

Military Department—Continued

over hundreds of acres which must be protected largely by a volunteer setup. It is therefore proposed to eliminate one existing position of supervisor of building trades and establish three new positions—one lieutenant colonel as camp commander, one institution fire marshal and one institution fireman—for a net increase in salaries and wages of \$26,915. Operating expenses are also significantly increased particularly in utilities and general operations of the various facilities.

The overall facility is being used by a number of agencies including a countywide junior college district which leases part of the property. The sewage plant and water treatment facilities in addition to serving the camp proper are also used by the Men's Colony of the Department of Corrections which makes a significant reduction in both its cost of operation as well as the capital outlay that would have been required to provide a sewage plant and water treatment plant for the correctional institution. Present negotiations with various users and potential users indicate that ultimately it will be possible to operate the entire property on a self-sustaining basis with revenues at least equaling the cost of maintaining and operating the base.

We recommend approval of the budget as requested.

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

ITEM 198 of the Budget Bill

Budget page 735

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

Amount requested	\$4,902,146
Estimated to be expended in 1965-66 fiscal year	4,856,274
Increase (0.9 percent)	\$45,872

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

The Department of Alcoholic Beverage Control has the responsibility of enforcing the Alcoholic Beverage Control Act which regulates importation and sale of alcoholic beverages within the State of California.

The department has a staff of 465.1 currently authorized positions. Operations are headquartered in Sacramento and are carried forward through district offices located in 20 California cities.

The department classifies its activities under three programs: administration, licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

During budget year 1966-67 the department proposes to expend the sum of \$4,902,146 which exceeds estimated current expenditures by \$45,872 or 0.9 percent. The proposed expenditure is not segregated into program components. The proposed expenditure for the budget year exceeds the \$4,593,357 expenditure during fiscal year 1964-65, the most recent year for which records are complete, by the sum of \$308,789 or 6.7 percent.

Department of Alcoholic Beverage Control—Continued
Revenues

The amount of income which the state derives from department licensing activity is illustrated as follows:

<i>Fiscal year</i>	<i>Amount</i>
1963-64 -----	\$12,374,464
1964-65 est. -----	12,400,000
1965-66 est. -----	12,750,000

Ninety percent of the annual licensing fee revenues is apportioned to California counties and cities. The remaining 10 percent is deposited in the General Fund.

Administration Program

This program includes policy interpretation and departmental house-keeping services. Operating units assembled under this program are office of the director, attorneys, business office, accounting, personnel, price-posting plus area and district administration.

The 1966-67 fiscal year request reflects a series of personnel adjustments which reduces the number of positions authorized for the department from 452.9 to 450.4, including the allowance for salary savings. The adjustments arise from a changing workload pattern.

Licensing Program

This program includes such activities as the issuance of new licenses, the renewal of licenses, and the transfer of licenses from one ownership to another. Depending on the complexity of ownership and applicants, investigation may include a review of fund sources, stock transfers and escrows. The following table shows the workload growth in the licensing program.

<i>Fiscal year</i>	<i>Active licensees</i>	<i>Licensing actions</i>	<i>Petitions and protests</i>	<i>Applications denied</i>	<i>New on-sale general</i>	<i>New off-sale general</i>
1962-63 -----	45,137	64,804	685	888	111	128
1963-64 -----	45,428	64,891	575	560	127	170
1964-65 -----	49,493	74,595	671	498	157	145
1965-66 est. ---	49,600	76,000	675	500	167	111
1966-67 est. ---	49,700	77,500	675	500	155	110

Licenses issued fall into 45 different classifications. New on-sale and off-sale general licenses are issued on a population increase basis. We are informed by the department that workload has not increased so much in units of work as it has in the complexity of transactions.

Enforcement Program

Licensees are checked for compliance with the law and disciplined for violations of the law. Complaints, many of which are from local law enforcement agencies, are investigated and problem premises are watched. Records of retailers and wholesalers are examined with reference to fair trade, rebates and free goods. Accusations may be filed against licensees and criminal charges may be preferred through the local district attorney. The following table shows the past and projected workload of the enforcement program.

Department of Alcoholic Beverage Control—Continued

<i>Fiscal year</i>	<i>Accusations Filed</i>	<i>Accusations Dismissed</i>	<i>Licensees Disciplined</i>
1962-63 -----	2,131	213	1,979
1963-64 -----	2,021	267	1,940
1964-65 -----	2,176	360	2,548
1965-66 est. -----	2,200	360	2,550
1966-67 est. -----	2,200	360	2,550

If the decision on an accusation following an administrative hearing is unfavorable to the accused, he may appeal. During 1964, according to information supplied by the department, 247 appeals were filed. Only 25 court actions were filed during the same year.

We recommend approval of the item as budgeted.

ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD

ITEM 199 of the Budget Bill

Budget page 737

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

Amount requested -----	\$127,966
Estimated to be expended in 1965-66 fiscal year -----	127,645
Increase (0.2 percent) -----	\$321

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The Alcoholic Beverage Control Appeals Board reviews appeals from rulings of the Department of Alcoholic Beverage Control on penalty assessments and various licensing actions. Board decisions may be further reviewed by the courts. The board consists of a chairman and two members appointed by the Governor and subject to confirmation by the Senate. The currently authorized board staff consists of two lawyers and two senior legal stenographers. The board, which was established by Section 22 of Article XX of the State Constitution, is headquartered in Sacramento but meets additionally in San Francisco and Los Angeles.

ANALYSIS AND RECOMMENDATIONS

For fiscal year 1966-67 the board proposes the expenditure of \$127,966 which exceeds estimated expenditures for the current year by \$321, or 0.2 percent, and exceeds the actual expenditure for fiscal year 1964-65, the last completed fiscal year, by \$6,905 or 5.7 percent.

The budget allocation for 1964-65 was increased by the sum of \$4,655 to cover salary increases. Savings, however, were estimated at \$5,028. For the current year the budget appropriation was augmented by \$440 from the Emergency Fund and by \$2,837 for salary increases. No savings are estimated for the current year.

The board's sole program is the administrative review of appealed department decisions. The following table illustrates the board's activity and cost per decision.

Department of Alcoholic Beverage Control—Continued

<i>Fiscal Year</i>	<i>Actual Expenditures</i>	<i>Appeals Filed</i>	<i>Decisions Issued</i>	<i>Decision Unit Cost</i>
1960-61 -----	\$103,881	148	187	\$551
1961-62 -----	105,563	185	201	525
1962-63 -----	108,913	196	185	588
1963-64 -----	117,702	215	240	490
1964-65 -----	125,711	267	222	566

The unit cost figure is obtained by dividing total expenditures by the number of decisions issued for the particular fiscal year. Based upon figures set forth in the above table, the board on the average issues annually approximately 207 decisions at an average unit cost of \$544 each.

The Department of Alcoholic Beverage Control has supplied us with a figure for calendar year 1964 showing the net number of appealable decisions rendered by the department. This figure is compared with the actual number of appeals taken below:

Net total of appealable department decisions -----	902
Number of appeals filed with board -----	234
Percentage of net department decisions appealed -----	27.38%

The above figures reflect a calendar rather than a fiscal year and the number of appeals therefore does not reconcile with the table included earlier in the analysis.

No increase in level of service is indicated in the board's request.

We recommend approval as budgeted.

DISTRICTS SECURITIES COMMISSION

ITEM 200 of the Budget Bill

Budget page 738

FOR SUPPORT OF THE DISTRICTS SECURITIES COMMISSION
FROM THE GENERAL FUND

Amount requested -----	\$254,448
Estimated to be expended in 1965-66 fiscal year -----	190,227
Increase (33.8 percent) -----	\$64,221

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The Districts Securities Commission consists of the Attorney General, the Director of Water Resources, the Superintendent of Banks, the State Treasurer and three other members appointed by the Governor. It currently has 9.2 authorized positions with headquarters in San Francisco.

The commission staff makes financial, economic and engineering feasibility investigations as the basis for commission action on proposals submitted for district bonds or warrants, for authorization to enter into contracts, for construction of facilities and the securing of loans. In certain instances the commission must supervise projects.

ANALYSIS AND RECOMMENDATIONS

For fiscal year 1966-67 the commission proposes to expend \$254,448 which exceeds estimated expenditures for the current year by \$64,221

Districts Securities Commission—Continued

or 33.8 percent. Meaningful comparison of the budget year proposals with actual expenditure in the completed fiscal year of 1964-65 cannot be made since the commission in that year was supported partly by General Fund and partly by fees.

Legislation in 1963, 1964 and 1965 increased the size of the commission from 3 to 7 members, provided for a fee support basis equal to budgeted expense and enlarged the commission's jurisdiction over districts.

Extra workload was met partly in 1965 by new position authorizations. An administrative workload adjustment added 5 new positions during the current year.

The major workload pattern now imposed on the commission includes submissions from the following types of districts and other agencies:

(1) Districts organized under Divisions 11, 12 and 13 of the Water Code—Irrigation Districts, County Water Districts, California Water Districts. This was the original program of the commission. One hundred ninety-six districts in this category are now reporting to the commission. Two hundred twenty-eight added districts would be subject to review and approval if they proposed district financing, and more than 750 have an option of using the commission's services.

(2) Water storage districts organized under Division 14 of the Water Code. These districts were transferred by Chapter 1607, Statutes of 1963, to the commission's supervision from that of the Department of Water Resources.

(3) City and county reclamation projects. Under Chapter 133, Statutes of 1964, the commission must prepare an advisory financial feasibility report for each proposed county or city bond project for reclamation of lands.

(4) District securities investigation. As a result of the passage of Chapter 897, Statutes of 1965, certain public districts, other than those connected with cities, counties and school districts, must obtain commission approval on the issuance of debt obligations.

Fee Schedule

Chapter 897, Statutes of 1965, provided that the commission must establish a fee schedule to produce sufficient revenue to make the work of the commission self-supporting. Fees are deposited in the General Fund and the commission is supported by the General Fund. The schedule has now been formally promulgated and is currently in effect.

To meet current workload requirements the commission requests the following new positions:

1 Senior hydraulic engineer (budget page 739, line 9)-----	\$12,596
3 Associate hydraulic engineer (budget page 739, line 10)-----	32,552
1 Intermediate typist-clerk (budget page 739, line 11)-----	4,848
2 Senior hydraulic engineer (budget page 739, line 16)---	24,192

The first five positions listed above were established administratively during the current year. The two senior engineers are requested for the first time in the 1966-67 Budget.

Item 201**Horse Racing Board****Districts Securities Commission—Continued**

The commission justifies the first five portions on the basis of new workload resulting from the legislative enactments described in numbered paragraphs 2, 3 and 4 above. This workload is associated with water storage districts, city and county reclamation projects and district securities investigations.

The two senior engineer positions are requested on the basis of workload generated by irrigation, county water and California water districts. This was the original commission assignment. Workload, measured by the amount of dollars involved, has increased substantially. The monetary value of investigations on an annual basis has increased from \$82.9 million in 1957-58 to \$386.4 million in the past completed fiscal year of 1964-65, while the number of positions assigned to this work was not increased during the same period. As a result project supervision was discontinued, the review of proposed funding was discontinued and processing was based on incomplete examination of data. The positions are requested to remedy these deficiencies in the processing required by law.

We recommend approval as budgeted.

HORSE RACING BOARD

ITEM 201 of the Budget Bill

Budget page 740

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

Amount requested	\$239,282
Estimated to be expended in 1965-66 fiscal year	224,395
Increase (6.6 percent)	\$14,887

TOTAL RECOMMENDED REDUCTION None

GENERAL PROGRAM STATEMENT

It is the responsibility of the California Horse Racing Board to administer the laws regulating horse racing at those locations where parimutuel betting is permitted in association with such races. The board's function includes the promulgation of rules and regulations, the licensing of all persons who are participants in race activities within the "enclosure" of the tracks and the supervision of wagering.

The Horse Racing Board is composed of three members appointed by the Governor and is assisted by a staff of 16.8 currently authorized positions headquartered in Los Angeles. Employees are dispatched to races as they are scheduled at the licensed race tracks.

The Horse Racing Board discharges its responsibilities under the program categories of licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

Expenditures proposed for the 1966-67 fiscal year total \$239,282, which is \$14,887 or 6.6 percent more than is estimated to be expended during the current year.

Horse Racing Board—Continued

State Revenues From Horse Racing Operations

<i>Fiscal year</i>	<i>Amount</i>
1964-65	\$47,620,133
1965-66 est.	48,772,440
1966-67 est.	50,535,000

This board is supported by the Fair and Exposition Fund which in turn is supported by track and individual licensing revenues received by this board. A substantial portion of the track license fees is paid directly into the General Fund. The remaining fees are funneled through the Fair and Exposition Fund from which support for the board is withdrawn together with an amount for support and capital outlay for county, district and citrus fair facilities and programs.

Licensing Program

This program includes the work of the 5 license clerks who move from track to track licensing horse owners, trainers, jockeys, pari-mutuel clerks, stewards, and others who take part in race meetings. The following table shows the board's licensing experience for the completed years and indicates the board's forecast for the current and budget years.

<i>Fiscal Year</i>	<i>Racing Days</i>	<i>Individual Licensees</i>
1962-63	542	10,241
1963-64	572	10,316
1964-65	564	10,639
1965-66 est.	573	11,000
1966-67 est.	586	11,250

Six private association tracks are now licensed for horse racing plus the California State Fair and 7 county fair tracks. Racing occurs simultaneously in the Northern and Southern areas of the state. For this reason the board requires a field staff large enough to operate in both areas during racing dates. The board's workload is therefore proportionate to the number of racing days granted to the racing associations.

Enforcement Program

Six investigative positions are currently assigned to this program. Constant inspection, investigation, veterinary tests, special audits are used to insure compliance with the law. Services of local law enforcement and private security agencies are employed as added enforcement devices.

In its proposals for the budget year, the board requests the following position:

1 Race track investigator (budget page 740, line 41)----- \$7,800

The proposed new position is justified on the basis that the board's chief investigator is now working full time on investigative matters and is left no time for supervision of the remaining five investigator positions. With investigative operations often running concurrently north and south and with the increase in racing days we agree with the need for improved supervision.

We recommend approval as budgeted.

**Department of Investment
BANKING DEPARTMENT**

ITEM 202 of the Budget Bill

Budget page 742

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

Amount requested	\$1,329,626
Estimated to be expended in 1965-66 fiscal year	1,215,101
 Increase (9.4 percent)	 \$114,525
Increase to improve level of service	\$46,714

TOTAL RECOMMENDED REDUCTION **\$46,714**

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Eliminate funds for study and revision of State Banking Law	\$46,714	743	71

GENERAL PROGRAM STATEMENT

It is the responsibility of the Banking Department to safeguard the funds of depositors in any unit of the state-chartered banking system.

The Banking Department has its headquarters in San Francisco with a branch office in Los Angeles. There are 86 authorized staff positions assigned between the two offices.

Activities of the department fall into two principal categories: (1) Bank examination and (2) approval or disapproval of new bank or new branch office applications.

ANALYSIS AND RECOMMENDATIONS

For expenditure in fiscal year 1966-67 the department requests \$1,329,626 which exceeds estimated current year expenditures by \$114,525, or 9.4 percent.

The department is supported by the Banking Fund which is derived primarily from assessments against the regulated banks. Assessments are set at a ratio intended to produce sufficient revenue to make the department self-supporting.

A review of the fund indicates that annual assessment revenues are running below annual expenditures from the fund. The deficit is being met by other resources within the fund. The surplus in the fund at the end of fiscal year 1966-67 is now estimated at \$703,887 which is equivalent to 52 percent of the annual budgeted expenditures for fiscal year 1966-67, or enough money to operate the department for approximately one-half year.

The departmental appropriation of \$937,871 in 1964-65 was augmented by a \$96,098 salary increase and by an emergency authorization of \$46,239. Savings of \$31,747 were realized. The augmentations to the current year budget appropriation of \$1,121,552 were \$35,868 for salary increases and \$57,681 for emergency purposes.

Each state bank must be examined once each year. The examiner must determine the bank's condition and resources, the methods of management, how it invests its funds, prudence of management, security afforded depositors and creditors, whether or not the bank is

Banking Department—Continued

obeying its corporate charter and bylaw provisions, and such other matters as appear necessary. Bank examination is the department's major activity.

Every application for a new state bank, trust company, or branch office requires a field survey, investigation of need relative to competition, probable opportunities for use of funds and chances for successful operation.

Bank examination workload is related to the time it takes to examine loans and assets. In the table below are shown figures for both of these items together with estimated time for examination man-hours.

(All dollar amounts are in millions)

<i>Fiscal Year</i>	<i>Total Loans</i>	<i>Bank Assets</i>	<i>Estimated man-hours of examination</i>
1962-63 -----	\$5,619	\$9,995	76,665
1963-64 -----	6,361	10,959	89,731
1964-65 -----	7,052	11,897	105,336
1965-66 (Est.) -----	7,709	12,849	110,048
1966-67 (Est.) -----	8,426	13,814	123,615

Information supplied by the department indicates that a bank examiner, on the average, can examine \$224 million worth of assets in a year's time. The department notes that in fiscal year 1964-65, the most recently completed fiscal year, loans by state banks increased \$691 million, or 11 percent, and assets increased by \$938 million, or 9 percent. The department assumes that the upward trend will continue.

Bank application workload is illustrated in the following table which notes the number of existing offices and the number of applications processed or pending each year from 1962-63 through 1966-67 (est.).

<i>Fiscal Year</i>	<i>Total Existing Banking Offices</i>	<i>New Applications Processed and Pending</i>
1962-63 -----	631	181
1963-64 -----	618	194
1964-65 -----	748	164
1965-66 (Est.) -----	792	199
1966-67 (Est.) -----	836	139

On the basis of workload the department requests the following new positions:

4 Bank examiner II (Budget page 743, line 49)-----	\$32,784
1 Intermediate clerk (Budget page 743, line 50)-----	4,452

As a result of the upward trend in total bank loans and bank assets the department estimates that 7,661 added man-hours of examination time will be required in fiscal year 1966-67.

We recommend approval of the proposed positions as budgeted.

Review of State Banking Laws

The department notes that since 1961 attention has been given to the federal banking system and its relationship with state chartered

Banking Department—Continued

banks and other financial institutions in this system. The reexamination was stimulated by the completion of several major nationwide banking studies. Some recommendations have been implemented by the Controller of Currency. Legislation in Congress is concerned with overlap of supervisory powers and conflicting decisions with reference to branches, mergers, and consolidations.

In 1964 the Governor appointed a committee to study the future of banking in California. In January of 1965 this committee recommended establishment of a staffed commission to review the State Banking Law.

The 1966-67 budget request includes a proposed appropriation of \$46,714 for establishment of the recommended commission of experts to work with the Superintendent of Banks in the review of and possible rewriting of the banking law. Extra staffing is provided and a report is to be made to the 1967 General Session of the Legislature.

We recommend the deletion of the \$46,714 requested for the banking law study.

We are not convinced that the method of revising the banking law as proposed in the budget is the best way of achieving the desired results. A major factor in the stated need for revision of the Banking Act is the relationships with other financial institutions. If full value is to be obtained from such a study, we believe that all affected financial institutions should be included, and the study therefore should be broadened to encompass more clearly defined purposes affecting the entire Financial Code. This would imply a different method of carrying out the study as well.

**Department of Investment
DIVISION OF CORPORATIONS**

ITEM 203 of the Budget Bill

Budget page 744

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

Amount requested	\$3,433,785
Estimated to be expended in 1965-66 fiscal year	3,295,918
 Increase (4.2 percent)	 \$137,867
 Increase to improve level of service	 \$5,000

TOTAL RECOMMENDED REDUCTION None

GENERAL PROGRAM STATEMENT

The Division of Corporations is responsible for protecting the public in security sales and for the prevention of fraud and usury through the enforcement of a series of laws regulating personal loans and similar type agencies.

A number of securities are exempt from division regulation such as those issued by banks, savings and loan associations, insurance companies; securities approved by the Public Utilities Commission and by certain federal agencies and securities certified for bank investment by the District Securities Commission.

Division of Corporations—Continued

The commission administers the following laws:

Corporate Securities Law	Escrow Law
Security Owners Protection Law	Industrial Loan Law
Retirement Systems Law	Personal Property Brokers Law
Bucket Shop Law	California Small Loan Law
Check Sellers and Cashers Law	Trading Stamp Law
Credit Union Law	

The division is headed by the Commissioner of Corporations. Branch offices are maintained in San Francisco and Los Angeles. The division has 422 authorized positions assigned to its three offices.

ANALYSIS AND RECOMMENDATIONS

The division requests \$3,433,785 for expenditure in fiscal year 1966-67. This is \$137,867 or 4.2 percent more than estimated expenditures for the current year.

Estimates prepared by the commission indicate that for fiscal year 1966-67 revenue collected will exceed budgeted expense. Two kinds of revenue are collected by the division, (1) that for applications, escrows and investigation, and (2) that for payment for out-of-pocket enforcement expenses such as account examinations and hearings. The first type of revenue is paid directly into the General Fund. The second type is applied as a reimbursement against the annual support appropriation. The following table indicates amounts of revenue of the two categories:

Table 1—Revenue

<i>Fiscal year</i>	<i>Revenues collected</i>	<i>Reimbursement money</i>
1961-62 -----	\$3,694,455	\$632,474
1962-63 -----	3,218,874	647,357
1963-64 -----	3,458,664	777,228
1964-65 -----	3,765,695	805,947
1965-66 est. -----	3,955,620	876,300
1966-67 est. -----	4,116,006	926,350

Commission workload status can be measured by the number of licenses and permits actually in effect in past years or as estimated for current and future years. The following table divides licenses and permits into corporate security and noncorporate security groups.

Table 2—Workload

<i>Fiscal year</i>	<i>Corporate security permits and licenses issued</i>	<i>Noncorporate security licenses in effect</i>
1961-62 -----	55,639	2,761
1962-63 -----	54,413	2,964
1963-64 -----	52,897	3,199
1964-65 -----	57,657	3,452
1965-66 est. -----	61,327	3,710
1966-67 est. -----	63,972	3,950

In order to handle its estimated workload growth, the division requests the following additional positions:

Division of Corporations—Continued

8 Auditor I (budget page 745, line 10) ----- \$51,456

3 Intermediate typist-clerk (budget page 745, line 11) ----- 13,356

The commission states that the requested positions are designed to meet anticipated new workload to be generated by an estimated 240 new licenses in the noncorporate security workload. The division bases its request upon table of hours to be devoted to each type of licensee which reflects recorded experience.

In addition to new positions proposed by the division, the budget request contains a first time proposal for specialized professional training for deputies (attorneys) and examiners (accountants) at an estimated cost of \$5,000.

Specialized training (budget page 745, line 30) ----- \$5,000

The training to be provided would be out-service attendance at courses of interest given by professional societies and attendance at certain available day courses at universities near the division's branch office locations. The proposed training is sought to keep the indicated employees in touch with up-to-date procedures and developments pertinent to division responsibilities.

We recommend approval as budgeted.

Department of Investment

DEPARTMENT OF INSURANCE

ITEMS 204 and 205 of the Budget Bill

Budget page 746

FOR SUPPORT OF THE DEPARTMENT OF INSURANCE
FROM THE INSURANCE FUND

Amount requested ----- \$3,703,853

Estimated to be expended in 1965-66 fiscal year ----- 3,485,855

Increase (6.3 percent) ----- \$217,998

Increase to improve level of service ----- \$36,345

TOTAL RECOMMENDED REDUCTION ----- \$36,345

Summary of Recommended Reductions

Program Augmentation	Amount	Budget Page	Line
Licensing program -----	\$16,657	747	41
Examination and financial analysis program -----	19,688	747	52

GENERAL PROGRAM STATEMENT

The Department of Insurance is established under provisions of Section 12906 of the Insurance Code. Its purpose is to protect the general public, insurance policyholders and the rights of beneficiaries in California. The department has the responsibility for enforcing the many and varied provisions of the Insurance Code.

The department carries out its responsibilities through four programs: (1) General administration, (2) licensing, (3) examination of insurers, and (4) compliance and legal.

Department of Insurance—Continued
ANALYSIS AND RECOMMENDATION

The budget proposes an expenditure of \$3,703,853 for the 1966-67 fiscal year, which is \$217,998 or 6.3 percent more than is estimated to be expended during the current fiscal year.

For the 1964-65 fiscal year the department was appropriated \$2,985,829 and received an emergency augmentation of \$7,001 and a salary increase authorization of \$182,856 during the year. At the end of the fiscal year savings of \$109,496 were realized.

For the current fiscal year, 1965-66, the department was appropriated \$3,249,300 and received an emergency authorization of \$129,270 and a salary increase authorization of \$114,848. Savings of \$7,563 are anticipated by the end of the fiscal year. The emergency authorization of \$129,270 consisted of \$38,420 for new positions resulting from Chapters 1284, 1713, and 1716, Statutes of 1965, and \$90,850 for unanticipated price increases.

GENERAL ADMINISTRATION

Under the general heading of administration are included fiscal and personnel management, office services, actuarial studies, the administration of insurance companies in conservation or liquidation, and the operation of district offices in Sacramento and San Diego. The headquarters office for the Department of Insurance is in San Francisco with an office of comparable size in Los Angeles.

For the 1966-67 fiscal year the budget proposes an expenditure of \$954,567 which includes many items that are not prorated to other programs. The department has not been able to make a proration of costs at this time.

The department administratively was authorized the establishment of 2 intermediate typist-clerk positions during the current year resulting from 1965 legislation. The positions are budgeted to continue into the budget year. In addition 0.7 percent of the time of a duplicating machine operator I position was authorized as a result of legislation.

Two positions are requested for the 1966-67 fiscal year, one of which is the duplicating machine operator I position authorized during the current year.

- 1 Intermediate typist-clerk (budget page 748, line 5) ----- \$4,560
- 1 Duplicating machine operator I (budget page 748, line 6) 4,140

The typist-clerk is requested to provide assistance for the Los Angeles office and the duplicating machine operator is requested on a permanent basis. We have reviewed the workload justification and are in agreement with the positions.

Licensing

All persons wishing to sell insurance in California and all insurance brokers must be licensed by the State of California. All applications are screened to determine eligibility for a license and the necessary examinations are held throughout the state to qualify the applicants

Department of Insurance—Continued

for licenses. Upon the successful completion of the examination by the applicant license documents are then issued.

It is difficult to compare current or projected licensing workload statistics with past performance because legislation from time to time has changed licensing requirements. Starting in 1959, fire and casualty licenses were renewed every other year alternating with life and disability renewals. Previously renewal for all categories had been on an annual basis. Then during the 1962-63 fiscal year the requirement that a person have a license for each company he sold insurance for was dropped, but a new workload factor was added. Each company is to notify the department of the appointment or termination of licensees. For 1964-65 there were 148,326 such notifications received by the department.

An indication of the continuing increased workload of this program, however, can be seen by the following:

	<i>Actual</i>			<i>Estimated</i>	
	<i>1962-63</i>	<i>1963-64</i>	<i>1964-65</i>	<i>1965-66</i>	<i>1966-67</i>
Program expenditures -----	\$288,409	\$296,361	\$316,792	\$328,769	\$343,517
Program workload					
Examinations scheduled ----	24,948	26,114	28,127	29,533	31,010
Examinations given -----	20,338	21,186	23,051	24,204	25,414
License renewals -----	44,808	50,993	51,621	53,543	54,202

The department requests a clerk position for the Los Angeles office based on projected workload.

1 Intermediate typist-clerk (budget page 749, line 22) ----- \$4,560

The position is requested to handle the increased examination workload in southern California and also provide assistance with the increased telephone and counter traffic.

We recommend approval of the requested position.

Program Augmentation

The budget proposes a program augmentation of \$16,657 for the licensing program to provide for one insurance officer III and one intermediate stenographer (budget page 747, line 41). The positions are proposed to provide improved management in the licensing division.

We recommend deletion of the insurance officer III and stenographer positions for a savings of \$16,657.

In addition to the augmentation of \$16,657, the budget proposes \$16,000 in the consolidated statewide electronic data processing package to provide for one data processing analyst position to examine and develop plans and initiate conversion of Department of Insurance programs to an automated system.

We have recommended in the past that the Board of Investment explore the feasibility of centralized licensing and record-keeping for the various component agencies of the board (Analysis of the Budget Bill, 1964-65, page 546). The board did explore the feasibility of cen-

Department of Insurance—Continued

tralization by asking a data processing vendor to review the possibility and subsequently report to the board.

In a report dated October 26, 1964, the vendor stated that in its opinion such centralization was feasible and recommended that a systems analyst be assigned to the Board of Investment to define the requirements and uses of a data processing system.

On December 1, 1964, the chairman of the Board of Investment reported to the Joint Legislative Budget Committee that "the majority (of the Board of Investment agencies) agreed that data processing is essential . . . and concur in the conclusions reached by the (vendor) staff".

However the Legislature is now requested to provide a systems analyst for the Department of Insurance and also another systems analyst for the Division of Real Estate. Both agencies are members of the Board of Investment. It appears that each agency is planning to go on its own in regard to its data processing needs.

We recommend that neither the systems analyst for the Department of Insurance nor the analyst for the Division of Real Estate be approved, but that one analyst position be established for assignment to the Board of Investment and that a complete study of centralized licensing be conducted before each of the individual investment agencies go into elaborate data processing systems.

Since the Board of Investment has no budget of its own, the position could be established in the Department of General Services or the Department of Finance.

Examination Program

In order to protect the public interest from loss by insolvency or loss by improper or unlawful operations the department conducts an examination of the records of each domestic insurance company every three years. The department is reimbursed for its examination activities. It also reviews all financial analysis statements of both domestic and foreign firms. These statements follow a format established by the National Association of Insurance Commissioners and are used by regulatory bodies in all 50 states.

Included within the examination program is a subprogram of auditing and collecting premiums, retaliatory and surplus line brokers' taxes which go into the General Fund. The budget proposes that the General Fund support this tax collection activity in the amount of \$112,300. For the budget year it is estimated that over \$101 million will be collected in these various taxes.

As in the licensing program the workload of the examination program continues to grow with the growth in the total insurance premiums written in the state, the total assets and number of companies authorized to do business in California.

Department of Insurance—Continued

		Actual		Estimated	
		1962-63	1963-64	1964-65	1965-66 1966-67
Program expenditures ----		\$804,832	\$890,828	\$1,028,444	\$1,172,599 \$1,240,650
Program workload					
Total premiums written					
(billions) -----		\$3.8	\$4.1	\$4.5	\$4.8 \$5.1
Total assets (billions) --		\$157	\$168	\$179	\$190 \$201
Number of insurers authorized to do business in California -----		813	830	848	866 884

The department is requesting the following three workload positions for the examination and financial analysis program:

- 1 Senior insurance rate analyst (budget page 749, line 49) \$10,968
- 2 Insurance examiner II (budget page 749, line 50) ----- 18,072

The senior rate analyst is requested on a workload basis to handle the increasing volume of California premiums subject to rate regulation. The two insurance examiners are requested to maintain the three-year examination cycle of all California companies and selected non-California companies. The requested positions will maintain the current examination level.

We recommend approval of the requested positions.

Program Augmentation

The budget proposes a program augmentation of \$19,688 for the examination and financial analysis program which would provide for one insurance examiner III and one intermediate typist-clerk plus operating expenses.

The positions are proposed for the Los Angeles office "in order to permit the supervising examiner to devote a greater amount of effort toward direction of the program and solution of complex matters."

We recommend the deletion of the two proposed positions for a savings of \$19,688.

The direction for the program of examination and financial analysis comes from the chief insurance examiner, who is located in the headquarters office in San Francisco, thus giving statewide uniformity to examination matters.

The more complex matters are presently being handled by eight insurance examiner IV positions. The Personnel Board, in setting the salary range at \$1,008-\$1,351 for the examiner IV positions, has specifically taken into consideration the fact these examiners are capable of handling the most complex of problems. The budget proposes two examiner workload positions which we have recommended be approved.

Compliance and Legal

Applications for certificates of authority of insurance companies to do business in California are reviewed and either approved or rejected under this program. Also permits to issue securities and proposed amendments to certificates of authority are handled within the program. As part of the compliance program a subprogram of policy

Department of Insurance—Continued

services is provided wherein complaints against insurers are handled. Investigations are made to check the activities of licensees for compliance with all insurance laws.

The following table shows the program expenditure and workload breakdown of the compliance and legal program.

	<i>Actual</i>			<i>Estimated</i>	
	1962-63	1963-64	1964-65	1965-66	1966-67
Program expenditures	\$760,978	\$828,511	\$967,686	\$1,068,545	\$1,153,774
Program workload					
Investigations received	5,918	5,331	5,400	5,880	--
Applications for admission	59	62	74	74	74
Applications for stock permits	82	98	104	104	104
Cases received, policy services subprogram	10,052	10,753	11,686	11,700	12,480

The budget shows that four positions were added administratively during the current year as a result of 1965 legislation, Chapters 17, 1713 and 1714, Statutes of 1965. The four positions were two assistant counsels and two intermediate typist-clerks.

Four proposed new positions are requested for the 1966-67 fiscal year.

1 Associate counsel (budget page 748, line 62)	\$12,696
1 Senior legal stenographer (budget page 748, line 63)	5,688
2 Intermediate typist-clerks (budget page 748, line 64)	9,120

Three of the positions, the associate counsel, the legal stenographer, and a typist-clerk are requested for the Los Angeles office to handle the increased workload connected with the conservation and liquidation aspect of the compliance and legal program. The remaining clerical position is requested for the San Francisco office on an increased workload basis.

We recommend approval of the requested positions.

**Department of Investment
DEPARTMENT OF INSURANCE**

ITEM 206 of the Budget Bill

Budget page 746

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

Amount requested	\$112,300
Estimated to be expended in 1965-66 fiscal year	110,000
Increase (2.1 percent)	\$2,300

TOTAL RECOMMENDED REDUCTION..... None

ANALYSIS AND RECOMMENDATION

This item provides for a transfer of \$112,300 from the General Fund to the Insurance Fund for the support of the premium tax collection activities of the Department of Insurance.

We recommend approval as budgeted.

**Department of Investment
DIVISION OF REAL ESTATE**

ITEM 207 of the Budget Bill

Budget page 751

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

Amount requested	\$3,327,688
Estimated to be expended in 1965-66 fiscal year	3,152,772
 Increase (5.5 percent)	 \$174,916

TOTAL RECOMMENDED REDUCTION **\$7,080**

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	<i>Page</i>	<i>Line</i>
1 Deputy real estate commissioner I	\$7,080	753	22	

GENERAL PROGRAM STATEMENT

The Division of Real Estate is responsible for administering and enforcing Parts 1 and 2 of Division 4 of the Business and Professions Code, known as the Real Estate Law. A Real Estate Commissioner, who is appointed by the Governor for a term of four years with the advice and consent of the Senate, heads the division.

In carrying out its responsibilities under law, the Real Estate Division carries out programs of (1) general administration, (2) licensing, (3) regulation (enforcement), (4) recovery, and (5) education and publications.

ANALYSIS AND RECOMMENDATIONS

The Division of Real Estate is requesting \$3,327,688 from the Real Estate Fund for the 1966-67 fiscal year, which is \$174,916, or 5.5 percent more than is estimated to be expended during the current fiscal year.

For the 1964-65 fiscal year the division was appropriated \$2,603,452 from the Real Estate Fund and received \$24,858 in an emergency authorization for licensing workload backlog and \$119,250 in salary increase funds.

For the current fiscal year 1965-66, the division was appropriated \$2,942,086 and received \$174,206 in emergency fund authorizations and \$78,660 in salary increase funds. The emergency authorizations resulted from 1965 legislation relating to regulation and licensing and increased administrative hearing costs.

The division has not provided a cost breakdown for the various programs it administers. It is in the process of conducting studies to determine what the cost allocations are and anticipates presenting its 1967-68 budget on such a basis.

General Administration

The general administration program includes executive level staff and services concerned with personnel, fiscal and office services required by the other division programs.

Licensing

The Division of Real Estate has the responsibility of issuing real estate and mineral, oil and gas licenses to applicants who have passed the required qualifying examinations.

Division of Real Estate—Continued

The following table shows the workload factors relating to the activities of the licensing program.

	<i>Actual</i>			<i>Estimated</i>	
	<i>1962-63</i>	<i>1963-64</i>	<i>1964-65</i>	<i>1965-66</i>	<i>1966-67</i>
Licenses in effect, June 30 --	144,246	153,676	164,755	172,169	179,917
Licenses issued -----	59,061	63,920	75,405	70,500	67,000
Examinations -----	43,429	47,799	52,435	42,000	35,000

The projected decrease in licenses issued for 1965-66 and 1966-67 results from the elimination of business opportunity licenses and one-year real estate licenses as provided by Chapter 1489, Statutes of 1965. Although the legislation has resulted in the decrease in the number of licensees, it has caused an increase in the division's examination workload. The new law reduces the number of examinations for a real estate salesman license from two to one by substituting a more comprehensive all-day test for the relatively simple one-half-day examination administered previously.

To meet the increased workload three positions were added administratively during the current year. The three positions were two deputy real estate commissioners II and one junior intermediate typist-clerk and are continued into the budget year. During the legislative hearings on Chapter 1489, representation was made that the above positions would be necessary with the passage of the bill.

The division is requesting two new positions for its licensing program.

- 1 Deputy real estate commissioner I (budget page 753, line 22) ----- \$7,080
 1 Duplicating machine operator II (budget page 753, line 24) ----- \$4,674

The first position, that of the deputy real estate commissioner I, is requested "to cope with the increased workload resulting from both a larger staff and the annual increases in workload."

We recommend the deletion of the deputy real estate commissioner I for a savings of \$7,080.

The deputy I level is the lowest of the deputy real estate commissioner series. Thus, we find it very difficult to understand how the requested position is going to alleviate problems resulting from a larger staff. The request would seem to compound the problem, rather than alleviate it. Insofar as the increase in licensing workload is concerned, with the drastic change in examination procedures and the addition of positions during the current year mentioned above, we recommend that a greater period of experience be realized before more positions are added.

We recommend approval of the requested duplicating machine operator.

Program Augmentation

The budget proposes \$16,000 in the consolidated statewide electronic data processing package to provide for one data processing analyst

Division of Real Estate—Continued

position to examine and develop plans and initiate conversion of Division of Real Estate programs to an automated system. The funds for this position are not in this item but can be found in the "Ad Pac Package" item.

We have recommended in the past that the board of investment explore the feasibility of centralized licensing and record-keeping for the various component agencies of the board (Analysis of the Budget Bill, 1964-65, page 546). The board did explore the feasibility of centralization by asking a data processing vendor to review the possibility and subsequently report to the board.

In a report dated October 26, 1965, the vendor stated that in its opinion such centralization was feasible and recommended that a systems analyst be assigned to the Board of Investment to define the requirements and uses of a data processing system.

On December 1, 1964, the chairman of the board of investment reported to the Joint Legislative Budget Committee that "the majority (of the Board of Investment agencies) agreed that data processing is essential . . . and concur in the conclusions reached by the (vendor) staff."

However, the Legislature is now requested to provide a systems analyst for the Division of Real Estate and also another systems analyst for the Department of Insurance. Both agencies are members of the board of investment. It appears that each agency is planning to go on its own in regard to its data processing needs.

We recommend that neither the systems analyst for the Division of Real Estate nor the analyst for the Department of Insurance be approved, but that one analyst position be established for assignment to the board of investment and that a complete study of centralized licensing be conducted before each of the individual investment agencies go into elaborate data processing systems.

Since the board of investment has no budget of its own, the position could be established in the Department of General Services or the Department of Finance.

Regulation Program

During the 1966-67 fiscal year the division will review complaints from the public and initiate approximately 9,700 investigations relating to the activities of licensees. It will make investigations to determine the background of applicants and review investigation reports and initiate appropriate disciplinary hearings or criminal actions and adopt or reject findings of hearing officers.

An integral part of the regulation program is the requirement that subdividers file information before offering for sale real property securities and lands divided into five or more parcels, pursuant to the Real Estate Law.

A major change in the division's regulatory responsibility resulted from the passage of Chapter 988, Statutes of 1965, the condominium law. The Legislature gave the Division of Real Estate clear authority

Division of Real Estate—Continued

over condominiums, planned developments, and community apartments.

During the current year seven positions were added administratively as a result of Chapter 988. The seven positions were three associate counsels, three senior legal stenographers, and one deputy real estate commissioner III. During the legislative hearings on Chapter 988, representations were made by division personnel that seven positions would be needed to administer the new law.

The division is also requesting the following 10 positions on a workload basis:

1 Deputy real estate commissioner II (budget page 753, line 27) -----	\$7,800
5 Deputy real estate commissioner I (budget page 753, line 28) -----	35,400
1 Junior-intermediate stenographer (budget page 753, line 29) -----	4,236
3 Junior-intermediate typist-clerk (budget page 753, line 30) -----	11,844

The following table shows the increase in workload in those areas which result in the activity carried out in the regulation program.

	1962-63	Actual 1963-64	1964-65	Estimated 1965-66	1966-67
Complaints -----	7,117	7,623	8,218	8,900	9,700
Formal hearings -----	701	729	1,084	1,170	1,310
Subdivisions—in-state					
Filings -----	2,815	2,984	2,809	2,800	2,800
Reports -----	4,737	4,474	4,838	5,000	5,200
Subdivisions—out-of-state					
Filings -----	46	57	35	20	20
Reports and permits -----	143	43	121	110	100

The division, in cooperation with the Department of Finance, has developed a procedure for workload recordkeeping that is far superior to its previous efforts. This procedure will enable the Legislature and the control agencies to better evaluate the need for added positions as the regulatory workload increases.

We have reviewed the workload data and recommend approval of the requested 10 positions.

Recovery Program

As of January 1, 1964, the Real Estate Education, Research and Recovery Fund was divided so that a portion of it is specified for the recovery program established by Chapter 1426, Statutes of 1963. The portion of the fund allocated to the recovery program is available to pay unsatisfied judgments against licensees when the judgments are based upon acts for which a license is required and when the cause of action involves fraud, misrepresentation or deceit. An unsatisfied judgment and exhaustion of all efforts to satisfy it are prerequisite to petitioning a court for an order directing payment from the fund. The

Division of Real Estate—Continued

cause of action for recovery must have occurred on or after July 1, 1964, and a claim is limited to a maximum of \$10,000. The Division of Real Estate is required to examine all claims made against the fund; first, for legality, second, to ascertain that the claimant has exhausted all other remedies provided by law in an effort to collect his claim, and third, to collect evidence for court presentation when unwarranted claims are filed.

As of October 1, 1965, a total of \$43,448 in claims against the fund was pending. Since the law provides that the cause of action must have occurred after July 1, 1964, it is anticipated that the number of claims will increase substantially as civil actions are brought, courts have announced their findings and claimants have exhausted other means to collect. A total of \$133,861 has been included in 1966-67 for this purpose, which is an increase of \$93,861 over what is estimated to be expended during the current fiscal year.

We recommend approval of the requested \$133,861.

Education and Publication Program

The division administers the real estate education and research program which is supported by the Real Estate Education, Research and Recovery Fund. During the 1966-67 fiscal year the division will enter into 40 to 70 contracts with junior colleges, state colleges and the University of California.

A total of \$517,630 is requested for this program, which includes \$185,000 for the University of California.

Also included in the \$517,630 is \$20,000 for research projects with private colleges and universities resulting from Chapter 718, Statutes of 1965.

Department of Investment**REAL ESTATE EDUCATION, RESEARCH AND RECOVERY**

ITEM 208 of the Budget Bill

Budget page 754

FOR ADDITIONAL SUPPORT OF THE DIVISION OF REAL ESTATE FROM THE REAL ESTATE EDUCATION, RESEARCH AND RECOVERY FUND

Amount requested	\$651,491
Estimated to be expended in 1965-66 fiscal year	583,813
Increase (16.2 percent)	\$67,678

TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

This appropriation is to support the real estate education and research program and the recovery program of the Division of Real Estate. These programs are discussed in the previous item of this analysis.

We recommend approval of the item as budgeted.

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

ITEM 209 of the Budget Bill

Budget page 755

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

Amount requested -----	\$2,591,870
Estimated to be expended in 1965-66 fiscal year -----	2,445,381
	<hr/>
Increase (6 percent) -----	\$146,489
TOTAL RECOMMENDED REDUCTION -----	\$154,176

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
1. Reduce level of examination program -----	\$24,176	756	21
2. Increase reimbursements for interim examination program, thus reducing proposed appropriation -----	130,000	756	21

GENERAL PROGRAM STATEMENT

The Commissioner of the Division of Savings and Loan is responsible for administering Division 2 of the Financial Code, known as the Savings and Loan Law. He serves at the pleasure of the Governor and has broad discretionary authority in the regulation of the savings and loan industry. The Division of Savings and Loan is a special fund agency which obtains most of its income from an annual assessment of associations. The rate of assessment levied in December 1965 was 14.1 cents per \$1,000 of association assets which is a decrease from the December 1964 rate of 14.7 cents.

The division regulates the savings and loan industry through the following programs: (1) general administration, (2) examination, (3) property appraisal, and (4) facility licensing.

ANALYSIS AND RECOMMENDATION

The budget proposes an expenditure of \$2,591,870 for the 1966-67 fiscal year which is \$146,489 or 6 percent more than is estimated to be expended during the current fiscal year.

For the 1964-65 fiscal year the division was appropriated \$1,526,405. During the year an emergency authorization of \$389,716 and a salary increase authorization of \$109,800 was provided. The emergency authorization was provided to implement the holding company law enacted during the 1964 session of the Legislature. The authorization was considerably in excess of the amount needed, thus at the end of the 1964-65 fiscal year \$250,683 in savings were realized.

For the current fiscal year, 1965-66, an appropriation of \$2,199,217 was provided the division and an emergency authorization of \$165,791 and salary increase authorization of \$80,373 have been provided. The emergency authorization was provided since the division will not be receiving \$180,000 in reimbursements that were originally budgeted. Reimbursements of \$50,000 will not be realized due to a budgeting error and \$130,000 in reimbursements relating to the "interim examination program" will not be realized. We discuss the latter adjustment in greater detail under the program heading "Interim Exam-

Division of Savings and Loan—Continued

ination and Appraisal Program." The difference between the \$165,791 emergency authorization and the \$180,000 reduced reimbursements will be made up through agency savings.

General Administration

General administration includes executive level staff and services concerned with personnel, fiscal and office services required for all line programs. All clerical functions are included within the general administration program. The following table shows the position and cost breakdown for the general administration program:

	Actual 1964-65	Estimated 1965-66	Budgeted 1966-67
Number of positions -----	36.8	49.5	50.5
Program expenditure -----	\$446,426	\$562,429	\$607,216

One position for the 1966-67 fiscal year is requested for the Los Angeles office to handle the increased workload caused by an increase in mail volume during the past fiscal year.

1 Intermediate file clerk (budget page 755, line 62 ----- \$4,452

During the past calendar year the amount of daily mail received by the division has increased almost 50 percent over the previous year. This is due primarily to the various reporting requirements imposed upon state associations. The requested file clerk is needed to insure that the mail is distributed with dispatch and is received by the appropriate reviewing personnel.

We recommend approval of the requested file clerk position.

Examination Program

There are four subprograms within the total examination program. The four subprograms are as follows:

A. Regular Examination Subprogram

This program produces information about management and financial operations and practices of associations to determine whether such operations and practices are unsafe and/or detrimental to investors and stockholders. The basic activities entail the annual examination of all books and records that indicate: (1) financial condition, (2) operating results, and (3) extent of compliance with law, regulations and directives. The examination is also concerned with the accuracy and integrity of the accountancy records and adherence to accepted accounting standards.

The following table shows the position and cost breakdown for the regular examination subprogram in addition to workload data.

	Actual		Estimated	Budgeted
	1963-64	1964-65	1965-66	1966-67
Number of positions---	N.A.	55.3	70	70
Program expenditure --	\$521,330	\$647,816	\$848,131	\$862,266
Workload				
Total association assets				
(billions) -----	14.6	16.7	18.9	20.8
Examiner man-days ---	9,612	12,608	15,960	15,960

Division of Savings and Loan—Continued

For the coming fiscal year the division is not requesting any new positions for the regular examination subprogram.

On the basis of our review of the program information submitted by the division and the considerable change in total association assets from those projected in the 1965-66 Governor's Budget, we have concluded that this program has been considerably overbudgeted during the current year by \$99,231 and will be overbudgeted for the 1966-67 budget year by \$24,176.

We recommend a reduction in the regular examination program of \$24,176 for the 1966-67 fiscal year.

The division has stated that the primary measure of workload in the regular examination subprogram is the total amount of assets possessed by the state licensed associations. The growth in assets has continually been the justification for the requested positions.

During the past three years and for the current year, the division received the following workload positions based on the increase in assets to be examined.

	<i>Examiners</i>	<i>Appraisers</i>	<i>Clerical</i>	<i>Total</i>
1962-63 -----	14	7	3	24
1963-64 -----	0	0	0	0
1964-65 -----	3	2	2	7
1965-66 -----	6	7	6	19

In the budget proposal of last year the division made estimates as to the amount of assets to be examined. On the basis of those estimates 19 new positions were approved for the 1965-66 fiscal year. The estimates proved to be optimistic. The following table shows the actual and re-estimated total asset figures in addition to the estimated assets at the end of the 1966-67 fiscal year.

	<i>Estimate upon which budget was based (billions)</i>	<i>Actual or reestimated amount (billions)</i>
1963-64 -----	\$11.4	\$14.6
1964-65 -----	18.6	16.7
1965-66 -----	21.4	18.9
1966-67 -----	20.8	--

Prior to the past fiscal year, 1964-65, the savings and loan industry grew at a phenomenal rate, averaging annual increases in assets of 20 to 25 percent each year since 1954. The growth rate in assets has slowed considerably. As an example, the rate of growth during the first quarter of the current fiscal year was 1.8 percent compared to 3.7 percent one year earlier.

The division now estimates the amount of assets for the current year at \$18.9 billion compared to the \$21.4 billion upon which the current budget was based. The estimate for the coming fiscal year is \$20.8 billion which is 2.8 percent below the original current year estimate. The 2.8 percent difference is the basis of our recommended \$24,176 reduction.

Division of Savings and Loan—Continued

B. Interim Examination and Appraisal Subprogram

This subprogram was initiated during the 1964-65 fiscal year and was intended to be a special form of examination which would be necessary when an association adopts policies considered potentially dangerous or where the accumulative results of policies are of such concern that up-to-the-minute information must be obtained. The following table shows the number of positions and program expenditure for the past, current, and budget years:

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Budgeted</i> 1966-67
Number of positions -----	7	13	13
Program expenditures -----	\$100,696	\$172,633	\$175,363

This program was initiated in order to maintain a closer review of the "problem associations" during the interim between regular examinations. At the time the proposal was made to the Legislature for the establishment of this program the 1964-65 Budget indicated that the program would be totally supported by fees charged those associations examined. This has not happened. For the past year \$43,708 was collected compared to program costs of \$100,696.

Originally \$180,000 in reimbursements were estimated for the current year; however, the estimated reimbursements have been reduced to \$50,000 whereas the direct program cost is estimated at \$172,633. This difference is the major reason for the substantial emergency authorization of \$165,791 for the current year.

We recommend that \$130,000 be reduced from the division's appropriation and that the "problem" association pay fees for the cost of the interim examinations.

In discussions with the division, it is very unclear why the so-called problem associations are not paying the full cost of these interim examinations. We have been presented no justification as to why the program as presented to the Legislature and approved should now be changed.

C. Holding Company Examination Subprogram

Under the new Savings and Loan Association Law, effective August 22, 1964, the Savings and Loan Commissioner has been given certain responsibilities concerning savings and loan holding companies and their subsidiaries. The act will be largely administered through these activities: (1) Receipt and processing of registration applications, (2) collection of fees, (3) issuance of certificate of registration, (4) hearings for determination of whether persons or companies are holding companies as defined, (5) analysis of reports, (6) examination of books and records, and (7) enforcement of violations.

The following table shows the position count and program expenditure for the past, current, and budget years:

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Budgeted</i> 1966-67
Number of positions -----	3.5	32*	32*
Program expenditures -----	\$78,820	\$330,146	\$445,682

* An additional 10 clerical positions are budgeted in the general administration program.

Division of Savings and Loan—Continued

Actual registration of holding companies through August 31, 1965, totaled 225, of which 60 were corporate and 165 noncorporate.

It is presently estimated that there are possibly as many as 20 other holding companies which have failed to register with the division. Follow-up activities have been instituted to secure 100 percent registration.

An analysis has been made of registration applications which have been filed to determine how many association and nonassociation subsidiaries have been reported by the holding companies. The analysis indicates that the 225 holding companies reporting through August 31, 1965, showed a total of 289 domestic association subsidiaries, 15 foreign association subsidiaries and 560 nonassociation subsidiaries.

Total September 30, 1964, assets of the 289 domestic association subsidiaries which were reported amounted to \$14,334,269,555 (net of any duplication caused by the reporting of the same association as a subsidiary of more than one registrant). This represents 94.2 percent of the September 30, 1964, total assets of all state-chartered associations.

One factor of prime importance in estimating the division's workload in the administration of the Holding Company Law is the nature and extent of transactions between holding companies, association subsidiaries and nonassociation subsidiaries. A very large number of holding companies, both corporate and noncorporate, reported transactions with their association subsidiaries. Of the 60 corporate registrants, 47 reported transactions with association subsidiaries, as did 102 of the 165 noncorporate registrants.

D. Management Information Subprogram

Information is generally produced in the form of reports, some for internal use only, others for association use and public consumption. These reports include various analytical and statistical measures and indexes to portray operational efficiency and financial conditions of associations individually and in aggregate groupings by time periods. These reports provide much of the information supporting supervisory actions. Activities of the program include collecting and processing data inflow, tabulating and analyzing the information, and releasing the information in the form of reports.

The following table shows the position and program expenditure for the past, current and budget years:

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Budgeted</i> 1966-67
Number of positions -----	8.9	7	7
Program expenditures -----	\$105,468	\$80,772	\$92,730

During the current fiscal year the division has made use of more data processing equipment in this subprogram and has eliminated the need for some examiner positions. There is thus a lower cost for the current and budget years than there was for the past year.

Division of Savings and Loan—Continued

Appraisal Program

This program is concerned mainly with the appraisal of real property securing loans made by associations since last examination to determine reasonable value. For loans considered in excess of legal limitations, the division requires the establishment of specific reserves.

The appraisal activity can be generally described as field appraising the security underlying loans chosen from a representative sampling of all loans with the exception of those loans selected specifically for appraisal because of questionable quality.

The following table gives a breakdown of positions and program expenditure for the past, current and budget years.

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Budgeted</i> 1966-67
Number of positions.....	29	35	35
Program expenditures	\$375,835	\$482,599	\$466,706

The division states that a breakdown of the appraisal workload factors would not be too meaningful at this time since the appraisers will soon place into service a system of loan sampling based on scientific methods which may result in a significant reduction in the number of appraisals. The sampling should be smaller, averaging less than the 10 percent sampling of the loans now constituting the acceptable service level.

Facility Licensing Program

This program is concerned mainly with controlling the establishment of new and branch associations and with association mergers, dissolutions, conversions, and liquidations. The basic activities of the program can be described as: (1) Receiving applications, (2) setting applications that have been filed for hearing, (3) hearing and deciding on applications, (4) issuing findings and decisions, and (5) issuing license. Program expenditures and workload are as follows:

	<i>Actual</i> 1964-65	<i>Estimated</i> 1965-66	<i>Budgeted</i> 1966-67
Program expenditures	\$63,880	\$72,191	\$73,407
Program workload			
Licenses			
Licensed Associations	210	214	218
Licensed Branches	254	278	308
Total	464	492	526
Applications	118	121	126
Hearings	83	86	88

The budget proposes no expansion of this program for the 1966-67 fiscal year.

BOARD OF PILOT COMMISSIONERS FOR THE HARBOR OF SAN DIEGO

ITEM 210 of the Budget Bill

Budget page 757

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

Amount requested -----	\$1,375
Estimated to be expended in 1965-66 fiscal year -----	1,375
Increase -----	None

TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL PROGRAM STATEMENT

It is function of the Board of Pilot Commissioners of San Diego Bay to license pilots and set pilotage rates for the waters of San Diego Bay. The board is composed of the Mayor of San Diego, ex officio, and two San Diego residents appointed by the Governor for terms of four years. One of the appointees must be a nautical man. The board has its offices in San Diego. Its authorized staff consists of a part-time secretary. Commissioners received a \$25 per diem for days actually served on commission business.

ANALYSIS AND RECOMMENDATION

The San Diego Board of Pilot Commissioners discharges its responsibility under three activity programs as follows:

Licensing. The board examines and licenses not to exceed six pilots for San Diego Bay. Four pilots are licensed currently.

Enforcement. The board has the power to discipline its licensees through the suspension or revocation of licenses after appropriate hearings.

Pilotage Rates. The board sets rates to be charged for services rendered to ships by the pilots within the range set by law. It requires accounting for pay received, 5 percent of which is paid into the General Fund for the board's support.

For the budget year the board proposes to spend \$1,375 which is identical with estimated expenditures for the current year.

This board is supported by and its revenues accrue to the General Fund, unlike the San Francisco board which has its own fund. Differences in the support pattern between the boards are largely historical.

We recommend approval of this item as budgeted.

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

ITEM 211 of the Budget Bill

Budget page 757

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

Amount requested -----	\$30,703
Estimated to be expended in 1965-66 fiscal year -----	26,847
Increase (14.3 percent) -----	\$3,856

TOTAL RECOMMENDED REDUCTION -----	None
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Board of Pilot Commissioners—Continued

GENERAL PROGRAM STATEMENT

It is the responsibility of the Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun to license pilots and set pilotage rates for the waters of the three named bays.

Three Governor-appointed members constitute this board. The currently authorized staff consists of one full-time secretary. The board has its office in San Francisco. Commissioners draw part-time salaries of \$300 a month.

ANALYSIS AND RECOMMENDATION

This board of pilot commissioners is authorized by law to operate under the three following programs:

Licensing. The board examines and licenses not more than 25 nor less than 20 pilots for San Francisco and the adjacent bays. A total of 25 pilots is now licensed.

Enforcement. The board may exercise its disciplinary powers through the suspension or revocation of licenses after appropriate hearings.

Pilotage rates. Attached to this board is a Pilotage Rate Committee composed of five members appointed by the Governor, two representing the pilots, two the shipping industry, and one the public. This committee is active during the year prior to a general session of the Legislature to which the committee must report its rate findings and recommendation. Rate changes are made only by legislative action. In order to complete its work the committee authorizes audits of the pilots' books and conducts hearings. Pilot and industry committee members serve without pay. The committee's public member receives a \$50 per diem and travel expenses for days served in the work of the committee.

The board is supported by the Pilot Commissioners' Special Fund which is derived from a percentage of gross pilotage fees collected by and accounted for by the licensed pilots. The rate is set according to law and may be varied from year to year. The current rate is 2 percent.

Operation of the special fund is described by the following table:

	1960-61	1961-62	1962-63	1963-64	1964-65
Income -----	\$29,669	\$30,861	\$31,106	\$27,494	\$22,007
Expenditure -----	23,588	23,766	25,480	23,877	28,669

The figures set forth above show the cyclical nature of this board's expenditure budget activity necessitated by the activity of the Pilotage Rate Committee in alternate years.

For expenditure during fiscal year 1966-67 the board is requesting \$30,703 which exceeds current year estimated expenditures by \$3,856 or 14.3 percent. The proposed increases are due primarily to the inclusion of amounts to cover hearings and audits for the rate committee during the budget year and added travel expense for the public member of the committee who does not live in San Francisco.

The proposed board expenditure for 1966-67 does not appear to change the current level of service.

We recommend approval of the item as budgeted.

Department of Professional and Vocational Standards

DEPARTMENTAL ADMINISTRATION

ITEM 212 of the Budget Bill

Budget page 761

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

Amount requested	\$2,933,463
Estimated to be expended in 1965-66 fiscal year	2,930,932
Increase (0.1 percent)	\$2,531
Increase to improve level of service	\$9,250

TOTAL RECOMMENDED REDUCTION	\$9,948
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Summary of Recommended Reductions

	Amount	Budget Page	Line
1 training officer I	\$9,948	762	67

GENERAL PROGRAM STATEMENT

The Department of Professional and Vocational Standards was established in 1929 as the agency in which many of the then independent boards and commissions regulating occupations were placed. Thirty named agencies are now operating within the framework of the department, availing themselves of the services provided by the departmental staff but still retaining a high degree of independence. We discuss below the process of regulation and licensing and then give attention to proposed extensions of departmental services.

Regulation and Licensing

Regulation grows out of a need to safeguard the public interest in minimum standards of competence in essential occupational pursuits and against occupational irregularities. The need may be mandatory where professional competence should be insured as in the practice of the healing arts. The need may be an essential one where fraud is to be prevented within the business activity of a given occupation or the need may arise from the desire to make business practices uniform in certain areas of activity.

Once the state accepts regulatory jurisdiction over an occupation, that occupation is no longer open to all persons, and practice of such occupation becomes unlawful without a state license. A license is a permit to practice an occupation within established law, rules and regulations. Where an occupation or profession requires great personal competence the public interest requires that licenses not be issued except to those persons who possess enough basic education and training to pass an examination.

A licensing agency is established to administer a licensing law. The agency "polices" the occupation through the complaint-investigation process. In some occupations, simple registration is sufficient, it provides the agency with addresses of licensees and no examination is required. Schools may be accredited, places of business may be licensed and certain premises are inspected for compliance with the law.

Departmental Administration—Continued

In the department there are 30 named agencies, no two of which are quite alike. Several of these agencies administer more than one regulatory law. In this analysis we are concerned with three important problems listed below:

- (1) Lack of reporting of enforcement experience and statistics,
- (2) Excessive use of so-called "emergency authorizations," and
- (3) Action to prevent agency special funds from becoming insolvent.

Enforcement Reporting. A substantial number of agencies within the department do not report to the public statistics describing the discipline side of their operation. The discipline action sequence is complaint, investigation, accusation, hearing, probation, supervision, or revocation of license and prosecution in court. Any one of these steps, reported year-by-year, gives the public an evaluation of the level of ethical responsibility at which licensees are performing, and the relative need or effectiveness of the state regulation.

Emergency Authorizations. We have frequently in past analyses called attention to the excessive use of emergency authorizations for expenditure of funds in excess of legislative appropriations. We are this year noting in the analysis of each board and bureau the use or absence of such authorizations. In many cases, these augmentations represent hasty solutions for emergency situations or, they represent undesirable "underbudgeting" with resort to emergency funds to remedy deficiencies without the benefit of legislative review.

Fund Conditions. In this analysis we call attention to each of the special agency funds with reference to fund conditions and the handling of budgets. Some funds are being well managed. A number are on the verge of insolvency. In some instances, accumulated surpluses are being unduly reduced. Since most license renewal revenues are received on a biennial basis it appears difficult for some agencies to avoid overbudgeting in the principal collection year. We believe that better control of agency funds should be provided by the department.

Departmental Administration

Support funds for departmental administration are derived from a pro rata assessment against each constituent board or commission. The Professional and Vocational Standards Fund is an accounting device for the receipt and disbursal of funds derived from such pro rata assessments.

Departmental administration as such has no programs. Through the four divisions of administration, data processing, building maintenance and investigation, departmental administration provides the following common services: centralized bookkeeping, accounting, budgeting and audit; personnel; data processing; legal counsel; management analysis; property management; and investigation. Constituent agencies use these services in varying degrees. Five agencies do not use the service of the departmental investigation staff.

Departmental Administration—Continued

ANALYSIS AND RECOMMENDATIONS

For expenditure during budget year 1966-67 the department requests \$2,933,463 which exceeds estimated current year expenditures by \$2,531 or 0.1 percent and the actual expenditures of past fiscal year 1964-65 by \$381,390 or 14.9 percent. The request is broken down as follows:

Administration	\$707,837
Data processing	209,873
Building maintenance	477,599
Division of Investigation	1,538,154

Departmental Staff

The staff consists of 230.8 authorized positions distributed between divisions as follows:

<i>Function</i>	<i>Number of employees</i>
Administration	58
Data processing	21
Building maintenance	3
Division of Investigation	144

Most agencies in the department are represented by staff in San Francisco and Los Angeles as well as in Sacramento. The Division of Investigation has staff assigned to six locations in the state.

Administration Division

The division requests approval of the following position on the basis of workload:

1 Training officer I (budget page 762, line 67)	\$9,948
1 Duplicating machine operator (budget page 762, line 69)	5,556
0.2 Temporary help (budget page 762, line 70)	1,402

In its justification material the department requests a training officer to assist in the training of investigative staff and to help orient board and commission members in their duties. To a similar request in the 1965 budget we recommended disapproval of the position on the ground that supervisors are the best trainers of investigators and that executive secretaries are the best "trainers" of board members. The position was granted, however, but limited to June 30, 1966. A training officer has been hired but we have no report on his activities. Subject to a satisfactory justification in line with the Legislature's action in approving the position conditionally until June 30, 1966, we recommend disapproval of the renewed request.

We recommend deletion of this proposed training officer position for a saving of \$9,948.

The establishment of the duplicating machine operator will result in savings in the preparation of examination papers. Materials will be printed within the department rather than by outside printers.

Operating expense item examinations contains a proposed appropriation for a \$13,300 contract with the Personnel Board for a consultant to work with boards needing procedural improvements. The examina-

Departmental Administration—Continued

tion procedures of the Board of Cosmetology have just been revised by the type of review now planned for other boards. The new procedures are a considerable improvement over prior procedures.

We recommend approval of the proposed duplicating machine operator position and the increased operating expenses.

Program Augmentation

As an improvement in its level of service the department requests the following :

1 Assistant budget analyst (budget page 762, line 68) ---- \$8,196

The department presently has one budget analyst to deal with 31 budget items. While these budgets are not large in dollars, some are complex and require considerable time in preparation. An added analyst the department states will provide better attention to staffing formulas which are of increased importance as the agencies grow.

We recommend approval of the proposed assistant budget analyst position.

Data Processing Division

The department requests an added tabulating machine operator on the basis of increased workload.

1 Tabulating machine operator (budget page 763, line 32) \$5,602

We recommend approval as budgeted.

Program Augmentation

One program augmentation is referred to but not included in this particular item of the Governor's Budget.

Automatic data processing ----- \$165,000

This proposed expenditure was designed by the department to provide for the hiring of a consultant firm for not to exceed \$45,000 to review the department's requirements for electronic data processing. An added amount of \$120,000 was designed to provide additions and betterments to the existing data processing system. The \$165,000 and the intended activity now appear in a consolidated statewide automatic data processing package in the Budget Bill and if enacted it is presumed that subsequent charges will be assessed against the department's funds.

Building Maintenance

Other than an amount of \$22,000 to continue repainting the interior of the Business and Professions Building, expenditures for this function shows no marked changes over the current year.

Division of Investigation

No change in the level of service provided by this division is requested.

We recommend approval as budgeted.

**Department of Professional and Vocational Standards
BOARD OF ACCOUNTANCY**

ITEM 213 of the Budget Bill

Budget page 765

**FOR SUPPORT OF THE BOARD OF ACCOUNTANCY
FROM THE ACCOUNTANCY FUND**

Amount requested	\$385,383
Estimated to be expended in 1965-66 fiscal year	373,765
	<hr/>
Increase (3.1 percent)	\$11,618
TOTAL RECOMMENDED REDUCTION	None

GENERAL PROGRAM STATEMENT

The Board of Accountancy, established in 1901, is responsible for the licensing and regulation of certified public accountants and public accountants. It is headquartered in Sacramento and consists of six members appointed by the Governor and serving terms of four years. It has a currently authorized staff of 14.1 positions. Eight positions are assigned to Sacramento, two to Los Angeles and two to San Francisco. There are 2.1 positions of intermittent and temporary help. The activities of the board carry out the three programs of (1) administration, (2) licensing, and (3) enforcement.

Fund Condition

A review of the balances in the Accountancy Fund indicates that the board is continuing to rely on its current surplus to cover the excess of expenditure over income. The surplus appears large because it reflects a biennial collection. The estimated surplus at the end of the 1966-67 fiscal year is \$230,315 compared to \$405,518 at the end of the past fiscal year.

ANALYSIS AND RECOMMENDATIONS

The board requests \$385,383, which exceeds estimated expenditures for the current year by \$11,618, or 3.1 percent, and last year by \$41,695, or 12.1 percent, for an average cost gain of 6 percent annually.

Administration Program

Administration includes the work and activity of the board, the executive secretary and board overhead. It accounts for about 10 percent of the annual cost of board operation.

Licensing Program

This program involves investigation of education experience and character qualifications of applicants; examination; issuance of the certificate; registration; issuance and renewal of permits to practice as a certified public accountant. These permits are renewed biennially in January of each odd-numbered year. New public accountants may not be licensed but the permits to practice already in existence may be renewed. We estimate that the licensing program reflects 70 percent of annual board cost. The following table shows the workload growth of the licensing program.

Item 214

Professional and Vocational Standards

Board of Accountancy—Continued

<i>Fiscal Year</i>	<i>Applications</i>	<i>Examinations</i>	<i>Licensees</i>
1961-62 -----	4,134	—	25,159
1962-63 -----	4,387	3,316	25,020
1963-64 -----	4,938	3,819	25,894
1964-65 -----	7,137	4,833	25,591
1965-66 est. -----	7,800	5,400	26,000
1966-67 est. -----	8,500	6,000	26,200

This board stresses the educational requirement and examination workload in its requests. Applications during 1964-65 showed a marked increase. The gradual shift to the C.P.A. classification and the disappearance of the public accountant class tends to increase technical workload for this board. Numerically, the two classes are about equal.

A new position is proposed as follows:

1 *Intermediate typist-clerk (budget page 766, line 41) ----- \$4,674*

This position is proposed on an examination workload basis. We recommend approval.

Enforcement Program

The board's enforcement program includes the screening and investigation of complaints, the filing of accusations charging violation of rules or law and the prosecution of court actions. We estimate enforcement costs at 20 percent of the annual budget.

The number of complaints was 460 for 1964-65 and is proposed at 610 for both the current and the budget year.

The number of complaints shows no discernable trend. During the last actual year of 1964-65 complaints were received at the approximate rate of 1 for each 55.6 licensees, about 18 complaints per 1,000 licensees.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF ARCHITECTURAL EXAMINERS

ITEM 214 of the Budget Bill

Budget page 767

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

Amount requested -----	\$167,188
Estimated to be expended in 1965-66 fiscal year -----	186,915
Decrease (10.6 percent) -----	\$19,727

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

It is the function of the Board of Architectural Examiners to regulate the practice of architecture and the work of building designers within the State of California. This board was created in 1901 and consists of nine members appointed by the Governor. Six members are architects, two are building designers, and one represents the public. The currently authorized staff of 6 full-time positions is located 4 in Sacramento and 1 each in Los Angeles and San Francisco, with 3.7

Board of Architectural Examiners—Continued

positions additionally covering intermittent examination commissioners and temporary help.

We classify the board's activity into three broad programs—administration, licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

For the budget year 1966-67 the sum of \$167,188 has been requested by this board for expenditures covering the cost of board operation. This is \$19,727 or 10.6 percent below estimated expenditures for the current year.

Total proposed expenditures for fiscal year 1966-67 exceed actual expenditures during fiscal year 1964-65 by \$37,433 or 28.8 percent. The building design activity increased the size of the budgets recently but such expenditures were offset by increased fees.

In its 1964-65 fiscal year this board used an emergency authorization of \$8,094 and during the current year the emergency authorization totaled \$48,791. There were salary increase authorizations for both years. Savings for 1964-65 are estimated at \$5,738. None are anticipated in the current year. The large current year augmentation resulted from the appeal processing needs of the building designers' activity.

Fund Condition

The estimated beginning surplus in the California State Board of Architectural Examiners' Fund as of July 1, 1966, is sufficient to pay the total cost of operation of this board for one year. While there is some current expenditure in excess of income, the fund appears to be in fair condition.

Administration Program

Included in the administration program are the activities of the board, the designers' committee and the executive secretary together with general overhead. On the basis of salary and per diems as half of the administrative cost we estimate that administration represents 30 percent of the budget expenditure.

Board member and designer committee per diems have been adjusted administratively during the current fiscal year to meet building designer activity. The net result is a decrease of one-half position.

Licensing Program

An applicant must have eight years of training including college work. After passing an examination the applicant receives a certificate to practice which is renewable in September of odd-numbered years.

A designers' qualifications advisory committee of six members is appointed by the Governor. Registrants under this program of licensing have until 1972 to qualify as architects.

Our calculations indicate that the licensing activities of this board reflect 50 percent of board cost.

Item 215

Professional and Vocational Standards

Board of Architectural Examiners—Continued

Growth Trends and Forecast

<i>Fiscal Year</i>	<i>Architect Applications</i>	<i>Architect Licensees</i>	<i>Designers' Applications</i>	<i>Designer Registrations</i>
1961-62 -----	1,400	3,791	-	-
1962-63 -----	1,685	3,979	-	-
1963-64 -----	1,816	4,308	1,800	900
1964-65 -----	1,700	4,600	-	1,000
1965-66 -----	1,800	4,800	-	1,500
1966-67 -----	1,900	5,700	-	1,500

Applications for the class of building designers were received only once and totaled 1,800. The agency estimates a final total of registrants at 1,500.

Enforcement Program

This is a discipline program under which certificates may be suspended or revoked after administrative hearing. This board uses its own investigators and does not utilize the department's investigation division.

Our estimate indicates the cost of the enforcement program to be approximately 20 percent of budget cost.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

ATHLETIC COMMISSION

ITEM 215 of the Budget Bill

Budget page 769

FOR SUPPORT OF THE ATHLETIC COMMISSION FROM THE GENERAL FUND

Amount requested -----	\$182,617
Estimated to be expended in 1965-66 fiscal year -----	181,008

Increase (0.9 percent) -----	\$1,609
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TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL PROGRAM STATEMENT

The Athletic Commission is responsible for the regulation of boxing, sparring and wrestling matches and wrestling exhibitions in California.

This commission is composed of five members appointed by the Governor to four-year terms. Its authorized staff consists of 17.2 currently authorized positions. Of these positions four are in Sacramento, four in Los Angeles and three are located at San Francisco. In addition, 0.2 of one annual position covers temporary help. Six intermittent athletic inspectors complete the personnel total. This commission has its headquarters in Sacramento and has been a General Fund agency since 1961.

We identify three programs under which the Athletic Commission groups its activity: administration, licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

The commission's request for fiscal year expenditures in 1966-67 totals \$182,617 which is \$1,609, or 0.9 percent, over estimated expenditures for the current year. The budget request exceeds total actual ex-

Athletic Commission—Continued

penditures for 1964-65, by \$17,263 or 10.4 percent. We continue to urge that the fees charged by this agency be increased to the point where the activity can again be self-supporting.

For the past several years we have called attention to the contrast between declining workload and income and the increasing cost of this agency's operation. Its present support by the General Fund became necessary because fee income was no longer sufficient to cover scheduled expense. Estimated income for the budget year in the sum of \$125,210 may be compared to the estimated expense of \$182,617. However, the \$125,210 income amount appears optimistic compared to the collections of \$114,822 in 1964-65.

Administration Program

Administration includes the costs of board and executive secretary activity together with pro rata of other overhead. Available figures with which to determine an estimated cost for commission administration are limited to board per diems and the executive secretary's salary.

Licensing Program

Under the law the commission must license sponsoring clubs, associations and promoters and all of the show participants including boxers, wrestlers, managers, booking agents, trainers and seconds. Only a limited number of events such as those staged by school and fraternal groups are exempt from such licensing. License fees are collected annually in January.

The following schedule shows actual and estimated licensing activity for a six-year period:

<i>Fiscal years</i>	<i>Shows</i>	<i>Licenses</i>
1961-62 -----	1,074	1,545
1962-63 -----	845	1,285
1963-64 -----	852	1,166
1964-65 -----	802	1,088
1965-66 (estimated) -----	850	1,129
1966-67 (estimated) -----	850	1,129

The long-term trend within this agency has been downward and we would consider the forecast overly optimistic.

Enforcement Program

This agency does not avail itself of services by the department's Division of Investigation but employs its own investigators and inspectors. The commission may suspend or revoke licenses and assess fines. Penalties may be imposed which are collectible by the Attorney General.

<i>Fiscal years</i>	<i>Investigations</i>
1962-63 -----	152
1963-64 -----	128
1964-65 -----	78
1965-66 (estimated) -----	100
1966-67 (estimated) -----	100

Item 216**Professional and Vocational Standards****Athletic Commission—Continued**

In the above table the figures for the first three fiscal years are actual, completed figures. The trend is notably downward, more so than the decline in number of shows and licensees.

The agency proposes a workload and administrative personnel adjustment which deletes one year of athletic inspector—intermittent personnel. Such a reduction appears in order.

The budget request for 1966-67 does not appear to raise the level of service.

We recommend approval as budgeted.

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

ITEM 216 of the Budget Bill

Budget page 770

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

Amount requested	\$358,593
Estimated to be expended in 1965-66 fiscal year	351,887
Increase (1.9 percent)	\$6,706
Increase to improve level of service	\$5,624

TOTAL RECOMMENDED REDUCTION \$5,624

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
Board member per diems	\$950	770	53
1 Intermediate typist-clerk	4,674	770	54

GENERAL PROGRAM STATEMENT

It is the function of the Board of Barber Examiners to regulate the training of barbers, the practice of barbering and upon request to establish minimum price schedules for petitioning areas.

This board is composed of five members. The barber chairman and two barber members occupy full time, fully compensated positions. The chairman is paid \$8,900 a year and the two full-time members are paid \$8,400 a year. A fourth barber member and the member representing the public receive per diems for days worked, which average approximately 1½ days a week for each of these two members.

The board is supported by a staff of 12 currently authorized positions, 11 assigned to Sacramento and 1 to Los Angeles.

This board's activity can be considered as encompassed in three basic programs, administration, licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

For budget year 1966-67 the board requests the sum of \$358,593. This amount exceeds estimated expenditures for the current year by \$6,706 or 1.9 percent.

An emergency authorization of \$16,412 was employed in 1964-65 and a similar authorization of \$21,465 appears in the current year, both added to the legislatively approved budget appropriations. Salary

Board of Barber Examiners—Continued

increases totaled \$7,923 for the combined two-year period. Savings for 1964-65 are estimated at only \$1,426. Slightly more than half of the special appropriation for renting and equipping examination sites is being used in the current year.

Fund Condition

Receipts to the State Board of Examiners' Fund are received on a biennial basis, in October of odd-numbered years. As a result we must average receipts and expenditures to place them on an annual comparison.

We noted in our 1965 analysis that averages indicated expenditures from this fund were exceeding income. That condition still prevails and at a higher level. The fund's accumulated surplus has become small as compared to the spending schedule.

Administration Program

Included in this program are the work of the board and secretary and general operation overhead. We estimate that this program represents 15 percent of the budgeted cost of the board. As a result of Chapter 1268, Statutes of 1965, the board is empowered to rent its own examination facilities in contrast to the former practice of using private barber college facilities. One facility is already in use and another is being developed.

Program Augmentation

In its budget request the board proposes the following new authorization:

Board member per diems (budget page 770, line 53)----- \$950

The added per diems are requested to permit board members to attend the biennial seminars authorized by legislation in 1961 but not previously budgeted.

We recommend deletion of the requested per diems for a saving of \$950.

Biennial barbering seminars are required by a 1961 legislative act for barber college instructors. These instructors are from the teaching side of the barbering occupation. The board represents the state's regulatory interests. The board supervises the schools and courses of instruction to a degree but does not have to participate in the educational process. This proposal is for a level of service not previously authorized. In view of fund limitations, we do not consider it essential at this time.

Licensing Program

The board in this program regulates barber colleges and apprenticeship training, and after examination issues certificates for the practice of barbering. We estimate the board's activity in this program represents 45 percent of total expenditures. Licenses are renewable in October of odd-numbered years.

The following schedule indicates workload growth in the licensing program:

Item 216

Professional and Vocational Standards

Board of Barber Examiners—Continued

	<i>Applications</i>	<i>Examinations</i>	<i>Licensees</i>
1961-62-----	3,849	-	38,489
1962-63-----	3,581	3,393	39,266
1963-64-----	6,246	3,747	40,861
1964-65-----	7,177	4,357	45,785
1965-66 (estimated)-----	7,500	7,000	42,500
1966-67 (estimated)-----	7,500	7,000	47,000

Program Augmentation

In its 1966-67 budget request the board seeks the following added personnel authorization:

1 *Intermediate typist-clerk (budget page 770, line 54)----- \$4,674*

The agency requests the typist-clerk position to assist in reducing delays in handling various types or correspondence and paperwork in the board's office. Delays are running from one to several months and the board seeks to bring paperwork to current status.

We recommend deletion of the proposed position for a saving of \$4,674.

This proposal increases the level of service. Backlog pleas are not new in this agency. We suggest a review of the paperwork problem before a new position is added to staff. Paperwork revision and system reduction might well be an economical substitute for the requested position.

The board requests the following item of temporary help on a workload basis to augment the clerical staff during workload peak periods.

0.1 *Temporary help (budget page 770, line 55) ----- \$557*

We recommend approval as budgeted.

Enforcement Program

The enforcement program includes shop inspections for rule compliance, complaint investigations, filing of accusations, hearings, suspension and revocation of licenses and criminal prosecutions. Also included in this program are the establishment and maintenance of minimum price schedules. We estimate budget costs of the program at 40 percent of total expenditures.

The following table reports the actual and anticipated number of petitions for price schedules.

	<i>Number of Petitions</i>
1961-62-----	35
1962-63-----	26
1963-64-----	25
1964-65-----	25
1965-66 (estimated)-----	25
1966-67 (estimated)-----	25

Department of Professional and Vocational Standards

CEMETERY BOARD

ITEM 217 of the Budget Bill

Budget page 771

FOR SUPPORT OF THE CEMETERY BOARD
FROM THE CEMETERY FUND

Amount requested -----	\$74,966
Estimated to be expended in 1965-66 fiscal year -----	74,686
Increase (0.4 percent) -----	\$280

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The Cemetery Board has as its function the regulation of private cemeteries, cemetery brokers and cemetery salesmen. It enforces sections of the Health and Safety Code dealing with private cemeteries, mausoleums and columbariums, special care and endowment funds.

The Cemetery Board consists of six members, five of whom must represent cemetery management and one of whom represents the public. It has a currently authorized staff of 4.5 positions. Of these three are located in Sacramento; one is in Los Angeles, and 0.5 of one position covers temporary help.

The board's responsibility is covered in three programs or activities, (1) Administration, (2) Licensing and (3) Enforcement.

ANALYSIS AND RECOMMENDATIONS

For expenditure during fiscal year 1966-67, the Cemetery Board proposes a budget of \$74,966 which exceeds estimated expenditures for the current year by \$280 or 0.4 percent and a gain of \$8,419 or 12.6 percent over actual expenditures for 1964-65.

The 1964-65 appropriation of \$63,128 was augmented by an emergency authorization for \$8,737 and by a \$2,530 salary increase authorization. Savings are estimated at \$7,848 for the year.

For the current year there appears a salary increase authorization of \$1,555 added to the \$73,700 appropriation and estimated savings of \$569.

Fund Condition

Fees are collected by this board on an annual basis in January and July, depending upon the license. The Cemetery Fund, as it appears in the budget, shows that expenditures proposed will exceed estimated revenue by approximately \$2,000.

Administration Program

This activity consists of board operations, some overhead carried by the department and activities of the executive secretary. We estimate the costs of administration at approximately 20 percent of the board's total costs of operation.

Licensing Program

Private cemeteries, mausoleums and columbariums may not operate without board authorization. Most public cemeteries and those operated by religious and fraternal groups are subject to board regulation. The board examines and licenses cemetery brokers and cemetery salesmen.

Item 218**Professional and Vocational Standards****Cemetery Board—Continued**

Some license renewals are collected in January and some in July of each year. Our calculations indicate that licensing program costs are about 50 percent of total budgeted expenditures.

Growth and Forecast

<i>Fiscal year</i>	<i>Applications</i>	<i>Licenses</i>	<i>Endowment funds</i>
1961-62 -----	3,046	1,764	124
1962-63 -----	3,131	1,775	151
1963-63 -----	2,940	1,701	155
1964-65 -----	3,079	1,711	160
1965-66 est. -----	3,146	1,761	165
1966-67 est. -----	3,137	1,765	170

Enforcement Program

Under the law the board may suspend licenses of brokers or salesmen and certificates of authority to operate cemeteries or it may revoke such license for violations of the law set forth in the Health and Safety Code after appropriate hearings. The board is required to examine endowment care funds to make certain that such endowment or special care funds are being properly invested.

Measurement statistics for enforcement activities are not available to us.

The board's request continues the existing level of service.

We recommend approval of the item as budgeted.

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

ITEM 218 of the Budget Bill

Budget page 773

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

Amount requested -----	\$112,911
Estimated to be expended in 1965-66 fiscal year -----	111,037

Increase (1.7 percent) -----	\$1,874
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TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL PROGRAM STATEMENT

This board was established by initiative act in 1922 to regulate the practice of chiropractic in California.

The State Board of Chiropractic Examiners consists of five members appointed by the Governor to three-year terms and is headquartered in Sacramento. The currently authorized board staff includes 4 full-time positions with a provision for 0.3 of one position as temporary help. All positions are assigned to Sacramento.

The work of this board can be classified under three programs: administration, licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

For expenditure during the budget year of 1966-67 the board requests \$112,037, an increase of \$1,874 or 1.7 percent over estimated expenditures for the current year.

Board of Chiropractic Examiners—Continued

Proposed expenditures during the budget year exceed actual expenditures during "past year" 1964-65 by \$2,020 or 1.8 percent.

The board's 1964-65 budget appropriation was augmented by a \$598 emergency authorization and a \$605 salary increase item. Savings are estimated at \$1,970 for this fiscal year.

The current appropriation is augmented by a \$420 emergency authorization and by a \$1,150 salary increase item. Savings are estimated at \$1,780.

Fund Condition

The Board of Chiropractic Examiners operates on an annual license basis. Below are tabulated income and expenses estimate for the past actual, the current and the budget years.

	<i>Actual past year 1964-65</i>	<i>Estimated current year 1965-66</i>	<i>Estimated budget year 1966-67</i>
Income -----	\$107,580	\$108,823	\$108,471
Expense -----	110,071	111,037	112,911
Expense over income -----	\$2,491	\$3,214	\$4,440

Deficits are being financed out of accumulated surplus. We noted in our 1965 analysis that this continued surplus decline should be given study with reference to constantly increasing expenditures from the Chiropractic Examiners' Fund.

Administration Program

Included in this program are board per diem, travel costs and the activity of the executive secretary. On this basis we calculate the administrative program cost at approximately 30 percent of total annual expenditures.

Licensing Program

The board is authorized to approve schools for the teaching of chiropractic, to examine applicants and to license qualified individuals to practice this healing art. We have estimated that this program in cost represents about 40 percent of the board's annual expenditure total. License renewal fees are collected annually in January.

Growth and Forecast

<i>Fiscal Year</i>	<i>Applications</i>	<i>Licenses</i>
1961-62	123	5,003
1962-63	136	4,841
1963-64	173	4,851
1964-65	109	4,706
1965-66 est.	150	4,800
1966-67 est.	160	4,750

Licensing workload is somewhat stabilized at the moment although a decrease in applications may later result in a loss in the licensee total.

Enforcement Program

The chiropractic board may conduct investigations, hold hearings, and suspend or revoke licenses. Unlawful practice of the art is a mis-

Board of Chiropractic Examiners—Continued

demeanor. Violations of the act may be prosecuted through a district attorney's office. We estimate that enforcement activity represents approximately 30 percent of budget costs.

Statistics reflecting enforcement activity pursued by this board have not been made available to us.

The 1966-67 budget request does not increase the level of service rendered by this agency.

We recommend approval as budgeted.

Department of Professional and Vocational Standards**BOARD OF REGISTRATION FOR CIVIL AND PROFESSIONAL ENGINEERS**

ITEM 219 of the Budget Bill

Budget page 774

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

Amount requested	\$594,798
Estimated to be expended in 1965-66 fiscal year	533,706
Increase (11.4 percent)	\$61,092

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

The Board of Registration for Civil and Professional Engineers regulates the practices of the engineering profession, especially in the branches of chemical, civil, electrical, mechanical, metallurgical, petroleum and structural engineering. The board has the further responsibility of regulating land surveying practices. It consists of seven engineers, a land surveyor and a member representing the public.

The board is served by a staff of 30 full-time positions assigned 25 to Sacramento, 2 to San Francisco and 3 to Los Angeles. There are eight intermittent examiners and temporary help positions in addition.

This agency has three basic programs—administration, licensing and enforcement. We estimate that the relative cost of each of these is administration 10 percent, licensing 80 percent, enforcement 10 percent.

ANALYSIS AND RECOMMENDATIONS

The board's request for the 1966-67 fiscal year amounts to \$594,798 which exceeds current year expenditure estimates by \$61,092 or 11.4 percent. The budget year proposals exceed actual 1964-65 past year expenditures by \$142,769 or 31.5 percent.

The 1964-65 budget appropriation was augmented with a \$20,771 emergency authorization and an item of \$10,117 covering salary increases. Savings of \$18,250 were realized for that year.

The current fiscal year appropriation received a \$22,828 emergency authorization with an amount additionally for salary increases of \$8,824. No savings are estimated for the current year.

The Professional Engineers' Fund as reviewed shows income in excess of expenditures and a surplus. Licenses issued by the board are renewable in July of even-numbered years. The fund operates therefore in a two-year cycle.

**Board of Registration for Civil and Professional Engineers—Continued
Administration Program**

Included in this program are the activity of the board members, the work of the executive secretary and general operational overhead. Statistics measuring growth and performance under the administrative program are not made available to us.

Registration and Licensing Program

Engineers-in-training are certificated. Applicants with six years of experience (including college) are examined. Successful candidates are entered in the roster under their specialty. Land surveying applicants are examined with six years of experience required for eligibility for this examination. The board may establish criteria for courses and curricula in engineering schools.

<i>Fiscal Year</i>	<i>Applications</i>	<i>Examinations</i>	<i>Total number of licensees</i>
1961-62	8,500	6,400	40,090
1962-63	8,369	7,078	41,193
1963-64	9,191	6,876	44,563
1964-65	10,033	9,016	46,340
1965-66 est.	12,077	9,000	47,775
1966-67 est.	10,450	10,350	50,950

The above tabulation indicates a substantial increase in applications and examinations as well as a continued increase in the number of licensees. These factors are indicative of increasing workload.

The agency in its 1966-67 budget request asks for the following position increases:

<i>1 Associate engineering personnel examiner (budget page 775, line 14)</i>	<i>\$10,968</i>
<i>1 Intermediate stenographer (budget page 775, line 17)</i>	<i>4,668</i>
<i>1 Expert examiner—intermittent (budget page 775, line 18)</i>	<i>9,600</i>
<i>1 Temporary help (budget page 775, line 19)</i>	<i>6,000</i>
<i>1 Expert examiner—intermittent (budget page 775, line 9)</i>	<i>20,000</i>

The Legislature in 1965 authorized a position of senior electrical engineer limited to June 30, 1966. The board states that the workload continues and is requesting the position on a permanent basis as an associate engineering personnel examiner.

The one stenographer position and the one intermittent examiner position are requested as staffing for the new metallurgical class of licensees added by 1965 legislation. Salaries are increased by \$20,000 to insure that state and private examiners will be on a parity.

A temporary help increase is sought to cover peak license renewal workload.

Enforcement Program

The tools of enforcement available to this board include complaint investigation, hearings, suspensions or revocation of licenses, court prosecutions. This board has its own investigators and up to the current year has not used the services of the department's investigation divi-

Item 220**Professional and Vocational Standards****Board of Registration for Civil and Professional Engineers—Continued**

sion. There are plans for partial use of division services with a decision to be made in 1966 regarding possible full use of that division.

The agency seeks the following position:

1 Senior special investigator (budget page 775, line 16)----- \$7,800

It is our understanding that possible use of the department's Division of Investigation will be brought to decision in the budget year and that the new position at this time is sufficient to meet current workload.

We recommend approval of this item as budgeted.

Department of Professional and Vocational Standards**COLLECTION AGENCY LICENSING BUREAU**

ITEM 220 of the Budget Bill

Budget page 776

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

Amount requested	\$172,325
Estimated to be expended in 1965-66 fiscal year	168,929
Increase (2.0 percent)	\$3,396

TOTAL RECOMMENDED REDUCTION----- None

GENERAL PROGRAM STATEMENT

The Collection Agency Licensing Bureau has as its function the regulation of collection agencies within the state. It is operated by a chief who is appointed by the Governor with the consent of the Senate. Within the bureau is an advisory board of six members appointed by the Governor, five from industry, and one representing the public. The bureau has a currently authorized staff of 9.2 positions assigned as follows: Sacramento 5, San Francisco 1, and Los Angeles 3.

Work of this bureau falls into three program categories: administration, licensing, and enforcement.

ANALYSIS AND RECOMMENDATIONS

The bureau is requesting \$172,325 which exceeds estimated current year expenditures by \$3,396 or 2 percent. The proposed expenditure of \$172,325 is \$59,078, or 25.5 percent, less than actual expenditures made in the last complete year of 1964-65, indicating improvement in the fiscal management of this bureau.

In its 1964-65 operations the bureau used an \$18,389 emergency authorization in addition to its annual appropriation. For both the past and current years there were salary increase items.

Savings of \$1,950 for 1964-65 and \$13,285 for the current year are estimated.

It is estimated that for the current year and the budget year income to the Collection Agency Fund will exceed scheduled expenditures.

Administration Program

Within this category is the work of the advisory board, that of the bureau chief and general overhead activity of the bureau.

Collection Agency Licensing Bureau—Continued

Licensing Program

We estimate that the licensing program represents 55 percent of annual cost of bureau activity. The bureau has the function of licensing collection agencies, the qualification of principals and registration of licensee employees. Licenses are renewable each year in July. The table below shows bureau workload in licensing categories:

	Application	Licensees	Registrants
1961-62	1,129	711	2,625
1962-63	927	660	3,173
1963-64	912	624	3,311
1964-65	800	586	3,000
1965-66 (est.)	820	577	3,000
1966-67 (est.)	820	580	3,000

In a workload adjustment 0.2 of temporary help has been added to the authorized position schedule of the bureau to provide extra clerical assistance during the annual license renewal period.

Enforcement Program

Enforcement includes limited field audits, review of financial statements and audits submitted by licensees, proceedings, leading to suspension or revocation of licenses after notice and hearing.

The following table indicates enforcement experience and the agency's estimate of future enforcement units of work.

	Violations	Warnings	Prosecutions
1962-63	191	21	113
1963-64	232	83	55
1964-65	103	73	30
1965-66 (est.)	30	20	10
1966-67 (est.)	30	20	10

We recommend approval of the item as budgeted.

Department of Professional and Vocational Standards

CONTRACTORS' LICENSE BOARD

ITEM 221 of the Budget Bill

Budget page 777

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

Amount requested	\$2,181,956
Estimated to be expended in 1965-66 fiscal year	2,177,011

Increase (0.2 percent)	\$4,945
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TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

The function of the Contractors' State License Board is to regulate the building and contracting industry within the state. The board is headquartered in Sacramento with an authorized staff of 165 positions located in 24 California cities with the major segments in Sacramento, Los Angeles, and San Francisco.

Item 221**Professional and Vocational Standards****Contractors' License Board—Continued**

The board consists of eight members representing various categories of construction and an additional member representing the public. It is the largest agency component of the Department of Professional and Vocational Standards both in staff and budget.

The two programs into which the work of this board can be allocated, licensing and enforcement, are outlined briefly in the following paragraphs.

ANALYSIS AND RECOMMENDATION

For 1966-67 the board has requested \$2,181,956 which exceeds current estimated expenditures by \$4,945 or 0.2 percent.

This proposed expenditure exceeds actual expenditures of \$1,803,217, during the past actual year of 1964-65 by \$378,739 or 21 percent.

A salary increase authorization for the past year amounted to \$47,169. In addition, an emergency authorization of \$95,241 was used in 1964-65 compared to estimated savings of \$129,586 by the end of the fiscal year. In the current year an emergency increase of \$151,931 is noted as compared to estimated savings of \$10,899.

Fund Condition

The Contractors' License Fund appears to be in some difficulty. Revenue collections are made on a biennial basis. However, it appears that scheduled expenditures will exceed available annual income by \$724,733 for 1966-67. At the end of the budget year the projected surplus in this fund will amount to \$13,259, which is sufficient to pay the cost of board operation for a few days only. The fund will require an increase in fees to maintain solvency.

Licensing Program

The board currently issues and renews 36 types of contractor licenses in the three major categories of construction—general building, specialty and general engineering. Activity includes receipt of applications, investigations, examination, issuance and renewal of licenses. Licenses are renewable in July of odd-numbered years. We calculate that the board spends 40 percent of its budget in licensing operations.

Licensing work experience and estimates for the current and budget year are as follows:

<i>Fiscal year</i>	<i>New applications received</i>	<i>Number of licensees</i>
1961-62 -----	19,918	90,568
1962-63 -----	20,195	93,088
1963-64 -----	20,881	92,916
1964-65 -----	22,381	102,136
1965-66 est. -----	22,000	92,000
1966-67 est. -----	22,000	100,000

Enforcement Program

This board employs its own field staff and does not use the services of the department's division of investigation. Work of the field deputies resembles that of construction superintendents or conciliators and does not consist solely of investigation of alleged violation of or noncompliance with rules, regulations and the law. Activity does include screening of complaints, investigations and the filing of accusations where

Contractors' License Board—Continued

necessary. We estimate that the enforcement program as operated by this board represents about 50 percent of annual board cost.

Workload Forecast

<i>Fiscal year</i>	<i>Investigations initiated</i>	<i>Investigations closed</i>	<i>Investigations pending</i>
1961-62 -----	11,450	11,545	3,476
1962-63 -----	13,571	13,124	3,923
1963-64 -----	16,750	15,175	5,498
1964-65 -----	17,202	15,635	7,065
1965-66 est. -----	19,000	19,623	6,442
1966-67 est. -----	20,000	19,834	6,608

In its budget year request the board seeks the following new positions:

- 1 Deputy registrar of contractors I (budget page 778, line 36) \$7,080
- 2 Intermediate typist-clerk (budget page 778, line 37) ----- \$9,120

This position is requested on the basis of workload. Cases closed per man-year by the deputy registrars are indicated by averages in the table below:

<i>Fiscal year</i>	<i>Cases closed</i>
1962-63 -----	194
1963-64 -----	208
1964-65 -----	211
1965-66 est. -----	211
1966-67 est. -----	211

The board points out that of 89 authorized investigative positions in fiscal year 1964-65 only 73.9 were filled. Each of these filled positions averaged 211 case closures during that year. This average number of case closures is compared with 208 in 1963-64 and 194 in 1962-63. It is the view of the board that the figure of 211 is the upper limit of effective work in closing cases. This average applied to an estimated 20,000 investigations in the budget year calls for 94 deputies, one more than presently the authorized number. As of the preparation of this analysis the agency states that all but two of the authorized positions are filled.

Two intermediate typist-clerk positions are requested to handle workload generated by Chapter 1971, Statutes of 1963. This chapter requires that new licensees must file and renewing licensees must have on file with the board a \$1,000 bond or cash equivalent, running to the state, to cover losses due to law violation, fraud or failure to pay employees. The workload created by this chapter is greater than was estimated when the provisions of the chapter were first analyzed.

One clerical position was approved for this agency in the 1965-66 Budget Act for handling matters related to the initial bonding of contractors which applied only to new licenses. The bonding provisions became applicable to license renewals on July 1, 1965.

Unanticipated was workload related to bond cancellation. From July through November 1965 cancellation ranged from 465 to 527 a month.

Contractors' License Board—Continued

Coupled with these figures are correspondence inquiries with reference to bond status ranging from 260 in July to 370 in November. Careful checking in files is necessary to keep the office assured that new bonds if required are filed on time. As of December 13, 1965, license suspension notices to the total of 756 have been issued for failure to have a replacement bond on file. One clerical position can handle approximately 25 cancellations a day. At the current monthly cancellation rate of approximately 500, one clerical position is required to handle workload.

Additional unanticipated workload results from inquiries relating to bonding requirements, making of cash refunds and checking out bond riders. Riders normally relate to address changes and require the same checking as do cancellations. Workload totals 181 hours a month. One position is requested for this workload.

We recommend approval of the item as budgeted.

Department of Professional and Vocational Standards**BOARD OF COSMETOLOGY**

ITEM 222 of the Budget Bill

Budget page 779

**FOR SUPPORT OF THE BOARD OF COSMETOLOGY
FROM THE BOARD OF COSMETOLOGY'S
CONTINGENT FUND**

Amount requested	\$697,034
Estimated to be expended in 1965-66 fiscal year	646,056
Increase (7.9 percent)	\$50,978

TOTAL RECOMMENDED REDUCTION None

GENERAL PROGRAM STATEMENT

The Board of Cosmetology has as its purpose the regulation of the practice of hairdressing, cosmetology, manicuring, electrology, beauty shops and schools of cosmetology. The board consists of five industry members, one school operator and one member representing the public. It is the largest agency in number of licensees within the Department of Professional and Vocational Standards. The board is assisted by a currently authorized staff of 26.5 full-time positions assigned 15 to Sacramento, 4 to Los Angeles, and 2 to San Francisco. The remaining 5.5 positions cover intermittent examiners and temporary help. The board's activity falls into the following three programs: (1) Administration, (2) licensing and (3) enforcement.

ANALYSIS AND RECOMMENDATIONS

During fiscal year 1966-67 the board proposes to spend the sum of \$697,034, which exceeds estimated expenditures for the current year by \$50,978 or 7.9 percent.

Administration Program

Included in this program are the activity of the board members and the work of the executive secretary together with general operation overhead costs.

Board of Cosmetology—Continued

There are no statistics available with which to measure this program's trend in units of activity.

Program Augmentation

The board requests the following augmentation to its budget proposal as an improvement to its existing level of service:

Administrative assistance (budget page 779, line 73) ----- \$11,147

This item includes a request for an assistant secretary at \$9,948 a year and related expense at \$1,199. The proposed assistant secretary position is designed to relieve the executive secretary from routine management and liaison duties which have multiplied due to growth of activity, the board states. Attention of the proposed assistant secretary would be particularly directed to discipline matters.

We recommend approval of the requested position as budgeted.

According to estimates for fiscal year 1966-67 made in the departmental summary, the Board of Cosmetology will be the largest in number of licensees of any agency in the department, third largest in expenditure, and fourth largest in staff size. At least four agencies in the department presently have a position equivalent to that of assistant secretary. We believe the addition of this position will permit the executive secretary to devote more time to continued improvement in this board's administration.

Licensing Program

This program includes the determination of eligibility of applicants, investigation and examination, issuance and renewal of licenses. Included in the licensing are shops, schools and school instructors. Examinations by law may only be given in San Francisco, Sacramento, Los Angeles and San Diego. The following table shows the past and projected workload of the license program.

<i>Fiscal Year</i>	<i>Applications</i>	<i>Examinations</i>	<i>Licensees</i>	<i>Schools</i>	<i>Shops</i>
1961-62 -----	10,811	—	93,218	190	13,792
1962-63 -----	12,937	10,058	101,497	209	14,919
1963-64 -----	14,849	11,270	112,872	220	17,436
1964-65 -----	15,231	11,156	119,387	233	16,401
1965-66 (est.) --	17,000	13,000	132,000	290	19,000
1966-67 (est.) --	17,000	13,000	140,000	290	20,000

The agency seeks the following new positions to be added as further license staffing:

1 Intermediate typist-clerk (budget page 780, line 12) --	\$4,452
0.9 Examiner in Cosmetology—intermittent (budget page 780, line 13) -----	5,371
1 Temporary help (budget page 780, line 15) -----	5,295

The above requested positions are requested on a workload basis in line with the projections tabulated above.

Item 223**Professional and Vocational Standards****Board of Cosmetology—Continued****Enforcement Program**

This board enforces the Cosmetology Act. It takes fingerprints, arranges inspections and investigations, holds administrative hearings and prosecutes violations of the act in court.

In 1964-65 the following items were processed:

Complaints received	1,600	(approximately)
Cases closed	1,337	(112 per month)
Statement of issues filed	105	
Accusations filed	116	

The budget is based on a continuation of the same level of enforcement activity.

We recommend approval of the item as budgeted.

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

ITEM 223 of the Budget Bill

Budget page 781

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

Amount requested	\$178,398
Estimated to be expended in 1965-66 fiscal year	189,121
Decrease (5.7 percent)	\$10,723

TOTAL RECOMMENDED REDUCTION None

GENERAL PROGRAM STATEMENT

The Board of Dental Examiners is responsible for regulating the practice of both dentists and dental hygienists within the state. The board consists of seven dentists and one member representing the public. It is served by an authorized staff of 10.5 positions assigned 4 to Sacramento, 2.6 to San Francisco (the 0.6 position is a part-time attorney), and 3 to Los Angeles. The balance of the position authorization is for temporary help.

The Board of Dental Examiners administers two programs: licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

The board is requesting the sum of \$178,398 to finance activities during budget year 1966-67. This is \$10,723 or 5.7 percent less than estimated expenditures for the current year.

The drop in proposed expenditures is due to the fact that printing costs will be \$10,800 less than in the current year.

The proposed expenditure for 1966-67 exceeds actual expenditures of 1964-65, the last completed fiscal year, by \$18,331 or 11.8 percent.

Emergency authorizations for the past and current years added \$3,901 to the initial appropriations. Salary increases totaling \$6,216 have been added to the two budgets. Savings of \$6,980 are estimated for the past year of 1964-65. From our review of income to and expenditures from the State Dentistry Fund, the annual fund balances are adequate for continued solvency.

Board of Dental Examiners—Continued

In its request for budget year 1966-67, the board seeks the following authorization:

Board member per diem (budget page 781, line 76) ----- \$1,650

Board members participate in the examination process and are entitled to per diems for days served. According to experience and estimates discussed under the licensing program below the requested per diems are necessary because of the increasing number of applicants who must be processed. *We recommend approval.*

Licensing Program

The board approves dental colleges, receives applications for licensure, examines applicants, issues and renews licenses, and receives registration of places of practice. Board members receive per diems for devising examination questions and reviewing examination papers. Licenses are renewable in May of even-numbered years. The following table identifies licensing program workload.

<i>Fiscal year</i>	<i>Applications</i>	<i>Total number of licensees</i>
1961-62 -----	1,052	12,584
1962-63 -----	1,034	13,221
1963-64 -----	1,131	13,534
1964-65 -----	1,095	14,463
1965-66 (est.) -----	1,129	15,286
1966-67 (est.) -----	1,250	16,142

On the basis of increased workload the agency seeks to add the following position authorization:

Commissioners on examination—intermittent (budget page 781, line 77) ----- \$1,950

Current year and budget year estimates by this board indicate an increasing examination workload. *We recommend approval.*

Enforcement Program

This board does not employ the department's Division of Investigation in its enforcement work. It has two investigators, one in San Francisco and one in Los Angeles.

Disciplinary action may include reprimand, probation, suspension or revocation of license or prosecution in court for misdemeanor violations of the practice act.

We recommend approval of the item as budgeted.

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

ITEM 224 of the Budget Bill

Budget page 782

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

Amount requested -----	\$358,598
Estimated to be expended in 1965-66 fiscal year -----	364,672
Decrease (1.6 percent) -----	\$6,074
TOTAL RECOMMENDED REDUCTION -----	None

Board of Dry Cleaners—Continued

GENERAL PROGRAM STATEMENT

It is the responsibility of the Board of Dry Cleaners to regulate the drycleaning industry. The board also contributes to the support of the Office of State Fire Marshal. During fiscal year 1966-67 it is estimated that the drycleaners will meet 13.89 percent of the cost of that office. The present 7-man board consists of two shop owners, two retail plant owners, two wholesalers and one member representing the public.

This board's activity is grouped under three programs respectively: administration, licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

The Dry Cleaners' Board proposes an expenditure of \$373,598 (appropriation request of \$358,598 plus \$15,000 available from prior year appropriation, for the 1966-67 fiscal year which appropriation is less than estimated expenditures for the current year by \$6,074 or 1.6 percent. The proposed appropriation exceeds actual expenditures for past fiscal year 1964-65 by \$47,879 or 15.4 percent.

Emergency authorizations for the past and current years have reached a total of \$39,236. Salary increases for the two years amount in total to \$4,834. A special appropriation of \$30,000 covering two years of research was provided in the 1965 budget. This special research project ends in 1966-67.

Since the Dry Cleaners' Fund revenues are received chiefly on a biennial basis, two years' experience in income and expenditure must be averaged together to determine the condition of the fund. We estimate that for the two-year period, which includes the past and current year, expenditures exceeded income by \$24,671 per year.

Administration Program

In the administration program is placed the work of the board and the executive secretary together with general overhead. We estimate that this program accounts for 20 percent of annual budget cost.

Licensing Program

The board accepts applications, investigates and examines applicants, issues and renews certificates of registration and licenses schools and other establishments. There are several classes of licenses. The two-year research program, 1965-66 and 1966-67, with its special appropriation of \$15,000 for expenditure on study of cleaning and maintenance of certain fabrics for each year, is part of the board's licensing program. Licenses are renewable in November of odd-numbered years. The table below shows program workload.

<i>Fiscal Year</i>	<i>Applications</i>	<i>Total Number of Licensees</i>
1961-62	2,927	19,910
1962-63	3,010	20,180
1963-64	2,025	20,236
1964-65	2,300	20,231
1965-66 (estimated)	1,850	20,300
1966-67 (estimated)	2,575	20,550

Board of Dry Cleaners—Continued

Enforcement Program

The Dry Cleaners' Board has available to it the usual disciplinary remedies—compliance inspections, complaint investigation, suspension or revocation of license, and court prosecutions. Compliance inspections are made by the department's division of investigation. Fire inspections are made under direction of the Fire Marshal's office. The board's contribution to the support of the Fire Marshal is partly in reimbursement for these services.

We recommend approval of the request as budgeted.

**Department of Professional and Vocational Standards
BUREAU OF ELECTRONIC REPAIR DEALER REGISTRATION**

ITEM 225 of the Budget Bill

Budget page 784

**FOR SUPPORT OF THE BUREAU OF ELECTRONIC REPAIR
DEALER REGISTRATION FROM THE ELECTRONIC
REPAIR DEALER REGISTRATION FUND**

Amount requested.....	\$266,478
Estimated to be expended in 1965-66 fiscal year.....	261,777
Increase (1.8 percent)	\$4,701

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

The Bureau of Electronic Repair Dealer Registration has the function of regulating those firms or individuals who repair, service or maintain television, radio or phonograph equipment normally used or sold for use in the home.

This bureau was established on a temporary, two-year basis in 1963 and made a permanent agency in 1965. Advising the bureau is a board of five members appointed by the Governor for terms of four years. Three members represent the public and two represent the industry.

The bureau is staffed with 12 full-time positions, 10 being assigned to Sacramento and 2 to Los Angeles.

Activities of the bureau are divided between three programs—administration, registration and enforcement.

ANALYSIS AND RECOMMENDATIONS

For the budget year 1966-67 the bureau has requested the sum of \$266,478 which exceeds estimated expenditures for the current year by \$4,701 or 1.8 percent.

The Electronic Repair Dealer Registration Fund is managed on an annual basis. For the past actual year, 1964-65, income exceeded expense. Estimates for the current year and the budget year indicate the same favorable balance.

Administration Program

The work of the advisory board, activity of the bureau chief together with general overhead operation, constitutes the administration program.

Item 226**Professional and Vocational Standards****Bureau of Electronic Repair Dealer Registration—Continued
Registration Program**

The bureau has defined as a "dealer" anyone who repairs or receives for repair a minimum of ten machines in any 12 consecutive month period. Dealers must complete a form and pay a fee for registration. Registrations are renewable in June of each year.

The registration program is too limited in experience at this time to indicate any reliable trends. We do, however, present below the experience to date and estimates for the future.

<i>Fiscal Year</i>	<i>Number of Registrants</i>
1963-64 -----	6,703
1964-65 -----	6,737
1965-66 est. -----	7,000
1966-67 est. -----	7,200

Enforcement Program

Emphasis in this bureau is upon complaint adjustment through conciliation. Lack of compliance with the law is a misdemeanor. The bureau is authorized to gather evidence and make investigations. Registrations may be invalidated for law violations. Since 1964-65 was the first year of full operation by the bureau, we have only one year of complete statistics, too brief a period for trend evaluation.

<i>Fiscal Year</i>	<i>Number of Complaints</i>
1963-65 -----	2,428
1964-65 -----	5,469
1965-66 est. -----	3,000
1966-67 est. -----	3,000

We recommend approval of the agency request as budgeted.

**Department of Professional and Vocational Standards
BOARD OF FUNERAL DIRECTORS AND EMBALMERS**

ITEM 226 of the Budget Bill

Budget page 786

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

Amount requested -----	\$104,991
Estimated to be expended in 1965-66 fiscal year -----	101,510
Increase (3.4 percent) -----	\$3,481

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

GENERAL PROGRAM STATEMENT

The Board of Funeral Directors and Embalmers has the responsibility of regulating the business practices of funeral directors, embalmers, and apprentice embalmers. The board consists of five licensees and one public member appointed by the Governor. The board is supported by a staff of five full-time positions, a part-time attorney and provision for temporary help. Positions are assigned, three to Sacramento and one each to San Francisco and Los Angeles.

Board of Funeral Directors and Embalmers—Continued

This agency's responsibilities are included within two programs: licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

For fiscal year 1966-67 the board requests the sum of \$104,991 which exceeds estimated expenditures for the current year by \$3,481 or 3.4 percent. When compared to that of past actual expenditure year of 1964-65, the proposed budget year amount exceeds the past year by \$12,795 or 13.8 percent.

This board's budget appropriations for both 1964-65 and 1965-66 were augmented with salary increase authorizations. Emergency authorizations of \$7,238 for 1964-65 and \$7,684 for 1965-66 were used. Estimated savings for the two years total only \$2,252, however.

Fund Condition

In our analysis of the 1965-66 budget proposals of this board, we called attention to a consistent pattern of annual overexpenditure and reliance on a surplus to cover deficits. This annual overexpenditure of Funeral Directors' and Embalmers' Fund amounted to approximately \$4,300 a year ago. Annual overexpenditure has now risen to \$6,173 for the proposed budget year.

The board proposes the following addition to its position authorizations.

Board member—per diem (budget page 786, line 48) ----- \$695

The board for many years secured its examination questions from the national association at a price which appeared as operating expense in the board's budget. Recently such materials have been available to students and because of this the board has discontinued using the national source and is providing its own examinations. The added per diems and the requested clerical position discussed below reflect this added examination workload.

We recommend approval of the proposed increased board member per diems.

Licensing Program

Licensing operations include receipt of applications, investigations and hearings, examination of embalmer applicants, registration of apprentice embalmers, issuance and renewal of licenses. Licenses are renewable in January of odd-numbered years. Licensing workload is tabulated below.

<i>Fiscal year</i>	<i>Apprentice applications</i>	<i>New applications</i>	<i>Total number of licensees</i>
1961-62 -----	—	689	4,204
1962-63 -----	295	803	4,234
1963-64 -----	325	746	4,422
1964-65 -----	269	1,116	4,376
1965-66 est. -----	300	1,271	4,465
1966-67 est. -----	300	1,359	4,520

Item 227**Professional and Vocational Standards****Board of Funeral Directors and Embalmers—Continued**

1 *Intermediate stenographer-clerk (budget page 786, line 49)* \$5,040

The board proposes a new position on the basis of increased examination workload. The position was established administratively during the current year when the board found it necessary to produce its own examination questions.

We recommend approval of the proposed position.

Enforcement Program

Enforcement activity includes investigation of complaints and such disciplinary proceedings as the suspension or revocation of licenses or prosecution of penal violations.

We recommend approval of the item as budgeted.

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

ITEM 227 of the Budget Bill

Budget page 787

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

Amount requested	\$672,494
Estimated to be expended in 1965-66 fiscal year	644,217
Increase (4.4 percent)	\$28,277
TOTAL RECOMMENDED REDUCTION	\$4,344

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Line</i>
1 Intermediate typist-clerk	\$4,344	788	31

GENERAL PROGRAM STATEMENT

It is the responsibility of the Bureau of Furniture and Bedding Inspection to regulate persons and firms who manufacture, sell, repair, renovate or sterilize new or secondhand upholstered furniture, bedding and filling materials. Out-of-state concerns who submit to California jurisdiction are also regulated. The bureau contains an advisory board of eight members appointed by the Governor and is supported by a full-time authorized staff of 19 positions, all located in Sacramento.

The bureau's activities are classified into two programs—licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

The bureau is requesting the sum of \$672,494 for expenditure during budget year 1966-67. This amount exceeds estimated expenditures for the current year by \$28,277 or 4.4 percent. Included for new equipment is \$10,425 to provide foam rubber testing equipment and materials required for the laboratory as the result of new bureau regulations.

Compared to past actual expenditures in 1964-65 the budget year proposal exceeds that year by \$79,302 or 13.3 percent.

Bureau of Furniture and Bedding Inspection—Continued

Budget augmentations in the form of emergency authorizations amounted to \$32,778 in 1964-65 and \$55,546 in the current year. There were salary increases totaling \$12,177. Savings of \$13,544 are indicated for 1964-65.

Fund Condition

Licenses issued by this bureau are renewable in September of even-numbered years. The Bureau of Furniture and Bedding Fund is operated on a two-year basis. For the two years ending with 1965-66, expenditures from the fund have exceeded income.

Licensing Program

There are 13 types of licenses issued with no person engaging in listed activity without an appropriate license. The number of licensees, actual or estimated, is tabulated by fiscal year below.

<i>Fiscal year</i>	<i>Licensees</i>
1961-62	20,443
1962-63	19,788
1963-64	22,355
1964-65	20,745
1965-66 (est.)	23,000
1966-67 (est.)	23,000

Enforcement Program

The enforcement program has two parts—licensee discipline and laboratory testing. Discipline enforcement includes complaint investigation, hearings, suspension or revocation of licenses and criminal prosecutions. The bureau's laboratory conducts continuous testing of materials. Enforcement workload is tabulated below.

<i>Fiscal year</i>	<i>Inspections/ investigations</i>	<i>Hearings/ prosecutions</i>	<i>Corrective actions</i>	<i>Samples analyzed</i>	<i>Labeled incorrectly</i>	<i>Unfit for use</i>
1962-63	28,085	56	1,948	2,157	563	166
1963-64	28,100	28	1,408	2,098	1,146	176
1964-65	27,578	539	2,439	1,793	788	99
1965-66 (est.)	28,000	450	2,500	1,800	800	100
1966-67 (est.)	28,000	450	2,500	1,800	810	100

The bureau requests the following new position:

1 *Intermediate typist-clerk (budget page 788, line 31)* ---- \$4,344

The bureau contends that it has increased enforcement activity and is faced with sufficient added paperwork to require an added clerical position. The added activity does not show up in performance statistics except in the forward estimates. In our view it would appear more economical to reduce paperwork and then come to the Legislature for added positions. No showing is made that such efforts have been accomplished.

In our judgment the need for the proposed position has not been justified.

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

Item 228

Professional and Vocational Standards

Department of Professional and Vocational Standards

BOARD OF GUIDE DOGS FOR THE BLIND

ITEM 228 of the Budget Bill

Budget page 789

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

Amount requested -----	\$3,101
Estimated to be expended in 1965-66 fiscal year -----	2,439
Increase (27.1 percent) -----	\$662
Increase to improve level of service -----	\$500

TOTAL RECOMMENDED REDUCTION ----- \$500

Summary of Recommended Reductions

	Amount	Budget Page	Line
Reduce traveling in-state -----	\$500	789	76
Recommend transfer of agency to the Department of Social Welfare or Department of Rehabilitation			

GENERAL PROGRAM STATEMENT

The function of the Board of Guide Dogs for the Blind is to regulate the activity of those persons who train, sell, hire, or operate in the business of supplying guide dogs for the blind. It consists of five members appointed by the Governor. The Superintendent of the School for the Blind and the Director of the Rehabilitation Department are ex officio members of the board.

The board has no staff, secretarial work is supplied by the Department of Rehabilitation and the Department of Professional and Vocational Standards.

The agency has issued only 16 licenses.

ANALYSIS AND RECOMMENDATIONS

The board requests \$3,101 which exceeds estimated expenditures for the current year by \$662 or 27.1 percent. A substantial portion of the excess represents a proposed \$500 increase in in-state travel expense.

Administration Program

In its request for fiscal year 1966-67 the board proposes an allocation for in-state travel as follows:

Traveling in-state (budget page 789, line 76) ----- \$1,500

The proposed increase is required by (1) increased travel requirements due to a problem licensee, and (2) to a change in bookkeeping under which this board rather than the ex officio members' agencies is to be charged for such member's travel.

We recommend that this item be reduced to \$1,000 for a saving of \$500.

Appropriate discipline procedures should be instituted against the problem licensee rather than continually traveling in an attempt to resolve the problem.

POLICY OPTION

We renew our recommendation that this activity be attached to the Department of Rehabilitation or to the Department of Social Welfare.

**Department of Professional and Vocational Standards
BOARD OF LANDSCAPE ARCHITECTS**

ITEM 229 of the Budget Bill

Budget page 790

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

Amount requested	\$29,113
Estimated to be expended in 1965-66 fiscal year	29,516
Decrease (1.4 percent)	\$403
 TOTAL RECOMMENDED REDUCTION	 None

GENERAL PROGRAM STATEMENT

The Board of Landscape Architects regulates the practice of the profession within the state. This board is composed of five licensees and one public member appointed by the Governor. The board shares staff with three other units in the department, shorthand reporters, veterinarians and yacht brokers.

The board's activities as contained in the following program: Administrator, licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

For 1966-67, the board has requested \$29,113, which is less than estimated expenditures for the current year by \$403 or 1.4 percent.

Emergency authorizations of \$2,405 in 1964-65 and \$3,570 in 1965-66 were added to appropriations. Small salary increases were added each year. Savings of \$117 are calculated for 1964-65.

Fund Condition

Licenses issued by this board are renewable biennially in February of even-numbered years. Our averaging of the two income and expenditure fiscal years 1965-66 and 1966-67 indicates that for such period of time the State Board of Landscape Architects Fund will be overspending by about \$750 a year.

Administration Program

We place in this program the work of the board and all overhead. We estimate program cost at 20 percent of the budget.

No detailed material is available with which we can measure performance under this program.

The board asks the following personnel extensions:

Board member per diems (budget page 791, line 4)	\$700
Temporary help (budget page 791, line 5)	210

The basis for the requests is that examinations are being increased from an annual to a semiannual pattern.

We recommend approval of the positions as budgeted.

At \$25 a day the added per diem amount provides 28 added days. Approximately 100 days are now used by the six board members.

Item 230

Professional and Vocational Standards

Board of Landscape Architects—Continued

Licensing Program

In order to take the examination for a certificate to practice this profession, an applicant must have six years preliminary training. We estimate that licensing operations comprise about 70 percent of the budget. Workload is tabulated below:

<i>Fiscal Year</i>	<i>Applications</i>	<i>Licensees</i>
1961-62 -----	76	795
1962-63 -----	78	814
1963-64 -----	74	719
1964-65 -----	115	778
1965-66 (estimated) -----	135	828
1966-67 (estimated) -----	140	878

Enforcement Program

Enforcement activity includes complaint investigations, administrative hearings and suspensions or revocation of licenses. We estimate that enforcement activity represents only 10 percent of budget costs.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BUREAU OF MARRIAGE COUNSELORS

ITEM 230 of the Budget Bill

Budget page 792

FOR SUPPORT OF THE BUREAU OF MARRIAGE COUNSELORS
FROM THE MARRIAGE COUNSELORS' FUND

Amount requested -----	\$10,318
Estimated to be expended in 1965-66 fiscal year -----	12,743
Decrease (19 percent) -----	\$2,425

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The Bureau of Marriage Counselors regulates those persons who wish to advertise themselves as marriage, family or child counselors. This bureau is organized under legislation enacted in 1963. It is attached to the office of the director of the Department of Professional and Vocational Standards. Staff work is provided under contract with the Board of Social Work Examiners.

The bureau has three programs—administration, licensing and enforcement. Since this agency has been a part of state government for slightly over a year, the available statistics are of small value for annual comparisons and forecasts. For its first year only the licensing program was activated. During the current year the enforcement program has been placed in operation.

ANALYSIS AND RECOMMENDATIONS

For budget year 1966-67 the sum of \$10,318 is requested for this agency. This amount is less than estimated expenditures for the current year by \$2,425 or 19 percent. As compared to actual expenditures of 1964-65 the proposal shows a gain of \$6,668. The year of 1964-65 was the first full year of operation.

Bureau of Marriage Counselors—Continued

The budget appropriations for 1964-65 and 1965-66 were increased by emergency authorizations of \$2,357 and \$9,845 respectively. The 1965-66 authorization resulted from 1965 legislation increasing fees to provide adequate support for this function. Savings of \$482 are estimated for fiscal year 1964-65.

Licenses are renewed biennially in December of odd-numbered years. The Marriage Counselors' Fund is managed on a biennial basis. Our estimates indicate that income presently exceeds expenditures.

Administration Program

This program includes the activity of the director of the Department of Professional and Vocational Standards and his staff and such items as can be charged to general overhead.

Licensing Program

The activity of the licensing program is relatively simple, the receipt of an application, screening for eligibility, issuance of license upon payment of fee. Beginning workload is tabulated below.

<i>Fiscal Year</i>	<i>Applications</i>	<i>Licenses</i>
1964-65-----	406	1,195
1965-66 est.-----	120	1,300
1966-67 est.-----	100	1,400

The program began in fiscal year 1963-64. In that beginning year 1,016 persons applied for license. It is assumed that most individuals who are required to operate under regulation by this agency are presently licensed.

Enforcement Program

Violations of the law are declared to be misdemeanors. Injunctions may be sought to stop procedures in violation of the law. Licenses may be suspended or revoked.

We recommend approval as budgeted.

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

ITEMS 231, 232 and 233 of the Budget Bill

Budget page 793

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

Amount requested -----	\$1,221,846
Estimated to be expended in 1965-66 fiscal year -----	960,901
Increase (27.1 percent) -----	\$260,945

TOTAL RECOMMENDED REDUCTION----- None

GENERAL PROGRAM STATEMENT

The Board of Medical Examiners consists of 12 members appointed by the Governor, 10 being licentiates of the board, 1 representing the public, and 1 until January 15, 1971, representing the 2,547 osteopaths who merged with the M.D. title in 1963. This board regulates the arts

Board of Medical Examiners—Continued

within the medical practice acts covering physicians and surgeons, drugless practitioners, midwives, dispensing opticians, registered therapists, licensed physical therapists, psychologists, and podiatrists. Regulation in this professional area began in 1876.

The board is headquartered in Sacramento. Its current 24.8 positions are assigned 21 to Sacramento and 1 each to San Francisco and Los Angeles. The board operates two programs, licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

For expenditure during budget year 1966-67 the board is requesting the sum of \$1,221,846 which exceeds estimated expenditures for the current year by \$260,945 or 27.1 percent. The 1966-67 proposals exceed actual expenditures in fiscal year 1964-65 by \$528,413 or 76.2 percent.

The following table indicates various budget changes following legislative appropriation for three fiscal years:

<i>Fund</i>	<i>Original or requested appropriation</i>	<i>Add emergency authorizations</i>	<i>Add salary increase</i>	<i>Estimated or actual savings end of fiscal year</i>
Contingent Fund				
1964-65 -----	\$615,151	\$79,865	\$9,091	\$26,957
1965-66 -----	964,751	--	4,423	22,869
1966-67 -----	1,207,305	--	--	--
Physical Therapy Fund				
1964-65 -----	16,246	841	--	804
1965-66 -----	16,946	--	17	2,367
1966-67 -----	14,541	--	--	--

Fund Condition

The board administers two funds for three groups of licensees. The Contingent Fund covers the Medical Practice Act and the registered physical therapists, though there is separate accounting for each group within the fund. The Physical Therapy Fund is administered for the licensed physical therapists. Renewal of licenses, the principal fund revenue, occurs in March of even-numbered years. License fees have been increased to offset increased expenditures now proposed by the board. We have reviewed income and expense as estimated for the two funds by the board and find that for both funds income exceeds expense on a current annual basis.

Licensing Program

The licensing program includes such activities as specifying courses of study, accrediting medical schools, determining qualification of applicants, examination and certification, license renewal. Three special examining committees are attached to this board. They are listed below together with the number of Governor-appointed members:

<i>Examining committee</i>	<i>Number of members</i>
Podiatry Examining Committee -----	6
Psychology Examining Committee -----	8
Physical Therapy Examining Committee -----	5

Board of Medical Examiners—Continued

Licensing program workloads for the five practice acts is as follows:

<i>Fiscal year</i>	<i>Total new applications</i>	<i>Total licenses</i>
1962-63 -----	3,247	53,498
1963-64 -----	3,329	54,476
1964-65 -----	3,445	57,814
1965-66 est. -----	3,696	58,624
1966-67 est. -----	4,015	61,013

Enforcement Program

Enforcement and discipline activity includes: complaint investigation, accusations and hearings, cooperation with state and local agencies on cases, suspension or revocation of licenses, prosecution in court.

Chapters 1456 through 1460, Statutes of 1965, strengthened and changed the discipline provisions of the medical practice acts. Five district committees operating in areas which parallel those of the state's five district courts of appeal are to be appointed by the Governor. The board will assign discipline matters to the committees which will hold hearings and recommend action to the board.

To implement the above legislation the board has requested the following authorizations:

<i>Board member per diem (budget page 793, line 62) -----</i>	<i>\$6,000</i>
<i>District Review Committee—per diem (budget page 793, line 63) -----</i>	<i>22,500</i>
<i>1 Medical consultant (budget page 793, line 66) -----</i>	<i>12,696</i>
<i>1 Special consultant (budget page 793, line 65) -----</i>	<i>20,000</i>
<i>1 Intermediate stenographer (budget page 793, line 67) -----</i>	<i>4,800</i>
<i>2 Intermediate typist-clerk (budget page 793, line 68) -----</i>	<i>9,250</i>
<i>Temporary help (budget page 793, line 69) -----</i>	<i>3,510</i>

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF NURSING EDUCATION AND NURSE REGISTRATION

ITEM 234 of the Budget Bill

Budget page 796

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

Amount requested -----	\$630,920
Estimated to be expended in 1965-66 fiscal year -----	583,561
Increase (8.1 percent) -----	\$47,359

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The Board of Nursing Education and Nurse Registration regulates the practice of "registered nurses" in California. The board consists of six licensees and a member representing the public. Members of the board's staff are assigned 21 to Sacramento, 5 to San Francisco, and 7 to Los Angeles. Nursing was once regulated by the Department of Public Health but since 1939 regulation has been by this board.

Item 234**Professional and Vocational Standards****Board of Nursing Education and Nurse Registration—Continued**

Two programs—licensing and enforcement—encompass the work of this board.

ANALYSIS AND RECOMMENDATION

The board is requesting \$630,920 for expenditure in budget year 1966-67. This amount exceeds estimated expenditures in the current year by \$47,359 or 8.1 percent and actual expenditures in past fiscal year 1964-65 by \$93,816 or 17.4 percent.

Salary increases of \$7,880 in 1964-65 and \$8,892 in the current year were the only augmentations to the budget act appropriations for the two fiscal years. Savings of \$36,794 for 1964-65 and estimated current year savings of \$22,522 are noted as reductions in proposed expenditures for the two-year period.

Fund Condition

License renewals are on a biennial basis being renewable on the licensee's birthday. This system divides the licensing load and has the effect of putting fund management on an annual basis. We have previously called attention to a pattern of overexpenditure by this agency. The estimated expenses will exceed renewal income in the budget year.

Licensing Program

Under its licensing program the board prescribes courses of study, accredits schools, examines applicants, issues and renews licenses. To its qualifying procedures the board has added an applicant fingerprint requirement at an estimated cost of \$32,000 covering 14,000 applicants. The initial financing of this requirement is reflected in the proposed 1966-67 budget.

Increased clerical workload resulting from the fingerprint requirement was met by an administrative adjustment during the current year which reduced board per diems by 0.8 or \$3,800 and transferred the identical amount of dollars to temporary help. The board now seeks a temporary help authorization.

0.8 Temporary help (budget page 797, line 14) ----- \$3,800
We recommend approval.

Licensing program workload is tabulated below:

<i>Fiscal year</i>	<i>Schools and extended campuses</i>	<i>New applications received</i>	<i>Renewable licensees</i>
1961-62 -----	277	11,694	104,512
1962-63 -----	320	12,820	109,526
1963-64 -----	353	13,995	113,728
1964-65 -----	414	13,751	118,526
1965-66 est. -----	425	14,000	122,000
1966-67 est. -----	445	14,500	126,000

Enforcement Program

Under the Nursing Practice Act some unlawful acts are subject to fine or imprisonment or both. Other acts are considered unprofessional or unethical.

We recommend approval of the item as budgeted.

Department of Professional and Vocational Standards

BOARD OF OPTOMETRY

ITEM 235 of the Budget Bill

Budget page 798

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

Amount requested	\$69,792
Estimated to be expended in 1965-66 fiscal year	69,275
Increase (0.7 percent)	\$517

TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

The Board of Optometry regulates the teaching and practice of optometry in California. It consists of five licensees and one member representing the public. The staff is composed of two full time employees located at Sacramento.

The board conducts its activities under two programs: licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

The board requests \$69,792 for expenditure during budget year 1966-67. This is \$517 or 0.7 percent more than estimated expenditures for the current year and \$3,204 or 4.8 percent more than actual expenditures during past fiscal year 1964-65.

Fund Condition

License renewal income is received by the State Optometry Fund in February of odd-numbered years. The budget shows that income to the fund exceeds expense on a current annual basis.

Licensing Program

Courses of study are prescribed and schools are accredited. Certificates are issued after examination. Certificates must be registered with the county clerk in counties of practice.

Licensing program workload is tabulated below:

<i>Fiscal year</i>	<i>Applications</i>	<i>Renewable licenses</i>	<i>Branch offices</i>
1961-62	107	2,735	227
1962-63	98	2,685	216
1963-64	101	2,764	216
1964-65	108	2,746	219
1965-66 est.	110	2,750	219
1966-67 est.	115	2,760	219

Enforcement Program

Violations of the law classed as misdemeanors are prosecuted in court. Improper conduct may result in hearings with penalties of suspension or revocation of license.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF OSTEOPATHIC EXAMINERS

ITEM 236 of the Budget Bill

Budget page 799

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

Amount requested	\$11,010
Estimated to be expended in 1965-66 fiscal year	14,402

Decrease (23.5 percent)	\$3,392
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TOTAL RECOMMENDED REDUCTION	None
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GENERAL PROGRAM STATEMENT

The Board of Osteopathic Examiners is conducting a caretaker operation. The last remaining staff position is being abolished in the budget year. Only an estimated 375 licensees of this board will be current in the budget year.

Osteopaths were once regulated by the Medical Board. Their own examining board was created by an initiative measure in 1922. Law amendments in 1962 permitted osteopaths to transfer to the Medical Board with more than 2,500 making such transfer. Osteopathic and medical training have been substantially parallel for many years. No new osteopaths are being licensed.

The board has two reduced programs: licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

The board requests \$11,010 for expenditure during budget year 1966-67. This is \$3,392 or 23.5 percent less than estimated expenditures for the current year and \$13,734 or 55.5 percent less than actual expenditures for fiscal year 1964-65.

Fund Condition

The Contingent Fund of the Board of Osteopathic Examiners receives renewal revenues annually. Revenue for the budget year is estimated at \$9,455 and expense as \$11,010. We are informed that a fee increase designed to produce approximately \$9,375 will be sought at the 1966 legislative session.

The licensing program is now limited to renewal of existing licenses of which there are less than 400. The enforcement program is limited to discipline matters within the small remaining number of licensees.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF PHARMACY

ITEM 237 of the Budget Bill

Budget page 801

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

Amount requested	\$507,318
Estimated to be expended in 1965-66 fiscal year	509,189

Decrease (0.4 percent)	\$1,871
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TOTAL RECOMMENDED REDUCTION	None
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Board of Pharmacy—Continued

GENERAL PROGRAM STATEMENT

The Board of Pharmacy regulates the professional and business practices of pharmacists, pharmacies, and the manufacturers and wholesalers of drugs. It likewise regulates the sales of certain items such as poisons and dangerous drugs. Regulation dates from 1891.

The board consists of seven pharmacists and one member representing the public. Headquarters is at San Francisco and the staff is assigned 13 to San Francisco, 10 to Los Angeles, and 1 to Fresno.

Two programs, licensing and enforcement, are conducted by this board.

ANALYSIS AND RECOMMENDATIONS

The board is requesting \$507,318 for expenditure during the 1966-67 budget year, which is \$1,871 or 0.4 percent less than estimated expenditures for the current year and \$42,226 or 9 percent greater than actual expenditures for fiscal year 1964-65.

The \$437,584 budget appropriation was augmented \$15,460 for salary increases and \$13,361 by an emergency authorization in 1964-65. Savings of \$1,313 were realized.

The current year appropriation of \$470,467 has been augmented \$9,896 for salary increases and \$29,853 for emergency purposes. Savings are estimated at \$1,027.

Fund Condition

Pharmacists renew licenses in November of odd-numbered years. Pharmacy licenses are renewed annually in January. Our review of the Pharmacy Board Contingent Fund indicates that on a current annual basis fund revenues are exceeding fund expenditures.

Licensing Program

Applicants are examined and registered, and stores are licensed. Permits to sell certain items are issued.

Tabulated below is the board's recent licensing program experience:

<i>Fiscal year</i>	<i>New applications</i>	<i>Renewable licenses</i>
1961-62 -----	589	20,425
1962-63 -----	668	21,140
1963-64 -----	670	20,589
1964-65 -----	666	21,257
1965-66 est. -----	700	21,300
1966-67 est. -----	750	21,500

Enforcement Program

The board conducts its own inspections but employs the department's division of investigation to make its investigations. Following is a tabulation of enforcement activity:

<i>Fiscal year</i>	<i>Inspections</i>	<i>Investigations</i>
1962-63 -----	9,069	403
1963-64 -----	8,070	283
1964-65 -----	10,132	312
1965-66 est. -----	10,000	300
1966-67 est. -----	10,150	300

We recommend approval of the item as budgeted.

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

ITEM 238 of the Budget Bill

Budget page 802

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

Amount requested \$119,282
Estimated to be expended in 1965-66 fiscal year..... 118,081

Increase (1.0 percent)..... \$1,201

TOTAL RECOMMENDED REDUCTION..... None

GENERAL PROGRAM STATEMENT

The Bureau of Private Investigators and Adjusters regulates the business practices of private investigators, adjusters and repossessioners. The bureau currently is being operated by the department's chief deputy director. Bureau administrative duties are discharged by departmental administration. The five authorized positions are assigned to Sacramento.

The bureau has two programs, licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

The bureau has requested \$119,282 for expenditure in budget year 1966-67 greater by \$1,201 or 1 percent than estimated expenditures for the current year and greater by \$242 than actual expenditures in fiscal year 1964-65.

Fund Condition

License renewal fees reach the Private Investigator and Adjuster Fund in July of even-numbered years. Income to the fund is short of the current fund expenditure level on an annual basis.

Licensing Program

This program includes receipt of applications, examination of principals, registration of employees. The following table shows bureau workload.

<i>Fiscal year</i>	<i>New applications</i>	<i>Renewable licenses</i>
1961-62	285	1,593
1962-63	372	1,506
1963-64	324	1,550
1964-65	403	1,725
1965-66 est.	410	1,726
1966-67 est.	375	1,800

During the current year the bureau has abolished one position of intermediate typist clerk. It proposes the following authorization:

0.1 Temporary help (budget page 803, line 4) \$500

The temporary help position is requested for typing examinations and furnishing examination proctors.

Bureau of Private Investigators and Adjusters—Continued
Enforcement Program

The enforcement program is carried on through administrative hearings and court prosecutions of violations.

We recommend approval as requested.

Department of Professional and Vocational Standards
CERTIFIED SHORTHAND REPORTERS' BOARD

ITEM 239 of the Budget Bill

Budget page 804

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

Amount requested	\$33,693
Estimated to be expended in 1965-66 fiscal year	32,313
Increase (4.3 percent)	\$1,380
TOTAL RECOMMENDED REDUCTION	\$225

Summary of Recommended Reductions

	Amount	Budget Page	Line
Board member—per diems	\$225	804	39

GENERAL PROGRAM STATEMENT

The Certified Shorthand Reporters' Board regulates the professional practice of individuals possessing a certificate from the board. The board is headquartered at Sacramento and consists of three licensees and two attorneys all appointed by the Governor. Staff services are shared with the landscape architect, veterinarian and yacht brokers boards. One clerical position is charged to the shorthand reporters' board.

There are two programs pursued by this board: licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

For the budget year the board requests \$33,693 which exceeds estimated current year expenditures by \$1,380 or 4.3 percent and the actual expenditures in past fiscal year 1964-65 by \$3,432 or 11.3 percent.

Budget changes following appropriations for the past and current years are reported as follows. In 1964-65 a salary increase of \$132 and an emergency authorization of \$4,596 were added and savings of \$608 were realized. In the current year salary increases of \$145 and an emergency authorization of \$1,481 were added and no savings are anticipated.

Fund Condition

License renewal revenues are received by the Shorthand Reporters' Fund in May of odd-numbered years which means that the fund operates on a two-year cycle. We have reviewed fund estimates and balances and find that income currently exceeds expense on an annual basis.

Item 240**Professional and Vocational Standards****Certified Shorthand Reporters' Board—Continued**

The board seeks an added \$225 in per diem on the basis of anticipated legislative activity in the 1967 General Session of the Legislature.

Board member—per diem (budget page 804, line 39) ----- \$225

We recommend deletion of this item for a saving of \$225.

The appropriation is sought on "anticipated" or contingent legislative activity which may or may not take place. There is no identification of a prospective legislative program sponsored by the board.

Licensing Program

For many years the courts regulated the conduct of court reporters. The present board and certification procedures date from 1951. Examinations are now given twice a year.

The following table presents recent licensing workload figures:

<i>Fiscal year</i>	<i>New applications</i>	<i>Renewable licenses</i>
1961-62 -----	233	968
1962-63 -----	293	951
1963-64 -----	360	1,084
1964-65 -----	377	1,124
1965-66 est. -----	400	1,224
1966-67 est. -----	425	1,325

Enforcement Program

Unlicensed use of the title "certified" is a misdemeanor. Most other violations of the act may be handled by administrative hearings and suspension or revocation of a certificate.

Department of Professional and Vocational Standards**BOARD OF SOCIAL WORK EXAMINERS**

ITEM 240 of the Budget Bill

Budget page 805

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

Amount requested -----	\$31,480
Estimated to be expended in 1965-66 fiscal year -----	30,926

Increase (1.7 percent) -----	\$554
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TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL PROGRAM STATEMENT

The Board of Social Work Examiners conducts a noncompulsory regulatory activity under which social workers may take an examination and secure a certificate permitting them to be called "registered social workers."

The board consists of seven members appointed by the Governor. Staff consists of two positions assigned to Sacramento, the board's headquarters. By agreement this agency administers the marriage counselor program.

This board has two programs: licensing and enforcement.

Board of Social Work Examiners—Continued

ANALYSIS AND RECOMMENDATIONS

The board is requesting \$31,480 for expenditure in budget year 1966-67. This is \$554 or 1.7 percent greater than estimated expenditures for the current year and \$1,392 or 4.6 percent greater than actual expenditures in 1964-65.

The agency augmented its 1964-65 and 1965-66 budget appropriations with salary increases of \$888 and \$831 respectively. It realized savings of \$4,593 the first year and estimates current year savings at \$2,565.

Fund Condition

Certificate renewal revenues are received by the Registered Social Workers Fund in January each year. Income to the fund exceeds expenditure on the annual basis.

Licensing Program

Under this program is listed certification, examinations and the issuance and renewal of certificates. Licensing workload is tabulated below.

<i>Fiscal year</i>	<i>New applications</i>	<i>Number of renewal licenses</i>
1961-62 -----	244	3,564
1962-63 -----	126	3,590
1963-64 -----	107	3,348
1964-65 -----	182	3,329
1965-66 (est.) -----	190	3,340
1966-67 (est.) -----	200	3,350

Enforcement Program

This program includes investigations and hearings which may result in the suspension or revocation of registration.

We recommend approval.

Department of Professional and Vocational Standards

STRUCTURAL PEST CONTROL BOARD

ITEM 241 of the Budget Bill

Budget page 806

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

Amount requested -----	\$493,580
Estimated to be expended in 1965-66 fiscal year -----	488,245
Increase (1.1 percent) -----	\$5,335

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

GENERAL PROGRAM STATEMENT

The Structural Pest Control Board regulates the business activity of pest control operators. Regulation began in 1935. The board consists of five licensed operators and one member representing the public. Headquarters is in Sacramento. The staff is assigned 21 to Sacramento and 2 to Los Angeles.

Board programs are licensing and enforcement.

Item 241

Professional and Vocational Standards

Structural Pest Control Board—Continued

ANALYSIS AND RECOMMENDATIONS

For budget year 1966-67 the board requests \$493,580 which exceeds estimated expenditures for the current year by \$5,335 or 1.1 percent and actual expenditures in fiscal year 1964-65 by \$25,486 or 5.4 percent.

Augmentations to the 1964-65 budget act appropriation consist of \$4,586 for salary increases and \$62,073 for emergency purposes.

The large augmentation in 1964-65 was composed in major part of data processing and filing improvements for the completion reports added by legislation; and of charges for an upsurge of discipline cases handled by the Attorney General and the Office of Administrative Procedure. Savings of \$16,513 were realized. For the current year augmentations were \$4,690 for salary increases and \$17,946 for emergencies. Savings of \$4,938 are estimated.

Fund Condition

License renewals occur annually in July. Income to the fund also includes penalties and fines as well as filing and certified copy fees for various reports. For the budget year it is anticipated that estimated income will exceed estimated expenditures.

<i>Fiscal Year</i>	<i>Pest Inspection Reports Filed</i>	<i>Completion Reports Filed</i>	<i>Certified Copies Requested</i>
1962-63	280,822	—	94,595
1963-64	320,320	—	95,481
1964-65	331,256	130,407	27,177
1965-66 (est.)	332,250	131,200	6,000
1966-67 (est.)	332,355	131,410	6,000

Certified copies of pest inspection reports are no longer required as part of real estate transactions. This drop in workload has permitted the board to abolish three intermediate clerk positions during the current year.

Licensing Program

Pest control operations are classified in three branches—fumigation, general pest and termites. A number of types of licenses are issued. Principal offices must be registered. Licensing activity is tabulated as follows:

<i>Fiscal year</i>	<i>New applications</i>	<i>Renewable licenses</i>
1961-62	754	3,160
1962-63	955	3,286
1963-64	878	3,577
1964-65	1,232	3,771
1965-66 (est.)	1,235	3,815
1966-67 (est.)	1,275	3,892

To secure added examination assistance the board requests the following:

Commissioner of examination—intermittent (budget page 807, line 33) ----- \$300
We recommend approval as budgeted.

Structural Pest Control Board—Continued

Enforcement Program

Facilities maintained by licensees are inspected. Complaints are investigated, hearings are held from which suspensions or revocations of licenses might result. In order that board members may devote more paid time to the disciplinary workload added per diems are requested for 1966-67.

Board member—per diem (budget page 807, line 32) ----- \$1,800

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF EXAMINERS IN VETERINARY MEDICINE

ITEM 242 of the Budget Bill

Budget page 808

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

Amount requested -----	\$53,525
Estimated to be expended in 1965-66 fiscal year -----	53,678
Decrease (0.3 percent) -----	\$153

TOTAL RECOMMENDED REDUCTION----- None

GENERAL PROGRAM STATEMENT

The Board of Examiners in Veterinary Medicine regulates the professional practice of doctors of veterinary medicine. Regulation began in 1893. The board consists of five licensees and one member representing the public. Staff services are shared pro rata between the landscape architect, shorthand reporter and yacht broker boards.

Programs are licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

For budget year 1966-67 the board is requesting \$53,525 which is less than estimated expenditures for the current year by \$153 or 0.3 percent. The proposal exceeds actual expenditures for fiscal year 1964-65 by \$1,051 or 2 percent.

Small salary augmentations of \$16 and \$17 were made to budget appropriations in 1964-65 and the current year. Emergency authorizations added were for \$14,468 in 1964-65 and \$8,874 in the current year. The \$14,468 authorization in 1964-65 was composed principally of charges by the Attorney General and the Office of Administrative Procedures for work on a single case which is now in the courts. Savings of \$1,374 were realized in 1964-65. No savings are estimated for the current year.

Fund Condition

Licenses are renewed in September of odd-numbered years. We have reviewed income and expense estimates for this fund and find that income exceeds expense on a current year basis.

Board of Examiners in Veterinary Medicine—Continued

Licensing Program

This program includes applicant qualification, examination and issuance of licenses and under Chapter 1376, Statutes of 1965, the registration of veterinary premises. Licensing workload is tabulated below:

<i>Fiscal year</i>	<i>New applications</i>	<i>Renewable licenses</i>
1961-62 -----	152	2,097
1962-63 -----	173	2,173
1963-64 -----	178	2,242
1964-65 -----	207	2,388
1965-66 (est.) -----	250	2,513
1966-67 (est.) -----	250	2,638

The board is requesting the following authorizations to handle the increasing examination problem and to implement the registration program listed above.

Board member—per diem (budget page 809, line 4) ----- \$450
0.5 Temporary help (budget page 809, line 5) ----- 2,226

Enforcement Program

This program includes inspections, handling complaints, suspension or revocation of licenses.

We recommend approval as budgeted.

Department of Professional and Vocational Standards

BOARD OF VOCATIONAL NURSE EXAMINERS

ITEMS 243 and 244 of the Budget Bill

Budget page 810

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

Amount requested -----	\$222,390
Estimated to be expended in 1965-66 fiscal year -----	201,488
Increase (10.4 percent) -----	\$20,902

TOTAL RECOMMENDED REDUCTION ----- None

GENERAL PROGRAM STATEMENT

The Board of Vocational Nurse Examiners, in the budget year, will regulate the professional practice of (1) licensed vocational nurses and (2) psychiatric technicians. Chapter 1373, Statutes of 1965, reactivated the dormant psychiatric technician program which by law is administered by the vocational nurses' board.

The board consist of 11 members appointed by the Governor representing nursing and hospital specialties and including 2 psychiatric technicians. The 9 vocational nurse employees are assigned to Sacramento. Upon reactivation of the psychiatric technician program, \$42,904 out of fund surplus was made available and 3.1 positions were established administratively. Both functions operate under programs of licensing and enforcement.

Board of Vocational Nurse Examiners—Continued

ANALYSIS AND RECOMMENDATIONS

For the budget year of 1966-67 the board requests the following for each function:

Vocational nurse	\$175,432
Psychiatric technician	46,958

The combined request of \$222,390 exceeds estimated board expenditures for the current year by \$20,902 or 10.4 percent.

Fund Condition

Renewal fees for the nurses' licenses are received in July of odd-numbered years. Psychiatric technician license renewals are made in December of each year.

A review of estimated income and expense to the vocational nurses' account in the fund indicates that on a current annual basis, income will exceed budgeted expense. The psychiatric technician operation is still relying on a limited fund surplus. It is too early to depend on estimates of income to this account at this time.

Vocational Nurse Licensing Program

Included in this program are the approval of school courses and examination, issuance and renewal of licenses. Tabulated below is the recent experience of the board under the licensing program.

<i>Fiscal year</i>	<i>Schools and campuses</i>	<i>New applications</i>	<i>Renewable licenses</i>
1961-62	173	1,956	15,962
1962-63	197	2,292	17,115
1963-64	226	3,153	19,341
1964-65	250	3,665	20,185
1965-66 (est.)	271	4,000	22,885
1966-67 (est.)	280	4,200	24,225

The board is requesting the following authorizations to meet workload increases related to the regular nurses' program:

<i>Board member—per diem (budget page 810, line 50)</i>	<i>\$675</i>
<i>0.3 Temporary help limited to June 30, 1967 (budget page 810, line 51)</i>	<i>1,700</i>

Vocational Nurse Enforcement Program

This program includes complaint investigation, hearings and action on license status.

We recommend approval of the amount requested for the Vocational Nurse programs.

Psychiatric Technician Licensing Program

The program includes examination and certification of applicants. Estimates and activity experience are tabulated below:

<i>Fiscal year</i>	<i>New applications</i>	<i>Renewable licenses</i>
1962-63	450	4,995
1963-64	-	3,240
1964-65	-	3,311
1965-66 (est.)	500	6,000
1966-67 (est.)	500	6,000

Item 245**Professional and Vocational Standards****Board of Vocational Nurse Examiners—Continued**

This program became dormant in 1963-64 and staff was abolished and financing was not provided for the ensuing years. Outstanding loans from the General Fund were repaid and a small balance was left in the agency fund. Chapter 1373, Statutes of 1965, reactivated the program and the administering board requests the following authorizations to implement the program:

<i>Board member—per diem (budget page 811, line 17)</i>	-----	\$800
<i>1 Nursing education consultant (budget page 811, line 18)</i>	-----	9,480
<i>1 Senior stenographer (budget page 811, line 19)</i>	-----	5,028
<i>1 Intermediate typist-clerk (budget page 811, line 20)</i>	-----	4,248
<i>0.1 Temporary help (budget page 811, line 21)</i>	-----	400

Psychiatric Technician Enforcement Program

This program will include investigation of complaints, hearings and action upon license status.

We recommend approval of the amount requested for the psychiatric technician programs with the reservation that if it is apparent after the initial fee collection period that operating funds are running short, the program be abolished.

Department of Professional and Vocational Standards**YACHT AND SHIP BROKERS' COMMISSION****ITEM 245 of the Budget Bill****Budget page 812****FOR SUPPORT OF THE YACHT AND SHIP BROKERS' COMMISSION FROM THE YACHT AND SHIP BROKERS' FUND**

Amount requested -----	\$29,205
Estimated to be expended in 1965-66 fiscal year -----	28,543

Increase (2.3 percent) -----	\$662
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TOTAL RECOMMENDED REDUCTION -----	None
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GENERAL PROGRAM STATEMENT

The Yacht and Ship Brokers' Commission regulates the business activity of those engaged in buying and selling yachts and ships. The commission is composed of four licensees and one member representing the public, all members being appointed by the Governor. The commission registrar serves as executive secretary to the landscape architect, shorthand reporter and veterinary medicine boards. Two employees under the sharing arrangement are charged to the commission. Regulation dates from 1935. Two programs are followed by the commission: licensing and enforcement.

ANALYSIS AND RECOMMENDATIONS

For expenditure in budget year 1966-67 the commission has requested \$29,205 which exceeds estimated current year expenditures by \$662 or 2.3 percent and actual 1964-65 fiscal year expenditures by \$5,207 or 21.6 percent.

Yacht and Ship Brokers' Commission—Continued

Fund Condition

Renewal revenue is received in January of each year. We have reviewed this fund's experience and observe that as estimated for both the current and the budget years, expenditures will exceed fee income.

Licensing Program

Licenses are classified into four categories. They are issued following an examination. Recent licensing experience is tabulated below.

<i>Fiscal year</i>	<i>New applications</i>	<i>Renewable licenses</i>
1961-62 -----	368	539
1962-63 -----	357	536
1963-64 -----	311	560
1964-65 -----	459	604
1965-66 (est.) -----	510	654
1966-67 (est.) -----	550	675

Authorization for temporary help equivalent to two weeks of stenographic service is sought by the commission to handle anticipated new licensing workload.

Temporary help (budget page 812, line 77) ----- \$119

Enforcement Program

This program includes complaint investigation and hearings with reference to suspension or revocation of licenses.

We recommend approval as budgeted.

PUBLIC UTILITIES COMMISSION

ITEMS 246, 247, 248, and 249 of the Budget Bill

Budget page 814

FOR SUPPORT OF THE PUBLIC UTILITIES COMMISSION
FROM THE GENERAL FUND AND THE
TRANSPORTATION RATE FUND

Amount requested -----	\$10,046,311
Estimated to be expended in 1965-66 fiscal year -----	9,662,425
•	
Increase (4.0 percent) -----	\$383,886

Increase to improve level of service ----- \$79,575

TOTAL RECOMMENDED REDUCTION

General Fund -----	\$43,880
Transportation Rate Fund -----	16,687

Summary of Recommended Reductions

	<i>General Fund</i>	<i>Transportation Rate Fund</i>	<i>Budget Page</i>	<i>Line</i>
1 Intermediate stenographer -----	\$3,283	\$2,687	815	38
1 Associate utilities engineer -----	13,101	--	815	46
1 Intermediate clerk -----	4,344	--	818	33
1 Engineering examiner -----	13,992	--	815	43
1 Transportation rate examiner -----	--	13,332	815	43
1 Intermediate stenographer -----	4,788	--	815	43
Related expenses -----	4,372	668	815	43
Totals -----	\$43,880	\$16,687		

Public Utilities Commission—Continued
GENERAL PROGRAM STATEMENT

The Public Utilities Commission regulates those business entities defined by law to be public utilities and which are also private entities operated for profit. Publicly owned utilities are not subject to regulation by this commission. The primary purpose of regulation is to insure adequate facilities and services for customers at fair and reasonable rates.

The commission, established in 1911, is composed of five members, appointed by the Governor with the consent of the Senate. Headquarters is in San Francisco. A district office is maintained in Los Angeles and 15 field offices operated by the Transportation Division are located throughout the state. Staff consists of 763.5 positions, a substantial number of which are located in San Francisco.

In fulfilling its duties the commission follows eight programs briefly defined below.

I. Regulation of rates: All rates proposed to be established or changed must be approved by the commission. The program includes utilities and transportation agencies and warehouses.

II. Services and facilities: All proposals for service or facility changes must pass commission scrutiny. The commission may investigate on its own motion. General orders are issued to cover service regulations. These procedures apply equally to utilities and transportation agencies.

III. Licensing and certification: Utilities are granted certificates of convenience and necessity before they may operate. For hire permit carriers must secure licenses before operating upon the public highways.

IV. Safety: The commission reviews and studies utility operations and issues orders to require safety in operation. It supervises safety activities of the railroads. It has responsibility for administering several grade crossing safety programs.

V. Security issues, finance and accounting practices: The commission determines whether or not utilities are soundly financed before permitting security issues and regulates finance and accounting practices.

VI. Enforcement of regulations and penalties: The commission observes compliance through report reviews and may proceed against the utility where noncompliance is found. Highway carrier compliance is observed by the 15 field offices and noncompliance may result in suspension or revocation of licenses, imposition of fines or action in court.

VII. Transportation Rate Fund: Revenue is derived from a \$4 per quarter filing fee and from a quarterly fee of one-third of 1 percent of gross revenues resulting from transportation of freight. Railroads and vessels no longer pay the return on gross revenues.

Public Utilities Commission—Continued

VIII. Just compensation: These proceedings are in the form of evaluation studies where a political subdivision seeks to acquire public utility property. The commission is compensated by the requesting political entity.

ANALYSIS AND RECOMMENDATIONS

For expenditure during fiscal year 1966-67 the commission requests the following amounts:

From the General Fund		
Continuing operations (Item 248)	-----	\$5,283,373
Program augmentations (Item 246)	-----	59,976
From the Transportation Rate Fund		
Continuing operations (Item 249)	-----	4,683,363
Program augmentations (Item 247)	-----	19,599
Total	-----	\$10,046,311

The total proposed expenditures of \$10,046,311 for fiscal year 1966-67 exceed estimated expenditures for the current year by \$383,886 or 4 percent and actual expenditures in past fiscal year 1964-65 by \$1,150,442 or 12 percent.

Transportation Rate Fund

The Transportation Rate Fund during the budget year will provide 46.9 percent of the commission support expenditure. This amount is allocated to those activities which relate to highway carrier regulation. Income to the fund is shown below.

<i>Fiscal Year</i>	<i>Fund Income</i>	<i>Expenditure</i>
1960-61	\$3,446,859	\$3,030,733
1961-62	3,745,694	3,031,254
1962-63	4,056,123	3,255,623
1963-64	4,308,258	3,897,951
1964-65	4,214,162	4,300,368
1965-66 est.	4,160,000	4,632,088
1966-67 est.	4,230,000	4,683,363

As of June 30, 1967, the estimated surplus in the fund will be \$2,102,448.

Commission and Staff Operation

All matters presented to the commission must be evaluated. The staff is, therefore, organized to make studies and recommendations to the commission which has judicial, legislative and administrative powers. A matter filed with the commission will be studied by the Utility Division if it pertains to a utility and by the Transportation Division if it pertains to a transportation agency. If there are financial aspects in the matter, attention to it will be given by the Finance and Accounts Division. The Administrative Division takes care of "housekeeping" activity, the Examiner Division conducts hearings which are recorded by the reporters section, and the Legal Division provides advice to the commission and prosecution in the courts.

Commission workload is expressed in the following two tables, first in the number of entities regulated and secondly in matters filed and concluded.

Public Utilities Commission—Continued

The following table lists the number of companies under commission regulation by year.

<i>Fiscal year</i>	<i>Regulated entities except permit carriers</i>	<i>Permit Carriers</i>
1960-61	1,802	20,620
1961-62	2,001	21,026
1962-63	1,959	21,502
1963-64	2,084	22,585
1964-65	2,167	22,670

The following table shows the amount of business presented to the commission each year and the number of dispositions made.

<i>Fiscal year</i>	<i>Total items filed</i>	<i>Total decisions and orders</i>
1960-61	2,100	2,132
1961-62	1,658	1,809
1962-63	1,623	1,996
1963-64	1,952	2,176
1964-65	1,875	2,224

In order to meet continuous and new workload, the commission is requesting the authorization of the following new positions.

<i>Division and Branch</i>	<i>Number of Proposed New Positions</i>
Administrative Division—Workload	
San Francisco	3
Los Angeles	1
Administrative Division—Program augmentation	
San Francisco	1
Utilities Division—Workload	
Gas and electric branch	1
General engineering branch	1
Stenographic unit	2
Utilities Division—Program augmentations	
Gas and Electric Branch	
Electric section	1
Gas section	1
Finance and Accounts Division—workload	1
Finance and Accounts Division—program augmentation	1
Transportation Division—Workload	
Engineering Operations Branch	4
Rate Branch	4
Data Bank Project	14
Examiner Division—workload	2
Examiner Division—program augmentation	3
Total	40

The following positions are requested for the Administrative Division on a workload basis:

1 Accountant I (budget page 816, line 49)	\$6,120
1 Senior stenographer (budget page 816, line 50)	5,148
1 Intermediate stenographer (budget page 816, line 51)	4,668
1 Senior clerk (budget page 816, line 53)	5,028

The accountant position is being sought to handle workload resulting from Chapter 1644, Statutes of 1965, which requires the commis-

Public Utilities Commission—Continued

sion to administer highway funds for maintenance of grade crossing protection works. One clerical position is requested to aid with the processing of commission resolutions and one is requested for assistance to the personnel officer. The senior clerk position is requested to handle grade crossing protection works matters in the Los Angeles office.

We recommend approval of the workload positions.

Program Augmentation

For improvement in its services the following position is requested for the Administrative Division:

1 Intermediate stenographer (budget page 815, line 38) --- \$5,970

The position is proposed as an addition to the stenographic pool in San Francisco to handle unexpected demands for clerical services by members of the commission and the administrative staff and for clerical relief duties.

We recommend deletion of the proposed intermediate stenographer position for a saving of \$5,970.

It is noted in justification materials supplied by the commission that a commissioner recently needed, but had difficulty in securing, extra clerical help and that the incident was brought to the attention of the Legislature. The proposal is for a standby position resulting in enrichment of clerical services. As presently authorized, there are more than 50 stenographic positions in this division divided between San Francisco and Los Angeles. We have recommended approval of two more in this request. We do not believe the need for the standby position has been justified.

For the Utilities Division the following position request is made on the basis of workload:

1 Senior clerk (budget page 817, line 37) ----- \$5,028

1 Associate utilities engineer (budget page 817, line 39) -- 10,440

2 Intermediate stenographer (budget page 817, line 41) --- 9,336

A clerical position is requested to assist with increased workload in the Tariff Unit. A utilities engineer is requested for work on utility depreciation proposals. These proposals have increased in number and complexity. Two positions are requested for the stenographic pool. *We recommend approval of the four proposed workload positions.*

Program Augmentation

For improvement in its services, the following two positions are requested for the Utilities Division:

2 Associate utilities engineer (budget page 815, line 46) \$26,202

One position is requested for the electric section, due to commission responsibilities in the establishment and administration of a proposed general order promulgating minimum standards for electric service, similar to existing orders for gas and water. This order would be designed to promote better electric standards and service statewide.

Public Utilities Commission—Continued

The other position would be assigned to the gas section for work necessary in regulating gas utilities, establishing therm (100,000 BTUs) rates, studying heating value boundaries and in modernizing gas tariff rules including BTU adjustment steps. This position would permit study of customer density with the possibility of decreasing inequities. The information to be developed would be used in rate level changes and rate level reviews.

We recommend the approval of the engineering position requested for the electric section and the deletion of the engineer requested for the gas section for a saving of \$13,101.

The commission has never had a general order promulgating minimum standards for electric service as it does for gas and water utilities. It is now in the process of formulating an order and on the basis of experience in the other utility areas will require the engineering position.

We can find no adequate justification for the gas section engineering position. Mention is made of the need of the position to "effectively regulate gas utilities" and to carry out functions that have been included in the past as part of the regular activity when workload positions have been requested and approved.

The Finance and Accounts Division seeks one new position on a workload basis:

1 Intermediate clerk (budget page 818, line 33) ----- \$4,344

The commission states that the increased number of financial and accounting reports filed by utilities and carriers has increased workload and requires an added clerical position to the Annual Reports Section.

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

We can find no justification for a clerical position, or any other position, for the reported workload. The workload data supplied by the commission indicates that 33 man-hours were devoted to the processing of annual reports of utilities in 1963-64 and that for 1966-67 fiscal year it is estimated that 57 man-hours will be necessary. Converting these figures, a total of two and one-half months will be needed compared to one and one-half months three years previously. This increase hardly seems to justify a new position.

Program Augmentation

The following position is requested by the Finance and Accounts Division as an improvement in its level of service:

1 Public utilities financial examiner II (budget page 815, line 32) ----- \$10,251

The financial examiner position is proposed for the purpose of increasing the number of Transportation Rate Fund audits of motor carriers' accounts. The current programmed number of audits is 517 a year. The added position would be expected to produce another 133 a year for an operating total of 650. Audits are made to insure that motor carriers are reporting their earnings correctly.

Public Utilities Commission—Continued

We recommend approval of the proposed financial examiner position.

The commission's annual report for fiscal year 1964-65 reviews the rate fund audits for that year. Out of 495 motor carriers audited, 301 or 60.8 percent reported revenues correctly. One hundred ninety-one carriers or 38.5 percent underreported revenue. A fractional percentage of carriers overreported revenue. The position requested potentially should increase revenue to the commission.

The following proposed authorizations are requested for the Transportation Division on a workload basis.

2 Associate transportation engineers (budget page 819, line 72) -----	\$20,880
1 Assistant transportation engineer (budget page 819, line 73) -----	8,604
1 Intermediate clerk (budget page 819, line 74) -----	4,344
1 Senior clerk (budget page 819, line 79) -----	5,028

One engineering position is requested to handle workload resulting from Chapter 736, Statutes of 1965, regulating intrastate airlines. Chapter 1644, Statutes of 1965, requires the commission to administer highway funds for maintenance of grade crossing maintenance works and an engineering position is requested for this responsibility. One engineering position is requested to work on grade crossing safety surveys. A clerical position is requested to assist the traffic engineering section. One clerical position is sought for Analysis Section workload in the Rate Branch. These requests are based upon workload increases and legislation enacted during the 1965 General Session.

The following new positions are requested for implementation of the Data Bank Project in the Transportation Division:

3 Associate transportation rate expert (limited to June 30, 1967) (budget page 819, line 76) -----	\$29,844
1 Principal transportation engineer (budget page 819, line 81) -----	16,212
1 Supervising transportation engineer (budget page 819, line 82) -----	13,992
1 Supervising transportation rate expert (budget page 820, line 5) -----	15,819
1 Associate data processing analyst (budget page 820, line 7) -----	9,948
3 Programmer II (budget page 820, line 8) -----	24,588
1 Data processing technician I (budget page 820, line 9) -----	6,432
5 Key punch operator (budget page 820, line 10) -----	22,260
1 Senior stenographer (budget page 820, line 11) -----	5,148

The Data Bank Program began with an augmentation of the 1963 budget to study the automation of rate making. A feasibility study was completed in 1964-65 and a pilot operation in the current year. The commission, with favorable recommendations from the Department of

Public Utilities Commission—Continued

Finance and the Department of General Services, now proposes to implement the project for permanent operation during fiscal year 1966-67. Staff for data bank is now set at 24 positions. Fourteen of the 24 positions are new requests. The remaining 10 positions will be chosen from among present employees of the commission and then will be reclassified and assigned to the Data Bank Unit. Three expert positions, limited to June 30, 1967, are requested to assist temporarily with the installation of the project. *We recommend approval of the requested 22 workload positions.*

The Examiner Division seeks two new positions on the basis of workload.

2 Intermediate stenographer (budget page 821, line 56) --- \$9,336

The commission states that because of length and complexity of hearings the present staff is unable to meet clerical workload and two new clerical positions are requested. The request is based on a proposed ratio of one clerical to two technical positions. There are presently 27 authorized examiner positions and 12 clerks.

We recommend approval of the two clerical positions.

Program Augmentation

The following three positions and related expense are requested for the Examiner Division for improvement in the level of services rendered:

1 Engineering examiner (budget page 815, line 43)----- \$13,992

1 Transportation rate examiner (budget page 815, line 43) 13,332

1 Intermediate stenographer (budget page 815, line 43) -- 4,788

Related expense (budget page 815, line 43) ----- 5,040

The two examiner and the supporting clerical positions together with related expenses are requested as being necessary to permit reduction in an existing backlog of cases. The Governor's Budget reports this purported backlog as ranging from 637 to 676 with an estimate of 665 cases at the end of 1965-66.

We recommend deletion of the proposed three positions and related expense for a saving of \$37,152.

We have been unable to reconcile the position requests with the workload data which was presented as justification for the requests. We then used the commission's annual reports in an attempt to find a pattern of workload growth that would justify the positions. Again we could find no justification.

Two examiner positions were approved for the 1963-64 fiscal year solely on the basis of reducing the backlog, or pending cases, of 676 shown at the end of the 1962-63 fiscal year. During the 1964-65 fiscal year there was a reduction of filings as compared to 1963-64, yet the backlog was reported to be 642 pending cases on June 30, 1965.

We can find no backlog of unreachable cases. We do find a number of cases which we would label "cases in process and pending at the fiscal year's end."

Public Utilities Commission—Continued

In any operation where cases are filed on a daily basis during a given year there must always be "work in process at the year's end" since cases filed a few weeks or days or even months prior to the year's end cannot normally be processed before the termination of the annual period. These then are "pending cases." At the end of 1959-60 fiscal year the backlog was reported to be 700 cases.

We can find no meaningful statement as to what the backlog or pending cases truly represents in terms of not providing adequate service to the public.

RESOURCES AGENCY ADMINISTRATOR

ITEM 250 of the Budget Bill

Budget page 824

FOR SUPPORT OF THE RESOURCES AGENCY ADMINISTRATOR FROM THE GENERAL FUND

Amount requested	\$163,967
Estimated to be expended in 1965-66 fiscal year	124,566

Increase (31.6 percent)	\$39,401
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Increase to improve level of service	\$24,000
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TOTAL RECOMMENDED REDUCTION	\$10,000
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Summary of Recommended Reductions

	Amount	Budget Page	Line
Eliminate Redwood Road Commission	\$10,000	824	59
Eliminate Coordination of Recreational Programs, \$23,788, payable from the Federal Land and Water Conservation Fund		824	44
Eliminate Study of Recreation Economies, \$75,000, payable from the Federal Land and Water Conservation Fund		824	40
Transfer the following programs to the Department of Parks and Recreation, payable from the Federal Land and Water Conservation Fund:			
Recreation Program Evaluation, \$50,000		824	59
Maintenance of California Outdoor Recreation Plan, \$65,000, and finance from the General Fund		824	32
Accounting Services, \$13,000		824	53
Eliminate maintenance of Fish and Wildlife Plan, \$40,000, or finance from the Fish and Game Preservation Fund		824	47

GENERAL PROGRAM STATEMENT

The Resources Agency was established by Chapter 2037, Statutes of 1961. Under the direction of the administrator, it provides overall coordination and guidance in behalf of the Governor over the resources programs of the state. Included in the agency are the departments of Water Resources, Parks and Recreation, Conservation, Fish and Game, and a number of smaller boards and commissions.

ANALYSIS AND RECOMMENDATIONS

The budget for the office of the Resources Agency Administrator provides for the administrator, an assistant administrator, a resources planning coordinator, a recreation planning coordinator, a federal project coordinator and five secretaries. The total expenditure for the