$17,943

Increase to maintain existing level of service..... \$17,943

TOTAL RECOMMENDED REDUCTION..... None

## ANALYSIS

The California State Fair and Exposition is authorized under the provisions of Article 1, Sections 70 through 77, of the Agricultural Code. Funds for operation of the fair are provided from three sources: (1) continuing appropriations in Sections 19622 and 19624 of the Business and Professions Code in the amount of \$250,000 and an additional \$15,000 for the junior show; (2) operating revenues deposited in the State Fair Fund and appropriated by this item; and (3) an augmentation from the General Fund appropriated by Item No. 144.

The fair's total proposed budget from all three sources is \$2,994,131, which represents a \$17,943 or 0.6 percent increase over estimated expenditures for the current year. The General Fund portion of this amount is \$287,510, which is \$43,168 or 17.7 percent higher than estimated General Fund expenditures for the current year.

Although the proposed 1964-65 budget shows only a modest increase over estimated current year expenditures, the estimated expenditures for the current year have been increased over the amount budgeted last year by an emergency authorization of \$534,246 from the State Fair Fund. This authorization covered additional program costs of the 1963 Fall Fair and increased estimated costs of the 1964 Spring Fair, which will be a state undertaking separate from the 52d District Agri-

**California State Fair and Exposition—Continued**

cultural Fair (Sacramento County Fair) with which it was merged for the past three years. Also included in the emergency authorization is the sum of \$81,500 to provide a new horse show which will be held in June 1964, as a separate and, presumably, self-supporting event. A portion of the emergency authorization was recovered from increased Fall Fair revenues last August and September, and it is anticipated that most of the remaining balance will be returned from increased revenues derived from the 1964 Spring Fair. One program which will not be covered by revenue is the high school industrial arts show, and its cost of \$18,600 will be paid by the General Fund.

The revenue projections in the above programs are a reason for serious concern, however, because there is no experience on which to base them. The new "State Spring Fair and Quarter Horse Meet" are budgeted at a combined cost of \$532,938 with estimated revenues of \$514,338. While a slight deficit is anticipated, in view of the unsatisfactory operating experience of the former Spring Fair, it would appear that considerable caution will need to be exercised by the fair management to prevent deficits from arising in this program if revenues have been overestimated. A similar degree of caution should be employed with regard to the proposed new horse show which, as noted above, is budgeted as self-supporting.

**State Fair and Exposition**

In other respects, the fair's budget has been held reasonably close to the present level of expenditures and reflects an effort to keep costs for maintenance of the present fair site at a minimum level consistent with safety and operational necessity. For the first time the budget has been prepared on a program basis, which has simplified the task of review by more clearly showing where money is being spent. The budget also provides considerably more management information than has been available in previous budgets.

The fair is requesting 34.1 new positions, but administrative and workload adjustments have resulted in a net decrease in presently authorized personnel by 2.7 positions. Two programs, the dairy products program and the wine judging show, have been discontinued in the 1964 Fall Fair until such time as they can be presented on a self-supporting basis or redesigned to achieve greater public interest.

*Approval of this item is recommended.*

**Department of Finance****CALIFORNIA STATE FAIR AND EXPOSITION**

ITEM 144 of the Budget Bill

Budget page 392

**FOR AUGMENTATION OF THE STATE FAIR FUND  
FROM THE GENERAL FUND**

Amount requested .....	\$287,510
Estimated to be expended in 1963-64 fiscal year .....	244,342
Increase (17.7 percent) .....	\$43,168

<b>TOTAL RECOMMENDED REDUCTION .....</b>	<b>None</b>
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California State Fair and Exposition—Continued  
ANALYSIS

The 1959 Legislature amended the statutes to provide that deficiency allocations to the State Fair Fund should be made from the General Fund as provided by this item. See general discussion under the preceding item.

*Approval of this item is recommended.*

Department of Finance  
STATE LANDS DIVISION

ITEM 145 of the Budget Bill

Budget page 394

FOR SUPPORT OF STATE LANDS DIVISION  
FROM THE GENERAL FUND

Amount requested .....	\$1,353,245
Estimated to be expended in 1963-64 fiscal year .....	1,484,802
Decrease (8.9 percent) .....	\$131,557
Increase to maintain existing level of service .....	\$21,881
Increase to improve level of service .....	124,996
Increase for new service .....	16,308
Total increase .....	\$163,185
Increase in Reimbursements .....	—294,742
Net decrease .....	\$131,557

TOTAL RECOMMENDED REDUCTION .....

\$161,376

Summary of Recommended Reductions

	Amount	Budget	
		Page	Line
Salaries and wages:			
1 Assistant division chief .....	\$11,520	395	44
1 Senior stenographer .....	4,788	395	45
1 Assistant counsel .....	8,196	395	46
Audits:			
1 Supervising auditor .....	9,480	395	50
2 General auditors III .....	17,208	395	51
1 General auditor II .....	7,080	395	52
Mineral Resources—Long Beach:			
1 Senior mineral resources engineer .....	10,440	395	54
1 Associate mineral resources engineer .....	9,036	395	55
1 Intermediate stenographer-clerk .....	4,344	395	58
Mineral Resources—other locations:			
1 Associate mineral resources engineer .....	9,036	395	55
3 Oil gaugers .....	17,496	395	57
Operating Expenses:			
Attorney General services—U.S. vs. California .....	15,752	395	82
Indexing of state lands .....	20,000	396	3
Renovation of land plats .....	17,000	396	7

ANALYSIS

The State Lands Division, a part of the Department of Finance, provides staff support for the State Lands Commission which is composed of the Controller, Lieutenant Governor, and the Director of Finance. The executive secretary of the commission is also the chief administrative officer of the division. The commission is primarily a policy-making body, charged with administering the sale and lease of public

## State Lands Division—Continued

lands owned by the State, including provisions for the extraction of minerals, oil and gas from such leases. Division 6 of the Public Resources Code generally contains the laws administered by the commission. In addition, Chapter 29, Statutes of 1956, First Extraordinary Session, relating to tide and submerged lands conveyed in trust to the City of Long Beach also assigns duties of some magnitude to the commission.

The decrease of \$131,557 in proposed expenditures for 1964-65 from those estimated for 1963-64 is the result of an inconsistency in the budget presentation with respect to reimbursements for Long Beach administration as between the two years. These reimbursements, which we estimate at \$186,216 for 1963-64 are treated as revenues for that year, whereas the corresponding amount of \$294,742 for 1964-65 is shown as a reimbursement, budget page 396, line 14. The amounts result from the provisions of Chapter 1398, Statutes of 1963 in effect September 20, 1963, to the effect that the State's cost in connection with the administration of the Long Beach trust shall be deducted prior to making disposition of the revenues which in general are divided equally between Long Beach and the State.

If the amounts were to be treated as reimbursements in both years, the expenditure comparison would be as follows:

Amount requested for 1964-65	\$1,353,245
Estimated to be expended in 1963-64	
(reduced by \$186,216)	1,298,586
Increase (4.0 percent)	\$54,659

Under this method of calculation the increase of \$54,659 represents a total increase of \$163,185 less increased reimbursements of \$108,526.

The amount of reimbursement shown for 1964-65 includes that for six of the proposed new positions discussed hereafter under Audits and Mineral Resources—Long Beach, the total direct salary costs of which will amount to \$48,984. It should be noted that a reduction in these positions and related expenses, which would require an offsetting reduction in the reimbursements, would have the net effect of increasing the State's revenue by one-half of the amount of the reduction under the current formula for distribution of the revenue.

Accordingly, if these positions were to be deleted reimbursements would be reduced about \$50,000 as would expenditures and state revenues would be increased \$25,000. For this reason, we feel that economies in the administration of the Long Beach trust by the State should be looked upon favorably.

## Executive

The headquarters of the State Lands Division is located in Los Angeles, due to the proximity of the State's producing oilfields, the petroleum industry and Long Beach. The executive office consists of the executive officer, who is an exempt employee appointed by the commission, an assistant executive officer, a secretary and an administrative assistant I which was added during the 1963-64 year. An assistant division

**State Lands Division—Continued**

chief and senior stenographer are requested to establish an executive staff at Sacramento for liaison with other governmental jurisdictions.

*We recommend disapproval of one assistant division chief, \$11,520, budget page 395, line 44, and one senior stenographer, \$4,788, budget page 395, line 45.*

We cannot support the requested positions as no deficiency in the current arrangement has been demonstrated, nor the future need for such additional high-level staff expressed. We also believe that the executive officer would not delegate to an assistant the functions relating to legislative and commission business. Liaison with other state agencies could be delegated to the new administrative assistant I which could be transferred to Sacramento.

The executive officer may have more time for legislative and commission business in the future as currently demanding activities related to Long Beach and the Colorado River Boundary Commission can be expected to diminish. The significant new activity, United States vs. California litigation, should be adequately handled by the staff added for that purpose, under direction of the Attorney General.

**Legal**

This section is requesting an additional assistant counsel to provide staff to handle its increasing and more complex workload.

*We recommend disapproval of one assistant counsel, \$8,196, budget page 395, line 46.*

The Attorney General is clearly charged with defending or prosecuting actions on behalf of the State and is currently engaged in several such cases on behalf of the State Lands Commission. We recognize that this legal section provides certain assistance to the Attorney General, but it is minor in nature. The remaining workload is relatively routine. It has not been demonstrated that the authorized positions cannot handle the work or that a deficiency does exist.

The first "house" attorney was provided in 1958-59, another in 1960-61, and a third in 1961-62. Presumably the fourth, added in 1963-64 for the United States vs. California litigation, will be fully occupied in that activity. The request for this, the fifth position, is not supported by a showing that there is a deficiency in existing positions currently, or that a deficiency can reasonably be expected in the future.

**Administrative Services**

This unit is requesting a data processing technician I and a related increase in electronic data processing costs to complete the division's system which is intended to (1) perform oil, gas, and mineral royalties accounting, (2) prepare reports to management, statistical reports on operations, and to produce revenue projections, and (3) perform complex mathematical, engineering computations.

*We recommend approval of one data processing technician I, \$5,832, budget page 395, line 48.*



**State Lands Division—Continued**

The workload involved in (1) and (3) above fully support mechanized procedures, and (2), the maintenance and reporting of statistical data for various purposes was recommended by this office in the analysis of the Budget Bill for 1962, and is recognized by the division as essential to good management.

**Administration of The Long Beach Trust**

Chapter 29, Statutes of 1956, First Extraordinary Session, assigns certain duties to the State Lands Commission in connection with the State's interest in the tide and submerged lands conveyed in trust to the City of Long Beach. These duties generally consist of exercising the authority it has to approve (1) the expenditures by the city of certain revenues derived from these lands, and (2) proposed contracts relating to the derivation of revenues. Also, the commission has the responsibility to insure that the proper distribution of revenues is made by the City.

The commission through its staff, the State Lands Division, conducts a continuing review of the city's operations in order to discharge these duties. Recently, in addition to its continuing review, the staff has been engaged in the following specific activities: (a) Developing the strategy and technical defenses in the case of *United States vs. Anchor Oil et al.*, relating to subsidence damages in the Long Beach Naval Shipyard, alleged to have been occasioned by the extraction of oil. This case was recently concluded by stipulation and a settlement by the State totaling \$1,200,000 was provided by Chapter 1847, Statutes of 1963. (b) Review and approval of a replacement contract for the existing Long Beach Oil Development Company parcel, the first such contract to receive commission consideration and approval. (c) Confering with the City of Long Beach and other interested parties as to the form of the contract for the development of the new East Wilmington Field. (d) Assisting in inquiries by various legislative committees into the overall trust relationship, boundary determination in the area, and contract provisions.

Although the staff work related to these activities is now concluded or should be by the end of the current year, an offsetting increase in activity will probably result with the broadened scope of review required with the implementation of the contract covering the East Wilmington Field. It is also quite possible that the trust relationship may be changed by the Legislature and probable that diminishing work in other areas such as subsidence remedial activity will free some personnel, all of which makes a projection of staff requirements difficult.

**Audits**

Four additional positions are requested for the audit section, three to be stationed in Long Beach and one in Los Angeles, the justification being that they are needed to strengthen the audits of existing operations. These positions and their relationship to the existing audit staff are shown in the following:

## State Lands Division—Continued

	Total	Los Angeles	Long Beach
Existing Staff:			
Supervising state financial examiner-----	1	1	—
General auditor III-----	1	—	1
General auditor II-----	4	1	3
Auditor I-----	3	2	1
Total-----	9	4	5
Proposed Additional:			
Supervising auditor-----	1	—	1
General auditor III-----	2	1	1
General auditor II-----	1	—	1
Total-----	4	1	3
Proposed total staff-----	13	5	8
Percent increase-----	44.4%	25.0%	60.0%

*We do not believe any increase in audit staff should be approved for the State Lands Division at this time since there is ample evidence that the division is not effectively utilizing its present staff.*

Both the Auditor General and the Division of Audits, Department of Finance, have reviewed the work of the Long Beach audit staff during 1963, and both are critical of the quality of the operation. Among other matters, both point out a lack of coordination of the work with that of auditors for the City of Long Beach, resulting in needless duplication of effort. In addition, there are indications that the audit work carried on in Los Angeles is primarily clerical in nature.

*We recommend deletion of the following positions:*

	Amount	Budget	
		Page	Line
1 Supervising auditor-----	\$9,480	395	50
2 General auditor III-----	17,208	395	51
1 General auditor II-----	7,080	395	52
8 Total-----	\$33,768		

## Mineral Resources—Long Beach

Of the seven additional positions requested for Mineral Resources, one senior engineer, one associate engineer and one clerical position are for Long Beach. The relationship of these to the existing staff in that location is shown in Table 1, and represents an increase of 37.5 percent.

A justification submitted by the State Lands Division for the engineering personnel cites the prospective substantial future workload. We do not feel, however, that the lessening in activities previously undertaken has been considered. *For this reason, we recommend disapproval of the senior mineral resources engineer, \$10,440, budget page 395, line 54, one associate mineral resources engineer, \$9,036, budget page 395, line 55, and one intermediate stenographer-clerk, \$4,344, budget page 395, line 58.*

## State Lands Division—Continued

Table 2 shows the composition of the Attorney General Services as requested, and as can be identified in the 1964-65 Governor's Budget for the Department of Justice. For purposes of comparison we have added estimated amounts for staff benefits in the current and budget year, and for equipment in the current year.

Table 2  
Detail of Services to Be Performed by Attorney General, as Indicated  
by Records and Budget Request of Department of Justice

	1963-64		1964-65 as budgeted
	Original request	Revised per 1964-65 budget	
Salaries and wages			
3 Deputies Attorney General	\$47,000	\$32,904	\$34,560
3 Legal stenographers	15,084	15,084	15,840
1 Junior clerk	3,600	3,666	3,853
Temporary help and overtime	2,400	2,400	2,400
Total	\$68,084	\$54,054	\$56,653
Operating expense			
General expense	\$5,000	\$5,000	\$5,000
Printing briefs	30,000	30,000	30,000
Communication	1,000	1,000	1,000
Travel—in-state	3,000	3,000	3,000
Travel—out-of-state	5,000	5,000	5,000
Cost of suit	25,000	25,000	25,000
Consulting services (see below)	140,000	140,000	140,000
Total	\$209,000	\$209,000	\$209,000
Other			
Staff benefits	\$4,550	\$4,169 <sup>1</sup>	\$4,345 <sup>1</sup>
Equipment	4,250	4,250 <sup>1</sup>	None <sup>1</sup>
Total	\$8,800	\$8,419	\$4,345
Grand total	\$285,884	\$271,473	\$269,998

<sup>1</sup> Estimated.

## Detail of Consulting Services as Shown by Original Request for 1963-64

International law studies by experts	\$20,000
Historian—uses and customs, California inland waters	10,000
Expert cartographer services <sup>2</sup>	10,000
Preparation of other technical evidence by expert witnesses; aerial photos; engineering surveys <sup>2</sup>	50,000
Consultant for legal services	50,000
Total	\$140,000

<sup>2</sup> In addition to services performed by staff of the State Lands Commission.

We feel that the amount requested for the budget year is overstated by a minimum of \$15,752, the difference between the \$285,750 requested budget page 395, line 82, and \$269,998 shown in Table 2. In addition, depending upon the terms of the contracts executed for the consulting services indicated, and the court's requirements for briefs and in the cost of the suit, a further overstatement undoubtedly exists.

**State Lands Division—Continued**

We recognize the far reaching impact of this litigation and do not feel that an amount properly justified should be denied. We do feel, however, that certain controls should be implemented to insure that amounts are justified and that the expenditures can be terminated at the conclusion of the case.

*We, therefore, recommend:*

- 1. That all positions and expenses related to United States vs. California which are included in the State Lands Division budget be separately identified, and*
- 2. That Attorney General services, budget page 395, line 82, be reduced by \$15,752, and the remainder of \$269,998 be included as a separate item in the budget with full and complete justification and explanation included rather than as an item of operating expense in the State Lands Division budget.*

**Land Sales and Records**

This office is located entirely in Sacramento and exists as a nearly autonomous unit of the State Lands Division, the exception being that the State Lands Commission exercises supervision over its activities. In May 1960 the commission withdrew all school lands from sale and the processing of applications for the purchase of school and federal lands was curtailed until a program was formulated for future disposition of such lands, and approved by the commission in September 1963.

This office also maintains the official records relating to all state-owned lands, with the exception of the proprietary lands index which was transferred to the new Department of General Services, and highways and tax-deeded lands.

**Index of Federal Lands**

Chapter 875, Statutes of 1951 added Section 127 to the Government Code, which reads:

*"In addition to other records maintained by the State Lands Commission, the commission shall prepare and maintain an adequate index or record of documents with description of the lands over which the United States acquired jurisdiction pursuant to Section 126 of this code or pursuant to any prior state law. Said index shall record the degree of jurisdiction obtained by the United States for each acquisition."*

As a basis for the proposed index, title search on major federal installations was commenced May 23, 1960, the date on which a contract with the Remington Rand Corporation was effective.

The State Lands Division reports that all but a few minor projects, such as post offices, have been completed and "the principal work remaining is the securing of opinions on the jurisdictional status of federal enclaves in the compilation of the index which will be estab-

**State Lands Division—Continued**

lished in Sacramento. It is estimated that \$20,000 will be sufficient to complete this project.”

*We recommend deletion of the amount budgeted for indexing state lands \$20,000, budget page 396, line 3.*

We believe that the title information which has been obtained is all that is required to adequately serve the purpose intended. Jurisdictional disputes relating to the minor projects remaining could be easily resolved at such time as they occur. Furthermore, the index would not contain the jurisdictional status of each installation in sufficient detail or accuracy to be worthwhile unless considerable additional sums were spent for this purpose.

In discussions with the members of the Attorney General's staff, we were told that with the determination of title, any competent attorney can establish the degree of jurisdiction in the situation with which he is concerned. As an example, at any given installation the State may have concurrent jurisdiction in criminal matters, exclusive jurisdiction in matters relating to personal property tax on properties of private contractors, and no jurisdiction under the Milk Stabilization Act. To establish an index which would accurately define the degree of jurisdiction for reference would be extremely costly. With the title information prepared thus far and reference to litigation on jurisdiction, any competent attorney could establish what the situation was when specifically faced with it.

The remaining minor installations could be researched when required and this would not be costly nor difficult in comparison with the major enclaves.

In conclusion, a jurisdictional statement cannot actually be made, but with the question and the raw information jurisdiction can be determined. We do not feel that the cost of further research is commensurate with the benefits which would be derived.

**Renovation of Land Plats**

The division is required to maintain land index plats under Sections 6208 and 6209 of the Public Resources Code, and the existing 4,500-odd plats have now been in use for over 40 years.

It is estimated that \$8,000 will be required to replace those plats too badly worn to reproduce, and \$17,000 to replace the balance through a new photo-reproduction process.

*We recommend a reduction of \$17,000 for renovation of land plats, budget page 396, line 7.*

We feel that the plats proposed to be replaced by the photo-reproduction process are of a low priority and before we could recommend replacement, the cost and process should be subjected to further study.

## FRANCHISE TAX BOARD

ITEM 146 of the Budget Bill

Budget page 397

FOR SUPPORT OF THE FRANCHISE TAX BOARD  
FROM THE GENERAL FUND

Amount requested .....	\$10,515,743
Estimated to be expended in 1963-64 fiscal year .....	10,082,769
Increase (4.3 percent) .....	\$432,974
Increase to maintain existing level of service .....	\$239,233
Increase to improve level of service .....	178,601
Increase for new service .....	15,140

TOTAL RECOMMENDED REDUCTION .....	\$88,188
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## Summary of Recommended Reductions

	Amount	Budget Page	Line
Administration Division			
1 Assistant administrative analyst .....	\$7,080	398	58
5 Junior-intermediate clerks .....	19,480	398	63
Temporary help .....	2,070	398	75
In-state travel .....	2,500	399	8
Operations Division			
4 Senior clerks .....	19,152	400	7
Temporary help .....	30,754	400	8
Los Angeles Regional Office			
2 Temporary help .....	7,152	400	42

## ANALYSIS

In 1962, the Franchise Tax Board commissioned a task force to review the agency's operations to evaluate organizational efficiency and management effectiveness. This action was taken after our analysis of the board's 1962-63 budget request pointed out a number of major problem areas in its operations. Initially the Department of Finance planned to have a review of the agency's operations conducted by the Budget and Organization and Cost Control Divisions. Subsequently, it was decided that the study would be made by a task force composed of board personnel but headed by an outside consultant. A former district director of the Internal Revenue Service was retained to lead the task force. The report of the task force was released in January 1963, too late to be considered in our analysis of the board's budget request for 1963-64.

The task force report consisted, basically, of 12 recommendations aimed at achieving and maintaining a higher percentage of voluntary compliance with tax laws. While we do not necessarily subscribe to all 12 recommendations, particularly No. 7, they are quoted below since, by implication, they identify those areas where the task force found weaknesses in the board's existing organization and procedures. Much of the board's budget request for new positions and functions for 1964-65 is based upon the recommendations, and the board has taken other steps to implement several of the recommendations which have resulted in changes in procedures and organization apparent in the present budget request.

## Franchise Tax Board—Continued

## Task Force Recommendations

## Recommendation No. 1—Organization and Methods (Management Analyst)

It was recommended that a management analyst be added to the staff of the Franchise Tax Board to function in a staff capacity. He should report to the executive officer for the purpose of providing continuous review of organization and methods.

## Recommendation No. 2—Personnel and Training

It was recommended that new position of personnel and training officer be established and appointment should be made early in order to cope with urgent employee recruitment and classification problems, and to provide guidance in the employee orientation and continuous training programs.

## Recommendation No. 3—Increase in Number of Field Offices

It was recommended that a minimum of five new branch offices be established; four in the Los Angeles region and one in the northern area of the State.

## Recommendation No. 4—Appeals and Review Process

It was recommended that a plan be developed whereby the Sacramento, Los Angeles, and San Francisco offices be given greater authority for final review of protest cases.

## Recommendation No. 5—Public Information Program

It was recommended that the Franchise Tax Board undertake a more active program for dissemination of information to the public.

## Recommendation No. 6—Reappraisal of Collection Procedures

It was recommended that a thorough study of collection procedures be made to determine what changes in organization and procedures are needed to expedite billing and collection of delinquent and unpaid taxes.

## Recommendation No. 7—Improve Methods of Measuring Effectiveness of Enforcement Efforts

It was recommended that the Franchise Tax Board use the total tax collected as the prime yardstick of organization effectiveness rather than the rates of dollar value of audit assessment to audit cost.

## Recommendation No. 8—Expansion of Special Investigation Program

It was recommended that the Special Investigation Division be enlarged for the purpose of expediting the indictment and prosecution of fraudulent tax evaders.

## Recommendation No. 9—Methods of Selection of Returns for Field Audit

It was recommended that selection methods of returns for field audit be revised to provide for greater geographical coverage for the purpose of helping to achieve a better balanced enforcement program.

## Recommendation No. 10—Need for a Revised Budget Base

It was recommended that the budgeting process be revised from its historical basis to one which more properly reflects the agency's needs to achieve its purpose.

## Franchise Tax Board—Continued

## Recommendation No. 11—Data Processing

It was recommended that data processing operations be designed to consolidate the present machine operations under the supervision of the assistant executive officer administration. The proposed program should conform to procedures, equipment and planned accomplishments contained in the Internal Revenue Service electronic data processing program.

## Recommendation No. 12—Assistant Executive Officer—Administrative

It was recommended that job specifications of the assistant executive officer—administrative be revised and updated to reflect the added responsibility created by the incorporation of data processing in the Administration Division; establishment of a personnel and training officer position; enlarged public information program; the proposed addition of collection functions to the Accounting Division; the increased liaison with Internal Revenue Service and tax practitioner groups such as lawyers, certified public accountants and public accountants.

One result of the recommendations has been requests for new positions to act in a "staff" capacity, both in 1963-64 and for 1964-65. Historically, the board has had relatively few such positions and staff functions have been performed by line personnel. In 1963-64, the executive function was authorized two staff positions, a personnel officer and an administrative analyst. For 1964-65, the board is requesting additional staff positions, including a budget analyst and a second administrative analyst. While these positions are not directly related to workload, if approved they should be used to relieve line personnel from nonline duties and provide for more efficient management, indirectly minimizing requests for new workload positions.

## Administration Division

In addition to the proposals discussed in detail below, the Administration Division is also requesting an associate budget analyst in the Accounting Section, a clerk for the Statistical Section, one assistant cashier clerk and 4 junior-intermediate clerks for the cashier function in the Accounting Section and 5.6 man-years of temporary help. All of these positions appear to be justified on the basis of workload or necessary new functions and *we recommend approval*.

## Executive

A position of tax service consultant is proposed as necessary to interpret to taxpayers in understandable language the complicated and frequently changed requirements of the State income tax laws.

*It is recommended that the board be authorized a position of public information officer I, \$8,196.* Unlike other state tax collecting agencies, the board deals directly with great numbers of the general public. In 1964-65 the board expects to receive 5,225,000 personal income tax



**Franchise Tax Board—Continued**

returns. This volume contrasts with that of the Board of Equalization which will receive only about 400,000 returns, almost all from business firms rather than individuals, and the Controller, who expects to receive less than 40,000 returns. The effectiveness of personal income tax administration turns largely upon the level of public understanding and cooperation. The complexity and frequent changes in the law make it even more critical that the public is kept informed of its obligations. It is pertinent that the Internal Revenue Service has public information staffs in all larger district offices, including both of those located in California.

The change in title from tax service consultant, as requested by the board, to public information officer, is recommended to encourage the board in a broad, positive program of communicating with the public through use of all available media as described in task force Recommendation No. 5. The task of rewriting income tax laws and board instructional materials into language understandable by the general tax payer is unquestionably a needed activity but it would not provide sufficient workload to justify a full-time, permanent position. However, a program of continuing public education in all aspects of the personal income tax law of concern to the general public would justify such a position.

**Management Analysis Unit**

The board is requesting an assistant administrative analyst position for the Management Analysis Unit. The proposed position would be used to conduct studies of the organization, policies and practices of the agency.

*We recommend that the request for an assistant administrative analyst \$7,080, budget page 398, line 58, be denied.*

In its 1963-64 budget proposal, the board requested one position for purposes of management analysis. Our office endorsed the request, and an associate administrative analyst position, \$8,604 was approved by the Legislature. However, prior to establishment of the position it was upgraded by the agency to the senior level, \$10,440. A more appropriate course for the board would have been to request a senior level position so that it could have been considered by the Legislature as such, and not at the lower level which was approved but never used. The assistant analyst position now under consideration is for the same function as the position created in 1963-64.

In its justification material for this position, submitted to the Department of Finance and to this office, the board cites Recommendation No. 1 of the task force report to support its request. The text of the task force report supporting Recommendation No. 1 states explicitly that the management analyst is to serve as a coordinator of studies made by line management and as liaison between line personnel and the executive officer. The analyst was not to make such studies himself, yet this apparently is what the board is proposing. The following summary paragraph quoted from the supporting text of Recommendation No. 1

## Franchise Tax Board—Continued

describes the concept held by the task force in making the recommendation.

“It is suggested that this Organization and Methods Unit consist of a staff of one or two individuals. The agency should continue to select and to use line personnel, temporarily detached from regular duties to do the actual work as it has done so successfully in the past. Care should be taken, of course, to see that line functions do not suffer when a line supervisor is detached for staff duties. When properly handled, the use of line personnel to perform organization methods and procedural studies can provide stimulation to agency personnel, reduce traditional line and staff friction, and produces excellent results.”

The one analyst which was authorized in 1963-64 provides the board with the position necessary to implement Recommendation No. 1 of the task force. At some time in the future, after the recommended program of studies by line management is developed, the authorization of a second analyst position may be justified but we believe it is premature at this time.

## Personnel Section

An intermediate typist-clerk position is requested for the Personnel Section. The board, acting upon Recommendation No. 2 of the task force, requested and received a personnel officer position in 1963-64. The typist position requested now is to provide clerical support for the new personnel officer. *We recommend approval of this request as it appears justified by new and increased workload but we also recommend that \$2,070 be deleted from the division's request for temporary help funds, budget page 398, line 75.* Temporary help funds in this amount are included in the division's temporary help request for the Personnel Section but will not be needed if the full-time clerk position is allowed.

## Accounting Section

Three junior-intermediate clerks are requested to process status requests which are received from other board units for information from accounts receivable records. Currently, accounts are on visible ledgers and 2.5 clerical positions are used for status request activity. In early 1964, the accounts receivable records will be transferred to magnetic tape as part of the board's conversion to electronic data processing. The Accounting Section estimates that this change will increase clerical requirements by 90 percent for status request activity.

*We recommend that three junior-intermediate clerks, \$11,688, budget page 398, line 63, requested for status request activity be deleted.*

There are other basic changes in the accounts receivable records being made in 1963-64 and in 1964-65 besides the conversion to tape which will change the clerical workload. These will affect the size of the accounts receivable inventory rather than the mechanics of retrieving data. Any estimate of the combined impact of these developments on

## Franchise Tax Board—Continued

status request workload is highly conjectural at this stage and the case for a reduction in workload is possibly stronger than for an increase. These developments are:

1. Installment accounts will disappear from the accounts receivable inventory in 1964-65, since legislation adopted in 1963 ended the installment payment privilege. In recent years, installment accounts have been 15 to 20 percent of the accounts receivable inventory for six months of each year. In addition, a substantial part of the past due account inventory was derived from the installment privilege. Past-due accounts averaged 28.5 percent of the accounts receivable inventory in the first eleven months of 1963. The impact of the abolition of the installment privilege on the total accounts receivable inventory in 1964-65 is unknown but a reduction is probable.

2. Pursuant to task force Recommendation No. 6, basic changes are being made in the board's procedures for processing collection accounts. Collection accounts averaged about 45 percent of the total accounts receivable inventory in the first eleven months in 1963. It is planned to place collection accounts in the hands of field personnel much sooner and large numbers of accounts now referred to the field will be processed from board headquarters. One result of these changes is expected to be a substantial reduction in the number of collection accounts.

These developments will basically alter both the composition of the accounts receivable inventory and the mechanics of retrieving information in 1964-65. Historical workload data are therefore invalid as a base for forecasting future clerical needs under the new conditions. After the Accounting Section has accumulated some experience under the new system in 1964-65, future status request clerical workload will be known and the indicated increases or reductions in clerical staff may be requested. We believe the request is premature at this time.

Three junior-intermediate clerks are requested to continue a program started in 1962-63 of analyzing credit balances for refund or other disposition. The positions now being used for this project were diverted from other activities in 1962-63 and the section now wishes to return them to their former duties and establish three new, permanent positions.

*We recommend that one junior-intermediate clerk position be allowed and two junior-intermediate clerk positions, \$7,792, budget page 398, line 63, be deleted.*

We agree that this program is desirable and should be continued. The section has been able to substantially reduce the inventory of credit accounts since the project was started, as shown in Table No. 1, but appears to have now reached a point of diminishing returns. In the first six months of 1962, before the project was started, the average number of credit accounts was 17,387. By the first six months of 1963, the average number was reduced to 13,029. By March 1963, the inventory was down to 12,079 accounts but no further progress has been made. Future reductions will probably have to be made through other means than applying clerical effort. Prior to 1962-63, half of a clerical position was

## Franchise Tax Board—Continued

used for this activity. The recommended reduction would still leave 1.5 positions available and these should be sufficient to maintain the inventory at about its current level.

Table 1  
Credit Accounts in Accounts Receivable  
1962-1963

1962				1963			
Date	Number	Date	Number	Date	Number	Date	Number
Jan. 31	14,953	July 31	17,569	Jan. 31	15,893	July 31	11,336
Feb. 28	15,384	Aug. 31	17,591	Feb. 28	17,336	Aug. 30	11,029
Mar. 31	16,921	Sept. 28	19,370	Mar. 29	12,079	Sept. 30	10,810
April 30	14,984	Oct. 31	18,928	April 30	10,604	Oct. 31	12,316
May 31	20,351	Nov. 30	18,773	May 31	11,455	Nov. 29	13,042
June 30	21,728	Dec. 31	16,355	June 28	10,805		
6-month average	17,387		18,098		13,209	5-month average	11,707

## Electronic Data Processing

The Electronic Data Processing Section was organized in 1963-64 by consolidating data processing operations already existing in the Accounting and Statistical Sections and in the Operations Division. This reorganization was in accord with task force Recommendation No. 11. A total of 44 positions were transferred from the existing units to the new organization and, in addition, 10 new positions were established. Table 2 shows the rapid growth in the costs of data processing which has accompanied the organization of the Data Processing Section.

Table 2  
Increase in Electronic Data Processing Costs  
1962-63 to 1964-65

	1962-63 (estimated)	1963-64 (estimated)	1964-65 (proposed)
Personal services:			
Administration Division:			
Accounting -----	\$126,193	—	—
Statistical -----	33,752	—	—
Data processing -----	—	\$303,230	\$362,828
Temporary help -----	(N.A.)	50,595	135,948
Operations Division -----	47,721	—	—
Total personal services -----	\$207,666	\$353,825	\$498,776
Operating expenses:			
Administration Division -----	68,848	276,015	409,163
Operations Division -----	37,569	—	—
Total operating expenses -----	\$106,417	\$276,015	\$409,163
Grand total -----	\$314,083	\$629,840	\$907,939
Percent increase over 1962-63 -----	—	100%	189%

It is recognized that the process of converting an operation as large and intricate as that of the board from manual and accounting machine procedures to electronic data processing is going to be costly and possibly beset with complications in the initial changeover period. The

## Franchise Tax Board—Continued

full savings to be realized from the conversion may be years in materializing. The only saving credited to the system in the 1964-65 budget request is a \$45,719 reduction in temporary help for the collections function in the Operations Division and this is offset, in part, by the request for \$11,688 in additional clerical help in the Accounting Section attributed to the conversion to data processing. The increased net cost of data processing to the board is approximately \$500,000 in 1964-65 over the comparable costs in 1962-63.

*In view of the magnitude and rapid growth of these costs, it is recommended that the board be required to submit to the Legislature prior to its next budget request a report including the following:*

1. *A description of what programs are now being performed by the data processing system. Which of these are conversions of existing activities and which are new activities? Cost data should be included for both converted and new programs.*

2. *A projection of the future system workload, including both expected growth in existing programs and the addition of new programs. Comments on the ability of the system to absorb new workload which might result from legislation, such as personal income tax withholding, should be included.*

3. *A statement of specific reductions which have been made, or are anticipated, in the fiscal and staff requirements of other units of the board which could be applied against the cost of the system.*

The board is requesting 12 new positions for the section in 1964-65 as shown below. In addition, two temporary help positions are being transferred from the Operations Division.

1 Supervisor, electronic data processing	\$9,036
4 Senior tabulating machine operators	20,112
1 Senior clerk	4,788
1 Intermediate stenographer	4,452
4 keypunch operators	16,968
1 Intermediate clerk	4,242
Total	\$59,598

The board is now committed to the conversion to electronic data processing. If the conversion is to meet expectations, the requested positions will be required.

*We recommend this request be approved.*

## In-state Travel

The Administration Division is requesting \$19,721 for in-state travel in 1963-64.

*We recommend that \$2,500 be deleted from the division's request for in-state travel, budget page 399, line 8.*

The division's request for 1964-65 is an increase of 83 percent over the \$10,760 spent in 1962-63, the most recent year for which actual expenditure data is available. There do not appear to be any new activities anticipated in 1964-65 which would justify an increase of this magnitude. The above recommendation would allow the full amount requested for additional positions authorized in 1963-64 and

## Franchise Tax Board—Continued

for increases in costs as a result of price changes. In addition, a sum is included which would permit a somewhat higher level of in-state travel in 1964-65 than was actually used in 1962-63.

## Operations Division

## Drawer Audit

This division is requesting that six senior account clerk positions, which were authorized for one year only in 1963-64, be continued in 1964-65. The justification for this request submitted by the board is that the positions are being used to audit smaller personal income tax returns and a high level of revenue production from this activity is anticipated.

*We recommend that two of these positions, \$9,576, budget page 400, line 7, be allowed and that four, \$19,152, be deleted.*

We agree that the use of clerical level positions to audit smaller personal income tax returns is desirable. Our analysis of the board's budget request for 1961-62 recommended that clerks, rather than auditors, be used to audit "annual" returns (annual returns are currently defined as those with less than \$20,000 income if from wages and salaries or less than \$12,000 if from other forms of income). In its budget proposal the following year, for 1962-63, the board requested, and received, six clerks for "annual" return auditing. For 1963-64, six additional clerks for auditing were authorized, but for one year only. The current request would result in these latter positions becoming permanent.

Contrary to the implications of the board's justification statement, these positions are not being used exclusively for annual audits but are frequently diverted to other activities in the Operations Division. Clerical positions primarily assigned to other units are also diverted to annual auditing from time to time. This shifting of clerical effort between units is done as workload pressures change in the various activities. In the first half of 1963-64, the drawer audit unit provided 3,550 clerical man-hours to the preliminary examination unit and 552 man-hours to the claims unit. The preliminary examination unit, in turn, supplied about 726 man-hours to the drawer audit section to assist in auditing annual returns. We believe this is sound practice since it permits the most efficient use of existing positions in meeting a variable workload. The availability of clerical staff for a particular activity under this system is best measured in terms of man-hours and man-year equivalents rather than positions.

In the instance of the six clerical positions now in question, they were originally requested for a specific function, audits of annual returns, and were approved by the Legislature on that basis. Of the man-hours made available by the Legislature for annual audit in 1963-64, only 68% or approximately two-thirds were used for that purpose from July to December 1963, as indicated in Table 3. The remaining one-third or the equivalent of four man-years, were used for other purposes. The deletion of these positions is recommended as they are not being used for the purpose for which they were originally author-

## Franchise Tax Board—Continued

ized by the Legislature. If the board requires additional clerical positions for preliminary examination or other activities, they should be requested and justified for those activities, not annual audits. This recommendation is not intended to discourage the division in its practice of shifting clerical manpower between functions to meet workload peaks, but rather to assure that man-years are used as intended by the Legislature.

Table 3  
Clerical Man-hours Used for Annual Audit vs. Other Activities

<i>Time period</i>	<i>Clerk man-years authorized for annual return auditing</i>	<i>Actual clerk man-hours available from positions authorized for annual audit</i>	<i>Established clerk man-hours used for annual audit</i>	<i>Percent of available man-hours authorized for annual audit actually used for that activity</i>
July-Dec. 1962 -----	6	3,368	4,083	121%
Jan.-June 1963 -----	6	5,924	4,846	82
July-Dec. 1963 -----	12	10,496	7,120	68

Our initial recommendation in the analysis of the 1961-62 budget that clerks be used for auditing smaller returns and our favorable recommendation on the board's request for the original six senior clerk positions for the 1962-63 year were both qualified by the comments that the clerical positions should be used to relieve auditors for more complex assignments, and they should be used in a program to reduce the elapsed time between the date a return is filed and the date it is audited. As of January 15, 1964, the drawer audit section had completed reviews of 71.9 percent of the 1959 returns and 7.5 percent of the 1960 returns. Currently, returns are not audited until about three years after the income year for which they were filed. In a state with a highly mobile population, such as California, a time lapse of this magnitude greatly complicates enforcement efforts, compounds already difficult collection problems and has a corrosive effect on the agency's public relations. We renew our recommendation that the board endeavor, through the use of these clerical positions and changes in procedures, to make audits of annual returns on a more current basis.

## Temporary Help

The division is proposing to reduce its temporary help authorization by 14.2 positions, budget page 399, line 78, \$45,719, claiming that changes made possible by electronic data processing will permit reductions in temporary help required to process delinquent accounts. We recommend approval of this proposal but at the same time direct the Legislature's attention to the division's request for 13.4 new temporary help positions, budget page 400, line 8, \$44,873. In effect, the net reduction in temporary help proposed for 1964-65 is only 0.8 of a position, or \$846.

The division's total temporary help budget proposal for headquarters, both existing and new positions, for 1964-65 is 155.5 positions, \$562,779, compared with 158.3 positions, \$569,877 for 1963-64. This proposal is

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# Franchise Tax

## Franchise Tax Board—Continued

changed from the temporary help authorization for 1963-64 in the following manner:

	<i>Positions</i>	<i>Cost</i>
Authorized for 1963-64 .....	158.3	\$569,877
To be transferred to the Administration Div. ....	—2.0	—6,252
Abolished because of conversion to EDP .....	—14.2	—45,719
New positions requested in 1964-65 .....	13.4	44,873
Total proposed for 1964-65 .....	155.5	\$562,779

The division would use these positions for four basic activities as shown in Table 4.

Table 4  
Franchise Tax Board, Operations Division Headquarters,  
Temporary Help Proposal, 1964-65

<i>Activity</i>	<i>Class of position</i>	<i>Man-months</i>	<i>Cost</i>	<i>Total % of cost</i>
1. Sorting and filing returns and related activities .....	Junior clerk	934	\$278,332	45.7
2. Sorting and checking information reports (Federal information employer information, etc.) .....	Junior clerk	1,032	307,536	50.5
3. Labeling, stuffing, mailing, etc., forms .....	Junior clerk	16	4,768	0.8
4. Preliminary processing of returns .....	Calculating machine operations Junior clerk-typists	30 24	17,862	2.9
TOTAL .....		2,036	\$608,498	100
Less savings because of EDP conversion .....		—14	—45,719	
Net total .....		2,022	\$562,779	

The division's temporary help request is based, in part, upon the expectation that the activity related to sorting and checking federal information and employer reports, Activity No. 2 above, will have 7,169,000 items to process in 1964-65, compared with 6,974,000 in 1963-64 and 6,778,890 in 1962-63. The increase in temporary help requested for this function is related directly to the increase in the number of items expected for processing.

We recommend that \$30,754 in temporary help funds be deleted, budget page 400, line 8.

The temporary help request overlooks the fact that in 1964-65, for the first time, properly equipped California employers will be permitted to supply required tax reporting information on electronic data processing tape. The administration division expects reports on 750,000 employees to be received on this medium. This innovation will eliminate the workload of manually processing 750,000 of the reports, or more than ten percent of the expected manual processing workload. A



Franchise Tax Board—Continued

reduction of ten percent in the temporary help allotment for this manual function, or \$30,754, is therefore recommended.

Los Angeles Regional Office

The division is requesting two temporary help positions for this office because of increased workload resulting from accelerated collection enforcement and audit activity.

*We recommend that this request be denied and two temporary help positions, \$7,152, budget page 400, line 42, be deleted.*

The acceleration of collection, enforcement and audit activity in the Los Angeles region is possible, in part, because the board transferred six auditor and two tax representative positions from the San Francisco region in 1962-63. Another auditor position was transferred in 1963-64. These positions, which were vacant, were transferred to Los Angeles to balance workload and positions between the two regions. Clerical positions have also been transferred to Los Angeles, one in 1961-62 and three in 1960-61, or a total of four.

If the existing ratios of clerks to auditors and to tax representatives in either office before the transfers had been observed in making the transfers, at least six clerical positions would have been transferred from San Francisco to Los Angeles instead of four. Rather than add new positions in Los Angeles to maintain the ratio of clerical to auditor and tax representative positions, we recommend the board transfer two additional clerical positions from San Francisco to Los Angeles as they become vacant. This procedure would restore the ratios of clerical support in both regions to that prevailing prior to the earlier transfers and would be consistent with the board's policy of balancing positions and workload between the regions.

STATE TREASURER

ITEM 147 of the Budget Bill

Budget page 401

FOR SUPPORT OF STATE TREASURER  
FROM THE GENERAL FUND

Amount requested .....	\$424,416
Estimated to be expended in 1963-64 fiscal year .....	415,487
Increase (2.1 percent) .....	\$8,929
Increase to maintain existing level of service .....	\$8,929

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS

This budget reflects only increases in workload, price changes and normal merit salary increases. The Treasurer is asking for one new position on a workload basis to handle the increased volume of bond and coupon redemptions. The following table shows that the existing staff (1963-64) has a workload of about 412 bond and coupon redemptions per hour, and granting one new position will maintain approximately this same workload during 1964-65.

**Bond and Coupon Redemptions  
By the State Treasurer's Office**

<i>Year</i>	<i>Number of bonds and coupons redeemed</i>	<i>Number of employees</i>	<i>Total hours worked</i>	<i>Number of redemptions per hour</i>
1960-61 -----	4,036,638	6.7	12,733	317
1961-62 -----	4,761,372	7.2	12,663	376
1962-63 -----	5,360,676	6.9	13,462	398
1963-64 est. -----	5,829,000	7.3	14,162	412
1964-65 est. -----	6,723,000	8.3 *	16,102	418

\* Proposed staff; with the existing staff of 7.3 positions the workload would be 475 per hour, or an increase of 15 percent over the 1963-64 level.

*We recommend approval of the new intermediate clerk position for the bond and coupon section, \$4,242, budget page 402, line 6.*

About half of the cost of this position will be financed by reimbursements from veteran, water and harbor bond funds.

**Bond Sales**

A December 12, 1963, decision of the State Supreme Court cleared the way for the Treasurer to sell \$1,750 million of water bonds under the Burns-Porter Act of 1959, and \$327 million of revenue bonds authorized by the Central Valley Project Act as amended in 1951. Prior to this decision, on November 21, 1963, the Treasurer sold \$50 million of water bond anticipation notes which will be due on June 15, 1964. To redeem these notes and provide additional funds for water development, the Treasurer expects to sell the first \$100 million or more of water development bonds in the spring of 1964, and a similar volume later in the year.

Other bond sales during 1963-64 consisted of \$50 million for local school aid and \$50 million for state construction projects in August, 1963, another \$20 million for schools and \$60 million for veterans in January 1964, and probably another \$100 million for schools and state construction will be sold before the end of this fiscal year.

**Double Custody**

The Department of Finance and the State Treasurer's office currently are studying the problem of providing double custody procedure in the state vault. Double custody is an internal control device whereby no one person has access to securities, cash or other personal property unless he is in the presence of another person who can observe his activities at all times. The study is not complete as of this writing, but the adoption of this procedure probably will result in future staff increases.