

Lieutenant Governor—Continued
PROGRAM PLANS AND BUDGET

The Lieutenant Governor is elected by the people of the state pursuant to Article V, Section 16, of the California Constitution.

The Lieutenant Governor carries out the following programs as prescribed by law:

1. He assumes the chief executive's responsibilities when the Governor is absent from the state.

2. He presides over the Senate when it is in session.

3. He serves as a member of several boards and commissions including: Board of Trustees of the State College System, University of California Board of Regents, State Lands Commission, Commission on Interstate Cooperation, State Toll Bridge Authority, California Disaster Council, Reapportionment Commission, the California Reciprocity Commission, the Committee of the Americas, and Coordinating Council on Urban Policy.

The budget proposes an expenditure of \$132,100 to finance the activities of the office of the Lieutenant Governor. Including the Lieutenant Governor, the budget proposes the continuance of nine positions and proposes a new position of intermediate stenographer.

ANALYSIS AND RECOMMENDATIONS

The budget for 1965-66 proposes an expenditure of \$132,100, which is \$7,638 or 6.1 percent more than is estimated to be expended during the current year.

The budget proposes the establishment of a new position of intermediate stenographer plus equipment for a total increased cost of \$5,730. The new stenographer position will be located in the Los Angeles office of the Lieutenant Governor where currently there are two technical and one clerical personnel. One of the two technical personnel is the executive secretary to the Lieutenant Governor.

We have reviewed the staffing of the Los Angeles office and the demands that are made upon the staff there and agree there is a need for an additional clerical position in that office.

We recommend approval of the budget as submitted.

STATE EMPLOYEES' RETIREMENT SYSTEM

ITEMS 32, 33, and 34 of the Budget Bill

Budget page 26

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

Amount requested	\$2,289,958
Estimated to be expended in 1964-65 fiscal year	2,116,112
Increase (8.2 percent)	\$173,846
Increase to improve level of service	\$45,650
TOTAL RECOMMENDED REDUCTION	None

State Employees' Retirement System—Continued
PROGRAM PLANS AND BUDGET

Article IV, Section 22a of the California Constitution provides that the Legislature shall have the power to provide for the payment of retirement salaries to employees of the state who shall qualify therefor by service in the work of the state as provided by law.

In conformance with the constitutional provision the Legislature has enacted, and at various times amended, Part 3 of Division 5 of Title 2 of the Government Code which provides for the establishment of the State Employees' Retirement System. The policysetting body for the system is its eight-member board of administration, consisting of the Director of Finance, a member of the State Personnel Board, three persons elected by the members of the system, a life insurance executive, a bank official, and a representative of the University of California. When the board is considering matters pertaining to the Meyers-Geddes Health Benefits Act three public members are added to the board.

To carry out its responsibility as provided by law the system conducts the following programs:

1. Accounting

Maintaining accounts of monies due from, received, and/or paid to each employer and member and the balances resulting therefrom; to establish all necessary reserves for employer and employee active and retired accounts; to promptly process a refund of contributions to those employees leaving membership and requesting such refund; to develop forecasts of funds available for investment; to record income from investment; to maintain statistical and accounting information required for the periodic actuarial investigation and valuation; to record, on a cumulative basis, service credited to each member and to furnish at the end of each fiscal year a statement of service and contributions standing to each member's credit.

For the 1965-66 fiscal year a total of \$737,254 is budgeted to carry out the program as outlined above. These funds will provide for a staff of 74 positions and operating expenses, primarily in the area of tabulating machinery and electronic data processing equipment, to carry out the system's responsibility in regard to the following workload.

	1965-66
Active members of system (state and contracting agencies)	339,000
Retired members -----	38,000
Memberships terminated (withdrawals) -----	48,000
Receipts:	
Contributions from members -----	\$113,225,300
Contributions from state and public agencies -----	\$128,350,275
Income from investments -----	\$93,250,045
Accumulated resources, June 30, 1966 -----	\$2,423,931,661

The budget proposes three additional positions for the accounting program of the system. Two of the three are requested in order to expand the second shift of the electronic data processing operation from a partial basis to a full second shift. The expansion of the shift is necessary due to the increase in membership and increased complexity of payroll reporting resulting from the variety of benefit formulae available to contracting agencies.

State Employees' Retirement System—Continued

The third position, an accounting technician, is requested for the subprogram of recordkeeping of the increased mortgage investment program.

2. Benefits

Computation of retirement benefits of employees including benefits for service retirement; disability retirement, industrial and nonindustrial; death, industrial and nonindustrial, during employment and after retirement; and continuation of retirement allowances to beneficiaries as established by the retired person or as provided by statute.

For the 1965-66 fiscal year a total of \$291,009 is budgeted to carry out the program as outlined above. These funds will provide for 52 positions and operating expenses to meet the following workload:

	1965-66
Number of new retirements-----	4,800
Number of deaths-----	2,400

The budget proposes to continue the same level of service and provides no funds for new or expanded services.

3. Membership

To insure the proper inclusion of all employees in membership in the system; to provide correct information concerning benefits and costs of the purchase of optional service credits; to record nomination of qualified beneficiaries and to insure the application of an appropriate rate of contribution to each new member.

For the 1965-66 fiscal year a total of \$320,043 is budgeted to carry out the program as outlined above. These funds will provide for 51 positions and operating expenses to meet the following program workload:

	1965-66
Number of new members added-----	67,900
Total membership served-----	339,000
Reemployment of former members-----	14,000

The budget contains no funds for new or expanded services for the 1965-66 fiscal year, nor are any positions requested for increased workload.

4. Investments

To invest available funds, on a timely basis, in those approved securities that will produce the best return consistent with prudent practices and to review holdings to determine advisability of retention, or disposition with subsequent reinvestment.

For the 1965-66 fiscal year a total of \$251,378 is budgeted to carry out the program as outlined above. These funds will provide 21 positions and operating expenses to meet the following workload:

	1965-66 (millions)
Long term transactions-----	596
Short term transactions-----	820
Total investments—June 30-----	3,376
Mortgage purchases-----	120

State Employees' Retirement System—Continued

Included in the workload totals are funds in the Teachers' Retirement Fund. The investment staff of the Employees' System invests the Teachers' Fund money and the system is reimbursed for the cost, which will amount to \$16,000 during the 1965-66 fiscal year. The budget proposes the addition of four positions in the mortgage investment unit of the system's investment program and two positions to review the system's bond holdings with the objective of negotiating transactions favorable to the system in terms of return, improvement of call protection, extended maturity and improvement in quality.

5. Actuarial

The actuarial program develops the necessary experience tables, considering interest, mortality and salary assumptions and computes benefit payments based upon statutory and actuarial requirements. Periodic investigations and valuations are conducted to compare actual experience to predicted experience and actuarial assets as compared to liabilities are determined.

For the 1965-66 fiscal year a total of \$48,344 is budgeted to carry out the program as outlined above. These funds will provide 5.5 positions and operating expenses to carry out the program as outlined above. Currently there are 4.5 positions and the budget proposes the addition of one new position. The increased workload in valuations and cost estimates of proposed new contracts and amendments to existing contracts necessitates the new position.

6. Health Benefits

The health benefits program consists of the administration of the Meyers-Geddes State Employees Medical and Hospital Care Act establishing the scope and content of basic health benefit plans, fixing reasonable minimum standards for health benefit plans, and for approving plans meeting established standards.

For the 1965-66 fiscal year a total of \$215,362 is budgeted to carry out the program as outlined above. These funds will provide 9.3 positions and operating expenses to carry out the program in regard to the following workload:

	1965-66
Total number of employees covered by health plans, June 30-----	89,500
Estimated number of enrollment forms to be processed-----	23,300

The budget proposes to continue the health benefits program at the same level as the current year. There is a reduction of \$42,000 in computer service charges by the Controller's office. This reduction does not affect the level of service.

7. Old Age, Survivors' and Disability Insurance (OASDI)

Administer a program providing federal insurance to employees of the state and public employees under the Social Security Act.

State Employees' Retirement System—Continued

For the 1965-66 fiscal year \$180,148 is budgeted to carry out the OASDI program. These funds will provide for a staff of 17.8 positions and operating expenses to meet the following workload:

	1965-66
Number political subdivisions -----	2,725
Number employees covered -----	310,000

The budget proposes no increase in the level of service in this program. Of the total cost of \$180,148 for this program, \$160,148 will be reimbursed to the system from local governmental subdivisions. The balance, \$20,000, will come from the state's General Fund to reimburse the system for administering OASDI coverage for state employees.

8. Administration

Provide executive direction and control, physical facilities, legal service, and staff activities necessary to permit the operating divisions to achieve their objectives.

For the 1965-66 fiscal year the budget proposes to carry out the administrative program at a cost of \$850,620. The budget proposes the elimination of one associate administrative analyst position and addition of \$14,000 in temporary help funds to provide clerical assistance for a board member election and for clerical help in accounting and benefits for a required quadrennial valuation.

REVIEW OF AGENCY ACCOMPLISHMENTS

For the 1963-64 fiscal year the State Employees' Retirement System was appropriated a total of \$1,737,400 from the three funds that support the system, the State Employees' Retirement Fund, the State Employees' Contingency Reserve Fund, and the General Fund. In accomplishing its programs as outlined in the previous section of this analysis the system expended \$1,793,476 which was \$56,076 or 3.2 percent more than was appropriated by the Legislature. The reason for the increase was the fact that \$53,709 was administratively authorized to establish the mortgage loan program during 1963-64 fiscal year.

A review of accomplishment in the 1963-64 fiscal year for each program follows. In addition the workload for the budget year is also shown:

1. Accounting Program

	1963-64 <i>Actual</i>	1964-65 <i>Estimated</i>	1965-66 <i>Budgeted</i>
Program expenditures -----	\$570,792	\$689,142	\$737,254
Program workload			
Active members of system -----	311,356	325,000	339,000
Retired members -----	31,296	34,500	38,000
Membership terminated (withdrawals) -----	41,402	45,000	48,000
Receipts			
Contributions from members -----	\$106,338,543	\$109,928,000	\$113,225,300
Contributions from state and public agencies -----	121,261,923	124,897,250	128,350,275
Income from investments -----	71,282,047	81,849,375	93,250,045

Retirement System

Items 32, 33, 34

State Employees' Retirement System—Continued

2. Benefit Administration Program

	1963-64 <i>Actual</i>	1964-65 <i>Estimated</i>	1965-66 <i>Budgeted</i>
Program expenditures -----	\$251,907	\$278,843	\$291,009
Program workload			
Number of new retirements -----	4,413	4,600	4,800
Number of deaths -----	2,057	2,200	2,400

3. Membership Administration Program

	1963-64 <i>Actual</i>	1964-65 <i>Estimated</i>	1965-66 <i>Budgeted</i>
Program expenditures -----	\$298,270	\$314,623	\$320,043
Program workload			
Gross new members added -----	60,802	64,344	67,900
Total membership served -----	311,356	325,000	339,000
Reemployment of former members ----	12,673	13,000	14,000

4. Investment Program

	1963-64 <i>Actual</i>	1964-65 <i>Estimated</i>	1965-66 <i>Budgeted</i>
Program expenditure -----	\$109,544	\$186,825	\$251,378
Program workload (millions)			
Total investments, June 30 -----	\$2,802	\$3,089	\$3,376
Long-term transactions -----	494	543	596
Short-term transactions -----	658	740	820
Mortgage purchases -----	12	103	120

5. Actuarial Program

	1963-64 <i>Actual</i>	1964-65 <i>Estimated</i>	1965-66 <i>Budgeted</i>
Program expenditures -----	\$37,450	\$45,315	\$48,344

The workload of the actuarial program is not such that it can be placed in tables and be shown for each fiscal year.

6. Health Benefits Program

	1963-64 <i>Actual</i>	1964-65 <i>Estimated</i>	1965-66 <i>Budgeted</i>
Program expenditures -----	\$161,759	\$181,939	\$140,362
Program workload			
Total number of employees covered by health plans, June 30 -----	85,132	88,700	92,500
Enrollment forms processed -----	21,084	22,150	23,300

7. Old Age Survivors' and Disability Insurance Program

	1963-64 <i>Actual</i>	1964-65 <i>Estimated</i>	1965-66 <i>Budgeted</i>
Program expenditures -----	\$127,818	\$153,305	\$160,148
Program workload			
Number of political subdivisions, June 30 -----	2,694	2,700	2,725
Number of employees covered -----	251,607	270,000	310,000

8. Administration Program

	1963-64 <i>Actual</i>	1964-65 <i>Estimated</i>	1965-66 <i>Budgeted</i>
Program expenditures -----	\$610,131	\$724,169	\$850,620

State Employees' Retirement System—Continued
ANALYSIS AND RECOMMENDATION

The budget proposes a total expenditure of \$2,289,958 for the 1965-66 fiscal year which is \$173,846, or 8.2 percent more than is estimated to be expended during the current year. The amount proposed for the budget year comes from three sources:

Budget Item 32—Employees' Retirement Fund -----	\$2,054,596 (89.7%)
Budget Item 33—Contingency Reserve Fund -----	215,362 (9.4%)
Budget Item 34—General Fund -----	20,000 (0.9%)
Total -----	\$2,289,958 (100%)

The budget proposes the establishment of 10 new permanent positions and four temporary positions and the elimination of one permanent position. Of the proposed increase of \$173,846 a total of \$128,196 represents an increase that will maintain the existing level of service.

The \$128,196 will provide for three permanent workload positions and funds for four temporary help positions in addition to merit salary increases and cost increases.

Of the 10 proposed permanent positions, seven are requested at a cost of \$45,650 plus operating expenses to improve the level of service in the investment program. The proposed new positions are as follows

Portfolio Management	
1 Assistant investment officer -----	\$9,948
1 Senior stenographer -----	5,028
Mortgage investments	
3 Assistant mortgage loan specialists -----	23,400
1 Intermediate typist-clerk -----	3,602
1 Accounting technician II -----	3,672
Total -----	\$45,650

In both areas of investment activity the increase in the number of positions will bring about a greater return to the system's investments than is presently being realized. The increased return is estimated to be far in excess of the cost of the new positions.

During 1964 the First National Bank of New York conducted a study of the system's investment procedures and as one of its recommendations suggested a "day-to-day secondary market management of this very large fund. A yield improvement of one-eighth of 1 percent on only 10 percent of present holdings would increase annual income by \$250,000." The assistant investment officer and the stenographer are requested for this purpose.

The five positions in the mortgage loan unit are requested so that additional funds can be invested in mortgages rather than bonds. During the first six months of the current fiscal year, July 1-December 31, 1964, \$48,000,000 was invested in FHA and VA mortgages at a return of 0.0512 percent returning annual interest income of \$2,457,000. If that same money had been invested in bonds at 0.0440 percent it would have returned \$2,112,000, a difference of \$345,600.

The system plans to expand its mortgage investment program with the addition of the five positions. The net return on mortgage investments is at a rate approximately 0.0072 percent greater than the rate

State Employees' Retirement System—Continued

for funds being currently invested in bonds. Since the administrative cost of the increased yield of \$345,600 was only \$49,000, it would appear that the proposed new positions would be a good investment for the state.

We recommend approval of the budget as submitted.

Department of General Services

GENERAL ACTIVITIES

ITEM 35 of the Budget Bill

Budget page 31

FOR SUPPORT OF THE DEPARTMENT OF GENERAL SERVICES FROM THE GENERAL FUND

Amount requested	\$6,474,279
Estimated to be expended in 1964-65 fiscal year	6,465,853
Increase (0.1 percent)	\$8,426
TOTAL RECOMMENDED REDUCTION	\$153,707

Summary of Recommended Reductions

	Amount	Budget Page	Line
From amount requested to maintain existing level of service:			
1. 1.5 Assistant counsel	\$13,554	35	24
2. 1 Senior legal stenographer	5,556	35	25
3. 3 Existing positions	29,477	35	72
4. 10 Land agents and 5 stenographers	105,120	33	80

PROGRAM PLANS AND BUDGET

The Department of General Services was created effective October 1, 1963, by Chapter 1786, Statutes of 1963, which transferred so-called service functions formerly carried on in the Department of Finance to the new department as well as the entire activity now described as Office of Architecture and Construction from the Department of Public Works.

The programs of the Department of General Services are primarily service activities relating to other units of state government or local jurisdictions. Those activities performed for other units of state government are financed largely on a reimbursable basis from appropriations made in the first instance to the using agencies; or included in appropriations for capital outlay projects, for services performed by the Department of General Services. Of the total gross expenditures of the Department of General Services for state operations, which will approximate \$57.6 million for 1965-66, \$48.2 million or 83.7 percent are financed on a reimbursable basis. The reimbursable programs are financed either through direct offsets to another support appropriation, from an appropriation for capital outlay, or through two revolving funds, the Service Revolving Fund and the Architecture Revolving Fund, where the money appropriated in the first instance is transferred to the revolving fund on the basis of billings for services rendered, and what is in effect a secondary appropriation is made from the revolving fund to further control the expenditures on a program basis.

On budget page 31 the state operations expenditure programs of the Department of General Services are summarized, followed by supporting budgetary detail for each group. We believe this is a distinct

Department of General Services—Continued

improvement over the method of presentation in the previous year's budget where the presentation was in three widely separated sections of the budget document without any overall summary.

Another innovation, as recommended by our office and approved by the Assembly Ways and Means Committee at the 1964 session, is that expenditures from the Service Revolving Fund for 1965-66 are subject to budget act appropriation. This has been the practice with respect to state operation expenditures from the Architecture Revolving Fund for the past few years.

The total expenditures for the Department of General Services of \$47,691,653 for 1965-66 as shown on budget page 31, line 13, involve 9 separate appropriations. In Table 1 these expenditures are identified with the related appropriations and are further classified as between those relating to general activities and all others.

TABLE 1
Summary of Proposed Expenditures and Staff,
by Appropriation Items, 1965-66

Activity and fund	Staff	Budget Bill appropriation	
		Amount	Item No.
General Activities:			
General Activities—General Fund	1,910.7	\$6,474,279	35
General Activities—State School Building Aid Fund	95.6	979,643	36
Auto Liability Insurance—General Fund	--	202,769	37
Office of State Printing—Service Revolving Fund	793	11,737,874	41
Other Service Activities—Service Revolving Fund	457	17,026,078	41
Subtotal	3,256.3	\$36,420,643	
Operation of Executive Airplane—General Fund	--	255,162	38
Office of Architecture and Construction:			
Architecture Revolving Fund	773.9	9,300,501	42
Architecture Public Building Fund	91	1,404,520	43
State Fair and Exposition Executive Committee—General Fund	6	310,827	a
Total expenditures	4,127.2	\$47,691,653	
Augmentation of Service Revolving Fund—General Fund	--	(\$770,456)	39
Augmentation of Service Revolving Fund by Transfer			40

a Continuing availability of appropriation made by Section 10.1, Budget Act of 1963.

We are concerned at this point only with the general activities which include those of the Service Revolving Fund, which are detailed on budget pages 31 to 52. The other activities, those relating to the Office of Architecture and Construction and the State Exposition and Fair Executive Committee, which are detailed on budget pages 53 to 60, will be discussed in succeeding sections of our analysis.

Department of General Services—Continued

It will be noted that in Table 1 the presentation differs from that on budget page 31, lines 1 to 23, in one respect. That is that the appropriation for the operation of the executive airplane has been excluded from the general activities since the expenditures for operation of the plane are included in Item 41 and to also include them under Item 38 has the effect of including them twice. Item 38 could more logically be treated as additional support for the Governor's office since it is in effect no different from any provision for reimbursing the Service Revolving Fund for services rendered.

Accordingly the expenditure program for general activities of the Service Revolving Fund as proposed for 1965-66 on an appropriation basis is \$36,420,643, as shown in Table 1. On a gross basis it is \$46,629,829, as shown in Table 2, after adding back reimbursements of \$10,209,186 which are netted out of Item 35 and Item 37 in the budget presentation.

TABLE 2
Summary of Proposed Expenditures and Staff for General Activities,
by Program and Source of Fund, 1965-66

	(1)	(2)	(3)	(4)	(5)
				Source of funds	
				Appropriations	
		Gross	Direct	Item 35	Service
Program	Proposed	expendi-	reimburse-	Item 36	Revolving
	staff	tures	ments	Item 37	Fund
1. Administration and Staff Services---	220	\$3,844,021	\$1,055,734	\$1,834,414	\$453,873
2. Facilities Planning	17	228,223	22,000	206,223	--
3. Property Acquisition Services---	99	1,123,375	1,113,375	10,000	--
4. Office of Administrative Procedure---	64.5	963,970	846,726	117,244	--
5. Office of Local Assistance ----	97.6	1,026,043	--	1,026,043	--
6. Office of State Printing -----	793	11,737,874	--	--	11,737,874
7. Office of Procurement -----	166.7	5,484,611	--	1,067,655	4,416,956
Property Management and Services:					
8. Building Maintenance and Protection --	1,389.5	10,138,434	7,021,051	3,117,383	--
9. Transportation Services ----	153.6	5,439,050	142,000	131,098	5,165,952
10. Communications Maintenance and Services_	172.7	6,441,682	--	86,830	6,354,852
11. Central Office Services ----	82.7	702,546	8,300	59,801	634,445
Totals-----	3,256.3	\$46,629,829	\$10,209,186	\$7,656,691	\$28,763,952

Table 2 summarizes the expenditures for general activities on the basis of the organizational structure of the department as presented in

Department of General Services—Continued

the printed budget, each major activity shown consisting of a single program or a group of related subprograms or activities which are identified in the detailed discussion which follows. Table 2 also identifies the source of funds in every case, those shown in columns (3) and (5) which constitute 83.6 percent of the total, being wholly reimbursable from other appropriations, either directly or through the Service Revolving Fund.

It should be noted that because of existing accounting and budgetary procedures which do not distinguish between charges made for services rendered by a unit within the Department of General Services to another unit within the department, from those made to units outside the department, some degree of duplication exists in the total expenditures shown in Table 2. Expenditures for printing, for example, are included in the total for the Office of State Printing as well as in every other function which buys printing from the Office of State Printing and the same is true of many other activities. The extent of these duplications cannot readily be determined but we believe they may amount to as much as \$1 million.

Specific program plans are discussed in the order in which they appear in Table 2, although the components do not appear precisely in this order in the printed budget.

1. *Administration and Staff Services.* We have grouped, under this program, activities identified under nine separate headings in the printed budget, some of which are included under this main program heading as a matter of convenience because of their relatively small size. These are summarized in Table 3.

TABLE 3
Administration and Staff Services, 1965-66

Activity	Proposed for 1965-66		Budget	
	Staff	Expenditures	Page	Line
(a) Executive office.....	11	\$163,166	31	69
(b) Administrative services	111	965,278	32	12
(c) Auto liability insurance.....	—	886,444	43	15
(d) Data processing	35	339,873	46	2
(e) Rented buildings.....	—	114,000	47	42
(f) Legal services	22	302,980	35	2
(g) Management services.....	33	429,025	35	55
(h) Commission on California State Government Organization and Economy.....	2	55,751	42	25
(i) State Building Standards Commission.....	6	87,504	34	47
Totals.....	220	\$3,344,021		

The 220 positions include one additional key punch operator position in data processing, and five additional positions in legal services. Other than that all activities are budgeted at the existing level of services.

(a) The Executive Office includes the director and his immediate staff, including two exempt deputy directors and two civil service assistant directors. One of the deputy directors also serves as executive officer for the State Exposition and Fair Executive Committee on a reimbursable basis.

Department of General Services—Continued

(b) Administrative Services furnishes personnel, accounting and budgetary services for the department and 24 additional small agencies including the Department of Finance. It also provides a staff of six for the Merit Award Board for processing employees' suggestions for economies for presentation to the Board of Control for approval of cash awards and a staff of five for procuring insurance for all state agencies, except the University of California. This includes auto liability insurance.

(c) Auto liability insurance is the subject of a separate appropriation for \$202,769 which represents that portion of the total expenditure of \$886,444 which is not prorated to using agencies.

(d) The Data Processing section in the Service Revolving Fund performs work for other units in General Services. The additional key punch operator requested is for compiling automotive statistics.

(e) Rented Buildings consists entirely of billing services where the state has leased a building in Santa Ana which is sublet to state agencies, and the state rather than the owner bills the tenants.

(f) Legal services are performed both for the department and for other state agencies not having legal advisors. Five additional positions are proposed for 1965-66, half for work on the expanded property acquisition program approved by the 1963 Legislature and half for legal services formerly performed by the Department of Public Works on a contract basis.

(g) Management Services includes two sections, Systems Analysis with an authorized staff of 19 and Management Planning with an authorized staff of 14.

Systems Analysis (1) has responsibility under Section 13290 of the Government Code to "... devise, install, supervise, and at its discretion revise and modify a modern and complete accounting system for each agency of the State . . ." It discharges this responsibility chiefly through periodic revision of those sections of the State Administrative Manual relating to State Accounting and (2) has responsibility for overall review of proposed data processing installations and programs for all state agencies, including approval of "letters of intent" which are in effect orders for equipment.

The responsibilities of Management Planning have two general characteristics:

(1) Those relating entirely to the internal working of the department such as conducting internal management surveys and providing informal management consulting service for the General Services administrative staff;

(2) Those that, while based on General Services departmental functions such as purchasing, property acquisition, transportation, building management, etc., also impinge on other units of state government. This type of activity also includes maintenance of the State Administrative Manual, staff services for the Board of Control and administration of the California Records Act (Sections 12950 to 12974 of the

Department of General Services—Continued

Government Code) which gives the Department of General Services certain overall responsibilities in the field of records management.

(h) The Commission on California State Government Organization and Economy which is composed of four legislative and seven citizen members, was created to provide continuing assistance to the Governor and Legislature in promoting efficiency and economy in state government.

The commission is budgeted in the Department of General Services for administrative services only, since the department has no control over its activities.

(i) The State Building Standards Commission staff, which is budgeted in the Department of General Services, is engaged in codifying all building regulations previously issued by various state agencies to avoid conflict, duplication and overlap.

The program will require a minimum of two years for completion.

2. *Facilities Planning*, budget page 33, line 2. This program includes planning for the state government's needs for present and future office space and related facilities and includes:

Space planning, including proposed new state buildings;
Leasing for state needs.

3. *Property Acquisition Service*, budget page 33, line 49. The program includes the following activities:

Real estate acquisition:

Beaches and Parks

Capitol Area Plan

Property management of property acquired in anticipation of future building needs

Disposition of surplus real property

Index of proprietary state lands

All activities except \$10,000 for the last named activity are financed by reimbursements from land acquisition appropriations and their costs are accordingly included in the cost of the land acquired. The budget proposes the permanent addition of 15 positions established administratively during the current fiscal year.

4. *Office of Administrative Procedure*, budget page 36, line 20. This office provides hearing officers for all state agencies conducting hearings under the Administrative Procedure Act on a wholly reimbursable basis, and publishes the California Administrative Code consisting of agency rules and regulations.

These two activities are identified as follows for 1965-66:

	Staff	Expenditures	Budget	
			Page	Line
Administration—hearing officer services ----	60.5	\$846,726	36	36
Codification—Administrative Code				
preparation -----	4	117,244	37	4
Total -----	64.5	\$963,970		

Department of General Services—Continued

5. *Office of Local Assistance*, budget page 37, line 29. The major activity of this unit is to provide staff assistance to the State Allocation Board in administering the State School Building Aid Program. The State Allocation Board consists of the Directors of Finance and General Services, the State Superintendent of Public Instruction and four legislative members. This is financed by an appropriation from the State School Building Aid Fund, Item 36 and constitutes the major activity of this unit (95.6 staff and \$979,643).

The television coordinator with one clerical assistant provides staff support for the Television Advisory Committee. A primary objective of this office is to provide a plan for an integrated statewide educational network which will provide blanket coverage. The office will also assist when requested in the planning and preparation by local applicants of applications for federal funds. Although the federal government encourages channeling fund requests through a central state office, there is no requirement that such a course of action be followed.

6. *Office of State Printing*, budget page 44, line 46. The Office of State Printing, which is financed from the Service Revolving Fund, provides printing services for state government. Its printing work is divided into three areas which, with the exception of a General Fund appropriation for new equipment, comprises the Printing Office's total budget:

Legislative -----	\$860,000
Textbook -----	4,000,000
Agency -----	6,640,710
Total -----	\$11,500,710

In addition to this, \$237,164 is requested from the General Fund for the purchase of new equipment. The new equipment is proposed to improve production procedures so that using state agencies will realize savings.

One new position of graphic artist is proposed for the printing plant. Although there is no real "program" breakdown for the Office of Printing beyond that cited above, there is a functional division of labor which is germane to an analysis of their operations. That breakdown and the proposed expenditures and number of positions for the 1965-66 fiscal year is

	Staff	Expenditures
General overhead -----	91	\$1,099,343
Plant operations -----	661	10,226,409
Materials handling -----	41	412,122
Total -----	793	\$11,737,874

Although there is no "workload" information available in terms of the generally accepted meaning of the word, the Office of State Printing's budget presentation includes a table titled "Printing Workload," which is actually "income" from the three types of printing engaged in.

In effect this amounts to budgeting on the dollar volume of anticipated revenue which is then converted to various categories of expenditures on an estimated basis, based largely on past experience.

Department of General Services—Continued

7. *Office of Procurement*, budget page 38, line 2. This program includes the following activities for 1965-66:

Activity	Staff	Expenditures	Budget	
			Page	Line
(a) Purchasing, etc. -----	121	\$1,067,655	38	2
(b) Central Store -----	30.7	3,953,106	45	56
(c) Documents -----	15	463,850	46	28
Total -----	166.7	\$5,484,611		

(a) The purchasing staff acts as the central purchasing agent for the state, maintains a traffic management office to effect more efficient movement of state freight, handles reuse of surplus state equipment and assists state agencies in use of commodities made available under the Federal Surplus Property Program.

(b) The Central Stores Staff stocks general office supplies and other items acquired through group purchasing for distribution to state agencies on a billing basis.

(c) Documents sells state documents and distributes material required under the Library Distribution Act.

8. *Building Maintenance and Protection*, budget page 39, line 32. This is one of four activities presented in the budget starting at page 38 under the heading of "Property Management and Services," the other three being covered herein as 9, 10 and 11.

Currently Building Maintenance and Protection is responsible for maintaining and operating 63 state-owned or leased buildings with approximately 8 million square feet of floor space and 70 acres of grounds in eight cities and provides services in the following general categories with a total proposed staff of 1,389.5 for 1965-66:

	Staff
Administration (building managers, clerical help, etc.) -----	76
Repairs (electricians, carpenters, painters, plumbers) -----	99
Protection (state police) -----	132
Custodial (janitors and window cleaners) -----	808.5
Building maintenance (building engineers and maintenance men) --	145
Ground maintenance (groundsmen, etc.) -----	46
Temporary help -----	83
Total -----	1,389.5

A net increase in staff of 23.7 is proposed for 1965-66, 17.2 of which is for the new San Bernardino state building expected to open during the later part of the budget year.

9. *Transportation Services*, budget page 40, line 70. This program includes the following:

	Staff	Expenditures	Budget	
			Page	Line
(a) General activities -----	15.5	\$273,098	40	70
(b) State car pool, etc. -----	138.1	5,165,952	48	45
Total -----	153.6	\$5,439,050		

Department of General Services—Continued

(a) General activities consist of supervision and a staff of seven garage attendants to operate the garage in the State Capitol on a 24-hour basis, seven days per week.

(b) In addition to operation of the state car pool these activities include:

- Operation of state garages,
- Operation of state owned aircraft,
- Sales of gas and oil to state-owned vehicles,
- Management of certain state parking lots,
- Inspection of state-owned motor vehicles,
- Review of requests to purchase new vehicles as to type and need for all agencies except Division of Highways and California Highway Patrol,
- Disposition of obsolete vehicles at public auction, including cars confiscated by the state, chiefly by the Department of Justice in connection with narcotics enforcement.

One position of parking facilities analyst is dropped in the current and budget years as a result of transfer of the duties to the Office of Architecture and Construction and one inspector of automotive equipment II is proposed to direct activities in the southern part of the state.

10. *Communications Maintenance and Services*, budget page 41, line 25. This program includes the following proposed activities for 1965-66:

		Budget	
	Staff	Expenditures	Page Line
(a) Communications service -----	7	\$86,830	41 25
(b) Radio maintenance -----	122.2	1,668,510	47 2
(c) Telephone services -----	43.5	4,686,342	48 14
Total -----	172.7	\$6,441,682	

(a) and (b) The State of California owns and operates a coordinated microwave and radio system, consisting of microwave, with a capacity of 240 voice circuits and approximately 9,500 radios of which 5,000 are mobile. The equipment is owned and operated by five state agencies, Division of Highways, California Highway Patrol, Disaster Office, Division of Forestry and Department of Water Resources.

Communications Services reviews and recommends type of equipment to be purchased, engineers and installs the equipment, assist in coordination to provide for an integrated operation, and maintains about 90 percent of the microwave installations and about two-thirds of the radio units through its 42 maintenance stations, the remainder being maintained by the Division of Highways.

Nine additional positions are provided for increased workload which will result when additional equipment, most of which was authorized in 1963-64, is engineered and placed in service during the current year.

(c) The communications staff exercises technical control over state-operated telephone systems, including review and recommendation as to proposals for automatic installations and extension of leased line facilities, although line supervision over the staff of 43.5 telephone opera-

Department of General Services—Continued

tors and clerical assistants who operate the facilities in the various state-owned buildings is exercised by the building manager in charge of these buildings under Building Maintenance and Protection. One new telephone operator is proposed for the new building in San Bernardino, which will open during 1965-66.

11. *Central Office Services*, budget page 41, line 50. This program involves three activities under common supervision, budgeted as follows:

	Staff	Expenditures	Budget	
			Page	Line
(a) Office services -----	10.2	\$68,101	41	50
(b) Office machine repair -----	33.0	255,901	46	49
(c) Reproduction services -----	39.5	378,544	47	51
Total -----	82.7	\$702,546		

(a) Office Services includes the program supervisor and the inter-departmental messenger service in Sacramento. One additional position is proposed for 1965-66.

(b) Office Machine Repair maintains and repairs state-owned adding machines, calculators and typewriters at three locations. An indication of the distribution of the anticipated workload for 1965-66, by type of machine, can be noted from the classes of journeyman personnel authorized, as shown below:

<i>Machine service and class of personnel</i>	<i>Sac.</i>	<i>LA</i>	<i>SF</i>	<i>Total</i>
Rotary calculators—calculator machine repairman II ----	2	1	1	4
Adding machines—calculator machine repairman I -----	4	1	1	6
Electric typewriters—typewriter repairman II -----	5	1	1	7
Manual typewriters—typewriter repairman I -----	3	2	2	7
Preventive maintenance on typewriters—laborer -----	2	—	—	2
Total -----	16	5	5	26

The total for Sacramento includes one new typewriter repairman II.

(c) Reproduction Services provides centralized duplicating by multi-lith and mimeograph processes for state agencies at two locations in Sacramento, one in Office Building No. 1, with a staff of approximately seven engaged primarily in serving the Office of Procurement and another at 1021 O Street, with a staff of approximately 20, which services all state agencies in Sacramento.

It is proposed to establish similar units in Los Angeles and San Francisco sometime during the current budget year, with a staff of six at each location conditioned upon the ability to combine existing independent operations at these locations.

REVIEW OF AGENCY ACCOMPLISHMENTS

Most of the activities of this department are limited to the performance of services for other agencies. Because the major portion of the department's workload is generated by using agencies, strict control over unit price is particularly important.

Accordingly we believe that the budget presentation for the various sections of this department must include objective and verifiable

Department of General Services—Continued

standards which will permit legislative review and evaluation of level of service.

1. *Administration and Staff Services.* As indicated in the section on program plans and budget there are for purposes of analysis nine activities grouped within this section. Because of their size or nature no objective workload data on which to judge the efficiency of a number of these activities has been developed. These include the Executive Office, Rented Buildings, Commission on California State Government Organization and Economy, and State Building Standards Commission.

Auto Liability Insurance. Prior to 1964-65 this item was included in the main appropriation item for support of the department and shown in the budget under Administrative Services. The 1964 Legislature, however, made auto liability insurance the subject of a separate appropriation and the current budget follows this practice. The comparable insurance costs for 1963-64 are shown in the following tabulation:

	1963-64	1964-65	1965-66
Expenditures -----	\$822,001	\$844,233	\$886,444
Reimbursements -----	—588,744	—651,117	—683,675
Remainder -----	\$233,257	\$193,116	\$202,769

The overall cost of the insurance is directly related to the number of vehicles owned by the state and the reimbursements are insurance costs for vehicles owned by special fund agencies including the state pool vehicles owned by the Service Revolving Fund and the large fleets owned by the Division of Highways and the Highway Patrol.

Data Processing. In our 1963-64 analysis we recommended the deletion of eight positions which had been (1) established administratively in 1961-62, and (2) approved for one year only in 1962-63 pending evaluation of rejustification. Our recommendation was based on the lack of any adequate, objective justification for the proposed positions. The Legislature upheld this recommendation. The section since that time has been transferred to the Service Revolving Fund, and six additional positions established administratively.

To facilitate legislative review the Assembly Ways and Means Committee last year recommended that reporting standards reflecting the level of service and efficiency be developed for all wholly reimbursable operations. At this time no such information has been made available for our office for the Data Processing Section.

Administrative services, legal services and management services have not developed staffing standards or workload data; accordingly, there is no basis of comparison available for an evaluation of the level of service provided in the 1963-64 fiscal year.

2. *Facilities Planning Services.* This section is divided into two subsections, Master and Space Planning Section and Leasing Section. In the 1963-64 fiscal year ten positions were authorized for the former and nine filled, and in the latter, seven positions were authorized and filled. There is no workload information available for this office and

Department of General Services—Continued

consequently an assessment of the level of service provided in the 1963-64 fiscal year is not feasible. A comment on the failure of this unit to comply with economical standards requested by the Legislature in connection with the space furnished the Resources Agency is detailed in the discussion of the budget item for that agency.

3. *Property Acquisition Services.* During 1963-64 25 positions were transferred to Property Acquisition from the Division of Beaches and Parks and 28 new positions were added administratively and approved for continuation as permanent positions for 1964-65. This increased the staff of this office from 31 to 84 positions during 1963-64. The amount of work to be handled by this office has steadily increased, and the passage of Proposition 1 in November 1964 will further add to this volume.

4. *Office of Administrative Procedure.* The activities of this office for 1963-64 are indicated in the following presentation:

Cases filed	4,214
Cases heard	3,411
Codification pages of rules and regulations.....	4,850

This represents 188 cases resolved per attorney for the 1963-64 fiscal year, a figure which is proposed this year as a staffing standard. This operation is wholly reimbursed by using agencies.

There are no workload data for codification work because of the small size. There were 3.7 man-years spent in producing the volume which appears above.

5. *Office of Local Assistance.* This office developed and used a functional time and production data presentation which detailed hours, units, unit time and man-years by function and subfunction. These data provided a sound working base upon which to discuss and analyze position justifications. Three examples of subfunction presentation appear as follows:

State School Building Aid
Chapter 10, Division 14, Education Code

		<i>Actual</i>
	<i>1962-63</i>	<i>1963-64</i>
<i>Direct supervision and administration</i>		
Hours	7,396	6,434
Units	—	—
Unit time	—	—
Man-years	4.1	3.5
<i>Fiscal closeout examination</i>		
Hours	8,337	6,708
Units	579	587
Unit time	14.4	11.4
Man-years	4.6	3.7
<i>Application processing</i>		
Hours	18,941	16,862
Units	569	570
Unit time	33.3	29.6
Man-years	10.4	9.2

Unfortunately, this type of analysis has not been followed in the current or budget years.

Department of General Services—Continued

The position of television coordinator was not filled until September of the 1964–65 fiscal year and the Television Advisory Committee processed only a small amount of information; accordingly, historical information is too limited for purposes of review. In the future, however, it should be possible to measure the activities of the Television Advisory Committee and the television coordinator.

6. *Office of State Printing.* As previously indicated, the Office of State Printing included in its budget presentation a table titled "Printing Workload," which includes the following for 1963–64 and 1965–66:

<i>Class of work</i>	<i>Actual 1963–64</i>	<i>Proposed 1965–66</i>
Legislative printing -----	\$856,810	\$860,000
Textbook printing -----	4,242,840	4,000,000
Agency printing -----	6,094,105	6,640,710
Total -----	\$11,193,755	\$11,500,710

Although dollar amounts are indicative of the magnitude of the plant's operation, we believe that such figures do not represent meaningful workload.

In a letter to our office dated December 30, 1964, it is stated that "for operating departments, we start with an estimate of the dollar volume of work to be done in the budget year . . . I would emphasize that judgment, rather than strict formulas, constantly has to be used in estimating volume and number of positions required." As implied in our remarks concerning workload, "judgment rather than strict formulas" is a nonobjective standard, and one that does not submit to analysis. It is also a precarious method of forecasting the size and cost of future operations. In our 1963–64 Analysis (Department of Education, Division of Free Textbooks, Item 413, Analysis, page 969) we recommended that the budget amount for state-printed free textbooks be reduced by 6.1 percent, or \$140,385, based on the finding that the plant had historically overestimated the actual cost of production by over 6 percent.

The recommendation was accepted by the Legislature and we have reviewed the approximately \$5 million worth of textbook orders submitted to the Office of State Printing during the 1963–64 budget year. The comparison of estimated costs with actual printing costs revealed that estimates exceeded actual cost by over 20 percent or approximately \$1 million.

The relevant section of our current Analysis, Item 291, states that:

"The State Printer has stated that since the 1963–64 estimates were made, he has taken steps to bring the original job estimates closer in line with the anticipated costs of the textbooks to be printed. In an effort to verify this statement we have recently reviewed certain textbook printing estimates contained in the 1965–66 budget request. While it may be true that the State Printer has reduced certain printing estimates, we believe that further reductions in the textbook estimates are in order. We therefore recommend that the printing costs as estimated by the State Printer and

Department of General Services—Continued

contained in the 1965-66 budget request be reduced by 10 percent or \$262,240. This reduction should more accurately reflect the true cost of printing the textbooks ordered. The 10 percent reduction is sufficiently modest to allow for any further reduction in estimates made by the State Printer and also to provide an adequate contingency for possible cost increases that might develop during the budget year."

It would therefore appear that the lack of objective workload standards, staffing standards and production measurement is a matter for practical as well as theoretical concern.

It should also be noted that the printing plant has developed and presently utilizes a number of reports designed to measure, among other things, actual machine production by cost center and actual labor by employee. The reports are the outgrowth of earlier recommendations that machine accounting and high-speed data processing methods be employed to facilitate the preparation, development and implementation of accurate and dependable management controls. Our office believes, however, that as management control devices these reports are not effectively used. For example, the substantial margin of error in estimating textbook jobs can only be understood in terms of inadequate programing of the work to be done and the degree of efficiency with which the jobs will be processed. Theoretically and practically a thorough knowledge of the level of performance of both the men and machines to be utilized and the product to be produced should yield estimates of considerable reliability and accuracy.

7. *Office of Procurement.* This office has developed staffing standards which appear to be adequate and are reflected in workload information. For example, this office reported that in 1963-64 143,500 estimates were processed. At their staffing standard of 4,500 estimates per man-year of buyer time, this amount would require 32 buyer positions. Thirty buyer positions were authorized and 28 filled. Similar information is available for remaining positions on an historical basis, but such information has not been projected for estimating budget year workload.

8. *Building, Maintenance and Protection.* Although workload information exists for a large part of the operations of this division, no correlation between these standards and costs has been drawn. The agency was directed last year by the Legislature to produce reliable and workable cost per square foot standards. Our office received on January 20, 1965, a limited presentation on cost per square foot for various buildings. Due to the late date of receipt, adequate review of this information is not possible for our analysis. It should be noted, however, that until such information is deemed acceptable, proper review and evaluation of the level of service will not be possible. Cost accounting procedures for Building, Maintenance and Protection are currently being developed and are being reviewed by the Office of the Auditor General. A report will be prepared by the Auditor General in the near future.

Department of General Services—Continued

9. *Transportation Services.* Due to the lack of a full-base year and lack of workload standards for these offices there are only limited comparative data which can be used for review of accomplishments.

The budget presentation indicates that the following was the case in 1963-64 in Transportation Services:

Cars on hand, July 1, 1963-----	2,535
Purchase of cars-----	487
Sale of cars-----	—434
Transferred from other agencies-----	84
Cars available, June 30, 1964-----	2,672
Mileage-----	42,223,118
Average mileage per car-----	15,802

Transportation Services also operates two airplanes, one of which, a 19-passenger Convair, was purchased during the last year. Staffing standards for internal control are employed and appear to be effective.

As a service agency, however, Transportation Services exercise no control over the nature or extent of automobile use by the agencies which are its customers.

10. *Communications—Telephone Services.* The 1963-64 amounts, which appear in part in the Department of Finance budget and General Service budget on page 42 are included in the following for comparative purposes:

	1963-64	1964-65	1965-66
Exchange charges and message units-----	\$1,877,722	\$2,268,910	\$2,553,200
Toll charges-----	939,802	828,000	737,700
Leased circuits-----	468,325	739,100	1,048,500
Total-----	\$3,285,849	\$3,836,010	\$4,339,400

The exchange charges and message units and toll charges include only those for state exchanges in state-owned buildings in Sacramento, Los Angeles, San Francisco, Oakland, Fresno, Stockton and for the 1965-66 year, San Bernardino, while the amounts for leased circuits include entire state costs for this type of service.

The total telephone bill for the state is substantially greater than that shown above, since there are many agencies billed direct by the telephone companies which are not included in the totals shown above. A survey completed early in 1963 indicated actual totals for 1961-62 were as follows:

Exchange charges-----	\$3,489,000
Toll charges-----	1,658,000
Total-----	\$5,147,000

Leased-line charges at that time were nominal.

On the basis of this study it is probable that the total telephone bill of the state at the present time is in excess of \$6 million.

As of December 6, 1964 the state changed to an automatic telecommunications switching system (ATSS), the original order for which had been placed April 23, 1963.

Department of General Services—Continued

This system, although more costly than the old facilities, provides improved transmission, expanded facilities and facilitates the use of leased lines. The increase in leased-line costs of approximately \$500,000 between 1963-64 and 1965-66 is the approximate measure of the increase in annual costs attributable to ATSS.

The Department of Finance is currently engaged in a study of telephone usage in the state government, including the desirability of monitoring calls on leased lines to determine the extent of usage. This can be done under ATSS, at some added cost, and if adopted, would constitute a management tool for controlling and justifying the use of leased lines.

11. *Central Office Services.* These services involve three separate activities, for which there is reasonably detailed workload information. The office is run under the direction of one administrator, and 67.7 positions were authorized for 1963-64. Sixty positions were filled. The three sections and sample workload information is as follows:

a. *Interagency Mail and Messenger Service.* There were 7.2 positions authorized for this function and 7 positions filled. The indicator of production used is sorting time, which is reported to take 2 to 3 hours per day, and route time, which is reported as taking $4\frac{1}{2}$ hours per day. One employee per route plus one supervisor for the operation is the staffing standard. In 1963-64 there were five mail routes and one parcel post route.

b. *Office Machine Repair* had 32 authorized positions and filled 28. Staffing standards and actual accomplishments at the rate of one employee per number of machines is indicated by the following:

	<i>Number of machines</i>	
	<i>Staffing standard</i>	<i>Actual 1963-64</i>
Electric typewriter -----	400	439
Electric calculator -----	400	383
Manual typewriter -----	700	804

c. *Reproduction Services.* Twenty-four of 27.5 authorized positions were filled in 1963-64. The formula for units of work is as follows:

- 5 units per job
- 2 units per 100 impressions
- 2 units per master
- 2 units per 100 sheets collated

The staffing standard is one employee for 5,000 units of work per month, and the actual accomplishment for 1963-64 was 4,889 units per employee per month.

ANALYSIS AND RECOMMENDATIONS

In our 1964-65 analysis we included the following recommendation: "We believe that to provide assurance that expenditures are appropriate, whether reimbursed or not, the basis for charges and an accurate measurement of efficiency based upon acceptable procedures and standards should be submitted with each budget request." This recommendation was based upon the fact that to provide realistic legislative

Department of General Services—Continued

review of service agencies there must be identifiable and objective standards. Furthermore, the Assembly Ways and Means Committee recommended that the Department of General Services "develop a report which will reflect the level of service and/or relative efficiency of the various program activities which are wholly or substantially reimbursed activities within the department. The content and form of the report, which will be submitted each year with the department's budget request, will be reviewed and approved by the Department of Finance and the Legislative Analyst."

No such report has been received. The lack of such a report very seriously limits legislative review; as an added inducement to the department to meet its responsibilities in preparing such a report it might be pointed out that adequate standards would work to the department's advantage for legitimate requests while the lack of such standards continues to cloud the important question of level of service.

As indicated under Review of Agency Accomplishments we regard indices of the level of service as particularly important for service functions. *Accordingly, we recommend that in order to facilitate legislative review, objective and verifiable staffing standards, workload information and related cost information be required as supporting documentation for all future budget proposals by the Department of General Services for each function and major subfunction.*

1. *Administration and Staff Services.*

- a. Legal Services. *We recommend the deletion of 1.5 counsel positions, budget page 35, line 24, for a saving of approximately \$13,554.*

In our 1964-65 analysis we recommended that two associate counsels be approved for one year only. This recommendation was approved by the Legislature and language to that effect was included in the Budget Bill. Subsequently, Legal Services established one associate counsel position and one junior counsel position, both of which expire June 30, 1965. We based our original recommendation on the fact that no information relating to time allocation or workload was provided to assure the validity of the request. We further recommended that the two counsel positions be rejustified in the 1965-66 budget presentation on the basis of workload and time required in the performance of various duties. The positions had been requested on the basis of "an expanded property acquisition program."

In the Legal Services budget presentation for 1965-66, counsel positions are requested for "work on the expanded property acquisition program." No workload information has been presented in defense of these additional positions despite the fact that the budget is an estimate and must be based on some objective projection. In light of our recommendation last year, the action of the Legislature and the time elapsed since that action, there would appear to be no good reason for this deficiency in justification.

We recommend that one senior legal stenographer position be deleted, \$5,556, budget page 35, line 25. In line with the preceding recommendation, and due to the lack of staffing standards, we regard this position as unjustified on a workload basis.

Department of General Services—Continued

We recommend that 2.5 counsel positions, budget page 35, lines 22, 23 and 24 be approved for the period of one year. These positions are proposed for legal services to the Office of Architecture and Construction. The Department of Public Works has been providing this service under contract, but has requested Legal Services to provide the service.

The statement of objectives in the Legal Services Section budget states that "the legal staff consults with agencies and provides services to agencies not having administrative advisors." The reasoning which underlies this approach is that a state pool of attorneys presents an economical and efficient way in which to provide necessary legal services to offices too small, or with too little legal workload, to justify an office attorney. In this regard, and in the workload terms discussed earlier, it is of particular importance that workload material be developed and accurate time reporting maintained.

We believe that these positions should be rejustified in the 1966-67 budget based upon workload.

b. Data Processing. *We recommend the deletion of one key punch operator, budget page 46, line 14, for a saving of \$4,674.* This position has been requested on a permanent basis to continue a position established administratively during the current fiscal year.

As we have pointed out on many occasions in the past personnel justifications in Data Processing have been inadequate. Because the services of this section are wholly reimbursable, it is particularly important that there be staffing standards and workload information with which to justify position increases. Without such information it is impossible to assess relative efficiency of operation.

It should also be pointed out that the recommendation of the Assembly Ways and Means Committee cited earlier is directed precisely to operations of this sort. Because of the nature of the operation, the period of time over which the Data Processing Section has been aware of our recommendations, and the Ways and Means Committee recommendations made last year, we regard this position as unjustified.

c. Management Services. *We recommend the elimination of three positions, budget page 35, line 72, for a savings of \$29,477.*

In the budget presentation for Management Services \$29,477 in reimbursements from using state agencies is reported for the 1963-64 fiscal year. It should also be noted that in a limited statement of staffing standards, Management Services reported that 27 percent of the total time of the Management Planning Section, or 3.5 positions, is devoted to "contract services to other state agencies."

The budget presentation for 1965-66, however, makes no provision for continued contract services to other agencies. In the absence of such contract services we believe the three positions previously concerned with this operation are unjustified. If this recommendation is adopted the positions to be eliminated should be selected by the agency with the approval of the Department of Finance.

2. *Facilities Planning Services.* Although there are no staffing standards or workload data for this office, no increase in personnel

Department of General Services—Continued

is proposed for the budget year. *Accordingly we recommend approval as budgeted.* However, in line with our general recommendation directed to the department as a whole and other specific but related recommendations, *we recommend that this office be directed to develop adequate staffing standards and workload information to be used as supporting documentation for future budget presentation, including some basis for support for the existing staff.*

3. *Property Acquisition Services.* We recommend the deletion of 10 land agents and 5 stenographers, budget page 33, line 80, for a savings of \$105,120.

With the passage of Proposition I, the California electorate in November of 1964 mandated the Legislature to provide for the expenditure of \$150,000,000 in bond funds to be "used to meet the recreational requirements of the people of the State of California by acquisition and development of land for recreational purposes." This represents a substantial and highly important program and one by its nature which requires thorough advance planning.

There is at present no amount provided in the Governor's Budget as a portion of this total expenditure, and no indication of the amount, if any, that will be made available for expenditure in the budget year. The Department of Parks and Recreation, which will be responsible for the overall preparation of site acquisition and the development plans, has not yet reported to the Legislature on the status of its planning. On this basis, position justification due to an only generally identified "increased" workload resulting from the beaches and parks program cannot be regarded as persuasive. Although the workload of the Office of Property Acquisition will increase as the level of purchasing increases due to the size of the expected operation, we regard it as incumbent upon property acquisition to provide adequate staffing standards. In terms of their present justification there is no basis upon which to determine either efficiency or level of service. Any augmentation can subsequently be considered on the basis of the approved park program.

Equally significant is Property Acquisition's attempt to partially justify the additional positions on the basis of "backlog." If backlog exists, it may be identified and once identified personnel requirements developed; but a necessary precondition to development and justification of personnel requirements is staffing standards and workload information. On the other hand, without such standards it is to be assumed that the precise nature of the section's duties is not known, and consequently the number of positions "required" is a fiction.

Finally, as the budget presentation states, "... all activities of this program except indexing of proprietary state lands are reimbursed from the various land acquisition appropriations." Time reporting is a precondition of this type of reimbursed activity. In terms of legislative review of level of service such time reporting must be translated into staffing standards and workload.

4. *Office of Administrative Procedures.* With no anticipated increase in workload, this office proposes no new positions. *We recommend approval as budgeted.*

Department of General Services—Continued

5. *Office of Local Assistance.* One intermediate stenographer position is proposed on a permanent basis to continue the position established administratively at the time the position of television coordinator was filled in September 1964. Because the office of the television coordinator is physically separated from the Office of Local Assistance, and because the position of television coordinator is approximately analogous to that of division chief, the stenographic position would appear to be justified.

As previously indicated, the Office of Local Assistance has at its command a workable format for justification of positions by workload, but this presentation has not been employed for the current or budget years. *Accordingly, we recommend that the Office of Local Assistance reinstitute the use of such supporting documentation for the purpose of facilitating legislative review.*

No increase in workload or level of service is proposed for the balance of the office for the budget year. *We recommend approval as budgeted.*

6. *Office of State Printing.* As previously indicated, the position of our office is that the printing plant has inadequate workload information. It is, however, of interest to apply the printing plant's own standards to its operations. As reported in a letter from the State Printer to our office dated December 30, 1964, in estimating the number of positions required a "... historical base is developed of (the) actual number of persons required to do a given dollar volume of work. ... This is applied to the estimated volume. ..." On this basis the following is significant:

	Total		General overhead		Total less General overhead	
	<i>Expenditure</i>	<i>Positions</i>	<i>Expenditure</i>	<i>Positions</i>	<i>Expenditure</i>	<i>Positions</i>
1963-64	\$11,462,554	754.8	\$899,001	71.8	\$10,563,553	683.0
1965-66	11,737,874	793.0	1,099,343	91.0	10,638,531	702.0
Change—						
increase	275,320	38.2	200,343	19.2	74,978	19.0
Change	2.4%	5.1%	22.3%	26.7%	0.7%	2.8%

It may be seen that while a 2.4-percent overall increase has occurred between the two years, a 22.3-percent increase has occurred in the single category of general overhead. Thus, in terms of dollar volume as "workload," general overhead has increased over nine times as fast as total output.

This type of presentation obscures any waste or economy and contributes nothing to measurements of efficiency or productivity. In our judgment the nearest approach to a meaningful dollar volume figure is the dollar amount of material purchased and operating expenses:

	<i>Material purchase</i>	<i>Other operating expenses</i>	<i>Total operating expenses</i>
1963-64	\$4,132,750	\$604,958	\$4,737,708
1965-66	4,246,414	579,749	4,826,163
Change	2.8%	-4.2%	1.9%

Department of General Services—Continued

As in the case of the dollar amounts cited earlier, we believe that there is no sure way to deal with this information without volume and quantity information, but operating expenses represent a more dependable measure of real productivity and workload changes than do cost figures that incorporate labor. In the printing plant's own terms—dollar amounts—it appears that an operating expense increase of 1.9 percent requires explanation of a 22.3 percent general overhead increase.

The significance of this in terms of legislative review is that there are presently no adequate standards to judge efficiency and economy of operation. Accordingly, it is impossible to recommend specific position or cost reductions with any accuracy. One new position of graphic artist is proposed for the printing plant for the budget year. The Office of State Printing maintains that the use of a graphic artist will eliminate the "need for individual agencies contracting separately for artwork and other preparation that is often faulty or not geared to the plant's needs."

We recommend that the proposed position of graphic artist be approved only for the period of one year, with the condition that his services be billed directly to using agencies as an index of his productivity, such index to be employed in rejustification for continuance beyond the 1965-66 fiscal year. We further recommend that the Office of State Printing be directed to prepare objective, clearly defined and identifiable workload data for all operations, which information may be used in future position justifications. To be meaningful, this workload information should include data from which costs can be derived, and relative economy and efficiency assessed.

The same problem prevails in the case of justification for augmentations to the Service Revolving Fund for purchase of equipment. There is no thorough way in which to judge the accuracy of equipment requests due to the problems outlined above, and only limited judgments may be made after the fact of purchase. A case in point is the web press for which \$165,000 in accessories is requested this year. The original justification for the web press provided for a two-unit web press with drying ovens and a flying paster at a cost of \$300,000. (A flying paster joins a new roll to a depleted roll of paper permitting uninterrupted press operation.)

The original appropriation for the web press, approved by the Legislature, amounted to \$300,000. Subsequently the Office of State Printing determined that the press at issue would cost only \$256,665, leaving an unexpended balance of \$43,335. The printing plant then requested and received permission to forego other authorized equipment purchases to develop an additional \$48,320. This amount and the unexpended balance, totaling \$91,655, was proposed for purchase of two additional printing units and a large motor. The plant then proceeded to purchase a four-unit web press with ovens, but without a flying paster, for \$346,554.94. The failure to purchase the flying paster as budgeted is ex-

Department of General Services—Continued

plained on the basis of faulty estimation. It is also of note that the equipment purchases "deferred" have not been rerequested, casting doubt upon the validity of the original justification.

Thus, a web press with flying paster was approved by the Legislature but a press without a paster was purchased; now two flying pasters are requested as necessary accessories to the press, even though the flying paster was originally conceived as an integral part of the press. In the printing plant's justification for the pasters it is stated that the web press must be shut down about every 30 minutes for 10 minutes to manually change rolls, and that with the pasters this lost time would be eliminated. If it is assumed that this justification is correct, it is highly questionable whether or not the original press was justified without the paster.

This situation is further complicated by the fact that one of the characteristics of offset printing is the need to periodically stop the press to clean the offset blankets. In the case of the web press this procedure must be followed about every 90 minutes, and involves about 10 minutes. It would appear that this operation and manual roll changes could be done simultaneously. Although we do not presume to be familiar with the intricacies of modern printing technology, we do wish to point out that the plant's method of justification does not permit realistic review.

There is one existing area where limited workload information may be developed but which is not presently utilized by the printing plant. An example is the request for \$30,000 bundling units for the web press in justification of which the printer states "the tremendous capacity of the press to produce finished signatures, in excess of 20,000 32-page, 8½ x 11 units per hour, has created grave problems in adequately collecting, bundling and stacking of signatures as they leave the press." As indicated in a recent production report, however, the web press has never approached the "norm" of 20,000 signatures per hour. By work units per hour of running time and production rate (expressed as a percent of the "norm") for the period July 1, 1964 to November 28, 1964, the web press has produced:

<i>Shift No.</i>	<i>Work units per hour</i>	<i>Production rate</i>
1 (day) -----	13,360	66%
2 (afternoon) -----	14,443	72%
3 (night) -----	15,620	78%

The foregoing information is rendered less workable by the fact that "work units per hour" is arrived at by dividing total work units by running time. There are, in fact, other ways to determine "work units per hour" the second of which would be more realistic in terms of assessing a machine's productivity. Thus, for each of three shifts on the web press for the period July 1, 1964, through November 28,

General Services

Item 35

Department of General Services—Continued

1964, the following computations of "work units per hour" may be developed:

	Shift No. 1	Shift No. 2	Shift No. 3	Total
(1) Total work units	5,955,500	6,992,500	6,826,350	19,774,350
(2) Running time—				
hours	445.75	484.45	437.00	1,367.20
(3) Work unit/hour of running time and rate	13,360 66%	14,443 72%	15,620 78%	
(4) Total chargeable hours	591.75	579.50	477.75	1,649.00
(5) Work unit per chargeable hour and rate	10,064 50.3%	12,066 60.8%	14,288 71.4%	
(6) Total available hours	773.75	753.75	595.00	2,122.50
(7) Work units per available hours and rate	7,696 38.5%	9,276 46.4%	11,472 57.4%	

From the preceding table it may be seen that depending upon the shift, between about 60 and 40 percent of time available on the web press is not being utilized. Equally significant is the percent of actual running time to available time, derived from dividing line 2 by line 6 of the table above:

Shift No.	Percent
1	57.6
2	64.2
3	73.4

To place this in a slightly different perspective using a 20,000-unit norm, first shift production of 5,955,500 units should have taken 297.8 hours, or 445.75 running hours should have produced 8,915,000 impressions.

To suggest, however, that it is improper to use available hours or chargeable hours as a basis of comparison is incorrect. Accurate computation of machine productivity details what is produced over time and not what is produced in a particular fit of efficiency.

Another example relating to available "workload" information further points out the fragility of the present system. The "workload" information is not only deficient in terms of measuring actual production, it is unreliable in anticipating future production. In a letter dated February 14, 1963, justifying the web press, the printing plant postulated that the estimated cost of the web press as compared to the actual cost of the large Harris Offset running at standard would be:

	Web	Harris
Cost center rate	\$42.88	\$21.50
Production norm per hour	20,000	4,700
Cost per 1,000 impressions	\$2.14	\$4.58

Department of General Services—Continued

Since that estimate, cost center rates have changed and current figures indicate the following would be in order with the presses running at standard:

	Web	Harris
Cost center rate	\$75.00	\$22.50
Production norm per hour	20,000	4,700
Cost per 1,000 impressions	\$3.75	\$4.78

The fact is, however, that the presses have not run at standard. Actual experience with both the web press and the Harris for the 4½-month period July 1, 1964, to November 28, 1964, indicates altogether different costs than estimated:

	Web	All Harris presses (4)	Most efficient Harris
Cost center rate	\$75.00	\$22.50	\$22.50
Actual total impressions	19,774,350	20,998,533	7,481,607
Actual total running time	1,376.20	4,921.55	1,579.9
Average impressions per hour	14,418	4,267	4,735
Actual cost per 1,000 impressions	\$5.20	\$5.27	\$4.75

Presumably it will be urged against this presentation that it is unrealistic, that the web press in fact offers other advantages such as coterminant folding, that the press is still being shaken down, that flying pasters will improve its level of efficiency. Our office is willing to agree that this form of presentation is deficient in terms of proper review; we do repeat, however, that this follows the method of justification established by the printing plant itself. This method is substantially similar to the justifications submitted for equipment for the 1965-66 fiscal year. Without evidence to the contrary then, it may be assumed that present equipment justifications are equally deficient.

Accordingly, we recommend that all new equipment requests be the subject of special legislative review, and that the printing plant be directed to prepare in the next fiscal year appropriate and workable equipment justifications which shall include standards that will permit adequate legislative review.

There also appears in this budget a significant equipment item for which no funds are included; this is a \$26,000 mailing machine, which is proposed to be "financed by charges to using agencies." *We recommend disapproval of this item.* We regard this as an attempt to circumvent the clearly defined and articulated policy of the Legislature as embodied in the control sections which have appeared in recent budget bills. Section 19 in this year's Budget Bill reads in part that "No augmentation shall be made to the capital of the Service Revolving Fund for the benefit of the Office of State Printing during the 1965-66 fiscal year except as specifically provided for in this act." This language is clear and reflects the legislative attitude that capital expenditures in the Office of State Printing should be subject to legislative scrutiny. Without information to the contrary, there is no reason to believe that the Legislature is interested in reversing this position.

Department of General Services—Continued

Furthermore, there appears in Section 19 (Control Section) of last year's Budget Bill explicit language addressed to just such an eventuality as the proposed mailing machine. It reads in full: "Any proposed capital additions to the Service Revolving Fund for the benefit of the Office of State Printing for the 1965-66 fiscal year shall be included in the proposed budget for that fiscal year as an appropriation out of the General Fund." The presentation for the proposed capital addition of a mailing machine would appear to flatly contradict the intent of both the budget and current year control sections.

There is one final item which does not appear in the budget presentation of the printing plant for this fiscal year but which we feel should be the subject of legislative review. The Department of Education proposes to vacate a warehouse adjacent to the printing plant and lease warehouse space elsewhere. This proposal will increase Department of Education warehouse costs by about \$8,000 this fiscal year. In addition, as reported by the State Printer, handling costs in the amount of $\frac{1}{10}$ of 1 cent per book will accrue to the overall textbook costs.

In the event the Department of Education vacates this space—as is now proposed—the Printing Office proposes to occupy 30,000 square feet of the present warehouse which is roughly 40,000 square feet in area. It is estimated to cost 2.2 cents per square foot per month. No volume data are offered and no inventory standards are presented in justification. Statements of the following order are offered: "The plant's need for additional space totals 30,000 square feet, including the following items: (a) additional materials storage, 10,000 square feet. This need has been developing for some time and paper has been stacked at times in recent years in aiseways and other inconvenient and inefficient areas in operating departments." In terms of the plant's own general method of justification there would appear to be no reason for this condition to exist. As indicated earlier, materials in dollar amounts have shown the following changes:

	<i>Actual</i> 1963-64	<i>Estimated</i> 1964-65	<i>Estimated</i> 1965-66
Materials purchased -----	\$4,132,750	\$5,101,773	\$4,246,414

As is apparent, the amount for fiscal year 1965-66 represents a decrease of \$855,359, or 16.8 percent as compared to 1964-65 or an increase of \$113,664 or 2.8 percent over 1963-64. In this light any "developing need" which has finally come to the foreground in the 1965-66 fiscal year should be documented.

The remaining element of the justification for 10,000 of the 30,000 square feet requested is that "newer and faster equipment, particularly the web press, has required earlier ordering and stockpiling of paper to avoid costly shutdowns when delivery is delayed." There is, however, no evidence that the "newer and faster equipment, particularly the web press" has been in operation at a significantly faster rate. In fact, the four large Harris presses (two 36" x 50" and two 43" x 59") have produced in the period July 1, 1964, to November 28, 1964, 20,998,533 impressions, while the web press (23" x 28") in the same period has produced 19,774,350 impressions. Even allowing for a substantially

Department of General Services—Continued

larger waste factor with the web press it would not appear that this justifies additional warehouse space. Budget justification for the balance of the warehouse space is equally weak.

We recommend that the transfer of warehouse space, with its consequent costs, not be allowed until objective inventory and production standards are presented.

7. *Office of Procurement.* We recommend approval as budgeted. No new positions are requested for the budget year and it may be assumed that the workload for the budget year relative to last year is the same or greater. However, as previously indicated, no estimated workload figures and corresponding correlation with staffing standards was included in the budget justification for the 1965-66 fiscal year. *We recommend that such workload estimates, historical workload information for actual and current years, and staffing standards be submitted in justification of future budget presentations.*

8. *Building Maintenance and Protection.* We recommend that Building Maintenance and Protection be directed to develop cost-per-square-foot information for all operations in all buildings in which this division has responsibilities, these cost figures to be the basis for both billing and future position justifications, and these figures to provide data which may be used in developing comparative information relating to level of service.

In our last analysis we made a recommendation similar to the foregoing. At that time we stated that we were not in a position to judge level of service, and consequently were not able to recommend specific actions which would be productive of savings. Although workload information exists in this division, it has not been correlated with cost information. A report has been submitted on cost per square foot, but at too late a date to adequately review it. As pointed out elsewhere in this analysis cost information alone does not present a sufficient basis upon which to judge the level of service; by the same token, workload information unrelated to cost information presents a one-dimensional and essentially unworkable picture insofar as review and evaluation is concerned.

In the absence of correlated cost and workload information, judgments as to level of service and relative efficiency cannot be made with any precision. In light of last year's recommendation, and the steady expansion of area to be serviced by this office, it is imperative that tools be developed which will permit adequate review.

9. *Transportation Services.*

As indicated under Review of Agency Accomplishments for Transportation Services, staffing standards and internal controls appear to be effective and realistic. However, the most significant aspect of Transportation Services is one over which the office itself has no control; that is the use of state vehicles by state employees and the consequent replacement and addition of vehicles to provide this service. Thus adequate control—and adequate evidence of the effectiveness of the

Department of General Services—Continued

control—is essential if the level of service is to be analyzed and evaluated.

This division proposes to purchase 138 additional vehicles and 549 replacement vehicles for a total of 687 vehicles for the budget year. The additional equipment is based on an estimated 5 percent increase in auto mileage during the budget year. The 5 percent estimate is based upon historical increases. While the fact of historical increase may be documented, there is no way at present to document whether or not such increased use is justified. It should be pointed out also that this is an area in which it is specially likely that supply will create its own demand. Thus, in the absence of stringent controls, availability may determine use. This situation apparently prevails in at least one existing subpool.

On the basis of information developed by our office, it appears that vehicles are being used for shuttle service between the Los Angeles Airport and the Civic Center. We believe that this is not only uneconomical in the short run but that such use is indicative of one of two situations; either a surplus condition exists at the airport, or vehicles are taken away from legitimate longer distance use.

The foregoing is meant to be suggestive rather than definitive; on the basis of the limited information available, precise recommendations concerning specified areas of economy cannot be made.

We do recommend, however, that a more reliable method of justification of vehicle purchases be developed, and that a report detailing the extent and effectiveness of automotive control be submitted for legislative review.

11. *Office Services.* We recommend approval as budgeted. On the basis of workload increase the proposed new positions of typewriter repairman for Office Machine Repair and clerk for interagency mail service would appear to be justified.

**Department of General Services
STATE SCHOOL BUILDING AID**

ITEM 36 of the Budget Bill

Budget page 31

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

Amount requested	\$979,643
Estimated to be expended in 1964-65 fiscal year	962,185
 Increase (1.8 percent)	 \$17,458

TOTAL RECOMMENDED REDUCTION None

ANALYSIS AND RECOMMENDATION

This appropriation is for support of the Office of Local Assistance which is shown on budget page 37 and supports activities relating to the School Building Aid Program which is discussed under Item 35.

We recommend approval as budgeted.

**Department of General Services
AUTOMOBILE LIABILITY INSURANCE**

ITEM 37 of the Budget Bill

Budget page 43

**FOR SUPPORT OF AUTOMOBILE LIABILITY INSURANCE PRO-
GRAM OF DEPARTMENT OF GENERAL SERVICES FROM
THE GENERAL FUND**

Amount requested	\$202,769
Estimated to be expended in 1964-65 fiscal year	193,116
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Increase (5.0 percent)	\$9,653

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATION

This appropriation is for support of the automobile liability insurance program conducted in the Department of General Services, and is discussed under Item 35.

We recommend approval as budgeted.

**Department of General Services
OPERATION OF EXECUTIVE AIRPLANE**

ITEM 38 of the Budget Bill

Budget page 43

**FOR SUPPORT OF OPERATION OF EXECUTIVE AIRPLANE
FROM THE GENERAL FUND**

Amount requested	\$255,162
Estimated to be expended in 1964-65 fiscal year	194,587
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Increase (31.1 percent)	\$60,575

TOTAL RECOMMENDED REDUCTION	None
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ANALYSIS AND RECOMMENDATIONS

This appropriation is to reimburse the Service Revolving Fund for costs of operation of the executive airplane for the Governor and his staff, and in our view could more appropriately be included in the support budget for the Governor's office.

The airplane, a 19-passenger Convair CV 340/440, was purchased in November 1963 for \$422,000 with funds provided by an augmentation to the Service Revolving Fund of \$475,000 by Item 41.5 of the Supplemental Budget Act of 1963 (Chapter 8, Statutes of 1963, First Extraordinary Session).

The plane, manufactured in 1952, was used by United Airlines in commercial passenger service till 1960, and by a private individual, Arthur Godfrey, from whom it was purchased, subsequent to that time, and had approximately 4,000 flying hours at time of purchase.

The increase budgeted is to provide \$60,000 for an airframe overhaul which we are informed is a normal requirement under Federal Aviation Agency regulations at the expiration of the total hours of flying time which will be completed by the plane during the budget year.

Since no increase in level of service is involved, *we recommend approval as budgeted.*

**Department of General Services
SERVICE REVOLVING FUND**

ITEM 39 of the Budget Bill

Budget page 31

**FOR AUGMENTATION OF THE SERVICE REVOLVING FUND
FROM THE GENERAL FUND**

Amount requested ----- \$770,456

Recommended for approval ----- no change

TOTAL RECOMMENDED REDUCTION ----- None

ANALYSIS AND RECOMMENDATIONS

This item proposes to augment the Service Revolving Fund by an appropriation from the General Fund for purchase of additional equipment. It also finances replacement equipment purchases to the extent that they cannot be financed by depreciation charges plus proceeds from sales of obsolete equipment during the budget year.

Table 4 shows the calculation of the required augmentation for 1965-66, by program based on the data shown in the summary on budget page 52.

The total equipment proposed to be purchased in 1965-66, \$1,988,222, as shown in column 3 of Table 4, is the same as shown on budget page 49, line 20, for the budget year.

TABLE 4

Calculation of Required Augmentation to Service Revolving Fund, 1965-66

<i>Program</i>	<i>(1) Addi- tional</i>	<i>(2) Replace- ment</i>	<i>(3) Total</i>	<i>(4) Depre- ciation</i>	<i>(5) Augmen- tation</i>
Administration and Staff Services:					
Data Processing ----	\$12,451	\$500	\$12,951	\$780	\$12,171
Office of State Printing	216,362	328,002	544,364	307,200	237,164
Office of Procurement:					
Central Stores -----	811	11,095	11,906	8,800	3,106
Documents -----		750	750	1,900	—1,150
Transportation Services:					
State Car Pool, etc.---	236,917	934,320	1,171,237	811,086 ^a	360,151
Communications Maintenance and Service:					
Radio Maintenance ---	148,858	86,159	235,017	72,000 ^b	163,017
Telephone Services ---				2,000	—2,000
Central Office Service:					
Office Machine Repair	350	727	1,077	2,000	—923
Reproduction Services		10,920	10,920	12,000	—1,080
Total -----	\$615,749	\$1,372,473	\$1,988,222	\$1,217,766	\$770,456

^a Includes \$95,075 from sale of obsolete equipment.

^b Includes \$2,000 from sale of obsolete equipment.

With the exception of two relatively small amounts totaling \$97,075, the total of \$1,217,766 shown in column 4 of Table 4 represents depreciation charges calculated on the *total* depreciable assets owned during the budget year which will constitute a component of the charges billed to using agencies for services rendered, and thus will provide a source of cash for replacement of wornout equipment. The calculations include depreciation on all proposed replacements for the full

Service Revolving Fund—Continued

year plus depreciation on additional equipment for one-half the full year on the assumption that additional equipment will not be in use during the full year period. Since depreciation is calculated at fixed percentages of group totals rather than on individual items, the total depreciation in a given year should approximate the total value of replacements for that year assuming no price increases and a constant rate of turnover. In programs with relatively few pieces of equipment a number of years may elapse when no replacements are needed, or where the replacements will be less than the depreciation charges, which is the condition indicated by the minus items in column 5 of Table 4 for certain of the programs listed.

In the past augmentations to the Service Revolving Fund from the General Fund have generally been in excess of the amounts actually expended, the most recent example being 1963-64, as indicated on budget page 49, lines 35, 36 and 38, where out of a total authorized augmentation of \$1,086,168, only \$475,000 was expended (all of which incidentally was for purchase and operation of the executive airplane) leaving an unexpended balance of \$611,168. This represents the amount provided for various items of equipment which were purchased from funds otherwise available, chiefly from profits.

At the 1964 session the Legislature adopted our recommendation that the Service Revolving Fund and subfunctions be budgeted and operated on a break-even basis and the current presentation is on such a basis. *We recommend that this procedure be continued.*

As a corollary we also recommend that all additional equipment, as well as replacements, to the extent that they cannot be financed by cash provided by depreciation charges or sale of obsolete equipment, be financed through a General Fund augmentation to the Service Revolving Fund, as is proposed in the current budget.

We have reviewed the justification submitted for the equipment purchases to be financed by this augmentation and recommend approval subject to reevaluation of the need by the Department of Finance at the time of each individual purchase.

A summary of the additional equipment included in the individual requests by program follows, with the items identified by the item number on Schedule 9, "Supplementary Schedule of Equipment."

<i>Administration and Staff Services—Data Processing</i> -----				\$12,451
<i>Item No.</i>	<i>Equipment</i>	<i>Quantity</i>	<i>Cost</i>	
1	Control panel—1004 -----	20	\$832	
2	Control panel—optical scanner -----	5	208	
3	Control panel—collator -----	5	218	
4	Wire, various -----		8,320	
5-6	Cabinets, files, shelf and chair -----		1,026	
9	Varietyper (purchase instead of rental) -----		1,847	
Total -----				\$12,451

The first four items are justified as being necessary for programming new jobs or revisions of existing jobs, while items 5-6 are for a proposed new position.

General Services

Item 39

Service Revolving Fund—Continued

Item 9 is for purchase of a varityper currently being used on a rental basis because purchase will be more economical in the long run.

Office of State Printing-----\$216,363

<i>Item No.</i>	<i>Equipment</i>	<i>Cost</i>
1	Composing room—Phototypesetter -----	\$25,000
2	Composing room—proof press -----	5,000
3	Composing room—type conversion unit -----	2,000
4	Composing room—steel cabinet and galleys -----	7,792
7	Pressroom—web press accessories :	
	Flying pasters -----	55,000
	Web cleaners -----	20,000
	Added chill rolls -----	50,000
	Bundling equipment -----	30,000
	Special attachments -----	10,000
9	Pressroom—milling machine for scarfing plates -----	1,000
12	Offset pressroom—plate cabinets -----	3,000
14	Bindery—stitcher for gatherall -----	5,000
15	Bindery—Perfect binder gluepot -----	1,200
25	Machine shop—handtools -----	1,000
26-28	Office—desk, chair and table (for proposed new position) -----	370
Total -----		\$216,362

All of these pieces of additional equipment except the last two are justified by the agency on the grounds that they will increase efficiency, pay for themselves in a comparatively short period of time by reduced costs of operation, and result in reduced printing costs to using agencies.

Office of Procurement—Central Stores-----\$811

<i>Item No.</i>	<i>Equipment</i>	<i>Cost</i>
1	Hydraulic handtruck for 42" x 36" pallets -----	\$608
2	Dock ramp -----	99
3	Steel banding equipment -----	104
Total -----		\$811

Transportation Services—State Car Pool, etc.-----\$236,917

Miscellaneous garage equipment (11 items) -----	\$2,317
138 automobiles @ \$1,700 -----	234,600
Total -----	\$236,917

*Communications and Maintenance and Services—**Radio Maintenance*-----\$148,858

<i>Item No.</i>	<i>Equipment</i>	<i>Cost</i>
1-36	Various items of testing equipment -----	\$97,542
37	Emergency power generator, 25 KVA -----	6,240
39	Sno-Traveller with accessories -----	2,800
40	5 Chevrolet Suburban Carryalls with LN alternator -----	19,000
41	5 sets of tools and test equipment -----	20,000
42-46	Office equipment -----	1,526
47	Miscellaneous shop equipment -----	1,750
Total -----		\$148,858

Service Revolving Fund—Continued

Items 1-36 include 359 pieces of various types of testing equipment which the agency states are necessary in order to keep up with increased use of radio by certain state agencies and more workload generated by more stringent FCC regulations.

Item 37 is to replace a 10-kva emergency generator at the Mt. Diablo vault because of an increase in load, the 10-kva generator to be retained and use elsewhere.

Item 39 is to provide transportation of personnel to mountaintop stations under winter snow conditions.

Items 40 and 41 are for five new radiotelephone technician positions proposed in the current budget.

Items 42-46 are for three new junior electrical engineering positions and a related clerical position proposed in the current budget.

Central Office Services—Office Machine Repair-----\$350

This represents a triple-section wooden storage cabinet.

Department of General Services

AUGMENTATION OF SERVICE REVOLVING FUND BY TRANSFER

ITEM 40 of the Budget Bill

Budget page 44

ANALYSIS AND RECOMMENDATIONS

This item is identical to Item 298 of the Budget Act of 1964. It provides that the State Controller upon approval of the State Board of Control shall transfer to this item, from any appropriation in Section 2 of this act made from the General Fund, that part of such appropriation intended for the purchase of automobiles. These funds shall be available for augmentation of the Service Revolving Fund.

This item provides the machinery whereby funds appropriated from the General Fund to the various state agencies for the replacement of or purchase of additional automobiles may be used to augment the Service Revolving Fund which finances the Department of General Services car pool.

We recommend approval.

Department of General Services

SERVICE REVOLVING FUND ACTIVITIES

ITEM 41 of the Budget Bill

Budget page 44

FOR SUPPORT OF DEPARTMENT OF GENERAL SERVICES
FROM THE SERVICE REVOLVING FUND

Amount requested	-----	\$28,763,952
Estimated to be expended in 1964-65 fiscal year	-----	29,676,539

Decrease (3.1 percent)	-----	\$912,587
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TOTAL RECOMMENDED REDUCTION	-----	\$4,674
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Summary of Recommended Reductions

	Amount	Page	Line
From amount requested to maintain existing level of service:			
1 Key punch operator	\$4,674	46	16

Service Revolving Fund Activities—Continued

ANALYSIS AND RECOMMENDATIONS

This appropriation is for the expenditure program of the Department of General Services which is financed from the Service Revolving Fund as follows:

Office of State Printing	\$11,737,874
Other service activities	17,026,078
Total	\$28,763,952

The decrease is accounted for entirely by a decrease in the expenditures for the Office of State Printing because of curtailed textbook printing and an estimated reduction in legislative printing due to the fact that 1965-66 is a budget session year.

The operations of the Service Revolving Fund are discussed under Item 35.

Department of General Services
OFFICE OF ARCHITECTURE AND CONSTRUCTION

Item 42 of the Budget Bill

Budget page 53

**FOR SUPPORT OF OFFICE OF ARCHITECTURE AND
CONSTRUCTION FROM THE ARCHITECTURE
REVOLVING FUND**

Amount requested	\$9,300,501
Estimated to be expended in 1964-65 fiscal year	9,356,157

Decrease (0.6 percent)	\$55,656
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TOTAL RECOMMENDED REDUCTION	None
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PROGRAM PLANS AND BUDGET

The Office of Architecture and Construction as a division of the Department of General Services exists solely as a service organization serving other governmental agencies. Its major mission might be divided into two broad areas—one in which it serves other state agencies in Architectural Design and Construction Service and the other in which it serves local governmental agencies, particularly school districts, in reviewing plans to insure compliance with the State Earthquake Act as a protection to California children. In this instance it does no design work, merely plans checking. The latter mission will not be involved in this analysis since it appears in the budget as a separate appropriation item financed from special fund sources.

The mission in which the Office of Architecture and Construction deals with other state agencies in providing design and construction services may be divided into three rather broad programs, each of which might be said to be able to stand on its own merits since it is not necessary to continue from one program to the other except at the will of the Legislature. The general administrative overhead of the office which covers the executive positions, project management, scheduling and timing, office services, accounting, contract control, personnel functions, secretarial services, etc., has been prorated into each

Office of Architecture and Construction—Continued

of the three major programs and the share in each case will be mentioned in connection with the specific program.

1. Preliminary Planning

This is a service which is extremely important, in the first instance, to the Legislature and to the Governor's budgeting mechanism in that it makes possible reasonably accurate estimates of project costs to be included in the budget considered by the Legislature. Preliminary planning implies the development of a well defined schematic plan which fairly well delineates the scope of the project, its overall size, its general design, its general appearance, generalized specifications for materials and equipment to be used and in a broad sense, supplies a picture that can be reasonably well understood by the layman and provides a dependable springboard from which the professional can proceed to details and working drawings. The Legislature has for many years provided advance funds to make possible this type of preliminary planning, preparatory to the inclusion in the budget of a program of construction projects for all agencies. It does not necessarily follow that every project which receives preliminary plans goes on to working drawings and construction. Nevertheless, it is considered a sound investment to proceed in this manner so that the Legislature may have a reasonably clear understanding of what is proposed. Using the so-called "five-year plan" entitled "State Building Construction Programs, July 1, 1962, to June 30, 1967," it may be reasonably estimated that the construction value of projects for which preliminary plans will be prepared in each year will average between \$95,000,000 and \$100,000,000. However, not all of this would become the responsibility of the Office of Architecture and Construction since the Trustees of the California State Colleges have the right to employ private outside architects for all or any portion of the state college work. The trend has been to give the Office of Architecture and Construction about 55 percent of the college work with 45 percent going to private architects.

Another important phase of preliminary planning consists of the preparation of reports and recommendations concerning the suitability of prospective construction sites for new institutions or individual buildings. This involves physical inspections, research and engineering surveys of various kinds including soil analysis, utility availability, etc. This represents in dollars about 20 to 25 percent of the total workload.

The cost of the preliminary plans service is proposed for the 1965-66 fiscal year at \$1,272,388. This represents a substantial decrease below the estimate for the current fiscal year of about 11 percent which is principally due to reduction in anticipated workload. Included in this is \$182,048 to cover the pro rata share of general overhead administration.

2. Preparation of Working Drawings

This program comes into being only as a result of acceptance by the Legislature of construction project proposals, based on preliminary plans, and appropriation of the necessary funds with which to proceed.

Office of Architecture and Construction—Continued

Appropriations take two forms. On the one hand and in the case of very large projects, the appropriation may be for working drawings alone on the premise that the length of time necessary to prepare such working drawings will be at least one fiscal year and possibly longer and that therefore construction money is not needed at that time. The other involves the smaller projects in which it would be reasonable to expect that the working drawings could be completed within the fiscal year and the project actually put to bid before its expiration. This makes necessary an appropriation covering both working drawings and construction.

The program consists of preparation of detailed working drawings including drawings of architectural, structural, mechanical, electrical, civil engineering, site development and landscaping elements of the project, and in short, every form of drawing necessary to make it possible for prospective construction firms to bid intelligently. An equally important adjunct is the specifications for each project. These are printed documents, often very voluminous, which go into great detail as to the character of the materials, qualities, workmanship details, craftsman's wages, performance expectations and many other phases. The specifications together with the working drawings constitute a professional program which can be followed by properly skilled people to the end that the final, completed project will appear precisely as envisioned by the architect. On a workload basis this program accounts for the largest share of the work in the Office of Architecture and Construction. It should also be pointed out that the program includes other phases such as a review of shop drawings made by contractors, a review of materials submitted by the contractor, issuance of change orders made necessary by unforeseen circumstances, and review and checking of drawings prepared by private architects prior to putting the project out to bid.

The cost of this program for the 1965-66 fiscal year is proposed at \$6,417,442 which is about \$13,000 more than is estimated for the current fiscal year. In addition, there is budgeted \$9,000 for payments to consulting professionals involved in highly technical and specialized situations. Contained within this larger figure is the pro rata share of the top level administration, previously mentioned, amounting to \$952,440 which is about the same as that anticipated for the current fiscal year.

The anticipated workload, in terms of construction value, is between \$95,000,000 and \$100,000,000.

3. Supervision of Construction

This is a program which is carried on during the actual construction phases of the various projects. The mere preparation of a good set of working drawings and specifications and a tightly worded construction contract are no guarantee that the resultant project will be built in strict accordance with the design and specifications or that the state will get full value for the agreed price. These can only be assured by some form of continuous on-site inspection by competent professional

Office of Architecture and Construction—Continued

construction people who not only need to see that the project is constructed as planned but often must make decisions in the field on situations that were inadvertently not covered by the plans or specifications. If these decisions are major in scope, they are usually referred to a field headquarters or possibly even to Sacramento headquarters before decisions are made. Another important duty of the field inspector is to prepare progress estimates on which progress payments to the contractor are based. The Office of Architecture and Construction does not have the legal responsibility for making inspections of projects designed by private architects for the Trustees of the California State Colleges. However, it has entered into agreements to provide such services in many instances. The magnitude of the total program of supervision can be judged by the fact that as of September 1, 1964, the Office of Architecture and Construction had over \$102,000,000 worth of contracts under inspection which involved annual payments in excess of \$60,000,000. The contract program for the budget year will be somewhat smaller, in accordance with current estimates, at about \$93,000,000.

For the 1965-66 fiscal year it is estimated that the service cost of the program will be \$1,975,195 which is about 5 percent greater than is anticipated for the current fiscal year. The difference is largely the result of salary adjustments and some increased service costs. Included in the total is \$291,107 as the pro rata share of the overhead administration.

As a measure of the workload for the budget year, it is estimated that there will be about \$1,650,000 in value of construction projects in progress on a day labor basis which is operated directly by the Office of Architecture and Construction. This type of work is entered into only when it is impractical to do the particular work by means of regular contracts. For example, the restoration of historic buildings in Columbia or in the Los Angeles Plaza require so much freedom of action that it would be impractical to attempt a contract basis. The projects under regular construction contracts during the budget year will require disbursements in excess of \$63,000,000 in the course of the year. The monies for both the day labor construction and the contract construction are not contained in this item but are part of the capital outlay budget.

REVIEW OF AGENCY ACCOMPLISHMENTS

The last fiscal year in which the Office of Architecture and Construction functioned as the Division of Architecture in the Department of Public Works was 1963-64 for which completed figures are now available. When the budget was presented in January of 1963, the cost of preliminary plans was proposed to be \$1,497,163 which included a pro rata share of overhead administration. The final cost at the completion of the year was \$1,160,661, a reduction of over \$337,000 due principally to reduced workload.

Office of Architecture and Construction—Continued

The working drawing program was proposed at \$5,897,730 which materialized as \$5,839,645, a rather negligible reduction in comparison with the overall amount.

The proposal for supervision of construction in the 1963-64 fiscal year was \$2,412,382 which was rather sharply reduced at the year's completion to \$2,057,618 which included the pro rata share of the general overhead administration.

Reviewing the 1963-64 Budget on a object category basis, we find that the initial proposal involved 878.6 authorized positions which were reduced to a net of 864 by the amount of estimated salary savings which had the value of 14.6 man-years. This compares with 744.1 net positions realized, based on actual experience which to a considerable extent was the reflection of the work allocated by the Trustees of the California State Colleges to private architects. The cost of these positions, including retirement and health and welfare, had been budgeted at \$8,787,368, and eventually became \$8,025,143, a reduction of over \$750,000.

Operating expenses had been budgeted at \$975,305, which materialized at \$1,015,053, about \$40,000 greater, for a reduced staff size. The difference consists principally of increased travel costs within the state, increased rent for building space and increased costs of the data processing operation to which the accounting system of the office had been converted. To some extent, these increased costs were beyond the control of the office.

Equipment had been budgeted at \$53,602 which materialized as \$26,728, a reduction of about 50 percent.

Reimbursements from other state agencies and from the Architecture Public Building Fund had been budgeted at \$277,163 which materialized in the increased amount of \$325,407.

The Budget Act appropriation made by Item 441 of 1963 was \$9,539,112. To this was added a deficiency authorization of \$2,800 and a salary increase authorization of \$332,500 making a total availability of \$9,874,412. Actual expenditures totaled \$8,741,517 leaving an unexpended balance of \$1,132,895.

The workload for the completed year, based on the historical method of using construction value as a measurement was over \$96,000,000 when it was in the preliminary plan phase, over \$72,000,000 in the working drawing phase and over \$100,000,000 in the construction inspection phase, including such inspection being performed for the State College Trustees on projects designed by private architects. In the inspection phase, the dollar value represents contract value which may, and often does, span a period in excess of one fiscal year. Based on construction progress payments authorized, the value was in excess of \$60,000,000 including those involved in the private architects projects.

In the creative type of work involved in architectural design and engineering there has been no more accurate yardstick devised than that of historical experience expressed in man-hours versus dollar value of construction, with the latter adjusted to reflect Construction Cost Index changes. The estimated percentage fee for architectural and

Department of General Services—Continued

engineering services is divided among the various professional areas, such as civil, mechanical, electrical, landscaping, architectural, etc., on the basis of prior experience and is then converted to potential man-hours which is used as a control device to determine the ongoing relationship between available budgeted man-hours and degree of completion of each pertinent phase.

ANALYSIS AND RECOMMENDATIONS

The Architectural Revolving Fund which finances the operation of the Office of Architecture and Construction receives amounts appropriated by the Legislature for specific construction and/or working drawings projects. The amount appropriated for each project includes an estimated sum to cover the architectural and engineering services, the contract control and the onsite inspection. These fees have traditionally been considered part of the total cost of producing any capital outlay project. Hence, the total size of the Architectural Revolving Fund increases or decreases in direct proportion to the amount of capital outlay provided by the Legislature. Concurrently, the workload of the Office of Architecture and Construction fluctuates in the same degree in accordance with the amounts appropriated by the Legislature for design and construction.

The statute which created the Architecture Revolving Fund as Chapter 947, Statutes of 1933, was subsequently codified by Chapter 118, Statutes of 1945, as Section 14030 of the Government Code. The effect of this section is to make the Architecture Revolving Fund continuously available to the Office of Architecture and Construction without further requirement for appropriation by the Legislature. In the Budget Act of 1960, the Legislature, for the first time, made a specific appropriation for the support of the Division of Architecture from the Architecture Revolving Fund. The purpose of this was to set forth in the Budget Act some measure of the level of activity of the Division of Architecture and to give the Legislature through its financial committees an opportunity to review the budget in detail. Prior to that time, since the support budget of the Division of Architecture did not appear in the Budget Act, the Legislature had given it little or no review.

The proposed support budget of the Office of Architecture and Construction is at best an educated guess based on the amount of workload which can be anticipated, which in turn is entirely dependent on the magnitude of the capital outlay program provided by the Legislature. Because of this circumstance, the support budget is more subject to fluctuations and unforeseeable changes than would be the case in the support budget of a conventional agency.

The most effective measure of the efficiency and economy of the operations of the Office of Architecture and Construction is not the overall support budget but the amounts charged to each construction project or working drawings project as a percentage relationship of the estimated construction cost of the project. In private architectural practice, it is fairly traditional that conventional, run of the mill projects

Department of General Services—Continued

are charged fees for design and working drawings on the basis of 6 percent of the estimated cost of construction. In larger projects having a great deal of repetition in the design, fees less than 6 percent are often negotiated. Conversely in highly complex and sophisticated projects fees in excess of 6 percent are often negotiated and in very small projects or in alteration projects fees may often run as high as 10 or 12 percent. In the case of the private architect, he must work within the total amount anticipated as a result of the agreed percentage and within this he must pay his expenses including salaries to his employees, pay himself a salary and possibly make an overall profit. As an entrepreneur, he runs the risk of occasionally spending more than he has anticipated and as a result either making no profit and no salary for himself or even actually loosing out-of-pocket cost. This, of course, happens infrequently, but it is possible.

The Office of Architecture and Construction on the other hand while it may use specific percentage assessments, for budgeting purposes, against the various projects to cover its costs, has no practical way of coping with an entrepreneur's risk. In effect, therefore, it must ultimately assess against the project whatever its costs turn out to be since it has no funds of its own to fall back on as a sort of cushion as would be the case with a private architect. In actual practice, the Office of Architecture and Construction experiences projects which have a relatively low cost, resulting in percentages significantly less than the fixed percentages paid to private architects, but conversely it experiences projects resulting in costs significantly greater than percentages ordinarily paid to private architects. The average, however, is said to be within the levels usually paid to private architects. However, there are evidences that the costs for the service are running higher than they should be, bearing in mind that in the case of the private architect he often does make a profit over and above his own fair wages, whereas in the cast of the Office of Architecture and Construction no profit should be allowed for. Therefore, all things being equal, in theory the costs of the Office of Architecture and Construction should be slightly less than that of the private architect. The facts, however, appear to be to the contrary. Therefore, we believe that continued internal study and reassessment should take place in the Office of Architecture and Construction to reduce these costs as much as possible.

We recommend approval of the budget as submitted with the reservation expressed above, which should be implemented by administrative action rather than direct budget cuts in this item.

Department of General Services

OFFICE OF ARCHITECTURE AND CONSTRUCTION

Item 43 of the Budget Bill

Budget page 53

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

Amount requested	\$1,404,520
Estimated to be expended in 1964-65 fiscal year	1,399,612
Increase (0.4 percent)	\$4,908

TOTAL RECOMMENDED REDUCTION	None
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PROGRAM PLANS AND BUDGET

Within the Office of Architecture and Construction, there is carried on a separate, distinct and self-financing program, totally different from its regular services to state agencies of designing and constructing various state buildings. This program deals with public school districts to which it provides a plans checking and review service to assure that all plans and specifications prepared for all school districts, usually by private architects, meet the minimum structural design criteria set forth in the "Field Act" which is a part of the Education Code. This is intended to assure that all public school buildings constructed in California will have sufficient structural stability to resist earthquake forces to the extent that the buildings do not collapse and kill or injure their occupants. In addition, by contract with the State Fire Marshal, the plans are also reviewed for concurrence with applicable fire resistance standards and codes as a further measure of safety for the occupants.

The school districts, which are required by law to submit their plans, are required to pay fees in accordance with a statutory fee structure. These fees are generally adequate to finance fully this entire program including all pro rata overhead charges and the services of the State Fire Marshal.

The magnitude of the workload is dependent entirely upon the volume of school building construction which is undertaken each year. For example, this has ranged from a low, during a war year, of \$3,200,000 of construction value to a high of \$331,800,000 during the 1957-58 fiscal year. For the budget year the volume is anticipated to be \$325,000,000 of construction value. The cost of performing these services for the 1965-66 fiscal year is estimated at \$1,404,520 which is about \$5,000 more than the amount estimated for the current fiscal year. This is based on a staff of 91 authorized positions, the same as for the current fiscal year. In this total, salaries and wages remain almost constant at \$1,096,394, operating expenses go up slightly to \$304,987 and equipment is reduced by about 50 percent to \$3,139.

REVIEW OF AGENCY ACCOMPLISHMENTS

The last year in which this service was performed in the Division of Architecture, then part of the Department of Public Works, was 1963-64 for which completed figures are available. The budget proposed at the 1963 session was for \$1,339,877 which was the amount appropriated in the Budget Act. This covered 97 authorized positions.

Department of General Services—Continued

Actual expenditures materialized as \$1,278,248 covering 83.3 net positions after allowing for salary savings. To the appropriation mentioned above, there was added \$41,537 from the salary increase fund which made a total availability of \$1,381,414 which, reflecting the actual expenditures, resulted in an unexpended balance of \$103,166 which reverted to the fund. It is interesting to note also that at the time of the 1963 budget submission it was estimated that for the 1963-64 budget year there would be a volume of about \$320,000,000 of construction value in school plans. This actually materialized as \$330,700,000 representing a substantial increase in construction value at a lesser service cost than was anticipated. To some extent this was simply due to the difficulty of obtaining properly qualified structural engineers to carry on the work and to the rise in the construction cost index. As a result the workload is carried by some use of overtime. Historically the workload has always been measured by the dollar value of the construction implied by the plans, adjusted to reflect cost index rise. No more accurate yardstick for workload measurement has been devised for this purpose than that of simple experience which establishes a construction dollar value related to man-hours required to review the plans. In the final analysis it is based on educated, professional judgment.

ANALYSIS AND RECOMMENDATIONS

This program has settled down to a rather static level insofar as the volume of school construction statewide is concerned. However, it is anticipated that in the budget year there may be some significant increases in the number of construction starts. This together with some experimental procedures being undertaken to speed plans checking and increase the volume of production per man will enable the staff to continue at its present strength. Also, this should increase the revenue and hasten the elimination of the deficit the fund has been experiencing. This, as of July 1, 1965, is expected to be about \$116,213 which will be reduced to \$108,733 on June 30 of 1966. The deficit has been decreasing steadily. It imposes no difficulties upon the organization since on a cash basis there are usually more than enough prepayments to keep the operation entirely solvent. *We recommend approval of the budget as submitted.*

CAPITOL BUILDING AND PLANNING COMMISSION

ITEM 44 of the Budget Bill

Budget page 60

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

Amount requested	\$2,500
Estimated to be expended in 1964-65 fiscal year.....	2,500
Increase	None
TOTAL RECOMMENDED REDUCTION.....	None

Item 45**Commission on Interstate Cooperation****Capitol Building and Planning Commission—Continued
PROGRAMS PLANS AND BUDGET**

The program of the Capitol Building and Planning Commission is a relatively constant activity consisting of overseeing the implementation of a master plan for the development of the capitol area adopted by the Legislature. The commission is merely required to report to the Legislature as to progress on the plan, and also to recommend appropriate changes.

The commission consists of 13 members representing the City of Sacramento, the County of Sacramento, and the state at large. Expenditures are principally for printing of the annual report and the per diem expenses of the commission. Staff assistance is provided by the Department of General Services on an "ad hoc" basis.

The commission is actively considering a number of changes to the master plan which will probably be presented to the Legislature at the 1965 session.

REVIEW OF AGENCY ACCOMPLISHMENTS

During the completed fiscal year of 1963-64, the commission held six regular bimonthly meetings and one special meeting. Also, it prepared a brief annual report to the Legislature in accordance with the statutory requirements. It perhaps should be pointed out at this time that the master plan as adopted by the Legislature has now been changed significantly by the placement of certain buildings and the addition of others such as the central heating and cooling plant and the change involving the parkway at O and P Streets. These changes are not physically reflected in the published master plan nor are they reflected in the model.

ANALYSIS AND RECOMMENDATIONS

The continuation of some form of independent review of the Capitol Master Plan is highly desirable and we believe the relatively small cost is justifiable on the basis that the commission also acts as a liaison group between the Legislature and the community to make acceptable to the community the master plan and whatever changes might be considered. *Consequently, we recommend approval as requested.*

CALIFORNIA COMMISSION ON INTERSTATE COOPERATION

ITEM 45 of the Budget Bill

Budget page 61

**FOR SUPPORT OF THE CALIFORNIA COMMISSION ON INTER-
STATE COOPERATION FROM THE GENERAL FUND**

Amount requested	\$68,535
Estimated to be expended in 1964-65 fiscal year	68,535

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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PROGRAM PLANS AND BUDGET

1. This 21-member commission (including two nonvoting ex officio members) will continue its support of the Council of State Governments in its research and service functions. Of the total amount requested, \$63,000 or 91.9 percent is allocated for support of the council.

California Commission on Interstate Cooperation—Continued

2. The commission has the statutory authority to confer with other state and federal officers on matters of mutual concern and the formulation of proposals for cooperation with those public entities. The remainder of the requested funds for fiscal 1965-66 (\$5,525) is the primary support for this activity, and of that amount, a total of \$4,200 is for travel purposes.

REVIEW OF COMMISSION ACCOMPLISHMENT

The Legislature appropriated \$65,905 for the support of the commission during the 1963-64 fiscal year; actual expenditures amounted to \$64,829 resulting in a savings of \$1,076. These savings accrued in the single item of out-of-state travel.

1. In 1963-64, the appropriation, as at present, included \$63,000 for support of the Council of State Governments. This amount is based on a formula developed by the council of \$1,000 of support funds for each 250,000 segment of the state population. The population used at that time, as now, was established at 15,750,000 and the amount is adjusted for population about every four years. The Council of State Governments' staff prepared and distributed some 160 papers, documents, summaries of annual meetings, rosters, etc., during fiscal year 1963-64 dealing with matters of interest to the states and the 11 organizations of state officials affiliated with the council.

2. The council staff provided services to various regional and national meetings (a total of approximately 60) of organizations affiliated with the council as well as meetings of the council itself in fiscal year 1963-64.

ANALYSIS AND RECOMMENDATIONS

We recommend approval as budgeted.

PERSONNEL BOARD

ITEM 46 of the Budget Bill

Budget page 61

FOR SUPPORT OF THE STATE PERSONNEL BOARD
FROM THE GENERAL FUND

Amount requested	\$4,055,097
Estimated to be expended in 1964-65 fiscal year	3,846,735

Increase (5.4 percent)	\$208,362
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Increase to improve level of service	\$21,740
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TOTAL RECOMMENDED REDUCTION	\$37,640
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Summary of Recommended Reductions

	Amount	Page	Budget Line
From amount requested to maintain existing level of service:			
1. Delete Assistant Personnel Analyst position	\$7,800	63	74
2. Reduce out-of-state travel	1,500	64	75
3. Reduce in-state travel	1,000	65	53
4. Reduce in-state travel	1,000	66	35
5. Reduce management training and conferences	2,500	67	57
6. Reduce correspondence course in supervisory practices	2,100	67	59
From amount requested for new or improved services			
1. Delete one Recruitment Representative Position	\$9,480	64	56
2. Delete one-half Intermediate Stenographer Position	2,780	64	57
3. Delete one Recruitment Representative Position	9,480	64	59

Personnel Board—Continued

PROGRAM PLANS AND BUDGET

The State Personnel Board serves as the state's central civil service personnel agency, providing management and administrative services to departments and other units in personnel matters and leadership in recruiting, training and personnel procedures and practices. Although a relatively small agency, with a staff of less than 500, the board staff is organized into eight divisions. The divisional structure of the agency has little relationship to particular programs, two of the programs being highly segmented among the divisions, and it is not feasible to develop cost data on individual programs in the proposed budget for 1965-66. The board is now in the process of refining program descriptions and developing cost allocation procedures and expects to be able to cost individual programs in the coming year. The board's four programs are:

1. Recruitment
2. Selection and Placement
3. Classification and Salary Administration
4. Training

In addition to the four basic programs, the board has three non-program activities. These are:

1. Direct responsibilities of the Personnel Board
2. Personnel services to local agencies
3. Administration

The programs consist of continuing activities in which there has been no substantive change in content in recent years. The proposals for 1965-66 would continue the programs essentially unchanged except for increases requested for workload and one new activity in the area of fair employment. The basic workload unit is much the same for all programs, consisting of the number of civil service employees, changes in state programs, labor market conditions and changes in civil service rules and laws. However, because a relatively large number of activities compose each program, measurement of the workload on a unit or position basis tends to be complex and detailed. No general effort is made by the board to forecast these factors in the budget year.

Some basic workload data which influence in varying degrees all of the board's programs are shown in Table 1 for the last five years. In last year's analysis it was pointed out that steady increases in recent years in the number of personnel and training officer positions in other agencies of state government tend to invalidate the most widely used historical measure of board workload, the ratio between board staff and the total number of civil service positions, as an indicator of level of service. The board has also delegated many activities to certain agencies, such as testing, and this too distorts year to year comparisons based on the number of civil service employees.

Table 1

Workload, 1959-60 to 1963-64

<i>Fiscal year</i>	<i>Number of civil service employees</i>	<i>Percent change</i>	<i>Employment applications received</i>	<i>Percent change</i>	<i>Examinations given</i>	<i>Percent change</i>	<i>New appointments from civil service lists</i>	<i>Percent change</i>
1959-60 -----	88,478	-	142,315	-	1,655	-	23,218	-
1960-61 -----	92,508	4.5	181,392	27.5	1,622	-2.0	25,257	8.8
1961-62 -----	94,952	2.6	184,342	1.6	1,771	9.2	28,417	12.5
1962-63 -----	99,731	5.0	206,687	12.1	1,888	6.6	26,885	-5.4
1963-64 -----	103,869	4.1	216,092	4.5	1,839	-2.6	33,074	23.0

Personnel Board—Continued

The board's programs and other activities are:

1. *Recruitment.* The board carries on a continuous program designed to attract qualified individuals to positions in the State Civil Service. Special emphasis is given to occupational groups in short supply, such as engineers, social workers and medical occupations. Major component activities of the program are continuous contacts with candidate sources, such as schools, colleges, placement services and professional associations, periodic recruiting trips, often in cooperation with employing agencies, including out-of-state trips to recruit for occupational classes where shortages exist, and a public information effort through advertisements, brochures and other media to inform potential candidates of the opportunities in the state service. Information counters are maintained in San Francisco, Los Angeles and Sacramento to serve the public. Correspondence and telephone communication are conducted with potential applicants. Recently, special efforts have been made to recruit from minority groups.

The recruitment program proposed for 1965-66 would be no different than that of other recent years except for one proposed new activity. About 20 positions committed to the program in 1964-65 would be continued in 1965-66 and two and one-half additional positions are requested for a new activity to provide increased service to state agencies in recruiting minority group members. All recruiting positions are located in the Division of Recruiting and Field Services. Workload is measured in terms of counter contacts in field offices, units of correspondence and similar specific clerical functions as well as by more general criteria.

In 1962, the board was directed by the Legislature to report on its program for meeting the state's long-range recruiting needs. The report was submitted in January 1963 and, while it discussed in general terms the problems the state could expect to face and possible avenues for meeting these problems, it did not include a specific plan of future action by the board. For this reason it is not possible to measure the board's proposed 1965-66 recruiting program against formal long-range goals.

2. *Selection and Placement.* Under this program, candidates are screened prior to selection for state civil service employment. The program consists of a series of related steps starting with application processing and including construction of written examination materials, review of examinations, consultation with subject matter experts and other measures to assure the quality of examinations. Tests are scheduled, administered and scored. Oral interviews are conducted, including selection of both state service and public preemployment interview (QAP) panel members, panel scheduling and other details. Selection standards and procedures are continuously evaluated to increase both the operational efficiency of the examination process and to improve the effectiveness of the system in evaluating candidate skills. Medical standards for applicants are established and administered. The program includes the heavy clerical and data processing workload of

Personnel Board—Continued

maintaining employment lists and preparing certification documents. Special attention is given to the special problems of placing the handicapped and members of minority groups in state service.

This is a major board activity in terms of man-years. The Divisions of Personnel Services, Recruitment and Field Services, Standards and Surveys, Examining Standards, and Office Services all have responsibility for primary elements of the program. The proposed program for 1965-66 is not changed substantially from recent years, and includes 8.9 new positions requested by the board as required by workload. Because of the highly segmented nature of this program, no single, broad workload criteria is valid, but the number of examinations given, oral interviews conducted, applications received, employment lists prepared, certifications made and similar statistics are among the measures of workload for specific activities.

3. *Classification and Salary Administration.* The board conducts studies of civil service classifications and salary ranges to assure their appropriateness to actual duties being performed and comparability with salaries paid in other public jurisdictions and in private industry for similar work. Classification studies are made both periodically and on a special basis to meet unusual problems for specific classes of employees or agencies. Surveys are conducted on a scheduled basis to determine salaries paid in comparable nonstate employment and these data form the factual basis for the board's annual salary recommendations to the Governor and the Legislature. Studies of other employment factors, such as employee benefits, are undertaken as required. Assistance is provided to agencies developing standards in pay and classification matters and agency personnel management procedures. In discharging the board's legal responsibilities for civil service classification and compensation, changes in board rules and in the law are proposed and analyzed.

The primary organizational units carrying out this program are the Divisions of Personnel Services and Standards and Surveys, but other divisions also participate. For 1965-66, the board proposes to continue essentially the same program as in past years. The number of civil service classes and the number of employees are possibly the most valid general workload measures.

4. *Training.* This program consists of two groups of activities: departmental staff development and interagency staff development. The first of these is concerned with developing internal training programs within participating agencies to improve the performance of departmental personnel, both through training in specific skills and in such areas as supervision, communications and fair employment practices. The second segment of the program is concerned with efforts which cross agency lines and includes both applied subject matter and general management subjects. This latter activity also includes efforts to maintain liaison with nonstate educational and training organizations.

The growth of the program, the intangible nature of program benefits and the difficulty of determining workload criteria are such

Personnel Board—Continued

that in the Analysis of the Budget Bill for 1964-65 it was recommended the board be required to report to the Legislature, in specific details, on its program costs, methods and objectives. It is our understanding the report will be submitted early in the 1965 legislative session. If responsive, the report will include a description of program long-range goals and an estimate of probable future costs.

This program is carried on almost exclusively by the training division which has 14 authorized positions. For 1965-66, the division proposes no change from the program of recent years. The proposed direct cost to the board in 1965-66 is \$165,300. In addition, agencies participating in the program will have unknown but substantial training costs.

The three major nonprogram activities of the board are:

1. *Direct Responsibilities of the Board.* The Personnel Board, which consists of five members appointed by the Governor for staggered terms of 10 years, adopts general civil service policies and rules, hears employee appeals from disciplinary and other actions by agencies, establishes job classes and pay ranges and is the executive body for carrying out administration personnel management policies. The board's immediate staff consists of five positions which provide administrative and clerical assistance and hold hearings on appeals. Board staff workload is measured by the number of appeals heard and frequency of board meetings. The direct cost of the board activity is proposed at \$141,398 for 1965-66. No increase in staff is requested.

2. *Cooperative Personnel Services.* This activity consists in its entirety of the operations of the Cooperative Personnel Services Division, an agency which provides a wide range of personnel management services to local public agencies on a fully reimbursable contract basis. The proposed budget for 1965-66 is \$436,958 and the proposed staff consists of 50.7 positions, including 6.9 new positions requested on a workload basis.

3. *Administrative Services.* The board's internal administrative facilities are provided by two divisions, Administration and Office Services. The Administration Division includes the executive office, and provides personnel and accounting services to the other divisions. For 1965-66, its staff is proposed at 13.5 positions, unchanged from 1964-65, and its budget request is for \$146,404 which would be allocated entirely among the four programs in the future program budget. The Office Services Division, which also has considerable direct program responsibility, provides other divisions with clerical and data processing services. There is no allocation of this division's costs between its direct program activities and its secondary program costs as a service agency to other divisions, so budget data has little meaning in a program context, but for 1965-66 its budget request is for \$1,451,867 and it proposes to augment its authorized 1964-65 staff of 198.3 by 4.5 clerical positions on the basis that they are required by workload.

Personnel Board—Continued

REVIEW OF AGENCY ACCOMPLISHMENTS

The Personnel Board's programs, as described above, consist of continuous activities which have not changed substantially in content in recent years and the level of activity is determined, in most instances, by factors beyond the direct control of the agency. In this context, a description of programs carried on in the last full fiscal year, 1963-64, is much like the above descriptions of programs proposed for 1965-66.

The accomplishments of the various programs and, where data is available, their approximate direct costs for 1963-64 are:

1. *Recruitment.* In 1963-64, more than 28,000 permanent civil service appointments were made, and while this is not a direct measure of the recruiting program workload, it suggests the magnitude of the number of permanent positions to be filled each year in the civil service. In its efforts to recruit for these positions, the Recruiting and Field Services Division had 415,834 counter contacts at the board's three field offices in San Francisco, Los Angeles and Sacramento, primarily from persons seeking information on state employment opportunities. In addition, 104,059 letters and memoranda were prepared and 212,689 pieces of direct mail matter were sent. During the year, a special effort was made to recruit for certain shortage classes and 135 physicians and surgeons, 50 psychiatrists, 55 psychologists and 160 graduate social workers were employed for mental hygiene and youth authority programs and 495 junior engineers were employed for highway and water programs.

The Recruitment and Field Services Division was authorized a budget of \$747,735, before reimbursements for services to other agencies, largely to finance the above activities (field offices, which are included in this cost, also perform examinations and other functions) and actually expended \$755,893, again before reimbursements. Authorized positions numbered 87.6. Expenditures exceeded the budgeted amount by \$12,492, almost entirely due to spending on advertising which was budgeted at \$92,935 but was actually \$102,494, or \$10,599 more than originally approved. The unexpectedly high advertising costs were the result, in part, of a special engineering recruiting program for which the division was reimbursed by other agencies. For all other items, actual expenditures were substantially as authorized.

2. *Selection and Placement.* The statistical record of accomplishment in 1963-64 for this program is comprehensive. The board received 216,092 applications for employment, written examinations were given to 129,091 candidates and interviews of 44,249 candidates were conducted by 960 qualifications appraisal boards chaired by personnel board staff. Possibly the most significant measures of this program are that more than 129,000 persons were examined for civil service positions and 28,113 were appointed to permanent positions. Since major elements of the program are carried on by several divisions, it is not possible to directly compare actual expenditures in 1963-64 with the original budget authorization. It appears actual program costs were close to the original authorization.

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3. *Classification and Salary Administration.* This program in 1963-64 consisted of day-to-day transactions with agencies on classification and salary matters, and broader activities such as reviewing the entire classification structure of agencies or conducting comprehensive statewide surveys of salaries paid in private employment and by other public employers. There is currently no realistic, quantitative measure of the accomplishments of each of these general activities. The board has, in the past, attempted to complete classification surveys of individual agencies on a systematic basis and originally the program was based on a five-year cycle, but the time between surveys has been increasing and in 1963-64 it was about seven years. Salary surveys of nonstate employment were completed in 1963-64 as is done every year.

Various elements of this program are the responsibility of two units, the Standards and Surveys Division and Personnel Services Division, although both units carry on other activities as well. Actual expenditures of the Standards and Surveys Division, \$261,335, were substantially as authorized. The Personnel Services Division was authorized \$604,556 and actually expended \$663,329, before reimbursements for services to other agencies, or \$58,773 more than budgeted. Of this amount, \$4,500 was allocated from the emergency fund for a study of referee and hearing compensation which resulted from passage of a legislative resolution. Another \$25,000 was allocated from the salary increase fund for increased personnel costs. Salary savings were overestimated in the original budget and \$16,000 in salary savings of other divisions were used by this division. About \$12,000 was required because of an unexpectedly heavy interview panel workload.

4. *Training.* The board, in presenting its 1963-64 budget, outlined in general terms a five-year program for the Training Division which had as its goal the training of each supervisory position in supervisory techniques, the training of each "production" position in job skills, a variety of training programs for top management and numerous formal and informal training programs for agencies. The nonspecific nature of the goals described and lack of specific plans for execution makes it impractical to measure the 1963-64 program accomplishments against the five-year plan objectives. (As described above under "Program Plans and Budgets" the board is to submit a more specific report in 1965 on the training program.) The accomplishments of the training program as a means of improving the quality of the civil service are largely intangible, especially those activities designed to upgrade such nonspecifics as managerial skill, human relations and interpersonal communications. The statistics and program summary are not, therefore, a listing of actual work compared so much as a description of how available time was allocated.

The 1963-64 program included a series of seminars, conferences and training sessions in various aspects of management technique as part of the interagency management development program in which 591 managers participated. As part of this same activity, the Training Division assisted three major departments in initiating 80-hour schools

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for middle management. Various activities, such as preparing a course on cultural differences for supervisory personnel, were completed with the goal of improving the climate in state service for fair employment practices. The board regulated outservice training activity under which 1,665 employees received a total of 5,478 man-hour of training not available in state government at educational institutions for a total cost of \$104,043. Assistance was provided to 41 agencies which conducted departmental training programs, giving agency personnel 394,049 hours of training. The board also carried on occupational accident prevention programs designed to reduce the state's workmens compensation expenses.

The direct costs of this program are confined to the Training Division which was authorized a budget of \$175,500, before reimbursements for services to other agencies, for 1963-64 and actually expended \$166,797, before reimbursements, or \$8,703 less than was authorized. The difference occurred in expenditures for management training and conferences and interagency management courses which were less than requested and are commented upon in more detail in Section III below. In addition to the direct costs of the program sponsored by the board in 1963-64, the participating agencies also had substantial but unknown costs.

The performance of the board's nonprogram activities in 1963-64 were:

1. *Board.* The board holds four days of meetings a month regardless of the length of the calendar. Appeals to the board concerning civil service status, such as punitive actions of dismissal and other disciplinary actions, are heard by the board's hearing officer or, when required by workload, by a hearing officer from the Office of Administrative Procedure. In 1963-64, the board's hearing staff consisted of one hearing officer, a reporter and a legal stenographer and, in addition, the Office of Administrative Procedure was paid \$11,552 for hearing services. The hearing workload consisted of hearing 124 appeals from punitive actions of dismissal, rejections during the probationary period, punitive actions of suspension and a variety of other actions.

The actual expenditures for board operations in 1963-64 were \$132,017 while the amount originally authorized was \$123,830, or an apparent overexpenditure of \$8,187. The board had an unpredictable increase in hearing workload in 1963-64 due to several complex cases, including those resulting from Department of Motor Vehicle disciplinary actions, and received an allocation of \$12,000 from the emergency fund to cover the unusually heavy expenses.

2. *Cooperative Personnel Services.* This activity provided merit system services to more than 195 agencies in 1963-64. The 1963-64 budget was for \$324,241 to be offset by reimbursements in that amount. Actual expenditures were \$345,521 and reimbursements were \$347,598, resulting in a balance of \$2,077.

3. *Administrative Services.* The Administration Division was authorized a budget of \$120,297 for 1963-64 and actually expended, before reimbursements, \$122,556, or \$2,259, more than authorized. The over-expenditure was the result of a program operated under federal gov-

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ernment auspices to train foreign representatives in public personnel administration for which the board was reimbursed.

Since the Office Services Division is heavily involved in various program activities, only a portion of its costs are a direct result of providing administrative services and an analysis of its costs on an unallocated basis has limited validity in a program budget context. However, for 1963-64, the division was authorized a budget of \$1,265,135 and actually expended \$1,346,573 before reimbursements, or \$81,438 more than authorized. Of the overexpenditure, \$67,609 was for personnel services, \$8,648 was for operating expenses and \$5,181 was for equipment. Most of the overexpenditure was because of new workload beyond the control of the division. In 1963-64, as a result of new legislation, the division incurred an unanticipated expense when it was required to compute vacation time for state employees. The overexpenditures were financed by an \$37,524 allocation from the emergency fund and from salary savings.

ANALYSIS AND RECOMMENDATIONS

The board is not requesting any new positions for its direct staff nor for the administration division and all increased costs for these units are the result of price increases or other factors beyond the board's control. For all other divisions, requested increases in staff or other cost items for 1965-66 are discussed below.

Personnel Services Division

This division is requesting two new personnel analyst positions on the basis they are required by increased workload in the operations unit in preparing written examinations, conducting qualification appraisal interview panels and for processing classification and pay matters.

We recommend that one of the requested personnel analyst positions be allowed and that one assistant personnel analyst position, budget page 63, line 74, be deleted for a saving of \$7,800 plus related expenses.

The addition of one analyst position as recommended plus three which were added in 1964-65, would result in a level of service in 1965-66 comparable to that prevailing in the period 1960-61 through 1963-64, the three most recent years for which actual performance data is available. It would also be comparable to the workload and level of service estimated by the division for 1964-65. The pertinent workload data and its relationship to authorized positions is shown below:

Fiscal year	Authorized analyst positions	Tests constructed	Average per analyst positions	QAP interviews	Average per analyst position
1965-66	—	1,450 (est.)	—	32,000 (est.)	—
1964-65	51	1,400 (est.)	27.5	31,800 (est.)	620
1963-64	48	1,367	28.5	31,673	660
1962-63	48	1,422	29.6	31,487	656
1961-62	49	1,384	28.2	23,411	478
1960-61	49	1,234	25.2	29,951	611

Personnel Board—Continued

For 1965-66, the division has projected its workload to include construction of 1,450 tests and 32,000 QAP interviews. If 1 additional analyst position is allowed the analyst staff in 1965-66 would number 52 positions and the workload per position would be 27.9 test constructions and 615 QAP interviews.

The division is requesting an increase in temporary help of \$3,673, or 0.4 position, to reimburse the public members of qualification appraisal panels where it is not feasible to secure such members on a non-reimbursed public service basis. Reimbursement is at the rate of \$35 per day. For 1964-65, the division was allowed an increase of \$2,829 for this purpose. *The current requested increase of \$3,673 is consistent with the rate of growth for this item in recent years and we recommend approval.*

Recruitment and Field Services Division

This division is requesting two recruitment representatives and one-half a stenographer position to implement a new program of providing assistance to state agencies in the recruitment of minority group members. If the request is approved, one recruitment representative position would be established in Sacramento and one in Los Angeles, with one-half position to provide clerical support to the program. It is our understanding that the board plans that the two representative positions would be filled by individuals who are from minority groups who would work on a statewide basis with negro and Mexican-American organizations, such as the NAACP, CORE and the Mexican-American Association, and with minority group community leaders to encourage qualified persons to compete for positions in the state service.

We recommend that two recruitment representative positions, \$18,960, budget page 64, lines 56 and 59, and one-half intermediate stenographer position, \$2,780, budget page 64, line 57, be deleted for a total reduction of \$21,740 plus related expenses.

The goal of the proposed new activity, if not the method, is identical to that of the existing recruitment program. The board for decades has had a statutory and constitutional mandate to make appointments to civil service positions on the basis of merit, efficiency and fitness and is forbidden from discriminating on the basis of race, religious creed, color, national origin or ancestry. The Recruitment Division has as its stated purpose "an aggressive search for qualified candidates through concentration on the most promising sources of supply; an understanding of what it takes to induce persons to compete for employment." With existing staff and within established programs, the board is now making aggressive, positive efforts to meet its constitutional and statutory responsibilities. Action to encourage members of minority groups to compete for state civil service positions includes the following:

1. Special efforts are being made to place information on civil service examinations in the hands of minority group organizations.
2. Recruitment advertisements are being placed in newspapers circulated widely to the various minority groups. The Recruitment Divi-

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sion's budget request for 1965-66 includes \$5,000 to expand the existing advertising program on these lines.

3. Additional Negro colleges and other educational institutions having heavy enrollment of minority group members have been added to the itinerary of out-of-state recruiting trips by board recruiting representatives.

4. Meetings of professional and technical associations and groups which include heavy minority group membership are included in the recruiting program.

5. Written examinations constructed by the board staff are being reexamined to assure that the verbal facility demanded by the examination is appropriate to the requirements of the positions to be filled.

6. Efforts are being made to seek out public spirited minority group representatives to serve as the public member on preemployment interview panels. Training for members of the panels emphasizes the legal and policy aspects of the board's position on equal employment opportunity.

7. The Recruitment Division is contacting minority group community leaders throughout the state to further the participation of qualified individuals in examinations leading to appointments to entering level positions in the personnel, administrative and budget analyst classes in state government.

8. The Training Division sponsors courses for management personnel in such subjects as equal opportunities in state service and cultural differences.

9. In its budget for 1964-65, the board requested, and was allowed, \$7,132 for consultants in the area of state employment as it relates to minority groups. These funds are being used to retain consultants in minority group employment to examine board procedures as they affect employment opportunities for minority group members. The current budget request includes \$7,009 to continue this program through 1965-66.

It is our understanding that the proposed program would supplement the above activities and would not be a part of the workload of the existing recruitment staff. None of the existing professional staff of the Recruitment Division are members of the state's two largest minority groups. The board's objective of achieving better rapport between its recruiting program and minority group members would be more appropriately and efficiently accomplished by adding members of minority groups to its existing staff as vacancies occur rather than establishing a new, special program at extra cost. This would seem especially true in view of the division's stated purpose, quoted above. *We recommend that the division make a special effort to broaden its staff capabilities in this manner.*

The division is requesting \$18,860 for out-of-state travel in 1965-66 for recruiting trips. *We recommend that \$1,500 be deleted from the request for traveling out-of-state, budget page 64, line 75.*

Personnel Board—Continued

In 1963-64, the division spent \$16,838 for out-of-state travel, \$2,022 less than is now requested. For 1964-65, the division was authorized \$16,860 for this purpose, again about \$2,000 less than is proposed for 1965-66. There has been no significant increase in the costs of out-of-state travel since 1963-64 nor are any anticipated for 1965-66. There has been no increase in staff making out-of-state trips and the division has not provided any other data which would justify the increase. The recommended reduction would permit the division to continue the same level of activity as took place in 1963-64 and is authorized for 1964-65.

Standards and Surveys Division

This division is requesting one new position, an intermediate typist-clerk to process medical reports and health questionnaires. *The addition of this position to the division's clerical complement appears to be justified on the basis of workload and we recommend approval.* The volume of health documents received by the board is closely related to the number of appointments to civil service positions and this basic workload measure has shown an uneven but substantial increase in recent years. In addition, a change in procedures has been made which reduces the demands upon the time of the medical officer but has increased the clerical workload, an innovation we endorse.

The division is requesting \$15,500 for in-state travel in 1965-66. *We recommend that the request for in-state travel be reduced by \$1,000, budget page 65, line 53.* In 1963-64, when the division had the same number of positions in travel status as it will in 1965-66, actual expenditures were \$14,080. In the interim there has been no increase in the cost of in-state travel. The division has provided no justification for the proposed increase in terms of increased workload or program expansions related to in-state travel. The recommended reduction would still allow \$14,500 for 1965-66, somewhat more than was actually required in 1963-64.

Examining Standard Division

This division is requesting one new position for 1965-66, an assistant personnel analyst, to expand a program for auditing the performance of agencies in conducting examination activities which have been delegated by the board. Under the board's program of delegating activities, various agencies test applicants for civil service positions and certify successful competitors for employment, generally at specific locations, throughout the state. Almost all classes tested under this program are nonprofessional, nontechnical groups employed away from Sacramento. Examples of such tests are those given in local offices of the Department of Employment for clerical classes and by the Department of Mental Hygiene at 16 state hospitals and institutes for classes used only by that department. This program, which has been in existence for more than 10 years, has continuously increased in scope and in 1963-64, 12,576 candidates for civil service positions were scheduled for interviews as a result of written tests administered by agencies other than the board.

Personnel Board—Continued

While the actual testing activity is performed by other agencies, the Personnel Board retains the responsibility that the examinations, certifications and appointments are in accordance with civil service laws and rules. The requested position would be utilized to audit the programs of the agencies to assure that technical and procedural errors do not occur and that the delegated programs are carried on consistent with the board's constitutional and statutory requirements. This activity would, in part, consist of training agency personnel in proper methods. Currently, the division is using one-half man-year to audit delegated programs.

We recommend that the request for one assistant personnel analyst position be approved. In the present situation the board has only a token program for determining that civil service laws and rules are actually being observed. The objective is to audit each delegated testing activity annually and to train local agency administrators in proper methods. The board has estimated that, if its own staff were performing the delegated activities, its additional cost per year would be in excess of \$100,000. These past savings have been absorbed by increased workload in other board activities. *In the future, as the program expands, further savings to the board can be expected and we recommend these savings be identified and used, in part, to finance all of the board's activities in controlling the program.*

For 1965-66, the division is requesting \$4,077 for traveling in-state. Of this amount, \$1,613 would be related to the above position and the balance of \$2,464 would be used for other activities. *We recommend that \$1,000 be deleted from the division's request for in-state travel, budget page 66, line 35.* In 1963-64, the division actually expended \$1,434 on in-state travel. Since that time there has been no increase in staff or program nor is any proposed for 1965-66 other than the position described above. The recommended reduction would permit the same level of travel in 1965-66 as in 1963-64 for existing staff and allow the full amount requested for the proposed position.

Office Services Division

This division is requesting a total of 4.5 clerical positions for three different activities. These activities are:

Roster Section. This unit maintains the roster of state civil service employees, both active and inactive, and performs other functions which are based upon the roster records. The basic workload measure is the number of changes made on roster cards each year because of appointments, separations, other changes in status, salary changes and roster checks related to promotions. Other activities of the section include reconciliation of roster records with records of agencies and the controller and processing phone calls and other requests for information. Two permanent clerical positions are requested on a workload basis.

Personnel Board—Continued

Certification Section. The certification section performs a variety of clerical duties having to do with preparation of lists of certified eligible candidates for state employment, including processing of queries from agencies on the status of lists and correspondence from candidates. The difficulties in staffing adequately for the certification function date back to 1961-62 when the clerical complement was reduced by the division from 21 to 12 in anticipation of savings to be realized from newly installed data processing equipment, savings which were never fully realized. There have been no authorized additions to permanent staff since 1961-62 and temporary help has been used as required by workload. Two clerical positions are also requested for this activity.

As a result of controversy over the division's request for additional clerical positions for this function in the last budget, we reviewed the section's workload, procedures and responsibilities in detail during the interim period to evaluate personnel needs. Our tentative conclusion is that if present laws and board rules and policies are continued substantially unchanged, the division has no alternative but to increase the section's clerical complement if it is to meet its responsibilities. The division has introduced some reforms in procedures but these have not significantly reduced the workload.

General Files Section. This unit maintains basic files, including correspondence, examination papers, films and other records of the Personnel Board. One-half of a position is requested which would be combined with an already authorized one-half temporary help position to be converted to permanent status, to make one full-time clerical position.

We recommend that the requested increase of 4.5 clerical positions be allowed on the basis of workload. We further recommend that the division continue to explore means of reducing that volume of work performed by the Certification Section which is done for the convenience of candidates and agencies but which is not required to meet statutory requirements. These should include revision of board rules if necessary.

Training Division

This division's request for 1965-66 contains \$1,530 for "special consultants, conferences and seminars" and \$12,098 for "management, training and conferences." The funds for special consultants, conferences and seminars have in the past been used to meet the unanticipated costs of special meetings and projects of the Governor or the Personnel Board. The funds for management, training and conferences have been used both for planned, annual meetings and for special courses for management level personnel. The board's accounting practices have not been consistent in allocating costs between these closely related activities and therefore, if the year-to-year costs are to be realistically compared, the two must be combined. The following table shows the amounts budgeted and expended by the division on these activities since 1960-61, both separate and on a combined basis.

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Authorized vs. Actual Expenditures for Special Consultants, Conferences and Seminars and Management Training and Conferences						
Fiscal year	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66
Authorized for consultants, conferences ----	\$1,530	\$1,530	\$1,530	\$1,530	\$1,530	\$1,530 (prop.)
Actually expended -----	570	645	175	50	-	-
Amount overbudgeted ----	960	885	1,355	1,480	-	-
Authorized for management training, conferences--	13,538	13,538	12,040	12,098	12,098	12,098 (prop.)
Actually expended -----	12,590	11,728	9,554	10,179	-	-
Amount overbudgeted ----	948	1,810	2,486	1,919	-	-
Total authorized, both activities -----	15,068	15,068	13,570	13,628	13,628	13,628 (prop.)
Total actually expended, both activities -----	13,160	12,373	9,729	10,229	-	-
Amount overbudgeted, both activities-----	1,908	2,695	3,841	3,399	-	-

We recommend that \$2,500 be deleted from the request for management training and conferences, budget page 67, line 57, with the board to combine this item with the request for special consultants, conferences and seminar items and make the reduction from the total amount. As the above table shows, these two items have been consistently overbudgeted in recent years. For 1963-64, the most recent year for which actual expenditure data is available, the items were overbudgeted by \$3,399 and in the preceding three years overbudgeting ranged between \$1,908 and \$3,841. The recommended reduction would leave a total of \$11,128 available for both items in 1965-66, more than sufficient to provide the same level of activity as in 1963-64 with a margin of approximately \$1,000 for flexibility in meeting unforeseen contingencies.

The division is requesting \$2,100 for a "correspondence course in supervisory practices" for 1965-66. The same amount was authorized for this purpose in 1963-64 and 1964-65. This course is prepared by the division for state personnel who are stationed at locations where it is not practical to give the regular program of courses in supervision. The cost for the course to the agency employing the participant is \$60 which is used by the division to pay for duplicating, scoring services and similar items. The \$60 pays the full cost of the course. The 1963-64 authorization of \$2,100 was not expended but served as a revolving fund to finance the course until reimbursement was received.

We recommend that \$2,100 for the correspondence course in supervisory practices, budget page 67, line 59, be deleted.

The costs of the course are fully reimbursable from participating agencies and since the cost to each agency is known, there is no reason why payment cannot be made in advance eliminating the need for the \$2,100.

Personnel Board—Continued

Cooperative Personnel Services

This division is requesting 6.9 new positions for 1965-66 to meet increased workload. *We recommend that these positions be approved.* This division has as its primary function the provision of personnel services to local governments on a contract basis and its costs are fully reimbursed. If the workload and reimbursements do not materialize, the positions will not be utilized.

POLICY OPTIONS

Substitution of a Training Coordinator for the Existing Training Division

The training program workload is to a large extent the result of the activities undertaken at the initiative of the board or the administration. This is especially true of the interagency management development portion of the program.

The board's recruitment, selection and placement and classification and salary programs are largely responsive to the requirements of the civil service system and of other agencies, and workload is controllable only to a limited extent by the board without substantive changes in the civil service laws.

The budget of the training division, which is synonymous with the direct costs of the board's training program, represents only a small part of the total expenditures by the state on training activities. The board's professional and technical training staff consists of nine positions and the total budget requested for 1965-66 is \$165,300. The costs to other agencies of participating in management development activities arranged by the board are unknown but are substantial since in 1963-64 training division estimates that 591 management level personnel participated in board conferences and courses which are of varying lengths but last up to seven days. Training activities within individual departments required 394,049 departmental man-days in 1963-64, another major cost factor. Another aspect of the state's total training effort involves sending state employees to educational institutions to take special courses and the cost of this activity, exclusive of salaries, was \$104,043 in 1963-64. All of the activities are parts of the overall state training program and the board's activities are only a small part of this total effort.

About two-thirds of the board's program emphasizes training activities which cross agency lines. Some of these activities are directed to well-defined problem areas, and have definite goals, such as reducing state driver accidents and workmen's compensation losses through occupational injury prevention, but the major effort is directed to the Interagency Management Development Program. This activity consists of courses and conferences designed to develop general management skills. Subject matter is not oriented to specifics but tends to be general in scope. Below is a summary of some of the 22 such courses being given in 1964-65 for higher level management personnel:

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<i>Course Title</i>	<i>Description</i>
Humanities	Consists of 12 two-hour evening sessions designed to broaden knowledge, stimulate interest in the humanities, and to increase understanding and effectiveness of administrators.
Legislative Processes	A practical and theoretical explanation of legislative processes. Total of 21 hours. Purpose is to increase understanding of the Legislature.
Human Relations	A laboratory experience designed to sharpen interpersonal skills, strengthen leadership abilities. Small, unstructured groups, formal presentations, group application of human relation principles. Subjects included legislative relationships, general semantics, training for leadership, equal employment opportunities and EDP. Held at Asilomar for seven days.
Cultural Differences	An examination of minority group cultural backgrounds and history. Objective is to improve understanding and relationships among employees and with the public. To last 21 to 28 hours.
Public Relations	Designed to improve understanding of public relations, its uses and what it can accomplish. A total of five two-hour sessions.

Other activities of the division which do not involve direct how-to-do-it training are staff assistance to various meetings and conferences, such as the Governor's Conference on Good Design, organization of supervisors' forums in various cities for state supervisorial employees and assistance to other units of the Personnel Board on training problems.

An alternative to the current provision for a central state training administrative agency which would still permit the board to coordinate interagency training activities, would involve eliminating the existing Training Division and establishing the position of training coordinator reporting to the Personnel Board through the executive officer. This alternative would involve a deemphasis of the interagency staff development activities of the board but would leave departmental training programs, outservice specialized programs and other current agency-level training activities largely intact.

The training coordinator position would be responsible for coordinating parallel departmental programs and would provide advisory assistance to departments in developing training programs. Programs the board now administers on an interagency basis which would continue would become the responsibility of the state agency most qualified to provide the service to other agencies, i.e., the Division of Industrial Safety would assume responsibility for administering the occupational accident prevention program. The initiation of specific training activities would be the responsibility of individual agencies.

The major advantages of such a change could be expected to be an overall program more responsive to the direct, immediate needs of particular agencies at a total lower cost. Fewer man-hours would be devoted by agency management and training personnel to general development courses and activities which do not have direct job application. The considerable costs in management man-hours now spent

Personnel Board—Continued

attending board-sponsored conferences, seminars and courses would be avoided as would be the costs of travel, per diem and reimbursements for costs of the activity. The net savings in cost to the board as a result of abolishing the Training Division and creating the Training Coordinator position would probably be in excess of \$125,000 per year.

The disadvantages of this alternative would probably be long run in nature and difficult to measure. The activities which would be de-emphasized are generally designed to upgrade the quality of middle and senior management, not in specific terms but in general effectiveness. If the current programs are successful, which is not entirely clear, discontinuance would result, in the long run, in the state having lower quality management and this could result in diffuse but significant increases in cost and lowered effectiveness. At the same time, agency training officers would have to operate without the advisory services of the Training Division's nine technical consultants and, depending on the capabilities of individual training officers, some deterioration in agency programs might result. Again, the costs, if any, would be difficult to identify. The division's personnel would also no longer be available to staff various conferences and committees as they have in the past.

SECRETARY OF STATE

ITEM 47 of the Budget Bill

Budget page 69

FOR SUPPORT OF THE SECRETARY OF STATE FROM
THE GENERAL FUND

Amount requested	\$881,505
Estimated to be expended in 1964-65 fiscal year	816,768
Increase (7.9 percent)	\$64,737

TOTAL RECOMMENDED REDUCTION..... None

PROGRAM PLANS AND BUDGET

The Secretary of State is a constitutional officer whose duties and responsibilities are set forth in the constitution and statutes.

The principal function of the office of the Secretary of State is recordkeeping. Types of records and duties related to the keeping of these records are explained in the following programs.

I. Secretary of State and General Administration

Expenditures for departmental administration are not directly assignable to any specific program. Such expenditures include the Secretary of State, his immediate staff, and administrative services which include budgeting, accounting, personnel and general administration.

	Actual 1963-64	Estimated 1964-65	Estimated 1965-66
Amount	\$114,870	\$123,917	\$122,415
Positions	11.8	11.8	11.8
Man-hours ¹	23,788	23,788	23,788

¹ Based on 21 days per month, 8 hours per day.

Secretary of State—Continued

II. Custody of Records

The Secretary of State has custody of official acts of the Legislature and the executive departments of the state, books, records, deeds, parchments, maps and papers kept or deposited in his office pursuant to law.

	<i>Actual</i> 1963-64	<i>Estimated</i> 1964-65	<i>Estimated</i> 1965-66
Amount -----	\$14,589	\$16,068	\$15,678
Positions -----	2	2	2
Man-hours -----	4,032	4,032	4,032

No statistics are immediately available as to the number of items in custody or the number of items received each year.

III. Elections

Pursuant to law, this office processes and files many types of documents and papers concerning statewide and special elections, and prepares various voter registration reports and statements of votes cast.

	<i>Actual</i> 1963-64	<i>Estimated</i> 1964-65	<i>Estimated</i> 1965-66
Amount -----	\$24,446	\$35,096	\$27,650
Positions -----	1.1	1.9	1.5
Man-hours -----	2,217	3,830	3,024

No statistics are immediately available as to the number of documents processed. Approximately three-fourths of the expenditure involves the semi and official canvass of votes and the compilation and publication of registration statements and statements of vote.

IV. Filing

Filing articles of incorporation and certificates of various actions of corporations. This constitutes approximately 75 percent of the secretary's filing activities. Filing of documents concerning municipal corporations and organizations and boundary changes affecting public districts; statements of trust receipt financing; statements of recordation concerning mortgaged personal property; statements of aircraft transportation brokers; statements of foreign lending institutions; claims to trademarks and/or assignment of trademarks; claims to names and/or insignia of fraternal or unincorporated, nonprofit associations; claims to farm names; claims to laundry marks; manuscripts; court order concerning individual name changes; administrative rules and regulations adopted by other state agencies; oaths of office for non-civil service officers and employees; official bonds of all agencies whose bonds are required by law to be filed with the Secretary of State; original copies of all laws enacted by the Legislature; deeds to state lands, except (1) evidence of title acquired for state highway purposes, and (2) conveyances of tax sold property; and description of seals used by different state offices.

	<i>Actual</i> 1963-64	<i>Estimated</i> 1964-65	<i>Estimated</i> 1965-66
Amount -----	\$280,979	\$295,995	\$299,609
Positions -----	34.2	35.1	35.1
Man-hours -----	68,947	70,762	70,762
Estimated number of transactions--	145,000	150,000	150,000

Secretary of State—Continued

V. Uniform Commercial Code Division

Receipt and filing of financing statements and furnishing information from these files to interested parties. These duties and responsibilities of the Secretary of State are contained in Chapter 4, Division 9, of the Uniform Commercial Code which became effective January 1, 1965. These statements are filed for the purpose of perfecting a security interest in a secured transaction.

	<i>Actual</i> 1963-64	<i>Estimated</i> 1964-65	<i>Estimated</i> 1965-66
Amount -----	\$1,891	\$222,388	\$282,796
Positions -----	-	21	20
Man-hours -----	-	42,336	40,320
Estimated number of transactions --	-	129,850 *	259,700

* Workload for six months, January 1, 1965, to June 30, 1965.

VI. Central Record Depository

Receipt and custody of all records required or permitted by law to be filed or deposited in the office of the Secretary of State.

	<i>Actual</i> 1963-64	<i>Estimated</i> 1964-65	<i>Estimated</i> 1965-66
Amount -----	\$80,976	\$91,719	\$99,246
Positions -----	10	11.7	11.7
Man-hours -----	21,160	23,587	23,587
Agency records on deposit			
Sacramento -----	82,792 cu. ft.	96,607 cu. ft.	99,721 cu. ft.
San Francisco -----	7,119 cu. ft.	8,873 cu. ft.	9,195 cu. ft.
Los Angeles -----	13,832 cu. ft.	14,918 cu. ft.	21,318 cu. ft.
References to records -----	44,087 *	48,159	52,094

* 1963 calendar year.

VII. Archives

Custody and maintenance of items deposited in the public archives of the state.

	<i>Actual</i> 1963-64	<i>Estimated</i> 1964-65	<i>Estimated</i> 1965-66
Amount -----	\$28,247	\$31,585	\$34,111
Positions -----	3.6	3.9	3.9
Man-hours -----	7,257	7,862	7,862

No statistics are immediately available as to the total archival holdings or references thereto.

REVIEW OF AGENCY ACCOMPLISHMENTS IN 1963-64

The Budget Act appropriation for 1963-64 was \$554,456 and the actual expenditure was \$545,998, a decrease of \$8,458 which is composed of the following augmentations and an unexpended balance.

Budget act appropriation -----	\$554,456
Allocation from emergency fund -----	3,945
Allocation from salary increase fund -----	5,781
Total available -----	\$564,182
Unexpended balance -----	—18,184
Total expenditure -----	\$545,998

Secretary of State—Continued

The total workload increased over the prior fiscal year. Over the years, the increase in expenditures for support of the Secretary of State has been modest. Our review of the workloads and expenditures indicates an efficient operation.

ANALYSIS AND RECOMMENDATIONS

The amount requested for fiscal year 1965-66 is \$881,505 which is an increase of \$64,737 or 7.9 percent more than is estimated to be expended in the current fiscal year. The major portion of this increase is \$60,408 to carry out the provisions of the Uniform Commercial Code, Chapter 4, Division 9, which became effective January 1, 1965. This amount includes salaries and wages for proposed new positions for the electronic data processing system and related operating expense and equipment for a full year. These positions were operative for only a portion of the current year. The remaining amount of the increase, \$4,329, is for minor increases and decreases not associated with the Uniform Commercial Code Division.

Considerable work such as systems design, testing of procedures and form design was done prior to January 1, 1965, the statutory deadline for supplementation of this program. The following table shows estimated transactions and expenditures for 1964-65 and 1965-66 and also estimated revenues for the same fiscal years.

	<i>Fiscal year 1964-65 *</i>	<i>Fiscal year 1965-66</i>
Transactions		
Statements filed	108,200	216,400
Certificates of filing or nonfiling.....	18,825	37,650
Preparation of copies of records.....	2,825	5,650
Expenditures	\$222,388	\$282,796
Revenue	\$238,050	\$476,100

* Six months only.

We recommend approval of the four proposed new positions. Other programs are estimated to operate at the current level of service.

Other programs are estimated to operate at the current level of service.

The following table shows major items of workload.

	<i>Actual 1963-64</i>	<i>Estimated 1964-65</i>	<i>Estimated 1965-66</i>
Corporation documents received.....	39,181	41,135	41,135
Corporation documents filed.....	32,767	34,360	34,360
Notary public commissions processed.....	26,442	28,293	30,274
Statements of trust receipt financing filed....	17,420	8,000 *	-
Financing statements and supplements.....	-	108,200 *	216,400

* Effective January 1, 1965, statements of trust receipt financing will no longer be filed. In lieu thereof there will be filed financing statements pursuant to the provisions of the Uniform Commercial Code.

We recommend approval of the item as budgeted.