

SECTION IV

REPORT TO THE LEGISLATIVE BUDGET COMMITTEE ON THE 1945-47 BUDGET AND THE BUDGET BILL

"General Analysis of the California Budget
for the 1945-47 Biennium"

By ROLLAND A VANDEGRIFT, Legislative Auditor

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Introduction

In previous sections of this report we have presented various phases analyzing the Governor's Budget for 1945-47. We have pointed out how far we believe it falls short of meeting the constitutional requirement for an Executive Budget. We have indicated by careful analysis of the Governor's Budget Message and his biennial message to the Legislature what the additional expenditures he has recommended will cost. We have pointed out how the actual expenditure program for the Biennium 1945-47 will exceed the Governor's Budget. We have analyzed the matter of the Governor's interpretation of uncontrollable expenditures and the differences we find from this interpretation, both as to constitutional requirement and continuing legislation. We have analyzed and explained the Governor's responsibility in relation to the Budget Document and the Budget Act or the Appropriation Bill. We have explained that the Legislature only enacts into law the Appropriation Bill, and the Budget has no effect or control other than what use the Governor and his Budget Staff choose to make. We have explained that the Appropriation Bill is the property of the Legislature and it can be made into any form the Legislature desires. We have explained how the controllable amount in the Budget, as viewed by the Legislature, is at least 50 per cent greater than can be considered controllable by the Governor. *We have given specific recommendations for legislative action on all of the above matters, where either economy or efficiency could be produced, or where we felt that the Legislature should exercise greater financial control.*

The following analysis of the Budget and the Budget Bill for 1945-47 is an analysis of these documents as presented to the Legislature by the Chief Executive. They cover the amounts as presented in these documents and it is not on the basis of our interpretation of what we feel they should contain. We are herein using the documents as presented to the Legislature and as they are before the several committees.

In making this analysis, we are following the items in the Budget Bills (Assembly Bill No. 500 and Senate Bill No. 294) which are identical bills. Since the Assembly Ways and Means Committee will be acting on the Assembly bill first, we are referring specifically to the sections in that bill, and not referring to the corresponding Senate Bill, so as to economize both time and space.

1. OVER-ALL ANALYSIS OF THE 1945-47 BUDGET

Budget Reaches All-Time High

The Budget totaling \$683,710,643 is the highest in the history of the State. This represents an increase of \$96,362,997, or an increase of 16.4 per cent over the actual and estimated expenditures for 1943-45 Biennium, but since the actual expenditures for 1943-45 will in our opinion be at least \$15,000,000 less than the estimated and actual expenditures, the Budget really represents an increase of approximately \$111,362,997 or 18.96 per cent increase over the actual expenditures for the current biennium.

We have previously pointed out that in this instance we are comparing the Budget for 1945-47 with the actual and estimated expenditures for the current biennium which not only include the additions to the original Budget made by the Regular Session of 1943, but also the additions made by the four special sessions. This is an increase of \$219,763,638 or 47.3 per cent over the grand total of the original 1943-45 Budget as presented by the Governor. The Budget for 1945-47 exceeds the expenditures for the prewar Biennium 1939-41 excluding relief expenditures by \$198,580,045 or 40.9 per cent.

The 1945-47 Budget calls for an expenditure for the biennium of an average of \$81.01 for every man, woman and child in the State as compared with \$74.15 for the 1943-45 Biennium for actual and estimated expenditures. When special appropriations are all in, this will be substantially larger.

The table on the following page summarizes the general upward trend in State expenditures for the biennial periods 1937-39 to 1945-47, inclusive. These have been reduced to a per capita figure and are particularly significant when we keep in mind that the 1945-47 is a Budget estimate while the figures for the prior bienniums are actual expenditures.

STATE EXPENDITURES FOR THE BIENNIAL PERIODS
1937-39 TO 1945-47 INCLUSIVE

Biennial periods	Population as of December 31 ¹		Total	Expenditures ²	Amount after deducting unemployment relief	Percentage change in total amts. from 1937-39	Biennial per capita amounts
	Year	Number		For unemployment relief			
1937-38 -----	1938	6,755,000	\$528,227,629	\$75,890,996	\$452,336,633	xx	\$78 19
1939-41 -----	1940	7,000,000	562,248,252	77,118,297	485,129,955	6.4	80 32
1941-43 -----	1942	7,510,000	510,229,122	1,980,640	508,248,482	-3.4	67 93
1943-45 -----	1944	7,920,000	587,347,003 ³	none	587,347,003	11.1	74 15
1945-47 -----	1946	8,440,000	683,710,000 ⁴	none	683,710,000	29.4	81 01

¹ Source: Governor's Budget for 1945-47, page A-8, for population figures from 1938 to 1941 inclusive, and State Reconstruction and Reemployment Commission for 1944 and 1946 population estimates. These two latter estimates represent the mid points between the high and low population estimates of the Reconstruction and Reemployment Commission.

² Sources: Governor's Budget Documents.

³ Represents actual and estimated expenditures for the biennium ending June 30, 1945.

⁴ Represents the grand total of estimated and proposed expenditures given in the 1945-47 Budget.

Preparation of the Budget

We have previously explained the procedure followed in making the Budget and the extent of participation of the Legislative Auditor. We believe that this cooperation aided in not only reducing the Budget but in a better distribution of expenditures. We wish to point out here, however, that many improvements can be made in budgetary procedure which will have the effect of not only improving the Budget and smoothing out irregularities but will also provide the Legislature with more complete information.

While this Budget for 1945-47 was prepared in the same manner as the previous one for 1943-45, this procedure leaves much to be desired in the evolutionary improvement in the budgeting of the State of California. We contend that California already has one of the best Budget laws, Budget documents and budgetary procedure. This, however, should be continuously improved. Following are suggestions for improvement:

(a) We believe that the actual sums appropriated by the Budget Act and subsequent special appropriations for the several departments and agencies of the State should be shown in the Budget Document so as to give actual comparisons and show savings and additions.

(b) Proposed expenditures for the Budget are based primarily upon the actual expenditures of the first fiscal year of the prior biennium and the actual and estimated of the second fiscal year. The actual and estimated expenditures of the second fiscal year are in general the annual budget allotments set up by the Department of Finance in their annual Budgets and generally they will be found to be in excess of the actual expenditures of the previous fiscal year. They do not show additions or savings that will undoubtedly be made during the actual expenditure program. The work load of the Department of Finance, Division of Budgets and Accounts, at this particular time reaches a peak and makes it impossible to refine these figures. As a result, the excesses in the actual and estimated figures for the second year of the current biennium are carried over into the Budget for the coming biennium. This has been continued in the 1945-47 Budget. We believe these estimates should be further refined and possible savings and other adjustments shown.

(c) As indicated in (b), proposed expenditures are based primarily on the expenditures and actual and estimated expenditures of prior fiscal years. Obviously under this arrangement past errors in expenditures are carried forward and generally perpetuated. The elimination of these errors is the exception rather than the rule. There is a continuous endeavor to eliminate them and, in some instances, this is accomplished for the budget of an entire function but it is not generally accomplished.

(d) Generally allowances for new personnel or new positions in the Budget for a given biennium are based primarily upon the number of positions existing in the immediate prior fiscal year at the time the Budget is being prepared. Seldom is there an analysis of the work-load or of just how many employees are really necessary. This is not always true. In some departments, such as Institutions, the work-load has been determined and has been used for many years in considering the Budget. However, under this general procedure a substantial

number of positions have been created shortly before the Budget preparation period and for relatively short periods of service and these are frequently continued without careful review as to their necessity over the entire biennial period. This condition will probably continue until individual reviews are made of the personnel needs and the work-loads in the several activities of the State. In preparing the 1945-47 Budget there was no really adequate comparison of the number and types of proposed personnel with satisfactory evidence in hand. There was a strict endeavor to hold down positions where vacancies had existed but this did not carry over generally where employees were on military leave.

(e) In the Budget for 1945-47 a particular problem in relation to personnel is apparent. Because of the war conditions, many of the positions shown as existing in the present fiscal year of the current biennium (1944-45) are vacant and many of these have been vacant for a considerable time. In many instances they will not be filled. The increase shown for personnel for the Budget 1945-47 is likewise a Budget for positions. In this there are two possibilities that are uncertain. First, all of the existing vacant positions may not be filled as long as the war manpower stringency exists, and in fact, should there be greater demand on manpower, there may even be more vacancies. Likewise, these vacancies may extend over a longer period than anticipated in the Budget, this anticipation being for not more than the first fiscal year of the biennium. The second uncertainty is respecting returning military personnel to positions they formerly occupied. The Budget is set up on the basis that these will gradually return and that all of the positions of this nature will be filled for the last fiscal year of the biennium. It now appears that the war will extend longer than was estimated when the Budget was prepared. It also appears that the Army fighting in Europe will not be returning in any large proportions at the end of the war in Germany but will go on East and engage in the conflict against the Japanese. This will mean that no large body of military personnel will be returning until the war with Japan is over. The only exception will be those State employees in the military service that are discharged. While this is increasing, it will not include any large proportion of the military leave positions. It is now apparent that there is over-budgeting for the filling of these positions. For these two reasons, therefore, there is provision for more personnel in the Budget than will be available or apparently will be required.

There is also in many places in the budget the establishment of positions to provide for those persons put on during the war period who replaced employees on military leave so that these may be retained and the military personnel given positions when they return.

The Budget Committee has definitely gone on record that no positions above-present occupied positions shall be filled for the coming biennium unless each and every position can be justified. To carry this into effect, and to produce a savings on personnel that will accrue because of vacancies and that should accrue where personnel is not required, and based on the further assumption that the services now rendered by the State

government in this period of war have been satisfactory on the whole to the people, we make the following definite recommendations:

1. That the Budget Document itself should in the future be made to show, in addition to the number of positions authorized, the number of actual vacancies for the total and for each class or position, and it should indicate each position that has been vacant more than 90 days.
2. It should likewise indicate those positions that have been created on a one time basis or for some special reason, such as positions created in the office of the Insurance Commissioner to make a one time survey of compensation insurance. Similar examples can be found in other departments.
3. We recommend for this Budget that the money required to continue positions authorized, but now vacant, through the coming Biennium 1945-47 be calculated for each department and agency, and likewise the amount of money required to provide new positions, including positions to be filled by personnel on military leave, and that this money be placed in a special fund. Provide that it cannot be spent by any department or agency of the State except for a position that has specifically been approved by the Department of Finance as necessary at the particular time when an employee can be secured to fill it. Moreover, that the specifications for this position shall not be changed so that the position is different than that which is required. Provide, however, that if new positions are authorized by the Department of Finance to completely replace other positions, that the money to pay them be allowed if in the opinion of the Department of Finance they are to perform substantially the work that was intended for a position set up in the Governor's Budget. It is, of course, expected that money for operations and equipment which will not be required for the reason that personnel was not employed, will likewise be saved by the operations of the Department of Finance.

(f) The preparation of the Budget has not been preceded by sufficient studies of particular programs and activities of the State with respect to their wisdom, efficiency and economy, and adequacy of organization. Some larger progress has been made in the last two years in this. We recommend that as an aid to effective preparation and administration of the Budget, there needs to be more continuous studies of the following:

1. The cost analysis of the several State functions, the operation of these functions and unit costs of services.
2. The adequacy of administrative organization and administrative procedure in different sections of the State service with a view of eliminating duplication and overlapping activities by different branches of the State service, as well as unnecessary and complicated procedure.
3. The use of materials and equipment, including automobiles, and cost analysis of travel expense for the different State agencies.

Such studies will build up a body of knowledge from which reasonably adequate yardsticks may be constructed, so as to measure the reason-

ableness of particular Budget requests. This will eliminate the present excessive reliance upon prior expenditures as a basis for budgetary action. Some States, notably New York, have already set up a good organization pattern for the initial phases of budgeting. Its budget agency includes a division of research and a management unit to aid the Budget experts. The research division makes continual studies of State operation with the object of improving methods and increasing efficiency.

Transition Budget From War to Peace

Just as the current Budget for 1943-45 is the first State Budget of World War II, a wartime Budget with many appropriations for war activity, the present Budget for 1945-47 is a transition Budget going from war to peace. However, since it is assumed that the war will last through the first fiscal year of the biennium, we have followed the principles set up by the Budget Committee that economies should still be carried on by every department of the State in order to continue to assist the war effort in every way. We feel that the activities of the several departments of the State should continue curtailment of spending throughout the war period, so as to assist in the war effort.

We have made recommendations in the following analysis in line with the Budget Committee's instructions to this effect.

No New Services Demanding Manpower

In the same spirit we have recommended against the establishment of any new services that will make a demand on manpower in general and that will in particular make a demand on such special services as nursing, medical and dental—where the armed services are in dire need of assistance.

Reduce Demand on Critical Material

We have also recommended against the additional use of critical materials, including paper, which will to a considerable extent interfere with the war effort. In reference to paper, we have recommended the cutting down of printing throughout the Budget, including a material reduction in the printing of free textbooks.

This is Item 79.5 in the Budget Bill and found on pages 784 and 785 of the Budget. It calls for a total appropriation for the biennium of \$1,616,618 as compared with estimated actual expenditure for 1944-45 of \$1,525,644. *We recommend that this be arbitrarily cut to \$800,000 which will be equivalent to eliminating the entire expenditure for the first year of the biennium*, although we are placing in the Fiscal officers and the Director of Education the responsibility of determining whether this shall be entirely eliminated for the first year of the biennium or whether it shall be spread over the two fiscal years. This is a saving of \$816,618.

In the analysis of the several agencies of the State we recommend further reduction in printing costs totaling \$217,865 for the biennium.

We present herewith a schedule covering the expenditures for printing as presented in the Budget for 1945-47 for all of the agencies of the State. In the first column we show the actual expenditures for printing for 1943-44 with such exceptions as are explained in the footnotes. In the second column of figures we show the actual and estimated expendi-

tures for printing for 1944-45. It will be noted that in almost every instance there is a very large increase for 1944-45 over 1943-44.

In some instances it is clear that these increases are not based upon an analysis of the need of the agencies for printing. Furthermore, we have made inquiry into the actual amount that remains available in a number of these agencies for printing and we find that they have no commitments which will consume even a major portion of this sum. This is particularly true when we recognize that this biennium closes June 30, 1945, and the printing plant will be fully engaged between now and that date with legislative printing and in cleaning up a contract with the Federal Government. It will not be in a position to do much of the printing of the departments. Furthermore, there has recently been instituted a reorganization of the State Printing Plant which if carried into effect as proposed should result in a saving on printing for all of the State departments of at least 10 per cent, and in many instances it should be higher. In addition to this we have also examined the printing and the mimeographing over the past several years of several of the departments and agencies of the State and we are fully convinced that a considerable portion of it should never have been produced in the first instance. Secondly, a great deal of it could have been produced more economically both in the use of paper, the style, and the size. Frequently an excessive number of copies have been issued.

For these reasons we have recommended that a considerable saving be accomplished in printing and should be obtained for the Fiscal Year 1944-45. We have estimated this saving in the fourth column at \$79,655. It is possible to exceed this.

In the fifth column we have shown the proposed expenditures for 1945-46 and in the sixth column our recommendations of allowances for this year. In the seventh column we show our estimated saving. This totals \$110,370.

In the eighth, ninth and tenth columns we have done the same thing for the Fiscal Year 1946-47. The saving shown in the tenth column amounts to \$107,495. *The total saving shown in the eleventh column for the biennium totals \$217,865.* This is a saving of only 13.81 per cent. This can be accomplished entirely through more efficient operation and management of the State Printing Plant, and each department can secure everything in printing that it asks for in the Governor's Budget. A larger saving should be accomplished.

The total of our recommended expenditure for 1945-47 for printing for the departments exclusive of school textbooks and exclusive of those departments where we could not segregate it, and where we recommend that the Department of Finance in budgeting make such segregation in the future, amounts to \$1,360,370. This is a slight increase over the total of actual and our recommended expenditures for the 1943-45 biennium amounting to \$4,750.

We wish to point out that the recommended saving in printing for the departments is much less in proportion than was the reduction in the Governor's Budget for printing for the Legislature as compared with prior expenditures for it is almost \$100,000 below previous experience.

STATE OF CALIFORNIA BUDGET
July 1, 1945, to June 30, 1947—Expenditure for Printing

Agency	(1) Actual 1943-44	(2) Estimated 1944-45	(3) Recommended 1944-45	(4) Savings 1944-45	(5) Proposed 1945-46	(6) Recommended 1945-46	(7) Savings 1945-46	(8) Proposed 1946-47	(9) Recommended 1946-47	(10) Savings 1946-47	(11) Total savings by agen. 1945-47
Governor -----	\$1,350	\$2,400	\$2,400	---	\$2,000	\$1,500	\$500	\$2,000	\$1,500	\$500	\$1,000
Lieutenant Governor -----	None	---	---	---	---	---	---	---	---	---	---
Legislature ¹ -----	74,000	313,465	300,000	\$13,465	---	---	---	300,000	300,000	None	---
Legislative Counsel Bureau -----	55	400	100	300	200	100	100	400	200	300	300
Supreme Court -----	500	600	500	100	600	500	100	600	500	100	200
Judicial Council -----	120	1,000	120	880	1,000	120	880	1,000	120	880	1,760
First District Court of Appeal -----	150	300	150	150	300	150	150	300	150	150	300
Second District Court of Appeal -----	145	400	145	255	400	145	225	400	145	255	510
Third District Court of Appeal -----	None	350	150	200	350	150	200	350	150	200	400
Governor -----	1,400	2,400	1,400	1,000	2,000	1,400	600	2,000	1,400	600	1,200
Codification Board (Code) ¹¹ -----	None	40,000	40,000	---	15,000	15,000	---	5,000	5,000	---	---
Codification Board (Reg.) -----	None	None	---	---	5,000	5,000	---	5,000	5,000	---	---
State Employees Retirement System -----	800	700	700	---	1,200	700	500	800	700	100	600
State Personnel Board -----	3,150	3,550	3,150	400	4,300	3,150	1,150	4,300	3,150	1,150	2,300
Reconstruction and Reemployment Comm. -----	900	4,000	3,500	500	7,000	5,000	2,000	5,500	4,000	1,500	3,500
Secretary of State (Adm.) -----	4,150	3,300	3,300	---	4,500	3,800	700	5,000	3,800	1,200	1,900
Secretary of State (Elec. Pamphlets, etc.) -----	7,900	48,000	48,000	---	None	---	---	95,000	85,000	10,000	10,000
Secretary of State (Roster Public Officials) -----	3,350	1,200	1,200	---	1,500	1,500	---	1,500	1,500	---	---
Secretary of State (Collection Agencies) -----	400	500	400	100	600	400	200	600	400	200	400
Department of Agriculture -----	32,000	36,445	32,000	4,445	33,515	32,000	1,515	30,590	30,590	---	1,515
Corrections (Administration) -----	85	600	600	---	1,000	600	400	1,000	600	400	800
San Quentin Prison -----	5,200	3,500	3,500	---	3,500	3,500	---	3,500	3,500	---	---
Adult Authority -----	100	500	500	---	500	500	---	500	500	---	---
Adult Authority (Clinic) -----	---	150	150	---	1,800	1,500	300	1,800	1,500	300	600
Adult Authority Bureau of Parole -----	600	500	500	---	600	500	100	600	500	100	200
Youth Authority -----	2,900	7,300	6,500	800	10,130	6,500	3,630	9,830	6,500	3,330	6,960
Folsom Prison ¹⁵ -----	---	---	---	---	---	---	---	---	---	---	---
Education—Department -----	14,350	15,740	14,350	1,390	17,050	14,350	2,700	17,400	14,350	3,050	5,750
California State Library -----	3,200	3,600	3,200	400	3,600	3,200	400	3,600	3,200	400	800
Chico State College -----	1,600	1,350	1,350	---	1,650	1,350	300	1,750	1,350	400	700
Fresno State College -----	350	650	650	---	700	700	---	1,000	1,000	---	---
San Diego State College -----	1,200	1,575	1,200	375	2,260	1,200	1,060	2,840	1,200	1,640	2,700
Humboldt State College -----	550	650	550	100	650	550	100	650	550	100	200
San Francisco State College -----	1,200	2,375	1,200	1,175	3,000	1,200	1,800	3,600	1,200	2,400	4,200
San Jose State College -----	3,850	3,500	3,500	---	4,450	3,500	950	4,600	3,500	1,100	2,050
California Maritime Academy -----	250	800	800	---	500	500	---	500	500	---	---
California Polytechnic School -----	400	1,445	1,445	---	2,300	2,000	300	2,700	2,500	200	500
Teachers' Retirement -----	1,050	2,500	1,050	1,450	2,500	1,050	1,450	2,500	1,050	1,450	2,900
University of California -----	---	---	---	---	---	---	---	---	---	---	---
Hastings College * -----	290	300	300	---	300	300	---	500	300	200	200
Department of Employment ¹⁴ -----	12,600	7,755	7,755	---	15,000	15,000	---	20,000	20,000	---	---
Board of Control -----	---	---	---	---	---	---	---	---	---	---	---
State Controller ² -----	17,300	27,380	22,500	4,880	25,230	22,500	2,730	29,930	22,500	7,430	10,160

STATE OF CALIFORNIA BUDGET—Continued
July 1, 1945, to June 30, 1947—Expenditure for Printing

Agency	(1) Actual 1943-44	(2) Estimated 1944-45	(3) Recommended 1944-45	(4) Savings 1944-45	(5) Proposed 1945-46	(6) Recommended 1945-46	(7) Savings 1945-46	(8) Proposed 1946-47	(9) Recommended 1946-47	(10) Savings 1946-47	(11) Total savings by agen. 1945-47
Board of Equalization ¹⁰	\$43,200	\$51,970	\$43,200	\$8,770	\$59,590	\$52,000	\$7,590	\$54,635	\$47,500	\$7,135	\$14,725
Department of Finance	3,500	4,800	4,800	---	5,200	4,000	1,200	5,600	4,500	1,100	2,300
Franchise Tax Commissioner ³	48,000	42,200	42,200	---	49,000	45,000	4,000	48,200	45,000	3,200	7,200
Horse Racing Board	700	685	685	---	900	700	200	900	700	200	400
State Treasurer	975	600	600	---	850	850	---	850	850	---	---
Industrial Relations ⁴	14,100	17,100	17,100	---	23,200	17,000	6,200	34,400	27,000	7,400	13,600
Institutions ⁵	2,300	2,300	2,300	---	6,400	4,400	2,000	8,800	4,800	4,000	6,000
Department of Insurance ⁹	5,500	7,000	5,500	1,500	12,000	9,500	2,500	6,000	5,500	500	3,000
Division of Banking	2,300	2,000	2,000	---	2,300	2,000	300	2,300	2,000	300	600
Division of Building and Loan	3,400	3,300	3,300	---	3,500	3,300	200	3,500	3,300	200	400
Division of Corporations	1,900	2,500	2,500	---	3,000	2,000	1,000	3,500	2,500	1,000	2,000
Division of Real Estate	7,650	5,000	5,000	---	5,000	5,000	---	5,500	5,500	---	---
Department of Justice	5,050	5,800	5,050	750	5,950	5,050	900	5,950	5,050	900	1,800
Military and Veteran Affairs	4,100	5,900	4,100	1,800	4,900	4,100	800	4,900	4,100	800	1,600
Department of Motor Vehicles ⁶	78,500	100,900	78,500	22,400	109,300	78,500	30,800	98,000	78,500	19,500	50,300
Natural Resources											
Division of Fish and Game	21,800	25,900	21,800	4,100	29,000	23,000	6,000	31,300	26,000	5,300	11,300
Division of Forestry	7,250	7,000	7,000	---	9,000	7,000	2,000	9,000	7,000	2,000	4,000
Division of Mines	775	800	775	25	1,500	775	725	1,500	775	725	1,450
Division of Oil and Gas	3,800	4,000	3,800	200	4,000	3,800	200	4,000	3,800	200	400
Professional and Vocational Standards ⁷	22,200	23,330	23,000	330	33,400	23,000	10,400	27,000	23,000	4,000	14,400
Public Health ⁸	27,880	29,850	29,850	---	34,450	30,000	4,450	34,450	30,000	4,450	8,900
Public Utilities (R. R. Comm.)	17,450	20,375	17,500	2,875	20,000	17,500	2,500	20,000	17,500	2,500	5,000
Public Works											
Division of Ports	225	275	225	50	275	225	50	300	225	75	125
Division of Architecture	400	450	450	---	900	500	400	900	500	400	800
Division of Highways	None	---	---	---	---	---	---	---	---	---	---
Division of Water Resources	1,050	750	750	---	1,150	850	300	1,150	850	300	600
Water Project Authority	3,500	100	100	---	350	350	---	350	350	---	---
Water Project Authority (Econ. Surv.)	---	---	---	---	---	---	---	4,190	3,000	1,190	1,190
Colorado River Board	1,050	3,140	1,050	2,090	1,000	1,000	---	1,000	1,000	---	---
Reclamation Board	225	225	225	---	225	225	---	225	225	---	---
Department of Social Welfare	11,000	11,075	11,075	---	11,585	11,000	585	11,585	11,000	585	1,170
Total for fiscal	\$521,525	\$913,750	\$834,095	\$79,655	\$599,110	\$488,740	\$110,370	\$979,125	\$871,530	\$107,495	\$217,865
		521,525	521,525	---	---	---	---	599,110	488,740	110,370	or
Total for bienniums		\$1,435,275	\$1,355,620	\$79,655				\$1,578,235	\$1,360,270	\$217,865	18.81%
Total proposed expenditure for 1945-47 biennium		\$1,578,235								\$1,360,370	
Total estimated expenditure for 1943-45 biennium		1,435,275								1,355,620	

Total proposed increase ----- \$142,960 or 9.96%
* Printing, stationery and postage.

Recommended increase ----- \$4,750 or .343%

Comment on Agency

	<i>Actual</i> 1941-1942	<i>Estimated</i> 1942-1943	<i>Actual</i> 1943-1944	<i>Estimated</i> 1944-1945
¹ Legislature -----	\$98,855	\$310,000	\$73,925	\$313,465
		<u>98,855</u>		<u>73,925</u>
Actual and Estimated total for biennium--		\$403,855		\$387,390

Although the actual and estimated expenditures for the above bienniums were in excess of the proposed expenditures for the 1945-1947 Biennium, we are recommending only the proposed amount—to wit: \$300,000. This figure does not take into consideration any special session in 1945-46.

² **State Controller**

We find the largest increase in the following divisions:

<i>Division:</i>	<i>Actual</i> 1943-1944	<i>Estimated</i> 1944-1945	<i>Proposed</i> 1945-1946	<i>Proposed</i> 1946-1947
Accounting -----	\$983	\$7,500	\$2,000	\$8,500
Research and analysis--	54	2,000	250	2,250
Inheritance and gift tax	2,970	3,200	5,800	4,000
Claims auditing and disbursement -----	7,980	10,000	10,000	10,000

Upon reviewing previous years, we find the following:

Actually spent—1939-1940-----	\$15,845
Actually spent—1941-1942-----	25,705

We are recommending \$22,500 for each of the next fiscal years.

³ **Franchise Tax Commissioner**

Actual expenditure in 1939-1940 Fiscal Year was \$22,200. For the 1941-1942 Fiscal Year it was \$37,370. As the largest amount is in the Personnel Income Tax Division which will materially decline in the next two years, we recommend \$45,000 for each of the next two years.

The expenditure for Personnel Income Tax Division as shown in 1943-1945 Budget is as follows:

	<i>Actual</i> 1941-1942	<i>Estimated</i> 1942-1943	<i>Proposed</i> 1943-1944	<i>Proposed</i> 1944-1945
	\$34,714	\$34,000	\$38,500	\$38,500

And in the 1945-1947 we find the following:

	<i>Actual</i> 1943-1944	<i>Estimated</i> 1944-1945	<i>Proposed</i> 1945-1946	<i>Proposed</i> 1946-1947
	\$44,195	\$38,500	\$44,200	\$38,500

⁴ **Industrial Relations**

The increase caused mostly by the following:

<i>Division:</i>	<i>Actual</i> 1943-1944	<i>Estimated</i> 1944-1945	<i>Proposed</i> 1945-1946	<i>Proposed</i> 1946-1947
Industrial Accident and Prevention Bureau----	\$518	\$2,000	\$2,000	\$2,000
Accident Statistics-----	131	500	1,950	1,950
Permanent Disability Rating Schedule-----	---	---	---	15,000
Industrial Welfare-----	548	---	3,405	---
Labor Statistics-----	3,060	5,000	5,000	5,000

It would appear that no increase over the 1944-1945 Estimated Expenditure of \$17,000 (which is \$3,000 over 1943-1944) should be necessary for 1945-1946. For 1946-1947 we recommend that the \$15,000 for Permanent Disability Rating Schedule be cut to \$10,000, thereby making the 1946-1947 recommended amount \$27,000.

⁵ **Institutions**

Increase caused by the following:

<i>Division:</i>	<i>Actual</i> 1943-1944	<i>Estimated</i> 1944-1945	<i>Proposed</i> 1945-1946	<i>Proposed</i> 1946-1947
Administration -----	\$2,020	\$2,000	\$5,500	\$5,500
Outpatient Mental Clinic-- (Includes printing and supplies)	New	New	600	3,000

It is our recommendation that Administration be cut to \$3,500 for each year and that the Clinic be cut to \$1,000 for 1946-1947. IF CLINIC IS NOT ESTABLISHED then funds are not to be used.

⁶ *Department of Motor Vehicles*

The main increase is in the following divisions:

	<i>Actual</i> 1943-1944	<i>Estimated</i> 1944-1945	<i>Proposed</i> 1945-1946	<i>Proposed</i> 1946-1947
Registration	\$51,600	\$60,000	\$75,000	\$63,800
Drivers' Licenses.....	13,315	22,000	18,000	18,000

A review of previous annual expenditures does not show that any increase is necessary. We are, therefore, recommending for the next two years the same amount actually spent for 1943-1944 or \$78,500 for each fiscal year.

⁷ *Professional and Vocational Standards*

Principal increase in the following boards:

	<i>Actual</i> 1943-1944	<i>Estimated</i> 1944-1945	<i>Proposed</i> 1945-1946	<i>Proposed</i> 1946-1947
Contractor License.....	\$2,688	\$3,800	\$6,300	\$6,300
Nurse Examiners.....	1,483	1,700	4,700	1,700

Increases in each board due to printing new directory. The Contractors' Directory is sold for \$10 per copy and nearly pays for itself—so why the increase. The Nurse Directory is claimed to be necessary for enlisting nurses for war work. We recommend the elimination of the increase in both instances.

⁸ *Public Health*

The increase is general for all boards except for Emergency Maternity and Infant Care, which is as follows:

	<i>Actual</i> 1943-1944	<i>Estimated</i> 1944-1945	<i>Proposed</i> 1945-1946	<i>Proposed</i> 1946-1947
	\$256	\$3,000	\$3,000	\$3,000

We recommend for each of the next two years \$30,000, which is the estimated expenditure for 1944-1945 and an increase of \$2,120 over the actual expenditure of \$25,850 for 1943-1944.

⁹ *Department of Insurance*

The increase of \$5,000 in 1945-1946 over 1944-1945 is believed to be for a manual. At the present time the department does not publish one. At the present time there is no standard manual or any they can recommend to applicants taking the examinations.

¹⁰ *Board of Equalization*

Increase reflected in following Divisions:

	<i>Actual</i> 1943-1944	<i>Estimated</i> 1944-1945	<i>Proposed</i> 1945-1946	<i>Proposed</i> 1946-1947
Sales Tax.....	\$25,770	\$32,970	\$34,390	\$34,160
Research and Analysis..	55	2,000	250	2,250
Valuation	1,205	2,700	2,400	2,400
Alcoholic Beverage Control (Tax Assessment)---	\$10	1,200	1,800	1,800

As the 1941-1942 Fiscal Year actual expenditure was \$57,460 (for the entire board) it appears as though the 1943-1944 expenditure of \$43,200 is low. We recommend \$52,000 for 1945-1946 and \$47,500 for 1946-1947.

We believe the proposed amount for Sales Tax Division, as shown above, is too high because of the certain decrease in revenues during the next two years. Our reduction on the over all proposed amount is thereby reduced accordingly.

¹¹ *Codification Board*

If this agency is eliminated entirely, it will add another \$20,000 to the proposed savings for the biennium.

¹² *Fresno State College*

As the 1943-1944 expenditure appears very low, we are recommending the full amount proposed for the next biennium.

¹³ *California Maritime Academy*

We are recommending the proposed figures for 1945-1947 Biennium as it is doubtful if they will receive Federal aid.

¹⁴ *Department of Employment*

These figures are not included in totals as this department is supported by Federal funds.

¹⁵ *Folsom Prison*

They do not show any expenditure for printing. They do, however, show general office expense of \$5,642, which compares to \$2,038 appearing in like account for San Quentin Prison. It is presumed that printing is included in "general office" at Folsom. San Quentin shows printing separately.

¹⁶ *Division of Highways*

They do not show any expenditure for printing. We are advised that this item is included in "general office" and no segregation kept on their books to show how much for printing. General office is reported as follows:

	<i>Actual</i> 1943-1944	<i>Estimated</i> 1944-1945	<i>Proposed</i> 1945-1946	<i>Proposed</i> 1946-1947
Central office-----	\$39,275	\$40,800	\$42,000	\$43,800
District offices-----	66,824	69,000	69,000	69,000
Contracts and right of way-----	1,190	1,200	1,200	1,200
	<u>\$107,289</u>	<u>\$111,000</u>	<u>\$112,200</u>	<u>\$114,000</u>

We recommend that the Department of Finance require more uniformity in keeping the records for the various accounts. Other divisions of Public Works keep and report a printing account. The Division of Highways does not report expenditure for automobile as such; this account is included with and reported under "equipment rental and depreciation."

State Has Not Curtailed Spending

The record clearly indicates that the State Government has not materially curtailed its spending to a wartime essential basis—in fact, the estimated total expenditures for 1943-45 are in round numbers \$25,000,000 in excess of those for the prewar 1939-41 biennium and over \$59,000,000 in excess of the 1937-39 biennium, when there was a huge unemployment relief expenditure.

Budget Increase Relatively More Than Stated

We have already stated that the Governor's Budget states that there will be an increase of \$96,000,000 over 1943-45. This is an increase of 16.4 per cent. Despite the acute need for manpower by war industries and the induction of some 3,000 State employees into the armed services, there has been relatively little shrinkage in the number of State employees during the war. The peak employment by the State in 1941, just before Pearl Harbor, was 32,777. The total number employed by the State on December 31, 1944 was 26,990. The actual trends and the proposed additions in the Budget are shown by the following tables:

NUMBER OF CIVIL SERVICE AND EXEMPT EMPLOYEES
December 1936 Through December 1944

Year	<i>Civil Service Employees</i>				<i>Exempt Employees</i>				Grand Total
	<i>Full Time</i>	<i>Part Time</i>	<i>Seasonal</i>	<i>Total</i>	<i>Full Time</i>	<i>Part Time</i>	<i>Seasonal</i>	<i>Total</i>	
1936-----	17,026	1,741	1,688	20,455	1,823	760	23	2,606	23,061
1937-----	19,217	1,976	1,072	22,265	1,874	875	13	2,762	25,027
1938-----	22,010	1,528	1,257	24,795	2,069	783	31	2,883	27,678
1939-----	22,387	1,240	689	24,316	2,225	973	30	3,228	27,544
1940-----	22,475	831	1,854	25,160	2,325	1,581	31	3,937	29,097
1941-----	24,640	860	3,574	29,074	2,492	1,150	61	3,703	32,777
1942-----	21,459	1,022	1,667	24,148	2,306	1,154	153	3,613	27,761
1943-----	20,592	1,107	2,258	23,957	2,056	1,357	92	3,505	27,462
1944-----	20,857	1,168	1,727	23,752	1,941	1,230	67	3,238	26,990

**THE CONTINUED UPWARD TREND OF
STATE EMPLOYEES**

	1943-44	<i>Fiscal Years</i>		1946-47
		1944-45	1945-46	
<i>I. Budgeted Full Time Positions ¹</i>				
1. Number of Full Time Positions reported as authorized in the 1945-47 Budget----	23,333	24,578	25,937	27,452
2. Increase in authorized positions over number for 1943-44				
A. Number -----		1,245	2,604	4,119
B. Per cent -----		5.3	11.2	17.6
3. Increase in authorized positions over number for 1944-45				
A. Number -----			1,359	2,874
B. Per cent -----			5.5	12.3
<i>II. Increase in Full Time Jobs Permitted by the 1945-47 Budget over the Number of Occupied Positions Reported on December 31, 1944 ²</i>				
A. Number -----			1,835	4,317
B. Per cent -----			9.9	23.2

¹ 1945-47 Budget.

² Sources: 1945-47 Budget and a letter from the State Personnel Board of February 13, 1945. The calculations on which these figures are based exclude employment, statistics of the University of California, the Division of Highways, the Governor's Office, and the Lieutenant Governor's Office. These agencies were excluded to secure comparability between the employment statistics reported in the Budget and by the Personnel Board. The exclusion of these agencies substantially understates the expansion in personnel that would be permitted by the 1945-47 Budget as at least one agency, the University of California, has additional positions budgeted for the coming biennium.

This relatively minor decline in the number of State employees during the war for California contrasts very markedly with the decline of one-third in the number of State employees for Pennsylvania between 1939 and November, 1943.

It appears now that the demand for manpower for the war effort will continue over a longer period of time than has been assumed in the Budget. The failure of the California State Government to fully coordinate its spending and its personnel policies with the needs of the war effort as they have and now exist are illustrated definitely by the following:

At the time of the presentation of the 1945-47 Budget to the Legislature, which document contained recommendations for the filling of 442 new positions including 40 for nurses for the State hospitals for the mentally ill, the press of the State reported that because of the acute shortage of nurses eleven general U. S. Army hospitals were arriving in the European war zone without a single nurse. One Army hospital with 3,000 wounded patients had only 74 nurses. This represented a ratio of 40 patients per nurse. This number was subsequently cut to 53 nurses for 3,000 patients.

Impact on Manpower

In our report to the Legislature which appeared in the Senate Journal of March 20, 1943, page 663 under the discussion of the impact of manpower of the State on the war effort, we made a statement which we again wish to call to your attention and to reiterate. It is as follows:

“It should also be recorded here in the beginning of our report that the full impact of the demand for manpower has not been felt

in State employment and that little or nothing has been done to actually cut down the number of employees in order to effectively assist in releasing manpower.”

The actual and estimated number of State employees budgeted for all funds for the biennium ending June 30, 1943 was 26,944. The number provided for in the 1943-45 Budget was 26,102, a reduction of only 842.

The total amount for salaries and wages actual and estimated for the biennium of 1941-43 was \$110,607,544. For the Budget 1943-45 it was placed at \$115,769,115, an increase of \$5,161,570. The actual and estimated turned out to be \$109,658,975 or a slight decrease of \$948,569 for the reason manpower could not be secured—not because there was not an effort to get it. The same figure for salaries and wages for the Biennium 1945-47 is placed in the budget at \$130,608,616, an increase of \$20,949,641,¹ an increase of 19.1 per cent. over the actual and estimated for 1943-45. This is despite the fact that two organizations, the War Council and the Farm Production Council, received appropriations for the 1943-45 Biennium—as shown on pages 23 and 83 of the 1945-47 Budget, and are entirely omitted for 1945-47. This shows the War Council had an average of 43 employees and the Farm Production Council with an average of 141 employees, a total of 184, which are omitted entirely in the 1945-47 Budget.

The Budget for 1943-45 made a considerable allowance for vacant positions and it turns out that the estimate was about correct. In the Budget hearing for 1943-45 the Legislative Auditor repeatedly urged that greater reductions be made in the State's use of manpower so as to release more manpower for the war effort.

Salary Savings Made in 1943-45

We felt then that the salary saving item in the Budget Bill was not as high as it should be placed. As a result of our insistence, a special item was placed in the Appropriation Bill, Chapter 62, of the Statutes of 1943, setting up a Salary Restoration Fund—Item 229 in the Budget Act, in the amount of \$2,500,000. According to the Budget for 1945-47, page 778, only \$658,187.15 was allotted from this fund between July 1, 1943, and November 30, 1944, leaving on December 1, 1944, a balance of \$1,841,812.85. Although there were seven months more of the biennium to go, it is believed at least a million and a half dollars will remain unspent in this fund at the close of the biennium.

Larger Salary Savings Possible 1945-47

We feel that the conditions which will exist in the Biennium 1945-47 are again so uncertain that the process used in the Appropriation Act of 1943 in this respect can be repeated. *We recommend that an item be included for a Salary Restoration Fund in the amount of \$3,000,000 to be deducted from all appropriations for salaries from the General Fund and to be set up on exactly the same terms as provided in the 1943 Appropriation Act.* We believe that this fund can very readily be placed at \$3,000,000 because of the increased pay scales that have been established during the current biennium. If this procedure is not followed, it is recommended that a more drastic policy be followed

¹ \$4,894,021 is from special funds.

by the Legislature by increasing the salary savings throughout the Budget by the sum of three and a half million dollars and that this sum be eliminated from the Budget by this process on an allocation to be made by the Department of Finance.

For the current Biennium 1943-45 the salary savings have already been accomplished for the First Fiscal Year 1943-44, and the net result is shown in the column of actual expenditures for salaries and wages. For the Second Fiscal Year, 1944-45, the item of salary savings has been entered and the total of these items in the Budget for this one year is \$3,282,000. The total of the salary savings for the two fiscal years of the 1945-47 Biennium totals \$2,559,000. This you will note for the two years is approximately only two-thirds of the salary savings for the one prior year. From these figures it will be seen that our recommendation to increase the salary savings for the biennium by the sum of three and a half million dollars is conservative and the three million dollars for Salary Restoration Fund is even more conservative.

We are moved to make this recommendation not only because of the continuance of the war as is estimated in the Budget, but also due to the fact that recent changes in the requirement for the production of more war material and the apparent decision of the military strategists to move our armed forces in Europe at the end of the war with Germany by the way of the East to engage in the war with Japan. In the meantime there will move from the United States by the way of the Pacific the most modern arms and equipment to re-equip this veteran force from the European theatre of war. This procedure will continue to drain the manpower for longer than was formerly anticipated but will probably result in ending the war with Japan quicker than otherwise would have been the case.

Salary Savings Direct Reduction in Appropriation

In our report of March two years ago we stated that "in light of recent developments and the probable impact of the war on manpower, it is believed that an additional salary savings of 5 per cent can conservatively be expected. Our appropriation for salaries should accordingly be reduced this additional 5 per cent, and this sum added to the item for salary savings already indicated. If the appropriation can be reduced accordingly throughout the Budget, this would result in a reduction in General Fund expenditure of \$3,013,000 and a reduction in special funds of \$2,775,000." *We believe that we can reiterate this statement with confidence that it will be demonstrated by the actual facts—but we recommend the increasing of the savings to \$4,800,000 for the General Fund and \$1,600,000 for the special funds.*

The following schedule compares salaries for the two bienniums:

SALARIES AND WAGES BUDGET
1943-45 vs. 1945-47 Biennium

	1943-45	1945-47
Special funds -----	\$ 28,313,000	\$ 33,090,000
Saving at 5 per cent -----	1,415,650	1,654,500
Net -----	\$ 26,897,350	\$ 31,435,500
General funds -----	\$ 81,345,975	\$ 97,518,616
Saving at 5 per cent -----	4,067,298	4,875,930
Net -----	\$ 77,278,677	\$ 92,642,686
Total (General and Special) for the biennium -----	\$109,658,975	\$130,608,616
Saving at 5 per cent -----	5,482,948	6,530,430
Net -----	\$104,175,027	\$124,078,186

¹ Increase 1945-47 over 1943-45—Up \$20,949,641 or 19.10%

Salaries not included in the Budget (revolving fund, etc.) -----	\$6,809,000	\$7,475,000
Source: Department of Finance, 3-13-45.		

Alternate Method of Controlling Both Salaries and Wages and Personnel

An examination of the Budget for 1945-47 shows an increase of personnel particularly for the second year, 1946-47, of the biennium. However, there is some material increase for the first year, 1945-46. It must be understood that in considering personnel both for the current biennium and the budgeted biennium, 1945-47, we are actually considering positions. Many of them may be vacant and in fact in the Department of Institutions they have currently 502 vacant positions. In budgeting when these positions are continued, it is expected that they will be filled. When new positions are established there is also the expectation that they will be filled. In addition, we now have a complicated situation due to the possible return of State employees on military leave. They are entitled to their old positions, and will replace other employees who are occupying these positions. There is a disposition to keep present employees as well as the returning military leave personnel.

Since it appears that the war will continue for a longer period of time than was anticipated when the Budget was drawn up, there are a number of definite uncertainties as respects personnel. The following conditions probably will prevail: There will be more vacant positions than has been estimated; it will be impossible to secure competent personnel to fill new positions; persons on military leave may not return in the numbers anticipated; it may not be necessary to fill all of the positions anticipated if there is not a return to peacetime conditions in the second year of the biennium.

These many unknowns cause us to suggest another procedure both for the control of personnel and the control of salaries and wages so as to save that which is not spent under these conditions. We believe that this can be accomplished by amending the Appropriation Bill to accomplish the following purpose.

Purpose of Amendment

The purpose of this amendment is definitely to sequester or set aside in a special fund all of the money required to continue through the

Biennium 1945-47 the following three classes of personnel designated below, and to provide that none of this sequestered money may be spent until each individual position is filled. Such positions shall not be filled except with the express approval of the Department of Finance, or some other qualifying agency, for each position, and the Department of Finance or other qualifying agency, when it approves the necessity of filling such position, shall report to the members of the Legislature and to the Legislative Auditor the reasons supporting the granting of the necessary funds for paying the salary of said position.

Should any of these positions so established again become vacant, the money previously allocated therefor shall be returned to the special fund established and the same procedure followed in again refilling such vacant position. The fund set up shall be similar to the Salary Restoration Fund provided in Item 229 of AB No. 1600, Chapter 62, Statutes of 1943.

There should also be an expression of the Legislature establishing legislative intent to the effect that the same procedure shall be followed in respect to all special funds where budgetary control is exercised by the Department of Finance. In fact, such instructions should be given so that there will be a uniform policy throughout the State service.

The classes of employees for which salaries and wages shall be deducted to make up the above mentioned special fund are as follows:

1. Those positions that are now vacant in the several departments and agencies of the State for the 1944-45 Fiscal Year and which positions are carried forward into the 1945-47 Budget.
2. All new positions which are established for the 1945-47 biennium, and so designated in the Governor's Budget, and for which an appropriation is approved by the Legislature.
3. All positions that are to be filled by State employees now on military leave for which funds are appropriated and which positions are temporarily vacant or are being now created.

Suggested Amendment to the Budget Bill

The Budget Bill, Assembly Bill No. 500 or Senate Bill No. 294, can be amended to make the above suggestions effective. It will probably be wise to set up the entire Budget Bill designating the three categories of expenditures as mentioned in the Governor's Budget Message, and as previously provided in Assembly Bill No. 1800, Chapter 600, Statutes of 1941. These schedules are : (a) Salaries and Wages; (b) Operating Expense; (c) Equipment.

Amendment to Assembly Bill No. 500 or Senate Bill No. 294

Assembly Bill No. 500 or Senate Bill No. 294 is to be amended by adding a new item, numbered 281, as follows:

Item 281—For Salary Restoration Fund for the payment of salaries and wages to be allocated on the authorization of the Department of Finance (or some other agency)¹ to each State officer, department, board bureau and other State agency, including The Regents of the University of California, in augmentation of the respective appropriations for the support of each for the Ninety-seventh and

¹ We use Department of Finance, but some other allocating agency may be established.

Ninety-eighth Fiscal Years in an amount for each thereof not in excess of the amount shown in the schedule for each item of appropriation under subdivision "Salaries and Wages" and entitled "Salary Restoration Fund"—which total sum has been arrived at by calculating the cost of filling positions now vacant and the salary adjustment credited thereto for the Biennial Period 1945-47 and also the sum necessary for new positions and for the filling of all positions by persons now on military leave, as provided in that certain document entitled "State of California Budget for the Biennium July 1, 1945 to June 30, 1947, Ninety-seventh and Ninety-eighth Fiscal Years, submitted by Earl Warren, Governor, to the California Legislature, Fifty-sixth Session and as amended by the Budget Act of 1945 ----- \$-----"

To receive an allocation from the Salary Restoration Fund, an officer, department, board, bureau, commission or other State agency, including The Regents of the University of California, shall prove to the Department of Finance that it has personnel in number and class provided in such document sufficient to require the allocation authorized to be made by this item and it shall demonstrate to the satisfaction of the Department of Finance that it is necessary and desirable to fill said positions; and it shall substantiate by presentation of such information as the Department of Finance may require. The Department of Finance shall certify that this condition exists as respects any officer, department, board, bureau, commission or other State agency and the authorization of the Department of Finance allocating funds to any department from the Salary Restoration Fund shall be sufficient evidence for the Controller to transfer said funds.

Should such position or positions become vacant and remain so for a period of 90 days, the unused portion of said funds shall revert to the Salary Restoration Fund.

The Department of Finance shall submit to each member of the Legislature and to the Legislative Auditor not later than the fifteenth day of each month a report on all authorizations given pursuant to this section during the preceding month. The report shall contain such information regarding such authorization as shall be sufficient to apprise the members of the Legislature and the Legislative Auditor as to the reasons and necessities therefor.

It is suggested that the Legislature express its intent to apply the same control to special funds and to expenditures from continuing legislation—which are not, of course, in the Budget Bill. We suggest this should be done by resolution expressing in general the following:

WHEREAS, The Governor's Budget for the biennium 1945-47 recognizes that this period will be one of transition from war to peace and it is, therefore, impossible to estimate the personnel that will be available for the several departments of the State or the number of State employees who may return from military leave; and

WHEREAS an amendment has been placed in the Budget Bill—Assembly Bill No. 500, as Item 281—setting up a Salary Restoration Fund, which applies to all appropriations for salaries and wages appropriated by this act; and

WHEREAS, This only represents a fraction of the entire Budget as presented by the Governor to the Legislature for the Biennium 1945-47 and, therefore, there is a large expenditure of the State for other purposes where personnel is employed where similar conditions will prevail; be it therefore

Resolved by the Assembly, That it is the legislative intent that such controls be applied by the Department of Finance to the expenditure of all such funds for salaries and wages for the Biennium 1945-47 and it is the expectation of the Legislature that identical budgetary controls be applied by the Department of Finance in the expenditure of all funds—General, special and fixed charges—for the employment of personnel in exactly the same terms as provided in said Item 281 of the Budget Bill for 1945-47.

Other Savings Resulting From Personnel Reduction

It is the intention of the Legislature that when salary savings are made effective that comparable savings which result when personnel is not employed should accrue in the other categories of the schedules as provided in the Budget Bill, i. e., operating expenses and equipment, wherever such appear in the Budget Bill and for each and every department and agency where appreciable savings have been made on the basis of personnel and in conformity with the provisions of Item 281.

A Transition Budget to Peace Eliminates War Agencies

The transition from war to peace should mean the elimination of as many wartime activities as is possible.

War Council

The Governor has not included in his Budget any item for the continuance of the War Council. *We recommend that it be immediately abolished, effective as early in March as is possible and the then remainder of the money appropriated for this service should be reverted to the General Fund; the property and records to be turned over to the Department of Finance and this organization to be completely liquidated; if it is necessary to retain any of the services performed that they be specifically assigned with the necessary financial support to the regular departments of the State Government that can perform them.*

This body replaced the State Council of Defense of 1941-43 and it was promised as an economy body but its actual costs exceed that of the body it replaced. The need that might have developed appears to have disappeared.

Farm Production Council

We recommend that the Farm Production Council be continued only through the farm labor season of the Year 1945 and that no new money be appropriated for it, but that it be allowed to expend so much as is necessary of the money already appropriated and budgeted for it, and that it be allowed to expend the receipts received from the sale of property and supplies, including the proceeds from the sale of the Ryde Camp.

We furthermore recommend that this camp be sold as soon as possible.

We recommend that strict budgetary control be exercised over the operation of this organization, as was provided in the Appropriation Bill passed by the Special Session of the 1943 Legislature. We recommend that when the 1945 farm labor season is closed that unless there are the most compelling reasons that labor problems cannot be solved by other means that this organization be liquidated and any surplus funds be reverted to the General Fund, the property and records to be turned over to the Department of Finance for the purpose of liquidation.

The council has two outstanding liabilities in connection with the use of the fair grounds at Tulare and Stockton of possibly \$250,000 or more. These should be settled at once.

Evidence is accumulating that some relief in the labor situation is under way. The Department of Employment has had an increasing number of beneficiaries appearing on the weekly roll since January, 1944. The number has increased in the past month from 16,000 to 20,000. While this is not a significant number, it is indicative of the trend—which will be greatly accelerated with any slowing down in war industries. Employees in manufacturing have declined 184,000 since January, 1944.

State Guard

We recommend that the State Guard be held to its present established size, with an emphasis on quality and efficiency. This organization is a substitute for the National Guard during the war activity and should be maintained in the same relative status until the National Guard is re-established; or until, perhaps, the State Guard becomes fused with the National Guard. Further detailed recommendations concerning this will be given under the item of appropriation for the State Guard.

We have found in our investigation of this agency an inexcusable slackness in accounting for property. We recommend that this be corrected at once and report that General Hansen, Adjutant General, is making progress in doing this. Some more staff may be necessary to adequately account for all property. Legislative enactment to require proper records and accounting have been introduced into the Legislature.

We also recommend that the law be changed so as to require an audit by the State Department of Finance of all expenditures and that budgetary control of expenditures be set up by the Department of Finance for all funds and property controls for all property the same as is established for other State departments. This should include a full inventory and accounting not only for State property but for Federal property where there is any State responsibility.

The present shortage in property and the overpayment on Federal property which has been subsequently located should be settled equitably as soon as possible.

We also recommend that all surplus and unneeded property held by the State Guard be disposed of as soon as possible. The armories and warehouses where much of this is located should be inventoried, this surplus property disposed of, and remaining property put in order. In this connection, we further recommend that any surplus property which is surveyed by the Guard and found to be unserviceable or not required shall not be disposed of until approval is secured from the

Department of Finance and wherever feasible the liquidation facilities of the Department of Finance shall be used for the disposal of such property.

A bill has been introduced into the Legislature by the Budget Committee to provide the above suggested remedies and with some minor amendments is acceptable both to the Adjutant General and the State Department of Finance.

Other Wartime Services

Wartime activities and services in the other State departments should be closed out as rapidly as possible and these purely wartime services should not be continued as peacetime activities unless specifically acted upon by the Legislature. This includes:

The Fire Disaster Pool in the Division of Forestry.

The wartime activities of the Division of Real Estate, functioning to control unfair practices due to housing shortages resulting from the war.

Many other wartime activities of the several departments concerned will be taken up when these Budget items are specifically studied.

We wish to emphasize here that in this transition the services established purely as wartime activity should end with the termination of hostilities. Specifically, *the wartime salary bonus for State employees paid as a wartime salary bonus to meet the increased cost of living should disappear and the salary scale should be modified by the Personnel Board so as to be kept comparable with salaries paid for like positions in private enterprise and other governmental service, as the law requires.*

No provision has been made in the Budget in relation to this item, the failure to do being contrary to the Budget assumptions that the war would end during the Biennium. This failure is due to the fact that a further assumption is made in the Budget that the present costs of living and the present scale of salaries in private enterprise will prevail throughout the biennium. We maintain that if the war ends and there is a closing down of wartime industries in California, that there will be a reversal in the labor market and it will—at least for a time—become an employers' market rather than an employees' market. If salaries go down materially in private enterprise there is an obligation on the State Personnel Board to make determination of the facts and reduce State salaries accordingly. This could produce a material salary saving which should be impounded and revert to the surpluses.

Wartime Prices for Commodities Maintained

The allowance for the prices on commodities for the several departments in the Budget have been continued at current prices. It appears probable that these prices will be maintained during the first year of the biennium. It is probable, however, that at some time during the biennium surplus war materials will be available to the State in relatively large quantities and undoubtedly at reduced prices. Some such materials have already been purchased at a material savings.

There may also be a current overproduction of many commodities the State buys, particularly in food commodities. If this should take place there should be material saving in the amounts budgeted on the basis of the continuation of current prices.

It is recommended that some provision be made in the Budget so that such savings, if they occur, can be captured and retained for the benefit of all taxpayers of the State.

Capital Outlay May Be Cheaper—Savings Possible

There is, with the exception of highways, an overly large sum set up in the Budget for capital outlay, including highways, the total being \$58,612,598. It is admitted in the Budget that this figure is some 33½ per cent higher because of wartime prices. In other words, the same structures and buildings could be secured for approximately two-thirds of this sum based on prewar prices.

It is recommended that construction of the proposed buildings be postponed wherever it is at all feasible, not only to the second year of the biennium but certainly until after the war is ended and the effect thereof on labor and materials be ascertained. It may be possible for a large saving to be made through this procedure.

The capital outlay program requires some further analysis. The 1943-45 Budget of the Governor proposed only \$803,255 in capital outlay from the General Fund. The actual and estimated expenditure from this fund for 1941-43 was \$8,479,945 showing a Budget reduction for 1943-45, of \$7,676,690. Actual expenditure for 1937-39 Biennium was \$17,290,539 and for 1939-41, \$7,125,955. The budgeted amount for 1941-43 for capital outlay from the General Fund was not out of line. That budgeted for 1943-45 was far below average and it made the Budget appear smaller.

The comments of the Budget Committee in their report, Senate Journal of March 20, 1943, page 668, were pertinent then and now. They said:

“Anyone familiar with State institutions, colleges, schools and prisons recognizes that a suspension of capital outlay for any biennium does not eliminate the need for the expenditure but merely postpones it. Therefore, while there is a reduction in expenditures for capital outlay resulting in an actual smaller Budget for a particular biennium, it is not a reduction in expenditures in the same way as is a reduction in operating expenses. It is merely a postponement. The question certainly can be raised if a reduction in capital outlay in any sense represents a true economy in government if the objects of the capital outlay are in fact needed and desirable.”

The results for 1943-45 were different from the Budget and in fact the actual estimated expenditures turned out to be much larger than the average normal capital outlay of the State, and the largest expenditure for many bienniums.

The Budget for 1943-45 called for \$803,255 from the General Fund for capital outlay. The actual and estimated turned out to be \$22,569,263*. This was added by special appropriations in the regular and special sessions.

A comparison of total capital outlay from all funds for the current 1943-45 and Budget Bienniums are as follows:

*Postwar Construction Fund considered as General Fund.

**CAPITAL OUTLAY ALL FUNDS
1943-45 and 1945-47**

<i>Departments</i>	<i>Actual and Estimated 1943-45</i>	<i>Estimated and Proposed 1945-47</i>	<i>Increase or Decrease</i>
Agriculture -----	\$850,636	\$14,460	—\$836,176
Corrections -----	395,072	514,227	— 119,155
Education -----	1,590,823	1,244,183	— 346,640
Fiscal Affairs -----	1,664,957	1,852,600	187,642
Institutions -----	858,612	932,748	74,736
Military and Veterans Affairs -----	62,532	107,880	45,348
Natural Resources -----	635,491	1,262,095	626,604
Public Works -----	27,688,858	38,517,457	10,828,703
Postwar Construction Fund -----	8,252,678	14,166,842	5,914,164
Total -----	\$41,999,059	\$58,612,598	\$16,613,539
Special Funds -----	5,878,117	41,543,258	
General and Postwar Emp. Res.---	\$26,120,942	\$17,069,340	
Postwar Emp. Reserve -----	3,551,678	13,266,842*	
General Fund -----	\$22,569,264	\$3,802,498	

*\$798,322 for plans included in this figure is already appropriated by Chapter 20, Stat. 1944.

Capital Outlay for Postwar Construction and Postwar Employment Reserve

It is proposed to expend \$8,252,678 for postwar construction during the biennium 1943-45, see page 762 of Budget 1945-47. We do not believe that more than a small part of this can be spent this biennium. We are of the opinion it will be probably necessary to carry this over to 1945-47 for expenditure. We are in accord with this procedure for all of the items are set up by legislation, passed at the 1943 Special Session with the safeguards of the Property Acquisition Act.

The amounts spent in 1945-47 from the 1943 appropriation will make the Budget for this biennium larger.

Items 251, 252 and 253 of the Budget Bill of 1945-47, page 23 and page 763 of the Budget, propose to spend \$900,000 for sites as listed below under the Property Acquisition Act.

Item 251. Site for Department of Corrections	
Young Offenders -----	\$300,000
Item 252. Site for Corrections	
Insane, Criminals, etc.-----	300,000
Item 253. Site for Corrections	
Medium Custody Institutions-----	300,000
Total	\$900,000

We recommend these items be allowed in the Appropriation Bill. The sites are necessary and ample safeguards are placed around the purchasing procedure.

The Legislative Auditor has spent many days studying the whole Postwar Building Program and has worked continuously with the Director of Finance, Mr. Dean, as a member of his working committee on this matter. The study and care in formulating this program is the most comprehensive and intelligent procedure ever brought to bear to plan for the building needs of the State.

Items 254 to 274 inclusive of the Budget Bill, pages 23 to 25, and pages 762-766 of this Budget, provide for the expenditure of \$12,468,520 from the Postwar Employment Reserve.

These items are all considered as emergencies in the Budget. We have previously recommended that each item be reviewed by the Legislature to determine this, and if any are not so found to be emergency, they be postponed for the biennium. This is made for the reason that this construction probably will cost at least 33 to 40 per cent more now than it will when unemployment relief is necessary.

We also recommend that the items determined to be emergency be provided for by appropriations from the General Fund in that these expenditures are not determined to be necessary or helpful for unemployment relief.

Details for each of the above items, all expenditures proposed from Postwar Employment Reserve, and our recommendation for each is shown in the following schedule:

<i>Item</i>	<i>Department</i>	<i>Budget Page</i>	<i>Purpose</i>	<i>Amount</i>	<i>Recommendation</i>
254	Agriculture	762 and 764	Plant quarantine stations-----	\$163,150	Delay to end of war with Japan or end of biennium.
255	Agriculture	762 and 764	Minor construction -----	40,000	General Fund—Soon as material is available.
256	Corrections	762 and 764	Major construction and improvements -----	1,080,500	\$525,500—Kitchen, etc.—At once from General Fund. \$555,000—Segregation buildings, shops—Delay to end of war or to next biennium or build own labor.
257	Corrections	762 and 764	Major construction and improvements -----	106,000	New reservoir—General Fund—1946-47.
258	Corrections	762 and 764	Major construction addition-----	99,000	Supplement \$262,000 for housing 300 prisoners at once from General Fund, but only so much thereof as necessary if use own labor. Balance to revert. More capacity will cut unit overhead costs.
259	Corrections	762 and 764	New intermediate prison-----	4,615,000	Postpone to end of war with Japan or end of biennium. Get site this biennium.
260	Corrections	762 and 764	Minor construction and repair—Allocated by Department of Finance -----	250,000	From General Fund—Now.
261	Corrections— Youth Authority	762 and 764	Minor construction—Youth Authority. Allocated by Department of Finance-----	100,000	From General Fund—Now.
262	Education—Deaf School	762 and 765	Two dormitories -----	468,000	\$234,000 from General Fund, 1946-47—\$234,000 postpone to end of war or end of biennium.
263	Education	762 and 765	Minor construction—Allocated by Department of Finance-----	250,000	General Fund—Now.
264	Institutions—Agnews	762 and 765	Ward bed—Annex replace wooden cottages—400 patients -----	585,000	Postpone to end of war or end of biennium.
265	Institutions—Camarillo	762 and 765	Two units attendants' quarters---	299,000	Recommend from General Fund—Do as soon as possible—Care for 700 patients. Overhead costs be reduced.
266	Institutions—Napa	762 and 765	Two groups of ward buildings---	1,371,670	New boilers—Allow from General Fund in sum of \$45,000. \$538,000 from General Fund for 1946-47 for one ward building. Hold remainder, \$788,670, to end of war with Japan.

<i>Item</i>	<i>Department</i>	<i>Budget Page</i>	<i>Purpose</i>	<i>Amount</i>	<i>Recommendation</i>
267	Institutions—Norwalk	762 and 765	Ward bed—Infirmary—Men-----	\$119,600	General Fund as soon as material available—75 men.
268	Institutions—Stockton	762 and 765	Three ward buildings—Women--	1,021,600	Allow \$200,000 from General Fund as soon as material available to complete sum for female ward for \$500,000—\$821,600 postpone to end of war or end of biennium.
269	Institutions— Pacific Colony	762 and 765	Two ward buildings-----	286,000	Ward building for 200 patients. Allow General Fund as soon as can be built.
270	Institutions	762 and 765	Minor repairs—Allocated by Department of Finance-----	500,000	Allow now, General Fund, allocated by Department of Finance.
271	Military and Veterans— Veterans Home	762 and 766	Mess hall, hospital wing, convalescent barracks -----	748,000	Allow from General Fund at once \$150,000 to supplement 1941 appropriation mess hall and \$364,000 for convalescent barracks—Hold \$234,000 until end of war.
272	Military and Veterans— Veterans Home	762 and 766	Minor construction -----	100,000	Allow from General Fund allocated by Department of Finance.
273	Division of Forestry	762 and 766	18 barracks @ \$12,000 each-----	216,000	Allow 10 @ \$12,000—\$120,000 from General Fund. Hold \$96,000.
274	Division of Forestry	762 and 766	Minor construction -----	50,000	Allow from General Fund allocated by Department of Finance.
Total of Items 254 to 274-----				\$12,468,520	
Total recommended for immediate appropriation from General Fund-----				4,376,100	
Total allocation recommended from Postwar Employment Reserve to be spent during biennium only if war ends with Japan and if material control ends-----				8,092,420	

We recommend that the several items as listed in the preceding schedule in the sum of \$4,376,100 be appropriated from the General Fund for the agencies as indicated, and they be placed in the items for the several agencies in their proper place in the regular order in the Budget Bill.

We are not here at this time passing on the correctness of the amounts for the objects desired. We believe that they are ample and include some 30 per cent allowance for present prices above prewar prices. If prices go down savings should be made.

The capital outlay actually available for expenditure during the Biennium 1945-47 with this reduction will exceed the State average for normal times. The carry-over from prior appropriations, going back to as far as 1937 and particularly the unexpended amounts from 1941-43 and 1943-45 bienniums, exceed \$7,000,000 and the amounts included with the regular appropriation items for the agencies in the Budget Bill bring this up to close to twice the normal average expenditure for capital outlay.

We reserve for further consideration the capital outlay in the regular items for the agencies in the Appropriation Bill, and will make recommendation when analysis of these items is presented.

We also recommend that the several items as listed in the preceding schedule in the sum of \$8,092,420 be appropriated from the Postwar Employment Reserve for the agencies as indicated and the money for these items be available during the biennium only if the war with Japan ends and control of necessary material ends. Otherwise provide that reconsideration and reappropriation is required to spend this money subsequent to January 30, 1947, when the next Regular Session of the Legislature can review the whole problem of expenditure from the Postwar Employment Reserve.

These recommendations if followed will have the effect of reducing the General Fund surplus by \$4,376,100 and leave in the Postwar Employment Reserve \$8,092,420 but with this sum specifically earmarked as having first priority for expenditure and available for use if the war with Japan does end prior to January 30, 1947.

Other Over-all Savings Possible From 1945-47 Budget

The possibilities of further over-all savings from the 1945-47 Budget can not be realized unless some additional comparisons and analyses are made which may appear to be repetitious. The value of presenting these, we believe, warrants running the risk of being repetitious.

The table below shows the gross totals by purposes and funds for 1945-47 compared with this current biennium of 1943-45:

1945-47 CALIFORNIA STATE BUDGET
Compared with 1943-45 Actual and Estimated Expenditures

<i>State Expenditures from all Funds</i>			
Spent 1943-45 -----	\$487,347,003		
Budget 1945-47 -----	683,710,643		
Up -----	\$96,363,640		

<i>State Expenditures from General Fund</i>		<i>State Expenditures from Special Funds</i>	
Spent 1943-45 -----	\$144,279,874	Spent 1943-45 -----	\$70,526,383
Budget 1945-47 -----	142,466,261	Budget 1945-47 -----	103,475,583
Down -----	\$1,813,613	Up -----	\$32,949,200
<i>Payments to Local Governments from General Fund</i>		<i>Payments to Local Governments from Special Funds</i>	
Spent 1943-45 -----	\$298,976,353	Spent 1943-45 -----	\$70,012,715
Budget 1945-47 -----	340,279,855	Budget 1945-47 -----	76,606,061
Up -----	\$41,303,502	Up -----	\$6,593,346

<i>State Expenditures from Reserve Funds</i>	
Spent 1943-45 -----	\$3,551,678
Budget 1945-47 -----	20,882,883*
Up -----	\$17,331,205*

*Includes \$7,616,041 set up in Bond Sinking Fund of 1943.

The Budget for 1945-47 totals \$683,710,643. Of this \$482,746,116 is from the General Fund and \$180,081,644 from special funds, and \$20,882,883 from reserve funds. These reserve funds are really only earmarked amounts from the General Fund so that the General Fund expenditures in effect are much larger than the Budget gives and correctly so.

We have, just preceding this, recommended that some \$4,000,000 less be expended from the Postwar Employment Reserve and that amount more be spent from the General Fund.

The \$482,746,116 expenditure proposed from the General Fund is \$39,489,888 increase over expenditures from this fund for 1943-45, and if our recommendation is followed it will be \$43,865,988. *This, while a very large increase, does not give the true picture.* The full effect of proposed increased expenditure is not shown for the reason that several large items set up as expenditures for 1943-45 were one-time appropriations and need not be repeated, or they do not appear at all in the 1945-47 Budget.

ITEMS SHOWN AS EXPENDITURES IN BUDGET FOR 1943-1945

(They are all one time expenditures
or will carry over unexpended)

<i>Purpose</i>	<i>Amount</i>	<i>Remarks</i>
Teachers' Retirement System -----	\$25,762,298	Added to reserve above current costs. Not spent.
Local civilian defense -----	1,791,000	War assistance solely.
War Council -----	567,506	Omitted by Governor from 1945-47 Budget.
Farm Production Council -----	2,839,794	Omitted from 1945-47 Budget.
Rector Canyon Dam -----	1,370,269	Chapter 1208, Statutes of 1941. Not spent. Page 343 of Budget.
Highway Plans and Rights of Way -----	12,000,000	Postwar planning. One time expenditure.
Reclamation Board -----	1,069,332	Egbert Tract—flowage. Carry over obligation for 20 years, one time expenditure.
Legislative claims -----	323,129	Bills will be in for items probably as large as this.
Storm and flood damage -----	559,116	Special bill.
County highway plans -----	1,500,000	Postwar planning—one time expenditure.
Acquisition of sites, State buildings -----	4,000,000	This can not all be spent. 1945-47 Budget, page 763.
Debt Service -----	6,185,908	Reserve set up 1943 over current obligations.
Local agencies, plans and sites---	4,375,000	Appropriated by Chapter 47, Statutes of 1944, Fourth Extra Session. Will not be spent by June 30, 1945.
Veterans' Education Institute----	158,794	Omitted for 1945-47 from Governor's Budget. Balance not budgeted.
 Total -----	 \$62,502,146	

In comparing expenditure programs from the General Fund for the two bienniums, to make them comparable it is necessary to add the \$62,502,146 (total of the items in the above schedule) to the \$39,489,889 biennial Budget increase which shows a true difference of \$101,992,035. This then shows that for comparable service there was an increase of \$101,992,035 for 1945-47 over 1943-45, or almost 26 per cent for General Fund expenditures. Such an increase is far in excess of population and comes at a time when the Budget estimate shows a falling off in revenue.

How long can the State General Fund continue biennial increases in expenditures of 26 per cent?

The people, by approving No. 9 on the last general election ballot, caused a large part of this increase by constitutional requirement. *Nevertheless, such a large percentage increase does give opportunity for material economies.*

**Comparative Summary of Actual and Estimated Expenditures
1943-45 and Proposed for 1945-47**

The following table gives the comparison in summary form of the actual and estimated expenditures for the 1943-45 Biennium, and that proposed for the 1945-47 Biennium.

CALIFORNIA STATE BUDGET
COMPARATIVE SUMMARY OF ACTUAL AND ESTIMATED AND PROPOSED EXPENDITURES FOR THE BIENNIUMS 1945-1947 AND 1943-1945
 (Source: California Taxpayers' Association, February, 1945)

Function State Government	Total Expenditures			Distribution by Funds			
	Estimated and Proposed Biennium 1945-1947	Actual and Estimated Biennium 1943-1945	Increase or Decrease (—)	Biennium 1945-1947		Biennium 1943-1945	
				General Fund	Special and Reserve\$ Funds	General Fund	Special and Reserve\$ Funds
Current Expenses:							
Legislative	\$1,309,494	\$1,337,193	—\$27,699	\$1,309,494	-----	\$1,337,193	-----
Judicial	1,678,818	1,544,947	133,871	1,678,818	-----	1,544,947	-----
Executive	290,871	847,112	—556,241	290,871	-----	847,112	-----
General Administration	1,776,997	1,398,057	378,940	1,730,057	\$46,940	1,369,104	\$28,952
Agriculture	8,340,905	9,423,699	—1,082,794	3,563,643	4,777,262	5,353,196	4,070,503
Corrections	12,514,973	9,462,164	3,052,809	12,514,973	-----	9,462,164	-----
Education	32,298,948	25,493,443	6,805,505	32,171,456	127,492	25,045,771	447,672
Employment	312,380	-----	312,380	312,380	-----	-----	-----
Fiscal Affairs	21,305,732	17,518,839	3,786,893	18,562,115	2,743,617	15,384,115	2,134,724
Industrial Relations	3,824,845	3,193,295	631,550	3,671,281	153,564	3,024,335	168,910
Institutions	29,101,351	23,850,391	5,250,960	29,101,351	-----	23,850,391	-----
Investment	2,450,509	2,025,604	424,905	621,012	1,829,497	550,588	1,475,016
Justice	1,633,504	1,458,849	174,655	1,563,504	70,000	1,388,849	70,000
Military and Veterans' Affairs	4,019,686	5,086,400	935,266	3,779,706	239,960	2,872,676	213,723
Motor Vehicles	18,184,150	15,671,503	2,512,647	-----	18,184,150	-----	15,671,503
Natural Resources	14,034,919	10,634,518	3,400,401	7,811,561	6,223,353	6,312,044	4,322,474
Professional and Vocational Standards	1,794,581	1,496,397	297,684	-----	1,794,581	-----	1,496,397
Public Health	2,727,304	1,948,616	778,688	2,216,186	511,118	1,473,470	470,146
Public Utilities	2,471,509	2,169,511	301,998	1,543,348	928,161	1,333,584	830,927
Public Works	26,297,780	23,339,374	957,906	1,995,155	24,302,625	2,093,057	23,246,817
Social Welfare	1,199,105	813,223	385,882	1,199,105	-----	813,223	-----
Miscellaneous	3,954,793	3,615,056	339,737	3,954,793	-----	3,615,056	-----
Credits for Overhead Services to Special Fund Agencies	—1,329,462	—933,026	—391,436	—1,329,462	-----	—933,026	-----
Totals—Current Expenses	\$190,193,672	\$161,391,665	\$28,802,007	\$128,261,347	\$61,932,325	\$106,743,400	\$54,648,265
Capital Outlay:							
Agriculture	14,460	850,636	—836,176	14,160	300	849,036	1,600
Corrections	514,227	395,072	119,155	514,227	-----	395,072	-----
Education	1,244,183	1,590,823	—346,640	251,703	992,480	730,539	860,284
Fiscal Affairs	1,852,600	1,664,957	187,643	384,460	1,468,140	1,565,274	99,683
Institutions	932,748	858,012	74,736	932,748	-----	858,012	-----
Military and Veterans' Affairs	107,880	62,532	45,348	-----	107,880	53,532	10,000
Natural Resources	1,262,095	635,491	626,604	55,200	1,206,895	32,951	602,541
Public Works	38,517,563	27,688,858	10,828,705	750,000	37,767,563	13,384,849	14,304,009
Postwar Construction Program	14,166,842	8,252,678	5,914,164	900,000	13,266,842\$	4,701,000	\$3,551,678
Totals—Capital Outlay	\$58,612,598	\$41,999,059	\$16,613,539	\$3,802,498	\$54,810,100	\$22,569,263	\$19,429,796
Debt Service	15,768,457	14,338,324	1,430,133	8,152,416	7,616,041\$	14,338,324	-----
Reserves for Contingencies	2,250,000	628,887	1,621,113	2,250,000	-----	628,887	-----
Totals—State Government	\$266,824,727	\$218,357,935	\$48,466,792	\$142,466,261	\$124,358,466	\$144,279,874	\$74,073,061
Payments and Grants to Local Governments							
For Public Schools	\$216,283,711	\$195,627,819	\$20,655,892	\$213,458,711	\$2,825,000	\$192,248,256	\$3,379,564
For Social Welfare and Public Health	119,675,144	97,412,613	22,262,531	119,675,144	-----	97,412,613	-----
For Highways and Streets	46,179,967	44,352,544	1,327,423	-----	46,179,967	1,500,000	43,352,544
For Civilian Defense	342,000	2,136,988	—1,794,988	342,000	-----	2,136,988	-----
For Other Purposes	34,405,094	28,959,104	5,445,990	6,804,000	27,601,094	5,673,496	23,280,607
Totals—Payments and Grants to Local Governments	\$416,885,916	\$368,989,068	\$47,896,848	\$340,279,855	\$76,606,061	\$293,976,353	\$70,012,715
Total Expenditures	\$683,710,643	\$587,347,003	\$96,363,640	\$482,746,116	\$200,964,527	\$443,256,228	\$144,090,775

An examination of this table shows very few decreases for either current expense and/or subventions, and most of these are bookkeeping reductions or have some particular explanation. Of these five minus items in the third column of figures on the table an analysis shows the following:

<i>Function</i>	<i>Decrease 1945-47 Below 1943-45</i>	<i>Remarks</i>
Legislative -----	\$ 27,699	Arbitrary sum, the amount budgeted is \$100,000 less than average expenditure and will undoubtedly be over-spent by approximately this sum.
Executive -----	556,241	Elimination of War Council entirely from Budget for 1945-47 reduced this by \$567,506 so really is an increase for normal functions.
Agriculture -----	1,082,794	Results from entire elimination of expenditure for the Farm Production Council of \$2,839,794 so all other services up and more than this savings.
Credits for Overhead ----- Services to Special Funds	391,436	This really an increase in charges of General Fund costs and not a deduction.
For Civilian Defense -----	1,794,988	The entire activity is left out of the appropriation bill and only balance in the appropriation carried forward.

Education Expenditures Can Be Reduced

Education expenditures appear in two places in the above schedule of expenditures from the General Fund.

1. Current Expense	
Higher Education and Department -----	\$32,423,159
2. Subventions	
School Subventions -----	213,458,711
Total -----	\$245,881,870

This is the largest single class of expenditures in the Budget and the largest increase in both categories in the Budget.

We have recommended that the subventions for schools be cut to the constitutional requirement. This will reduce this item by approximately \$6,265,000.

We also recommend that a complete audit of all such subventions for schools be provided and required by an independent State agency, preferably the Department of Finance, or an independent State Auditor General, if one is established, of all school expenditures spent as subventions. With a biennial expenditure of \$213,458,711 from the General Fund involved the biennium savings will be a very large figure. The late Assemblyman, Lee Bashore, estimated the possible savings would perhaps run to \$8,000,000 a biennium or even more.

This audit should not be made by the Department of Education or any other school people as they are interested parties.

Textbooks

We have also recommended (reasons already stated) that the appropriation for free textbooks—Item 79.5 of the Appropriation Bill (page

784 of Budget)—be cut to \$800,000, saving of \$816,618, and thus aiding the war effort by cutting the use of vital war material and manpower.

Welfare

Expenditures for welfare is the next largest category. Reference to the above table will show it to be set at \$120,874,249 for the 1945-47 Budget. This is divided as follows:

Aid to Needy Aged -----	\$105,539,250
Blind -----	2,296,381
Children -----	10,305,596
Tuberculosis Subsidies -----	1,533,917
Social Welfare Administration -----	1,199,105
Total -----	\$120,874,249

While all of the above items except the last are fixed by continuing legislation, they can all be controlled by the Legislature. They do not appear in the Budget Bill but they are in the Budget.

The item for subsidies to Tuberculosis Sanatoriums found on page 786 of the Budget in our opinion is over-estimated. Some institutions previously assisted are not now qualifying and expenditures are running below estimates. The expenditures in our opinion will run about as they have for 1943-45 or \$1,259,408, or a reduction of \$274,508 from the budgeted amount. This should show as a saving for the biennium.

Reductions Recommended

The expenditures for Education and Welfare total \$366,756,117 or 76 per cent of the General Fund total.

Our recommended reductions here in labeled fixed charges are:

Subventions to schools -----	\$6,265,000
Free Textbooks -----	816,616
Auditing Educational Allotment -----	5,000,000
Tuberculosis Subsidies -----	274,508
Total -----	\$12,556,124

Other Expenditures From General Fund

Other recommendations on items in the Budget Bill will be considered in sequence subsequently.

The budgeted expenditures from the General Fund other than for education and welfare totals \$115,989,997 or less than 25 per cent of the total. This is spread over hundreds of items. They will be covered in following the Budget Bill items and recommendations will be made for each one. An over-all view may help in seeing the difficulty of controlling these expenditures and why an over-all approach may yield larger returns than a detailed consideration in the limited time available to the Legislature.

Six departments or functions require \$85,195,051 of this total of \$115,989,997.

These divisions and the amounts for each are :

<i>Budget Division</i>	<i>Amount</i>	<i>Remarks</i>
Corrections -----	\$13,029,200	Newly organized and showing large increased expenditures. Needs to be examined closely as unit costs have almost doubled since 1933-35.
Fiscal affairs -----	18,946,575	A new Budget name. Includes Department of Finance, Controller, Treasurer and others that control or handle funds.
Institutions -----	30,034,099	Also should be gone over carefully as unit costs are increased materially and requests are based on a survey by a Federal employee who has little regard for costs. Many new services included.
Natural resources ----	7,886,761	Largest increase is for forestry, which offers new protection, expansion of functions and enlargement of all-year crews.
Debt service -----	8,152,416	Biennial fixed charge and not controllable.
Subventions to local governments other than education, welfare and public health -----	7,146,000	These should be audited by the State and better controls set up.
Total -----	\$85,195,051	

Over-all Controls Recommended

Reference to the table on expenditures will show how the remaining \$30,794,946 from the General Fund in the Budget for 1945-47 is distributed.

It is clear that if some over-all method of reducing the entire amount in the six larger divisions of expenditures and the numerous smaller ones is available, more can be accomplished than to make many small adjustments.

We believe that this can be done by the following procedure with as much or more equity than has been used in making the Budget.

Careful use of the Budget Document will show that the actual expenditures for the fiscal year 1943-44 are generally lower than the actual and estimated expenditures for the next fiscal year, or 1944-45. This follows from the fact that savings and adjustments have been made for the first year and the second are estimates.

**Savings Made From Appropriations 1943-44
Should Be Equaled for 1944-45**

Comparison with the actual amount budgeted for the first year of the current biennium will show that a savings was accomplished of approximately \$17,000,000. When bills outstanding are paid, this will still leave twelve or thirteen million dollars or possibly a little more as a saving. Relatively, the same condition should prevail for the Fiscal Year 1944-45, which has four months yet to run. The total saving for the biennium under appropriations should be twenty-four to twenty-six million dollars. This leads to the conclusion that there should be a comparable savings possible for 1945-47, and this should be made throughout the Budget with the exception of some few departments and agencies. *To be on the conservative side, we, therefore, recommend a reduction of \$10,000,000*

to be made by the Department of Finance arbitrarily from all the General Fund expenditures; this to be distributed in general on the basis of the ratio that \$10,000,000 is to the total appropriation from the General Fund expenditures subject to this reduction. In other words, if it was considered that some department or office, such as the Treasurer's office, was budgeted so close as to not make possible this percentage reduction, the total amount appropriated for this office will be taken from the grand total in determining the ratio or percentage reduction.

This is to apply to both classes of expenditures; that is, those that do not appear in the appropriation bill and which are by constitutional provision and continuing legislation and those that are in the appropriation bill. These that are in the appropriation bill are to be reduced by the determined percentage.

This reduction is in addition to all others that are specifically recommended for individual appropriations, where services are entirely eliminated.

Further Reductions in the Budget

There are other over-all reductions that we recommend in the Budget that can be stated in general terms and which can apply to practically every department, which we recommend as follows:

Printing

1. We previously recommend earlier in this report a general cut in all allocations for printing with the exceptions noted in the attached schedule. These reductions as indicated are recommended for the reason that the printing costs throughout the Budget are in general increases over the estimated and actual expenditure for the Fiscal Year 1944-45. We specifically recommend that these increases in general be cut back to the actual and estimated for 1944-45. These cuts are shown in the preceding schedule.* They amount to a total of \$217,865 for the biennium.

We believe that an actual reduction of printing is in order and that many items that are now printed can be reduced in size or frequently eliminated without hurting any service. This applies to mimeographing and other reproduction.

Specifically we recommend that the written or printed reports of the several departments for the Governor's Council be required once every six months in place of monthly. This will also save the time of from one to three persons in the several departments. The material comes out so frequently now as to be of less value than if it came out less often. A bill has been introduced to make this effective.

This recommendation for reduction in expenditures for printing is in keeping with the Ways and Means Committee action in refusing to increase the appropriation for their own printing. The same ratio of saving is recommended for the State as a whole.

Furthermore, we feel certain that the recent reorganization of the State Printing Plant will result in a material reduction in printing costs. If it does not, then, in our opinion, the Legislature should take over the control of this plant and set it up on the same basis as the United States Government Printing Office.

*Pages 17-23, inclusive.

Automobile Use and Abuse

2. We recommend an arbitrary cut of the total amount allowed for the operation of State automobiles in the flat amount of 10 per cent. This sum for each department to be held in a reserve by the Department of Finance and to be allocated back to the several departments concerned when they have exhausted the amount in the Budget allowed for this purpose, upon the certification and to the satisfaction of the Department of Finance, that no automobile of the department or agency has been used during the biennium for any other than State business.

This is for the purposes of endeavoring to eliminate the abuses in the use of State automobiles, which continue even in this time of restrictions on the use of State automobiles through gasoline rationing. Our investigation shows that the automobiles of the State operated by many departments are still used for private purposes — the largest abuses being to transport State employees to and from their work, thus providing transportation at State expense which is not available to the taxpayers of the State and which is contrary to the gasoline rationing provision.

There are other abuses that are more flagrant. There are departments that complain that they can not perform the services required because of the limited use of automobiles available due to gasoline rationing, where the cars of this department are almost daily being used to provide private transportation in the nature of taxicab service for the employees of the department. In some instances these cars are used to pick up several State employees, not only to bring them to work but to transport them from work, frequently stopping to allow shopping on the way home.

A large number of State automobiles are driven by State employees on Saturday and Sunday, when both their employment record and the vacation that they claim indicates that neither Saturday nor Sunday is a work day for this particular employee.

These abuses are not limited to those holding minor positions in the State Government. These abuses are unfair to the great body of the State employees who in no wise are guilty of this misuse of State equipment.

In addition to the above procedure we recommend that the allowances for the use of automobiles for the several agencies of the State be reduced according to the following schedule.

The total savings will be at least \$444,132 and still there will be provided substantial increase in automobile allowances for 1945-47 over 1943-45. The details are given on the schedule below.

STATE OF CALIFORNIA BUDGET — July 1, 1945, to June 30, 1947 — Expenditure for Automobiles

Agency or Dept.	Actual 1943-44	Estimated 1944-45	Recommended 1944-45	Savings 1944-45	Proposed 1945-46	Recommended 1946-47	Savings 1945-46	Proposed 1946-47	Recommended 1945-46	Savings 1946-47	Savings by Agency 1945- 47 Biennium
Judicial Council	\$310	\$300	---	\$300	\$400	---	\$400	\$400	---	\$400	\$300
Lieutenant Governor	266	266	---	266	266	---	266	266	---	266	532
Reconstruction and Reemploy- ment Commission	125	900	\$310	90	1,200	\$1,080	120	1,000	\$900	100	220
Secretary of State	1,475	1,200	1,200	---	2,000	1,500	500	2,000	1,500	500	1,000
Agriculture	115,750	111,575	111,575	---	125,000	112,500	12,500	133,645	124,780	13,865	26,365
Corrections ¹	50,980	62,510	56,260	6,250	68,145	61,330	6,815	59,795	53,315	5,980	12,795
Education	10,050	8,390	7,550	840	8,740	7,865	875	8,840	7,955	885	1,760
State Controller	5,100	6,945	5,100	1,845	9,385	5,100	4,285	9,585	5,100	4,485	8,770
Board of Equalization	78,245	92,820	78,500	14,320	92,930	78,500	14,430	93,080	78,500	14,580	29,010
Finance	8,785	6,215	5,595	620	9,350	8,415	935	9,600	8,640	960	1,895
California Horse Racing Board	---	---	---	---	---	---	---	500	450	50	50
State Treasurer	1,020	1,000	900	100	1,025	925	100	1,025	925	100	200
Industrial Relations	47,825	48,840	43,955	4,885	54,460	48,000	6,460	53,440	48,000	5,440	11,900
Institutions ²	30,140	30,365	27,330	3,035	33,990	30,590	3,400	36,780	33,100	3,680	7,080
Investment	27,195	28,130	25,320	2,810	28,830	25,945	2,885	29,030	26,130	2,900	5,785
Justice	13,140	13,900	12,510	1,390	15,370	14,280	1,090	30,160	27,140	3,020	4,610
Military and Veterans Affairs ³	17,480	39,420	35,480	3,940	34,495	31,045	3,450	34,495	31,045	3,450	6,900
Motor Vehicles ⁴	294,920	315,200	283,700	31,500	438,800	340,675	98,125	456,300	343,175	113,125	211,250
Natural Resources											
Beaches and Parks ⁵	13,040	16,200	14,580	1,620	19,950	17,950	2,000	18,150	16,335	1,815	3,815
Fish and Game ⁶	85,025	82,670	74,400	8,270	121,200	109,080	12,120	113,600	102,240	11,360	23,480
Forestry	159,980	179,260	160,000	19,260	193,045	170,000	23,045	194,745	170,000	24,745	47,790
Mines	1,650	2,000	1,650	350	5,000	2,500	2,500	5,000	2,500	2,500	5,000
Oil and Gas	6,350	6,500	5,850	650	6,500	5,850	650	6,500	5,850	650	1,800
Professional and Vocational											
Standards	11,650	12,100	10,890	1,210	15,200	13,680	1,520	15,700	14,130	1,570	3,090
Public Health	17,575	22,925	20,635	2,290	25,615	23,055	2,560	25,975	23,375	2,600	5,160
Railroad Commission	8,055	11,200	10,080	1,120	11,000	9,900	1,100	11,000	9,900	1,100	2,200
Public Works	73,060	81,570	73,410	8,160	92,565	83,310	9,255	96,200	86,530	9,620	18,375
Social Welfare	10,600	11,020	9,920	1,100	12,500	11,250	1,250	12,500	11,250	1,250	2,500
Totals	\$1,089,791	1,193,421	1,077,200	116,221	1,427,461	1,214,325	213,136	1,464,311	1,233,315	230,996	444,132
		1,089,791	1,089,791	---				1,427,461	1,214,325	213,136	---
Total for biennium		\$2,283,212	\$2,166,991	\$116,221				\$2,891,772	\$2,447,640	\$444,132	or 13.35%

Total proposed expenditure for 1945-1947 biennium ----- \$2,891,772

Total actual and estimated expenditure for 1943-1945 biennium ----- 2,283,212

Proposed increase ----- \$608,560 or 26.65%

Total recommended expenditure for 1945-1947 biennium ----- \$2,447,640

Total actual and estimated expenditure for 1943-1945 biennium ----- 2,283,212

Recommended increase ----- \$164,428 or 7.2 %

<i>Comment on Agency</i>	<i>Page in Budget 1943-1944 1944-1945 1945-1946 1946-1947</i>				
1 <i>Youth Authority</i> -----	133 to 137	10,525	22,560	26,000	29,475
(Increase due to increase in Personnel)					
2 <i>Department of Institutions</i>					
Out Patient Mental Hygiene Clinic				600	3,000
Sonoma State Home-----	483	1,275	1,525	1,300	3,000
3 <i>Military and Veteran Affairs</i>					
Adjutant General & State Guard-----	527 to 531	15,665	37,650	32,550	32,550
(Increase caused by the allocation of 99 automobiles by the Federal Government.)					
Upon review of previous Budgets we find the following :					

<i>4 Department of Motor Vehicles</i>									
						1939-1940	1940-1941	1941-1942	1942-1943
Division of Registration-----	563	4,826	3,600	8,125	8,125	4,775	5,000	3,915	4,000
Division of Law Enforcement (Autos)---	565	231,469	247,500	345,000	360,000	195,600	211,000	243,650	220,000
Division of Law Enforcement (Motorcycles)		55,515	60,000	82,500	85,000	78,500	79,500	76,100	86,000

For the fiscal year of 1943-1944 the Division of Registration Estimated in the Budget \$4,500, whereas they actually spent \$4,826. You will note by the above that this is the largest amount since 1943-1944. We are recommending that the amount for the biennium of 1945-1947 be reduced to \$5,000 for each fiscal year or \$10,000 for the biennium against \$16,250 as appears in the 1945-1947 Budget.

For the same period (1943-1944) the Division of Enforcement Estimated \$156,995 for automobile expense, whereas they actually spent \$231,469. The largest expenditure, for automobile expense, since June 30, 1939, was \$243,650 for the 1941-1942 Fiscal Year. This was also the period in which their personnel was the highest. From January, 1940, to June, 1942, the personnel increased from 721 to 1,052. As of December 31, 1944, it was 772.

Therefore we believe \$500,000 for the 1945-1947 biennium or \$250,000 for each Fiscal Year should be a fair allowance for automobile expenditure.

For motorcycle operations we would recommend as proposed which should give them a surplus to operate on.

<i>Comment on Agency</i>	<i>Page in Budget 1943-1944 1944-1945 1945-1946 1946-1947</i>			
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5 <i>Natural Resources</i>					
Division of Fish and Game-----	587	46,800	47,000	75,000	65,000
(Increase caused by increase of 16 game wardens in 1945-1946 and 32 game wardens and 10 other employees in 1946-1947.)					

**Item Analysis of the Proposed Appropriations in the
Budget Bill (Assembly Bill No. 500 and Senate Bill No. 294) for the
1945-1947 Biennium**

Legislative (Items 1 to 15, inclusive, of the Appropriation Bill, Assembly Bill No. 500, and pages 1 to 3, inclusive, of the budget)

No Budget hearings were held as respects appropriations for the Legislature. The constitutional requirements for salaries are provided. Allowances for mileage and contingent expenses are based upon prior allowances, with no account being taken of the cost of special sessions. We present herewith a tabulation showing the actual legislative costs from January 3, 1943, to December 20, 1944:

**LEGISLATIVE COSTS
JANUARY 3, 1943, TO DECEMBER 20, 1944**

Assembly

	Contingent Expenses	Pay officers and clerks	Mileage	Salaries	Living Expenses	Grand total
Regular Session ----	\$58,220 03	\$36,593 78	\$5,072 10	\$181,782 67	-----	\$281,668 58
First Extra -----	-----	297 00	2,522 00	-----	-----	2,819 00
Second Extra -----	-----	594 00	2,521 60	-----	-----	3,115 60
Third Extra -----	10,455 49	494 00	2,367 30	-----	\$3,470 00	16,786 79
Fourth Extra -----	4,741 91	894 00	2,365 20	-----	5,910 00	13,911 11
Totals -----	\$73,417 43	\$38,872 78	\$14,848 20	\$181,782 67	\$9,380 00	\$318,301 08

Senate

Regular Session ----	\$60,011 83	\$36,219 10	\$2,164 70	\$86,900 00	-----	\$185,295 63
First Extra -----	-----	-----	1,057 30	-----	-----	1,057 30
Second Extra -----	-----	186 00	1,123 10	-----	-----	1,309 10
Third Extra -----	5,285 49	495 00	1,108 80	-----	\$1,840 00	8,729 29
Fourth Extra -----	5,833 88	873 00	909 60	-----	3,280 00	10,896 48
Totals -----	\$71,131 20	\$37,773 10	\$6,363 50	\$86,900 00	\$5,120 00	\$207,287 80
Legislative Printing, Binding, etc. -----	-----	-----	-----	-----	-----	337,032 16
Legislative Mailing -----	-----	-----	-----	-----	-----	3,000 00
Grand total -----	-----	-----	-----	-----	-----	\$865,621 04

The Budget proposes a total expenditure for the 1943-45 Biennium of \$1,078,686, a reduction of \$76,902 or of 7 per cent from the estimated amount to be spent for the current biennium and also new services. Legislative offices in the sum of \$10,464 were added at the same time. This is in contrast to a total Budget increase of 16.4 per cent and an increase for almost every other function of State government. The Legislature of California, like Congress, session after session enlarges the scope and appropriations for every other branch and function of government but does not enlarge its own service staff or appropriation to check on these enlarged activities to see if they function as required or if appropriations are faithfully made and reported.

The following table further summarizes estimated and proposed expenditures for the 1943-45 and 1945-47 biennial periods:

<i>Expenditures</i>	<i>Actual & Estimated 1943-45</i>	<i>Estimated & Proposed 1945-47</i>	<i>Increase (+) or Decrease (-) from 1943-45</i>
<i>Current Expenses</i>			
Senate -----	\$285,974	\$285,500	— \$474
Assembly -----	471,504	472,000	+ 495
Joint expenses -----	390,387	303,000	—87,387
Legislative office:			
Los Angeles -----	3,580	6,400	+ 2,820
San Francisco -----	4,142	6,040	+ 1,898
Alameda County -----		5,746	+ 5,746
Total Expenditures--	\$1,155,588*	\$1,078,686	—\$76,902

* Includes estimated expenditures for the 1945 Regular Session to June 1945. Also includes deficiencies in existing appropriations for the 1943-45 biennium aggregating \$126,086.

The proposed decrease of some \$87,000 for joint legislative expenses is represented by a cut of that amount for legislative printing, binding, etc., to a total of \$300,000. *It is certain that this sum will be insufficient to cover printing and binding expenses.* It is significant that allowances for printing in all other agencies have been increased.

It appears that \$100,000 more should be added to this appropriation to cover what will undoubtedly be required, making a total of \$1,178,678, which will amount to an increase of about \$23,000 or 2 per cent over the expenditures for the current biennium. The total Budget, based on the Governor's figures, shows an increase of 16.4 per cent.

Reasons for the addition of \$100,000 are as follows:

1. The cost of printing and paper probably will remain high.
2. With the end of the war probably occurring during the biennium, it is probable that the Legislature will be convened into special sessions to deal with the many postwar problems that will arise.
3. There are likely to be as many, or more, interim legislative committees during the coming biennium as has been the case during the current biennial period, and their activities require the expenditure of money.
4. The size of the job to be done by the Legislature if it exercises its constitutional responsibility increases as the Budget increases.

We wish to emphasize that *there is no particular merit in setting up a Budget which includes items that will be less than will be reasonably required, and it certainly should be consistent with comparable estimates made in other parts of the Budget.* This is not true as respects legislative printing and other joint expense. The amount in the Appropriation Bill for this purpose is placed at \$300,000, which is exactly the amount in the appropriation bills for the 1941 and 1943 Regular Sessions. However, all through the remaining parts of the Budget for almost every agency and translated into the Appropriation Bill, increases have been allowed for printing. This is particularly significant in Item 36, allowing the Secretary of State \$95,000 for printing the constitutional amendments, which is \$39,000 in excess of expenditures for that purpose during the current biennium. What will be required is equally as uncertain as what the Legislature will need.

Past under-budgeting for the Legislature has necessitated deficiency appropriations. On the basis of estimates in the Governor's Current Budget, deficiencies in existing appropriations for the 1943-45 appropriations for the Legislature total \$126,086 to meet the estimated expenditure of \$1,155,588. We recommended in March, 1943, that for the 1943-45 Biennium the sum of \$200,000 be added to the appropriation for the Legislature. Actually, our estimate of the additional sum needed will be exceeded by about \$82,186 due in part to the four special sessions. Our present estimate that an additional \$100,000 at least will be required does not include any added services for the Legislature.

Items 13, 14, and 15 in the Budget Bill, for the support of legislative offices should be changed from "Senate Office" to "Legislative Office." These three items appear in the Budget for the first time. They provide for a permanent office to serve the entire Legislature in the three counties indicated. Offices have been opened in Los Angeles and San Francisco. The office is not yet opened in Alameda County. Apparently it was the intention of the Legislature in establishing these offices to make them available for all legislators.

Legislative Counsel Bureau

Item 16 of the Appropriation Bill, pages 4 and 5 of the Budget, is set up in the sum of \$199,358, an increase of \$37,769 or 23 per cent. Of this increase, \$29,040 represents the budgeted salaries of three new positions for personnel expected to return from military leave and \$6,780 amounts to the increased salary expense resulting from reclassification of seven positions to higher classes.

This bureau, due to the loss of experienced men to the armed services, has been forced to work an excessive amount of overtime, for which they have not been compensated. The increasing services required by interim committees likewise has added to its burden. If trained personnel now on military leave return to their positions undesirable overtime conditions will be corrected in a large part. It is believed that the bureau could not operate effectively on less money than is budgeted for the coming biennium, particularly since there will probably be extra legislative sessions.

Working Conditions of the Legislative Counsel

Again we wish to call attention to the fact that greater efficiency and a larger return for the money expended can be secured if the Legislative Counsel *is given adequate quarters*. The work performed requires close attention and concentration. In many instances it is highly technical and frequently it not only requires concentrated thought but also consultation with others. During the session almost continuous conferences between the members of the Legislature and the members of the Legislative Counsel Bureau staff occur in relation to legislation being prepared or amended. The desks of the staff members are so crowded together that it is practically impossible to hold such conferences without interfering with the work of other staff members. The chief of the bureau frequently must hold conferences with committees and groups and the representatives of the various departments of the State. He does not have adequate space to hold such conferences. It is evident that greater economy and efficiency will result if quarters are provided to meet this particular problem.

Waste of Legislative Counsel Time

We wish to again point out that a considerable amount of time of the Legislative Counsel Bureau is wasted through improper consideration and indiscriminate requests. For example, the carte blanche authorization given by some members of the Legislature to citizens interested in legislation to have any bills drawn which they wish is frequently an extravagant waste of time of the Legislative Counsel Bureau. Frequently inexperienced persons make requests that are poorly considered, indefinite and subsequently prove to be unacceptable to the legislator authorizing the request. Frequently the requests of legislators themselves are so indefinite as to place an undue burden on the imagination as well as the technical skill of the Legislative Counsel Bureau.

The numerous duplicate requests of the various members of the Legislature cause a large amount of duplicate and overlapping work and increase the burden and the costs of the bureau. The Legislature itself has the sole power of correcting this situation through its rules and procedure. There are some difficulties involved in providing procedure which will allow all of the latitude that is necessary for individual and untrammelled action on the part of the members and at the same time eliminate waste and unproductive work on the part of the staff of the bureau that, no matter what the burden, endeavors to provide every service.

California Code Commission

Item 17, page 3 of the Appropriation Bill, page 6 of the Budget. Appropriation \$29,450. This proposed appropriation represents an increase of \$11,445 over expenditure for the current biennium. The proposed increase is necessary to expedite this agency's important work of codifying the laws. *We recommend this appropriation as a good investment for the State.* Future economy in printing bills and expediting legislative business will result.

California Commission on Uniform State Laws

Item 18, page 3 of the Appropriation Bill, page 7 of the Budget. Appropriation \$2,000. This proposed appropriation is practically the same as expenditures for the current biennium. No reduction is advisable unless the entire function is eliminated. State business, including adjustments in taxes resulting from the war activity and the possible return to a peacetime status, probably emphasizes the need for this service.

Supreme Court

Item 19, page 3 of the Appropriation Bill, pages 8 and 9 of the Budget. Appropriation \$527,080.

This is an increase of \$55,591 or 12 per cent over expenditures for the current biennium or less than the Budget average increase of 16.4 per cent. Of this increase, \$24,520 arises from salaries of four proposed new positions and the promotion of second assistant reporter of decisions as provided for by Section 767 of the Political Code. There also is scheduled \$38,760 for special salary adjustments.

This increase includes the following adjustments of salary rates:

	<i>Current</i>		<i>Proposed</i>
Law Clerk -----	\$300 ÷ 25	to	\$400 + 25
Assistant Law Clerk -----	150 ÷ 25	to	275 ÷ 25
Stenographer -----	150 ÷ 25	to	190 ÷ 25

There is some difference of opinion among the members of the court as to the assistance and cost thereof each member requires. This we believe depends on the individual work habits and abilities of the several justices and we doubt if there ever will be a unanimous decision on the matter by the court. We believe there are sufficient funds in the proposed appropriation to supply the needs of both the majority view and the dissenting opinion and that the court can and should make its own internal arrangements so as to best provide for its needs.

Unlike practically all of the other State agencies, there is no credit set up for salary savings due to the war effort. It is believed that these will accrue and that salary savings can be and will be made by this court on a basis comparable with other departments. We believe the sum of \$1,000 or more will remain unspent in this category at the end of the biennium. We feel the court has made its Budget request only after carefully considering its requirements for rendering adequate service.

In our report to the last regular session of the Legislature we recommended that the salaries of the employees of the Supreme Court be studied by the Personnel Board in relation to the salaries paid by other departments for like services and that the salary scale be established for those employees on a comparable and equitable basis, giving full recognition to the dignity of the court. We pointed out that no such study had ever been made by the Personnel Board. It is reported that the Department of Finance has just initiated arrangements with the Personnel Board for such a study. We heartily commend this action and look forward to the findings of the study.

Judicial Council

Item 20, page 3 of the Appropriation Bill, and pages 10 and 11 of the Budget. Appropriation \$116,100. The cost for 1931-33 was \$55,977, less than half of this Budget, and in 1941-43 it was \$50,781—even lower.

The increase of \$47,327 over expenditures for the current biennium is almost as much as the entire cost of 1941-43. Of this increase, \$12,423 is for support, including upward salary adjustments of \$4,200 for four positions, and \$34,904 is for extra compensation and expenses of judges assigned by the Judicial Council to courts other than those in which they regularly sit. This total increase does not seem justified for the following reasons:

1. No salary savings are set up out of the salaries of a purely technical staff, in excess of \$56,000. Also, the rates have not been established by the Personnel Board on a basis comparable to those of other State agencies. We recommend that a modest salary saving of \$1,000 be set up here.
2. We also notice an operating expense item of \$800 is included for automobile maintenance. We do not find reason for travel on a regular basis which justifies the full time assignment of a State automobile.

3. We believe that the item of \$50,000 for extra compensation and expenses of judges assigned by the Judicial Council to courts other than those in which they regularly sit should be reduced to \$40,000, which is still an increase of \$24,904 over expenditures for the current biennium. We do feel that the constitutional requirement providing for the pay of the extra compensation for judges sitting in another court should be made. However, we do not believe that permanently incapacitated judges should continue to hold office and be paid—partly by the State—and other judges sent in to hear all of their cases and be paid travel expense and possibly extra compensation. If these incapacitated judges can not serve, they should be retired as the Retirement Act contemplated and provides.

We believe the Judicial Council, as part of its duty to improve the courts and judicial procedure, might well recommend to the Governor retirement of justices if such action would accomplish this general purpose and remedy any existing abuse. Copy of a letter from the Chairman of the Judicial Council, presenting the council views on this matter, is presented herewith:

March 2, 1945

*Hon. Albert C. Wollenberg,
Chairman, Assembly Ways and Means Committee,
Sacramento, California.*

MY DEAR MR. WOLLENBERG: Concerning our Budget request for funds to pay increased compensation and expenses of assigned judges during the 1945-1947 Biennium, I would like to call your attention to the following constitutional and statutory provisions:

Section 1a, Article VI of the Constitution;

(6). ***

"The chairman (of the Judicial Council) shall seek to expedite judicial business and to equalize the work of the judges, and shall provide for the assignment of any judge to another court of a like or higher jurisdiction to assist a court or judge whose calendar is congested, to act for a judge who is disqualified or unable to act, or to sit and hold court where a vacancy in the office of judge has occurred.

*** "The several judges shall cooperate with the Council, shall sit and hold court as assigned. ***

*** Any judge assigned to a court wherein a judge's compensation is greater than his own shall receive while sitting therein the compensation of a judge thereof. The extra compensation shall be paid in such manner as may be provided by law. Any judge assigned to a court in a county other than that in which he regularly sits shall be allowed his necessary expenses for travel, board and lodging incurred in the discharge of the assignment."***

Chapter 486, Statutes of 1929 (Deering's General Laws, 1944, Act 3904, Sec. 1) provides for the manner of paying extra compensation and expenses of assigned judges, and the proportions to be paid by the State and county. Subdivision (f) thereof states: "The payment by the State toward such extra compensation and expenses shall be made from the moneys appropriated for the support of the Judicial Council."***

Under the provisions of Chapter 486, Statutes of 1929, the State is chargeable with increased compensation and expenses of assigned judges as follows:

1. The State is chargeable with a portion of the expenses of a superior court judge assigned to another superior court when there is no increase in compensation, but it is not chargeable with any increased compensation under these assignments, as the State's contribution toward the salaries of all superior court judges is uniform. See subdivisions (a) and (d).
2. The State is chargeable with a portion of the increased compensation and expenses of a municipal court judge or justice of the peace assigned to a superior court. See subdivisions (c) and (d).

3. The State is chargeable with the entire increased compensation and expenses of judges sitting pro tempore in the supreme court and district courts of appeal. See Section 3.

Due to the depression, funds appropriated for support of the Judicial Council were so reduced for the Biennium 1933-1935 that it was not possible to pay the State's share of increased compensation and expenses of assigned judges, and subsequent appropriations have been equally inadequate. On account of limited appropriations, since July 1, 1933, it has been necessary to ask judges to accept assignments under waiver of the constitutional increase in compensation and expenses to which they were entitled. They have generously made this waiver, and a tremendous volume of work has been accomplished by them.

Since July 1, 1933, under the provisions of Chapter 926 of the Statutes of 1933, amended by Chapter 258 of the Statutes of 1943 (Deering's General Laws, 1944, Act 3904, Section 1a), *the respective counties have borne the State's portion of the expenses of superior court judges assigned to outside superior courts.*

During the period July 1, 1933, to June 30, 1943, superior court judges assigned to district courts of appeal wrote a total of 2,363 opinions, but our appropriations permitted payment for only a small fraction of their time devoted to this extra work; i.e., no increased compensation during the 1933-1935 and 1935-1937 periods, when 1,538 opinions were written, or during the year 1937-1938; approximately \$0.43 on the dollar was paid for their work during the year 1938-1939; during 1939-1941 they were not paid any increased compensation; and during the biennium 1941-1943 they were only paid for their work during the year 1941-1942.

The superior court judges who assisted the district courts of appeal have waived the remainder of the increased compensation to which they were entitled, and, since July 1, 1933, the municipal court judges and justices of the peace assigned to superior courts have waived all of the State's share of their increased compensation and expense.

From our statistical data concerning the annual outside assistance given the respective superior courts by assigned judges, we estimate that the State's share of the expenses of superior court judges serving in superior courts other than their own would be \$5,000 a year, and that the State's portion of the increased compensation and expenses of municipal court judges and justices of the peace assigned to superior courts would be \$5,000 a year, or a total of \$10,000 per year for superior court assistance.

We have estimated that at least \$1,000 a year should be provided for compensation and expenses of justices who may be assigned to the Supreme Court, and \$14,000 a year for district court of appeal assistance, making a total of \$15,000 per year for these courts.

In connection with the suggestion by Mr. Vandegriff at the hearing before your committee to the effect that failure to make assignments to superior courts might bring about the retirement of disabled judges, I wish to call your attention to the constitutional provisions of Section 1a. Article VI, heretofore quoted, requiring the assignment of judges by the Chairman of the Judicial Council.

The involuntary retirement of a justice or judge is provided for in Act 5849a, Section 3, Deering's General Laws, 1944, and requires action by the Governor and consent of the members of the committee on qualifications.

I trust that the information given herein may clarify the situation.

Very truly yours,

(s) PHIL S. GIBSON, Chairman

cc: Mr. James F. Dean
Mr. Rolland A Vandegriff"

4. The fourth item of saving is in printing. The actual expenditures for 1941-43 were \$138.77, and for 1943-45 \$1.121, while the request for the coming biennium totals \$2,000. We recommend that this be reduced to \$1,100, or a reduction of \$900 for the biennium, and that any additional requirement, if any, be secured from the Emergency Fund.

The total reductions for the Judicial Council, therefore, would amount to \$12,700.

First District Court of Appeals

Item 21 of the Appropriation Bill, pages 12 and 13 of the Budget. Appropriation \$257,940.

This is an increase of \$11,681 over expenditures for the current biennium, and consists of salaries of two proposed new positions of law clerk and the upward special salary adjustments for two established positions. We believe a possible salary saving of \$500 can be made but see no necessity of a Budget reduction.

Second District Court of Appeals

Item 22 of the Appropriation Bill, pages 14 and 15 of the Budget. Appropriation \$357,780.

This is an increase of \$12,463 due partly to one proposed new position for a Legal Research Secretary with a biennial salary of \$7,800. We recommend a salary saving item of \$600.

Third District Court of Appeals

Item 23 of the Appropriation Bill, pages 16 and 17 of the Budget. Appropriation \$141,580.

This is an increase of \$6,540 which occurs to cover minor increases for special salary adjustments, for operating expenses, and for equipment. There are 12 employees, which is next to the lowest number for any of the Appellate Courts. No suggested saving is advisable.

Fourth District Court of Appeals

Item 24 of the Appropriation Bill, page 18 of the Budget. Appropriation \$169,760.

This is a decrease of \$485, one of the few in the Budget. This is a traveling court. There is an item of \$21,000 for travel which is approximately the same as the amount expended for the current biennium. There also is an item of \$21,000 for the rental of quarters in the several towns in which the court sits. No credit for salary savings is suggested because of the small number of employees of this court.

Judges' Retirement Fund

Page 19 of the Budget. This is not found in the Appropriation Act for the reason that it is a fixed charge. The amount scheduled for the coming biennium, \$108,578, is practically the same as that for the current period. More use of this provision for retirement of incapacitated judges will save the State in cost for judges to do the work of incapacitated justices.

State's Share of Salaries of Judges of Superior Courts

Item 25 of the Appropriation Bill, page 794 of the Budget. Appropriation \$1,304,000.

This is a fixed charge prescribed by Section 736b of the Political Code. The State's share is fixed at \$4,000 per judge per year. It can be controlled by the Legislature.

Executive

Items 26 to 29, inclusive, of the Budget Bill, pages A-10 and 20 to 25, inclusive, of the Budget.

Summary of Executive Function

Page A-10 of the Budget indicates that the proposed expenditures for the 1945-47 Biennium for the Executive function (covering the activities

of the offices of the Governor, the Lieutenant Governor, and the War Council) are \$556,241 or 65.7 per cent less than the expenditures for the current period 1943-45.

War Council

The table below shows that this reduction ensues entirely from the fact that *there is no item in the Budget or in the Appropriation Bill for the War Council for the 1945-47 Biennium.*

It is presumed from this that the Governor does not recommend that the War Council be continued in the 1945-47 Biennium. *In this we heartily concur and go one step further and recommend that it be discontinued at once (March 1945); that all property it has been turned over to the Department of Finance for liquidation; that all necessary residual functions be given to appropriate existing agencies of the State; and that all remaining funds be reverted to the General Fund.*

Expenditures of the War Council for the current biennium are estimated at \$567,505.

The percentage decrease of 65.7 per cent shown on Schedule II-B, page A-10 of the Budget, for the Executive function gives an erroneous impression, as no normal function of this branch of the government was decreased but on the other hand, they were increased as shown on the following schedule:

Office	Expenditures			Increase (+) or Decrease (-) for 1945-1947 over 1943-45	
	Actual and Estimated 1941-43	Actual and Estimated 1943-45	Proposed 1945-47	Amount	Per cent
Governor -----	\$213,682	\$253,433	\$261,285	\$ +7,852	+ 3.1
Lieutenant Governor -----	12,938	26,172	29,586	+3,414	+13.0
War Council -----	419,921	567,505	-----	-567,505	-100.0
Total -----	\$646,541	\$847,110	\$290,871	\$ -556,239	-65.7

The schedule below reveals that the estimated expenditures for the current Biennium (1943-1945) actually exceed the amounts proposed in the Budget of two years ago by substantial amounts.

Office	Expenditure proposed for 1943-45 by the 1943-45 Budget *	Actual and estimated expenditures for 1943-45 as reported in the 1945-47 Budget **	Excess of actual and estimated expenditures for 1943-45 over amounts indicated by the 1943-45 Budget	
			Amount	Per cent
Governor -----	\$207,000	\$253,433	\$46,433	22.4
Lieutenant Governor -----	12,930	26,172	13,242	102.4
Total -----	\$219,930	\$279,605	\$59,675	27.1

* Governor's Budget, 1943-45, pages 18 to 20.
 ** Governor's Budget, 1945-47, pages 20 to 22.

Governor

Item 26 of the Budget Bill, page 20 of the Budget. Appropriation \$234,285.

This is an increase of \$7,851 or only 3.1 per cent as compared with 16.4 per cent increase for the Budget as a whole, one of the smallest increases by percentage in the budget. The same number of positions are provided for as in the current biennium.

It appears that operating expense can be reduced by \$7,200, as follows, without curtailing the operations of the office and we believe that if conditions make this possible this saving or more will be made by this office.

Governor's Office—Operating Expense

	Actual 1943-44	Estimated 1944-45	Proposed by Budget for		Estimates of Normal Costs		Possible Savings 1945-47
			1945-46	1946-47	1945-46	1946-47	
Office -----	\$ 3,445	\$ 5,400	\$ 4,700	\$ 4,700	\$ 4,500	\$ 4,500	\$ 400
Printing -----	1,347	2,400	2,000	2,000	2,000	2,000	0
Travelling -----	4,775	9,600	8,600	8,600	6,000	6,000	5,200
Telephone and Telegraph-----	9,016	10,800	10,800	10,800	10,000	10,000	1,600
Postage -----	2,091	3,000	3,000	3,000	3,000	3,000	0
Totals -----	\$20,674	\$31,200	\$29,100	\$29,100	\$25,500	\$25,500	\$ 7,200

Appropriation as requested recommended.

Item 27 of the Budget Bill and page 21 of the Budget provides \$14,000 for the special Secret Service Fund for the biennium for the Governor's Office, which is the same amount as for the current period. By law this is exempt from accounting and audit and can be spent by the Governor in any way he sees fit.

Item 28 of the Budget Bill, and page 21 of the Budget, provides for the support of the Governor's residence in the amount of \$12,000. This is the customary appropriation for this purpose.

In our report on the Budget for 1943-45, published in the Senate Journal of March 20, 1943, we pointed out that the request made in that Budget for the Governor's Office was insufficient if he expected to discontinue the practice of borrowing help, automobiles, and other services. Our estimates proved correct and more money was required to eliminate the borrowing of help.

The practice of borrowing cars continues as has been the established procedure since 1934. Three cars are in use by the office which were purchased by other departments. Our recommendation made then can be repeated. However, with this exception actual costs of the office now are reflected in the expenditures.

Lieutenant Governor

Item 29 of the Budget Bill and page 22 of the Budget. Appropriation \$29,586.

This shows an increase of \$3,413 or 13 per cent over expenditures for the current biennium, and \$16,648 or 129 per cent over reported expenditures for the 1941-43 period.

A reduction of \$10,524 in this appropriation distributed as follows would bring this office back to what it formerly had as a Budget and in borrowed services.

1. Elimination of the position of Intermediate Stenographer-Clerk -----	\$ 4,200
2. Elimination of the position of Senior Legal Stenographer -----	5,160
3. Reduction of proposed allowance for travel expense from \$3,164 to \$2,000 -----	1,164
Total -----	\$10,524

These reductions would leave an allowance of \$19,062 which is still \$6,124 in excess of actual reported expenditures for the 1941-43 period

and also covers all costs of borrowed services. The recommended reduced amount would provide the Lieutenant Governor with a Secretary and the operating expenses needed to carry out his activities currently required of him as presiding officer of the Senate, and for service on the boards and commissions now provided by law, and for such service as acting Governor when the Governor is out of the State or incapacitated.

An examination of the several statutes wherein the Lieutenant Governor serves as a member of a board or commission and the actual practice of each shows that his expenses in this connection are covered. In each instance the Lieutenant Governor as a member of such body is allowed his expenses and also, in the case of the State Lands Commission, such clerical and other service as he requires.

He is also allowed his mileage as presiding officer of the Senate whenever called upon to attend a regular or special session. There are no duties required that justify assigning a State automobile for the sole use of the Lieutenant Governor other than that this high office in a state of the size and importance of California does require public participation in many matters, not as a matter of assigned duties by law but as a consequence of the office. The present Governor has been absent from the State more and oftener than any other Governor, thus placing on the Lieutenant Governor a greater obligation in this respect. The Lieutenant Governor, although not required by any duties to do so has practically given up the practice of law and states he devotes his full time to the office. Here is a case where the Legislature must view an appropriation from the two aspects of

- (1) What is required by law and practice of the office?
- (2) What does the incumbent do as an assumption of the requirements of the office?

The amount of the appropriation will depend on this decision of which view should be supported by an appropriation.

We can repeat our statement of 1943 as continuing to be applicable to this office.

“The secretary provided for the Lieutenant Governor and the other operating expenses should be sufficient for all the activities now required of the Lieutenant Governor as presiding officer of the Senate and service on the boards and commissions now provided by law. If the Lieutenant Governor is required to render additional services to the State and serve on additional boards or commissions, the additional expense of secretarial service, office and travel should be considered at that time. It does not appear to be necessary from the requirements of the office for the Lieutenant Governor to maintain several offices throughout the State in order to render to the public all the services required in connection with this office.”

General Administration

Codification Board

Item 30, Budget Bill, page 26 of the Budget. Appropriation \$55,961, an increase of \$4,889.74.

This board is composed of the Legislative Counsel, the Director of Finance and the Secretary of State. It was established in 1941, sponsored by the State Bar Association for purpose of correcting an abuse

or deficiency in administration by certain State boards whereby persons were injured by failure to know some regulation, rule, or order or change thereof and violated the same. It was provided that the above board would collect and publish such rules and supplements to the same and keep the public, and particularly the attorneys, informed of all such rules, amendments and changes thereof.

The board has in our opinion done a good, intelligent, and economical job but this does not strike at the root of the evil. This for the reason the several boards and commissions can change or amend rules at will, and they are effective before this board can collect and publish them.

For this reason it is recommended the Codification Board be abolished and all remaining unexpended and unobligated funds be reverted to the General Fund and Item 30 of the 1945 Budget Bill be stricken. Savings will be \$55,961.

If the law is corrected (Assembly Bill No. 1002 is on the subject) to strike at the evil at the source such as requiring 30 days' notice before a change in all board rules, etc., becomes effective and the publication of same is required, then *it is recommended that this service be rendered on a loose leaf or supplement basis on a cost charge basis, and it be made self-supporting.* Saving to the General Fund will then be the same.

Board of Administration, State Employees' Retirement System

Item 31, Budget Bill, page 27 Budget. Appropriation \$155,432. Increase \$130.78.

The showing of such a small increase is misleading unless it is noted that one service, *War Savings Bond Division*, is abolished for the second year of the biennium (see page 28 Budget) with a reduction of \$20,725.96. All this sum and \$130 is added costs for other services. Most of the increase is due to the actuarial survey required during the biennium.

No large saving is possible, but should be a reduction for 1947-49 biennium.

We only recommend the percentage saving in operations and salary recommended for the over-all General Fund Budget of \$10,000,000 or the personnel reserve savings.

For other pertinent comments see Budget Committee report of 1943 to the Legislature.

California Commission on Interstate Cooperation

Item 32, Budget Bill, page 29 of Budget. Appropriation \$25,000, same as 1943. This is \$1,224.25 above actual expenditures. Recommended only over-all percentage cut to save relative share of \$10,000,000 over-all savings or general personnel savings as adopted.

State Personnel Board

Item 33, Budget Bill, pages 30-35 Budget. Appropriation \$875,869, up \$181,559 or 26.1 per cent, or approximately 10 per cent more than average of the Budget.

I. STATISTICAL FACTS

A. Summary	Estimated	Proposed	Change	
	1943-45	1945-47	Amount	Per cent
Board -----	\$75,254	\$79,189	\$3,934	5.2
Administration -----	125,310	162,687	37,376	29.8
Records and Transactions -----	161,059	199,920	38,861	24.1
Classification and Pay -----	68,966	102,542	33,575	48.6
Testing and Recruiting Services -----	261,887	331,531	66,643	25.4
Cooperative Personnel -----	32,737	38,520	5,787	17.7
Total Expenditures -----	\$725,213	\$914,389	\$189,176	26.1
Less: Reimbursement for special services to other State agencies and to units of local government	30,900	38,520	-7,620	-24.7
Net total Expenditures -----	\$694,313	\$875,869	-\$181,556	-26.1

About one-third of the increased costs or \$61,560 is caused by addition of 11 new positions in 1945-46 and 12 in 1946-47. Four war emergency positions are continued costing \$11,885 for the biennium.

Salary adjustments and operating costs make up the balance.

If the State is to expand its personnel as proposed in the 1945-47 Budget by the additional personnel in other State departments then the Personnel Board will require additional help to service them. In addition, the increase in the number of new classes of employees established since 1943 requires more service. If the labor market changes to an employers' market from a stringency in workers the problem of selection will be increased and will require more help.

The personnel provided does not contemplate performing the added services necessary, if new departments and agencies as recommended by the Governor in his biennial message are established which will require the servicing of five or six hundred additional personnel.

In general the present Personnel Board should be commended for its improved functioning, its close attention to its problems and the general improvement in administration.

The board, in our opinion, still spends too much time in deciding minor matters which could be handled by the staff on the basis of general policy.

This board has a larger responsibility than is generally recognized affecting the performance of State personnel, the quality of governmental service and the cost thereof.

In our opinion the board has a duty to perform toward the employees, their employer, the State of California, and to the taxpayers who pay the bill. If the State errs by being over-liberal in classification of positions and pay scales, promotions, additional sick leave with pay, and in many other ways, the cost for State service goes up. If for lack of technical staff these functions can not be properly performed either the State or the employee suffers.

In our opinion the board must be diligent in maintaining salary scales equitable with those paid in private business and in other governmental service. This not only means increasing pay when competing private business raises pay but it also means that the board should be just as diligent, if not more so, in seeking out cases where pay is above the current labor market and reductions should be made accordingly. We have not found a single instance where this has been done. In our opinion the board should take the initiative for unless it does there is no one else who will perform this service for the taxpayers.

In the preceding schedule it is shown that the largest per cent increase is for classification and pay, or up 48.6 per cent. It is our opinion that this is justified and should assist in establishing equitable classes and pay scales.

The Personnel Board should take the lead in assisting and rewarding the efficient public servant and help to get rid of the incompetent. Under the present rules of procedure it is practically impossible to get rid of an incompetent person. Frequently a civil service employee is preparing charges against another civil service employee and in practically every instance the department administrator who brings charges is practically tried himself and if he loses the case is likely to have a difficult internal personnel problem. We suggest that a procedure be worked out whereby the problem of getting rid of an incompetent, dishonest or otherwise objectionable employee be made the duty of the board and that all that is required of the employer is to file a statement of fact supporting a recommendation for dismissal and from here on out the Personnel Board shall make its own investigation, its own findings and its order of dismissal.

Performance Reports

At the present moment automatic increases in pay are paid to all those who qualify on their performance reports and who are not now receiving the maximum of their range. An examination of the Budget document will show that money has been budgeted to take care of salary increases for the next two years for approximately 99 per cent of the State employees. It is manifestly impossible for 99 per cent of the State employees to attain such a record. The application of the biological curve to the attainment of State employees will also show that there is something drastically wrong with the performance reports. If the Personnel Board accomplished nothing else than revision and making effective the performance reports so the State could reward the competent and get rid of the incompetent it would be worth the entire Budget of this agency.

Sick Leave

The board has full power to control sick leave. The importance of this matter is realized when we consider that it costs the State of California \$1,000,000 a year to give sick leave allowances that have been granted in the past. See following memorandum for the Personnel Board from their Executive Officer dated August 13, 1943.

“Memorandum for the State Personnel Board

Subject: Report on Sick Leave

As Director of Finance, Mr. R. A. Vandegrift had a study made early in 1932 of sick leaves approved by the commission. This study showed that a large number of employees were taking the maximum amount of sick leave each year. In order to reduce this abuse and induce employees to take sick leave only if and when it was needed, Mr. Vandegrift prevailed upon the Civil Service Commission to adopt a new rule (essentially the present rule) based on the principle of saving or accumulating unused sick leave against the day when some serious illness might cause an extended absence from

duty. In the following excerpt from Mr. Vandegrift's recent letter (July 7, 1943) he explains the matter a little more fully:

"In 1932 when the rule was established allowing for the accumulation of sick leave on the basis of 10 days per year if not used to a maximum of 100 days, the principle involved was twofold. First, it was an attempt to eliminate the abuses of sick leave for it was found many employees took sick leave up to the full limit then two weeks was allowed on the theory that they had it coming to them, and if they did not use it they lost its value. The second theory was that this would establish a sort of reserve insurance fund available when any serious illness occurred. This was for the purpose of giving security so a sick employee would remain home until recovered and would not appear on the job sick and unable to work and frequently a menace to other employees.

Cost

The following is a tabulation of the sick leave approved by our office during the year period June, 1942, through May, 1943:

June, 1942	\$ 61,828 18
July	69,716 38
August	52,284 54
September	52,821 17
October	58,103 84
November	58,537 04
December	73,933 39
January, 1943	73,600 32
February	90,400 91
March	95,128 38
April	94,252 75
May	81,245 51
	<hr/>
	\$861,852 41

In addition to sick leave granted under the normal provisions of the rule, over a period of the past few years, there has been an increasing amount of *additional sick leave with pay granted by the Personnel Board*. A cursory review of the minutes for the period July 1, 1942, through June 30, 1943, revealed that the Board had approved the equivalent to somewhat over \$11,000 in additional sick leave during the period."

**ADDITIONAL SICK LEAVE WITH PAY GRANTED BY STATE PERSONNEL BOARD
TO STATE EMPLOYEES**

During the Period July 1, 1942, to July 1, 1943

<i>Employee</i>	<i>Date Granted</i>	<i>Agency</i>	<i>Approximate cost</i>
A	7-24-42	Board of Equalization.....	\$450 00
B	8-12-42	Preston School of Industry.....	471 00
C	9-24-42	The Fred C. Nelles School for Boys.....	400 00
D	9-24-42	Board of Equalization.....	675 00
E	10-14-42	State Personnel Board.....	245 00
E	12-14-42	State Personnel Board.....	360 00
F	10-14-42	Franchise Tax Commissioner's Office.....	610 00
F	1-5-43	Franchise Tax Commissioner's Office.....	611 00
F	3-11-43	Franchise Tax Commissioner's Office.....	630 00
F	4-13-43	Franchise Tax Commissioner's Office.....	945 00
G	12-14-42	Division of Highways.....	750 00
H	2-25-43	Department of Social Welfare.....	46 58
I	2-25-43	Department of Education.....	78 00
J	3-10-43	Board of State Harbor Commission.....	396 00
K	3-12-43	Board of Equalization.....	312 39
K	6-25-43	Board of Equalization.....	49 57
L	5-11-43	Department of Industrial Relations.....	787 60
M	5-13-43	Division of Highways.....	1,453 56
N	5-13-43	Division of Highways.....	268 62
O	5-13-43	Division of Highways.....	1,018 00
P	5-25-43	Department of Social Welfare.....	34 65
P	6-25-43	Department of Social Welfare.....	11 06
Q	6-25-43	Board of Equalization.....	720 56
17 Employees		One-year total	\$11,324 59

The number of employees granted additional sick leave with pay over the accumulated sick leave continued to go up in 1943 and 1944. In the first year it reached 32 and in 1944 with fewer employees it was 34. The actual money cost was reduced. The factual data is shown on the following tabulation prepared at our request by the Personnel Board and dated Mar. 13, 1945:

**STATE PERSONNEL BOARD REPORT ON ADDITIONAL SICK LEAVE WITH PAY
GRANTED BY THE STATE PERSONNEL BOARD, 1943 AND 1944**

<i>1943</i>		<i>1944</i>	
No. of individuals granted additional sick leave.....	32	No. of individuals granted additional sick leave.....	34
Average length of time per person (working days).....	42½	Average length of time per person (working days).....	55
Longest amt. granted (working days) (equal to 4¼ months).....	100	Longest amt. granted (working days) (equal to 5½ months).....	115
Shortest amount granted.....	1	Shortest amount granted.....	9
Length of employment of persons granted sick leave with pay:		Length of employment of persons granted sick leave with pay:	
Less than 3 years.....	1	Less than 3 years.....	1
3 to 5 years.....	3	3 to 5 years.....	3
5 to 8 years.....	4	5 to 8 years.....	0
8 to 12 years.....	8	8 to 12 years.....	6
12 to 15 years.....	4	12 to 15 years.....	4
15 to 20 years.....	3	15 to 20 years.....	12
Over 20 years.....	9	Over 20 years.....	7
Average length of service of all persons granted sick leave.....	14 yrs.	Average length of service of all persons granted sick leave.....	16 yrs.
Average number of days of sick leave accumulated before additional sick leave was granted.....	42½ days	Average number of days of sick leave accumulated before additional sick leave was granted.....	37½ days

The minimum sick leave allowed is 12 working days per year with full pay and an accumulation of 10 days per year up to 100 days. At almost every meeting during the past year and a half the Personnel Board has granted additional sick leave. Little attempt has been made to find out

if such leave was justified. Our files contain many instances where we have felt that the board has been overly liberal in making these awards. If the abuse of sick leave could be eliminated both that which is reported and that which remains unreported, the Budget required to do this would be a good investment. There is a bill before the Senate authored by the Budget Committee, which will cure much of this abuse.

Medical Examinations

Our investigation likewise shows that many State employees are put to work without any medical examination being required, promotions are also made without requiring a physical examination. It has cost the State many hundreds of thousands of dollars unnecessarily because men were hired to perform work which they were not physically able to do or they were promoted to a position requiring greater exertion or hazard without a physical examination and at least one instance has come to our notice where the employee was already seriously physically handicapped. We believe this situation should be cleared up and we feel that the employment of a full-time physician by the Board will assist materially with this.

For the above reasons we feel that the appropriation for the Personnel Board should be approved but that there should be applied to it the over-all percentage cut necessary to produce the \$10,000,000 over all saving previously explained or the personnel saving in salaries and wages. We also feel that the ratio of salary saving applicable to produce a \$3,000,000 total Salary Restoration Fund should be applied to this appropriation if the total salary restoration program is not made effective.

We recommend that the Personnel Board utilize some of its additional staff provided in this Budget to simplify the personnel paper work required of the several departments and that the process of hiring, paying, dismissal layoff and other procedures be simplified and the work reduced to a minimum.

We also recommend that the Personnel Board cooperate with the Department of Finance and the Controller's office and the several departments of the State concerned to expedite personnel and other records and the checking thereof so that the pay roll of the several department may be expedited and employees of the State may be paid on a fixed date each month and as soon after the service was performed as is possible.

Analysis of Proposed Expenditures For The Reconstruction and Reemployment Commission

Item 34 Budget Bill, pages 36-37 Budget. Appropriation, \$357,965; increase of \$159,284 or 80.2 % over \$198,681 expenditure for 1943-1945.

	<i>Per cent</i>
Total Budget -----	Up 80.2
Salaries -----	Up 69
Operating expenses -----	Up 122
* Equipment -----	Up 127

*Note great increase in first six months of last year of biennium.
See table below for annual and biennial breakdown.

TABLE I

Object	Fiscal Year 1943-1944	Fiscal Year 1944-1945	Per Cent Increase 1944-45 Over 1943-44	Fiscal Year 1945-1946	Fiscal Year 1946-1947	Per Cent Increase 1946-47 Over 1945-46	Per Cent Increase or Decrease 1945-47 Biennium Over 1943-45 Biennium
Salaries -----	\$28,632	\$130,010	+354%	\$146,785	\$121,980	-16%	
Totals for biennium--	\$158,642			\$268,765			+ 69%
Operating expenses ----	\$6,817	\$30,150	+342%	\$47,700	\$34,500	-27%	
Totals for biennium--	\$36,967			\$82,200			+122%
Equipment -----	\$1,061	\$2,011	+ 89%	\$5,000	\$2,000	-60%	
Totals for biennium--	\$3,072			\$7,000			+127%
Total for biennium----	\$198,681			\$357,965			+ 80.2%

General Observation

The Budget of the Reconstruction and Reemployment Commission must be considered differently than the Budgets for State agencies that have been long established and have a normal program. This commission has two particular functions. One is to carry on research, plan and assist in postwar reconstruction and reemployment. This we hope will be a one-time activity, and this should end, in its major proportions, with the war or soon thereafter. The other function is in the nature of an all-time activity in carrying on the work assumed from the State Planning Commission and administering the Planning Act.

The first activity, planning for reconstruction and reemployment, is the largest part of the commission's work. It has a tremendous importance, and if this commission can suggest ways and means to orderly solve the problems of postwar reconstruction and reemployment, the expenditure of the amount set up in the Budget for the coming biennium of \$357,965 will be one of the best investments the State has made.

While the original bill which initiated the idea of a commission with the essential functions given to this commission appeared in the Legislature as Senate Bill No. 807, introduced and sponsored by the Legislative Budget Committee, we still feel that no one can judge with certainty as to the possible success of the Reconstruction and Reemployment Commission. The original form of the organization provided in Senate Bill No. 807 was materially changed, as were the methods and the membership of the commission. However, the general intent which is universally desired is the same. *It appears to be far better to make the expenditure required and endeavor to secure the desired results—although we may fall far short of the goal—than not to perform the service and regret it. To date the results are not measurable.*

This organization was started in 1943-44, but with only a skeleton staff. This went on for the first six months of the biennium. Some expansion was made in the second six months, but full and effective functioning was not begun until the third six months of the Biennium 1943-45. It is planned to carry on a somewhat expanded program for the first full year of the 1945-47 biennium and the first six months of the second year, 1946-47. Staff and operations will be reduced during the last six months of the biennium.

An analysis of the operation of the commission by six months' periods is presented at the bottom of page 36 of the Budget. This will show the amounts to be spent for each six months of the three principal divisions of operation, that is, salaries and wages, operating expenses, and equipment.

The tapering off process will begin in December of 1946. Operations will be reduced to about 40 per cent of what is considered normal. The staff will be reduced from an average of 37 in 1945-46 to an average of 31 for 1946-47.

The Legislature will be in session beginning January, 1947, and it can then review the operations of this commission. We recommend that this be done, for the reason that it is practically impossible to budget this kind of an activity, operating in a period of war emergency, planning postwar adjustments.

The two special surveys—Mineral Resources Survey, \$20,000, and Education Survey, \$20,000—were special appropriations made by the Legislature during the special session of 1943. These surveys will be available to the Legislature during the session, and the reduction shown by this amount does not mean a reduction in the actual program of the Reconstruction and Reemployment Commission.

Examination of the salaries paid to employees of the Reconstruction and Reemployment Commission will show that they are relatively high as compared with other State agencies. This follows from the nature of the work being done, where judgment is a particular requirement. We recommend, however, that the Department of Finance, in setting up their annual budget for this organization; see that salaries are kept in line with the recommendation of the Personnel Board as established for like positions in the State service.

Items to be especially scrutinized:

1. Proposed increase in salary of Deputy Director from \$7,500 in 1944-45 to \$8,000 in 1945-47. Should be determined by the Personnel Board.
2. Salary for Chief of Technical Staff in budget shows \$7,500. This is misleading because it is proposed under "*special salary adjustment*" that this amount shall be *increased* to \$8,000 in the 1945-47 *biennium*. This adjustment should depend on recommendations of Personnel Board.
3. Salary for Administrative Officer is listed in budget at \$3,540. Under the "*special salary adjustment*" item it is proposed that this salary shall be *increased during 1945-46* by \$400, making a total of \$3,940, and another increase during 1946-47 of \$400, giving an ultimate salary of \$4,340 by the end of the *biennium*. This adjustment should be on findings of the Personnel Board.
4. Will particularly question need for *two* research writers with such a highpowered staff of research specialists.
5. Traveling Expense
 - (a) Note administrative traveling expense in the 1945-47 Biennium totals \$23,850 vs. \$10,255 for the 1943-45 Biennium, an increase of \$13,595, or 132 per cent.
 - (b) *Citizens advisory committee* traveling expense jumps from \$2,500 in the 1943-45 Biennium to \$12,150 in the 1945-47 Biennium, or an increase of \$9,650, or 386 per cent. We doubt if this is necessary.
6. Printing

Printing for 1943-44 amounted to \$884. Estimated for 1944-45 is \$4,000, an increase of \$3,116 for the year, or 352 per cent.

Estimated for 1945-47 Biennium is \$12,500 vs. \$4,884 for 1943-45 Biennium, an increase of \$7,616, or 156 per cent. The value of the material issued should be well determined by this time. We question if some of it should be printed for general distribution.

7. Miscellaneous

See Tables II and III following for other out-of-line expenditures including telephone and telegraph, automobiles, accounting services, general office equipment, etc.

The 122 per cent increase in *operating expense* is composed of the following items:

TABLE II

Operating Expense

Items	Expenditures 1943-1945	Proposed expenditures 1945-1947	Increase	
			Amount	Per cent
General office -----	\$4,318	\$5,850	\$1,532	35.5
Travel—Administration -----	10,254	23,850	13,596	132.6
Travel—Citizens' Advisory Committee -----	2,500	12,150	9,650	386.1
Printing -----	4,884	12,500	7,616	155.9
Telephone and telegraph -----	2,510	5,400	2,890	115.1
Postage -----	2,396	4,950	2,554	106.6
Accounting services -----	4,090	7,800	3,710	90.7
Automobile -----	1,013	2,200	1,187	117.2
Contractual services on special studies -----	5,000	7,500	2,500	50.4
Totals -----	\$36,967	\$82,200	\$45,233	122.4

127 per cent increase in *equipment costs* comprised of:

TABLE III

Equipment

Items	Expenditures 1943-1945	Proposed expenditures 1945-1947	Increase	
			Amount	Per cent
General office -----	\$1,806	\$4,300	\$2,494	138.
Automobile -----	1,266	2,500	1,234	97.
Book -----		200	200	100.
Totals -----	\$3,072	\$7,000	\$3,928	127.

We recommend that the requested appropriation be approved subject to full budgetary control and such savings be made as are reasonable; moreover that the work of the commission be reviewed by the 1947 session of the Legislature and a determination be made then for expenditures for the last six months of the biennium.

Analysis of Proposed Expenditures

For the Secretary of State, 1945-1947 Biennium

Items 35-38, inclusive, of the Appropriation Bill, pages 38-43, inclusive, of the Budget; appropriations totaling \$305,730. Increase \$71,852, or 30.6 per cent.

I. Statistical Facts

Items for the Secretary of State in the Appropriation Bill are as follows:

Item 35—For support of Secretary of State,	\$161,830
Item 36—For printing constitutional amendments,	95,000
Item 37—For printing roster of public officials,	3,000
Item 38—For support of Collection Agency Division—Special Fund,	45,900
Total in appropriation bill,	\$305,730

In addition, there is a continuing appropriation item of \$1,040 in the Secretary of State's contributions to the State Employees' Retirement Fund. This brings the total of proposed expenditures for the 1945-1947 Biennium up to \$306,770. This represents an increase of \$71,852, or 30.6 per cent over the estimated expenditures for the current biennium.

The distribution of this proposed increased expenditure is as follows:

	<i>Estimated</i> 1943-45	<i>Proposed</i> 1945-47	<i>Increase</i>	
			<i>Amount</i>	<i>Per cent</i>
Administration -----	\$145,579	\$157,030	\$11,450	7.9
Reproduction of Spanish Archives and Original Laws -----	-----	4,800	4,800	
Printing Constitutional Amendments-----	55,885	95,000	39,115	69.9
Compilation and publication of Roster of Public Officials -----	4,500	3,000	-1,500	-33.3
Collection Agency Fund (this is a self-supporting agency) -----	28,307	45,900	17,592	62.1
Contributions to State Employees' Retirement Fund -----	644	1,040	395	61.3
Totals -----	\$234,915	\$306,770	\$71,852	30.6

Of the total increase of \$71,852 scheduled for 1945-1947 over 1943-1945, \$20,243 or 28.2 per cent is for expended salary expense. Of this sum \$19,860 is for five proposed new positions. These are listed below as follows:

<i>No. of positions</i>			<i>Proposed Salaries</i>	
<i>Fiscal Years</i>			<i>1945-46</i>	<i>1946-47</i>
<i>1945-46</i>	<i>1946-47</i>			
1	1	Intermediate account clerk-----	\$1,620	\$1,740
1	1	Laborer (one-half salary)-----	990	990
1	1	Supervising Photocopyist (M.L.)-----	2,340	2,340
1	1	Assistant Superintendent of Collection Agencies-----	3,420	3,600
1	1	Junior Stenographer-Clerk -----	1,380	1,440
<u>5</u>	<u>5</u>	Totals—Year -----	\$9,750	\$10,110
5	5	Totals—Biennial -----	\$19,860	

Of the total increase of \$71,852 scheduled for 1945-1947 over 1943-1945, \$13,600 or 30.0 per cent is for expended operating expenses. These operating expenses are listed below as follows:

	<i>Estimated</i> <i>Expenditures</i> 1943-45	<i>Proposed</i> <i>Expenditures</i> 1945-47	<i>Increase</i>	
			<i>Amount</i>	<i>Per cent</i>
Office -----	\$2,626	\$4,400	\$1,774	67.6
Printing -----	8,798	10,700	1,902	21.6
Traveling -----	5,609	8,600	2,991	53.3
Telephone and telegraph-----	3,928	4,000	72	1.8
Postage -----	6,016	6,900	884	14.7
Automobile -----	2,653	4,000	1,347	50.7
Rent -----	2,356	2,400	44	1.9
Freight, cartage and express-----	1,329	1,000	-329	-24.7
License examination expense-----	296	400	104	35.1
Storage -----	2,556	2,900	344	13.4
Pro rata, general fiscal expense-----	222	-----	-222	
Photocopying—Recordak-----	560	5,400*	4,840	7.1
Photocopying -----	4,400	8,800*	3,600	81.8
Pro rata, Personnel Board Services-----	124	160	36	29.0
Pro rata, janitorial service-----	3,785	-----	-3,785	
Totals -----	\$45,260	\$58,860	\$13,600	30.0

* The Secretary of State's office will be reimbursed by \$8,400 for charges to other agencies for photostat services.

Equipment expenses is scheduled to increase by \$2,752, as follows :

	Estimated 1943-45	Proposed 1945-47	Increase
Office -----	\$348	\$1,600	\$1,252
Automobile -----	-----	1,500	1,500
	<hr/> \$348	<hr/> \$3,100	<hr/> \$2,752

II. Recommendations

1. That the amount of money allocated for printing constitutional amendments be reduced from \$95,000 to \$60,000, approximately the cost for the current biennium, which would effect a saving of \$35,000.

2. We recommend that the proposed reduction necessary to produce the proportionate share of the \$10,000,000 General Fund saving be applied to the Budget of the Secretary of State. This will have the effect of making a reduction in the operating expenses somewhat less than a specific recommendation previously made as follows :

That operating expenditures be reduced by \$3,602, with the reduction being distributed as follows :

	Amount for 1943-45	Amount proposed by Budget 1945-47	Reduction we propose Amount Per cent
Office expense -----	\$2,626	\$4,400	\$440 10.
Printing expense -----	8,798	10,700	1,902 17.77
Traveling -----	5,609	8,600	860 10.
Automobile -----	2,653	4,000	400 10.
	<hr/> \$19,680	<hr/> \$27,700	<hr/> \$3,602 13.

3. We also recommend that the over-all reduction for automobiles as per our previous schedule be applied to the office of the Secretary of State.

4. We also recommend a reduction in an appropriation for printing based upon the over-all schedule previously presented.

5. Recommended reduction would be \$35,000 plus the reduction in automobiles and in over-all expenses which would be produced by the formula.

Collection Agencies

We wish to call attention to the fact that Item 38, support of the collection agency division in the sum of \$45,900, is from a special fund. There is an addition here of two new positions, making a total of five employees to license and check all the collection agencies of the State. We believe that this is not an over-sized staff for this purpose. We would apply the over-all reduction previously described to this agency with full knowledge that if they run short of funds a deficiency may be allowed to provide what is set up in this Budget.

We previously recommended in 1943 that this activity be transferred from the Secretary of State to the Department of Professional and Vocational Standards, which was then concurred in by the Secretary of State. At that time a bill to this effect was vetoed by the Governor. The collection agency now wishes to remain in the Secretary of State office and the Secretary of State is disposed to retain them, so we are not repeating our recommendation for transfer until we have had more opportunity to further study the question.

**Analysis of Proposed Expenditures
For the Department of Agriculture, 1945-47**

Items 39 to 44, inclusive, of the Appropriation Bill; pages 44-82, inclusive, and 88-90, inclusive, of the Budget.

For Support of Department of Agriculture

Item 39, Budget Bill, pages 44 and 46-66, inclusive, of the Budget: Appropriation, \$3,300,713; increase of \$566,028 or 20.7 per cent over the \$2,734,684 estimated expenditure for 1943-45.

Recommendation: Reduce Item 39 by \$113,590 or 3.4 per cent to \$3,186,410.

I. *Statistical Summary*

The table on next page shows the distribution of the increase of \$566,028, by the 18 different categories for General Fund activities and by object of expenditure, as follows:

	1945-47 Proposed Expenditures	Estimated Expenditures 1943-45	Proposed Increase		Increase by object of expenditure:			
			Amount	Per cent	Per cent of total increase	Salaries and wages	Operating expenses	Equipment
Departmental administration -----	\$345,810	\$272,574	\$72,735	26.6	12.8	\$60,188	\$6,974	\$5,571
Entomological service -----	173,968	124,076	49,291	39.5	3.7	44,207	7,800	—2,716
Plant quarantine service -----	399,971	761,005	138,965	18.2	24.5	130,635	1,037	7,243
Bureau of Plant Pathology -----	79,990	60,039	19,950	35.2	3.5	13,080	5,481	1,388
Rodent plague and weed control -----	129,775	108,471	21,303	19.6	3.7	8,367	15,202	—2,265
Suppression of field rodents -----	24,660	17,724	6,935	39.1	1.2	5,660	—74	1,350
Seed inspection -----	70,780	62,370	8,409	13.4	1.4	4,153	2,029	2,226
Predatory animal control -----	55,980	53,927	2,052	3.9	.3	2,480	871	—1,300
Chemical spray residue enforcement -----	36,400	30,855	5,544	17.9	.9	4,736	420	386
Livestock disease control -----	600,344	485,764	114,579	23.5	20.2	68,321	43,501	2,756
Dairy service -----	192,691	191,121	1,569	.8	.2	3,510	1,061	—3,002
Meat inspection-supervision -----	143,222	107,864	35,357	32.7	6.2	26,965	8,631	—240
Markets—General marketing service -----	44,667	30,243	14,423	47.6	2.5	8,032	5,709	681
Market news -----	279,232	248,236	30,995	12.4	5.4	24,407	2,609	3,978
Agricultural statistics -----	64,940	53,699	11,240	20.9	1.9	5,218	2,990	3,031
Fruit and vegetable standard -----	256,575	232,576	23,998	10.3	4.2	18,880	—129	5,247
Weights and measures -----	47,927	36,251	11,675	33.2	2.0	2,271	2,700	6,703
Less: pro rata Departmental administration -----	—145,719	—142,719	—3,000	2.0	—5			
Total support -----	\$3,300,713	\$2,734,634	\$566,028	20.6		431,169	106,818	31,041
Per cent of total increase -----					100.0	75.7	18.77	5.46

The foregoing table shows that proposed expenditures for 1945-1947 for 17 of the 18 categories of General Fund activities are up significantly, with the amount of increase ranging from \$2,052 or 3.9 per cent for predatory animal control to \$114,579 or 23.5 per cent for Livestock Disease Control and \$138,965 or 18.2 per cent for the Plant Quarantine Service.

Concerning the substantial increases proposed for the Plant Quarantine Service and the Livestock Disease Control activity, the Department of Agriculture reports that the increase for the first activity is due to increased traffic, especially in the maritime ports, while in the case of the Livestock Disease Control function, the increase is principally to provide for the contemplated return of a large number of meat packing plants from Federal to State inspection and the return of veterinarians from military service so that they may again proceed with this activity. We do not believe the veterinarians will be available and suggest a salary saving here in the special fund recommended for the entire State service.

Of the total increase of \$566,028, \$431,169 or 75.7 per cent is for salaries and wages; \$106,818 or 18.7 per cent is for operating expenses; and \$31,041 or 5.5 per cent is for equipment.

As the increase of \$431,169 for salary expense amounts to three quarters of the proposed total increased expenditure it warrants further comment. This increase, as summarized by the department, is distributed as follows:

Decrease in salary savings.....	\$105,551
Normal salary adjustments.....	69,307
Seasonal help	31,664
New positions (excluding military leave positions).....	112,440
Military leave positions.....	64,740
Balance of salary and wages.....	47,468
 Total increase	 \$431,169

The Department of Agriculture reports that the decrease in the estimated salary savings of \$105,551 for 1945-47 over the amount for 1943-45 represents approximately half of the estimated savings from this source for the current biennium. We believe that the savings from this source will more nearly approximate 60 per cent or more of those for the current biennium.

We believe that the increase of \$69,307 for normal salary adjustments is a reasonably accurate estimate of a cost that needs to be accepted under the current procedure specified by law.

The \$177,180 budgeted for the proposed new positions (including military leave positions) would cover the salaries of 17 positions for the first fiscal year and a cumulative total of 38 positions for the second year of the biennium, plus several upward personnel reclassifications, and an item of \$600 to cover allowances of \$25 monthly to a few local agricultural commissioners for enforcing State agricultural laws.

Of the 17 new positions in the Budget for the first fiscal year, four cover former employees on military leave and provision for a Supervising Veterinary Meat Inspector to fill a vacancy occasioned by a retirement. There are also two administrative assistants positions, one of

whom would assist the Director of the Department in Sacramento and the other to coordinate activities in the San Francisco office. There would also be a clerk for the accounting office, seven quarantine inspectors at maritime ports, one Supervisor of Weed Control to fill a vacancy, and one Egg Standardization Inspector.

In the second year of the biennium the 38 positions include the continuation of the 17 positions explained, and return of an additional 11 from military service. One additional clerk is provided for administration, four quarantine inspectors at border stations in anticipation of increasing travel; return of two supervising and one assistant meat inspectors in anticipation of the return to State jurisdiction of the meat inspection work now done by the Federal Government; provision for a citrus marketing economist in Southern California; and an additional weighing and measuring equipment inspector to assist the present staff of two inspectors reported as necessary to test large capacity scales located throughout the State, and which is reported as requiring equipment not maintained by the various counties.

The \$106,818 increase in total operating expenses proposed for 1945-47 over 1943-45 estimated expenditures is distributed as follows:

OPERATING EXPENSES	
Office -----	\$1,126
Printing -----	1,054
Traveling -----	40,964
Telephone and Telegraph -----	685
Postage -----	3,587
Automobile -----	27,204
Freight, Cartage and Express -----	447
Light, Heat and Power -----	475
Rent -----	3,596
Janitor Service -----	-68
Field -----	14,977
Laboratory -----	383
Printing Bulletins -----	-39
Press Clippings -----	341
Reporting Vessels -----	410
Cooperative Agreements -----	5,253
Austrian Field Cress Elimination -----	-587
Indemnities -----	8,797
Reimbursement for Services to Special Fund and Trust Fund -----	
Activities -----	-1,794
 Total Increased Operating Expenses -----	 \$106,818

Respecting the proposed increase of \$106,818 for operating expenses, the Department of Agriculture comments as follows:

“The principal increase occurs in traveling to provide for the contemplated return of military personnel, the new positions, and the tremendous increase in the cost of subsistence, and the fact that a larger portion of the travel will probably have to be made by common carrier. Automobile expense shows a considerable increase to provide for the additional 14 cars provided for, and extensive repairs and maintenance operation, because it is probable that it will be necessary to operate the automobiles 80 to 100,000 miles, and from current experience, unquestionably it will require that many cars be completely overhauled, the cost for which will be from \$100 to \$400. The above two items cover two-thirds of the increase in all operating expense items. The increase in field and cooperative agreements is occasioned principally in the activities of entomology for

material in pest eradication and control, for poison and bait material, and agreements with counties covering labor in connection with control and suppression of field rodents.”

If these positions are not filled, savings should be made in operating expense for travel, automobile, and other items as contemplated in the proposed over-all budget savings.

The \$31,041 increase in expenditure for equipment proposed for 1945-47 over 1943-45 estimated expenditures is distributed as follows:

EQUIPMENT		
Office -----		\$14,325
Automobiles -----		6,152
Field -----		4,834
Laboratory -----		5,729
Total Increased Equipment Expenditures-----		\$31,041

The department states that the increase in the purchase of equipment is principally for replacement items which have been unavailable for several years, and which it is reasonable to assume will be available.

Automobiles will not be required for personnel not secured and a reduction in purchases should be made accordingly.

II. Findings and Recommendations

A. Summary of Recommendations

In addition to the savings that will accrue through application to the Department of Agriculture of the general over-all saving of \$10,000,000 and the schedule of salary savings mentioned previously in our materials respecting the Budget, we recommend that Item 39 of the Appropriation Bill be specifically reduced by \$113,590 or 3.4 per cent to \$3,186,410.

We arrived at this recommended reduction after careful study of the department's budget and the amount of reduction recommended is based on the following suggested individual reductions which are described in greater detail in recommendations B to D below:

(1) Reduction in amount proposed for new positions-----	\$88,590
(2) Reduction in amount from General Fund for Bureau of Markets -----	15,000
(3) Reduction in operating expenses-----	10,000
	\$113,590

B. Proposed New Positions

The Budget provides \$177,180 for proposed new positions (including \$64,740 for military leave positions). If the Legislature decides to allow all of the personnel expansion proposed by the Budget and described in Part I, above operating expenses will also increase, particularly for travel and automobile items. It is our opinion that the department can operate satisfactorily for the biennium without increasing the number of positions by the full amount proposed by the Budget. We believe that the department can operate successfully with half of the \$177,180 proposed for new positions; and, therefore, recommend a saving of \$88,590 in this sphere. The same amount remaining for salaries of additional positions will more than cover the \$64,740 set up for military leave positions. Under this recommendation, the Department of Agriculture and Finance would determine the proposed new positions that are the most essential. We

believe that much of this recommended reduction in the increase proposed by the Budget could be applied in the Bureau of Livestock Disease Control. The Budget proposes to add eight positions for the second year of the biennium for this bureau (see page 55 of the Budget), despite the fact that there are now 18 vacant positions. It is our opinion that this Bureau of Livestock Disease Control should not be expanded materially beyond its present strength in the face of the fact that we have reached an all time high in the number of livestock and that there will be a material downward readjustment in this respect after the end of the war.

C. Bureau of Markets

We recommend that this bureau be made more self-supporting through increasing fees for the service it extends to agricultural interests. We recommend a reduction of \$15,000 in Item 39 from the General Fund to bring the amount for this bureau from the General Fund to the approximate level for the current biennium.

D: Operating Expenses

In view of our recommendations for significantly smaller increases for personnel expansion than proposed by the Budget, we recommend that the proposed allowances for operating expenses be reduced, as these tend to follow the trend of expenditures for personnel. We believe that the increase of \$106,818 in operating expense proposed by the Budget could be cut by at least \$10,000 and still allow for the upward cost raising factors mentioned above; and that the reduction of \$10,000 could be absorbed throughout the operating expense items, with particularly significant cuts being instituted in the travel and automobile expense categories, of which the budgeted amounts total \$68,000.

For Construction, Etc., Department of Agriculture

Item 40, Budget Bill, pages 63 and 64 of the Budget; appropriation, \$14,160, decrease of \$1,820 or 11.4 per cent in the estimated expenditure for 1943-45.

We recommend that this amount of \$14,160 for capital improvement expenditures listed on page 63 of the Budget be approved without reduction as the proposed expenditure items seem to be in line.

**For Support of Department of Agriculture, Department of Agriculture Fund
A Special Fund Item—**

Item 41 Budget Bill, pages 45 and 67-82 inclusive of the Budget. Appropriation, \$4,649,314; increase of \$690,282 or 17.4 per cent over the estimated expenditure \$3,959,031 for the 1943-45 period and of \$717,766 or 18.2 per cent over the \$3,931,548 appropriated for the 1943-45 period by the last regular session of the Legislature.

I. Statistical Summary

The table below shows the distribution of the increase of \$690,282 over the current biennial period's expenditure, by function and object:

	Proposed expenditures 1945-47	Estimated expenditures 1943-45	Proposed increase		Per cent of total increase	Increase by object of expenditures		
			Amount	Per cent		Salaries and wages	Operating expenses	Equipment
Nursery Service -----	\$71,793	\$66,854	\$4,938	7.3	.7	\$1,341	\$3,006	\$590
Field Crops -----	432,835	367,541	65,293	17.7	9.4	52,671	5,037	7,584
Chemistry -----	270,736	230,628	40,107	17.3	5.8	28,778	7,452	3,876
Meat Inspection -----	748,060	430,305	317,754	73.8	46.0	302,641	15,113	-----
Dairy Service -----	184,212	171,542	12,669	7.3	1.8	8,463	4,015	190
Livestock Identification -----	512,097	564,117	—52,020	—9.2	—7.5	—30,426	—24,950	3,357
Markets -----	34,350	27,635	6,714	24.2	.9	5,192	1,421	100
Market Enforcement -----	901,932	728,601	173,330	23.7	25.1	121,773	43,484	8,071
Canning Tomato Inspection --	397,790	357,623	40,166	11.2	5.8	28,439	11,373	353
Shipping Point Inspection ---	955,191	887,489	67,701	7.6	9.8	40,593	18,872	8,236
Gasoline Distillate and Oil Inspection -----	140,318	126,691	13,626	10.7	1.9	6,367	3,591	3,666
Total -----	\$4,649,314	\$3,959,031	\$690,282	17.4	100.0	\$565,836 81.9%	\$88,418 12.8%	\$36,027 5.2%

The foregoing table shows that \$317,754 or almost half of the proposed increase of \$690,282 for 1945-1947 is for the meat inspection service. The Department of Agriculture reports that this proposed increased expenditure results from the contemplated return to State control of the meat inspection activities taken over by the Federal Government.

An additional 25 per cent of the total increase is in the Bureau of Market Enforcement which is based on the contemplated return of personnel from the military service, and the resumption of cost finding and the establishment of milk prices curtailed by the Federal Government under maximum price regulations.

Of the total increase of \$690,282, \$565,837 or 82 per cent is for salaries and wages; \$88,418 is for increased operating expenses; and \$36,027 is for expanded equipment expense.

Four-fifths of the proposed total increase is in the category of Salaries and Wages. This increase is distributed as follows:

		Per cent of total salaries and wages increase
Decrease in salary savings-----	\$66,197	11.7
Normal salary adjustments-----	73,410	13.0
Seasonal help -----	267,136	47.2
New positions -----	67,460	11.9
Military leave positions-----	53,700	9.5
Balance -----	37,934	6.7
 Total increase -----	 \$565,837	 100.

Of the \$67,460 for new positions indicated above, \$26,400 is for the proposed new allowance of \$25 monthly as compensation for the services of local agricultural commissioners in the enforcement of State agricultural laws they are not now specifically directed by law to enforce.

The \$88,418 increase in operating expenses is distributed as follows:

Office -----	\$3,904
Printing -----	758
Traveling -----	34,352
Telephone and telegraph-----	314
Postage -----	1,895
Automobile -----	12,970
Freight, cartage and express-----	383
Light, heat and power -----	552
Rent -----	4,873
Janitor service -----	84
Field -----	1,275
Laboratory -----	637
Fee to United States Government-----	6,992
Contract laboratory analysis fees-----	422
Expense local milk control board-----	97
Estimated abatements -----	350
Pro rata overhead expense-----	21,598
 Total, operating expenses-----	 \$88,418

The \$36,027 increase in expenditures for equipment is distributed as follows:

Office -----	\$382
Automobiles -----	24,385
Field -----	3,017
Laboratory -----	8,243
	<hr/>
	\$36,027

II. Findings and Recommendations

1. Summary of Recommendations

In addition to the savings that will accrue through application to the Agriculture Fund of the same procedure as recommended for the general over-all saving of \$10,000,000 and also the schedule of salary savings, we recommend the following:

Reduction of Item 41 of the Appropriation Bill by \$33,000 with this amount being divided among sectors of the Department of Agriculture Fund budget as follows:

(a) Reduction in salary expense for the Bureau of Market Enforcement (see recommendation 2 below) -----	\$27,260
(b) Reduction of salary expense for other sectors of Agricultural Fund activities than the Bureau of Market Enforcement (see recommendation 3 below) -----	10,740
(c) Reduction in operating expenses of the Bureau of Market Enforcement (see recommendation 4 below) -----	10,000
(d) Gross reduction -----	\$48,000
(e) Less: Addition of \$15,000 to cover transfer of this sum from the General Fund to the Agriculture Fund (see recommendation 5 below) -----	15,000
(f) Total net recommended reduction in Item 41 -----	\$33,000

2. Recommendation Regarding Bureau of Market Enforcement: Salary Expenditures

The amount budgeted for this bureau for 1945-1947 is \$901,932, which represents an increase of \$173,330 or 23.7 per cent over estimated expenditures for 1943-1945. The Department of Agriculture reports that large parts of this increase would result from the contemplated return of a large personnel from the military service whose services will be needed, and the resumption of cost finding and the establishment of milk prices curtailed by the Federal Government at the present time under maximum price regulations. This bureau currently has 103 authorized personnel positions. It asks for eight additional positions for the first year of the biennium and a cumulative total of 13 for the second year. Of the eight new positions for the first year, three are for persons on leave for military service, while seven of the 13 positions for the second year fall within this category.

We are convinced that the present number of authorized positions, plus the proposed new positions for persons on military leave (which happen to be positions that are needed and should be refilled) will be sufficient for the activities of the Bureau of Market Enforcement even on the basis of resumed service in the field of agricultural cost finding and the fixing of milk prices.

We, therefore, recommend that Item 41 of the Appropriation Bill be reduced by \$27,260, which covers the following positions:

<i>No. of positions</i>			<i>Proposed salary expenditure</i>	
<i>Fiscal Years</i>			<i>1945-1946</i>	<i>1946-1947</i>
<i>1945-46</i>	<i>1946-47</i>			
2	2	Investigator -----	\$4,680	\$4,920
1	2	Auditor -----	2,580	5,400
2	2	Fluid Milk Investigator -----	4,720	4,960
5	6	Totals, Year -----	11,980	15,280
Total, Biennium -----			\$27,260	

3. Recommendation Regarding New Positions for Other Activities Than Those of the Bureau of Market Enforcement

In addition to our recommendation that certain proposed new positions indicated above for the Bureau of Market Enforcement *not* be granted, we recommend that the following proposed new positions in other branches of the Agriculture Fund activities not be established; and that a deduction of \$10,740 from Item 41 of the Appropriation Bill be made to cover the indicated recommended salary saving.

<i>No. of positions</i>			<i>Proposed expenditure</i>	
<i>Fiscal Years</i>			<i>1945-46</i>	<i>1946-47</i>
<i>1945-46</i>	<i>1946-47</i>			
1	1	Junior chemist -----	\$2,340	\$2,460
1	1	District inspector of economic poisons and fertilizers -----	2,880	3,060
2	2	Totals, year -----	\$5,220	\$5,520
Total, biennium -----			\$10,740	

4. Recommendation Regarding Operating Expenses of the Bureau of Market Enforcement

Budgeted allowances for operating expenses for the Bureau of Market Enforcement for 1945-1947 total \$326,470, as compared with \$282,685 for 1943-1945, an increase of \$43,785. Of this increase, almost \$10,000 is for the individual items of travel and automobile operating expense. We recommend a reduction of \$10,000 in the allowance for operating expenses to be absorbed by the different operating expense items, particularly travel and automobile expense.

5. Recommendation Regarding Bureau of Markets

As a counterpart to a recommendation in connection with Item 39 above of the Appropriation Bill, we here recommend that revenues for the Department of Agriculture Fund be increased by approximately \$15,000 through increased fees charged by the Bureau of Markets for agricultural marketing services rendered to particular parties and that Item 41 of the Appropriation Bill be increased by the same amount of \$15,000. Acceptance of this recommendation would result in a substantial and desirable increase in the self-supporting characteristics of this bureau.

For Support of Poultry Improvement Commission

Item 42 Budget Bill, pages 88-92 inclusive of the Budget; appropriation \$19,591 from the Poultry Testing Project Fund; increase of \$3,970 or 25.5 per cent over the \$15,620 estimated expenditure for the 1943-45 Biennium.

Item 43 Budget Bill, pages 88-92 inclusive of the Budget; appropriation of \$9,924 from the Fair and Exposition Fund; decrease of \$76 from the estimated expenditure for the 1943-45 Biennium.

We recommend approval of the above two items without reduction, as the expenditure will yield dividends to the poultry industry and to the State more than commensurate with their cost.

However, we also recommend the following:

1. *That the Poultry Improvement Commission be abolished and its activities and staff be transferred to the Department of Agriculture.* This recommendation, if carried out, would represent one step in the simplification and clarification of the State's administrative machinery; and it would be expected to more readily place the scientific and staff services of the Department of Agriculture at the service of the present staff of the Poultry Improvement Commission.
2. That this entire State-sponsored poultry improvement program be made self-supporting through imposition of the necessary very moderate imposts upon the poultry industry which benefits from this activity.

Item 44, For Construction, etc., Poultry Improvement Commission, payable from the Fair and Exposition Fund, appropriation \$300.

This appropriation item would cover the expenditure for a septic tank. We recommend that it be approved without reduction.

Department of Corrections—Adult Prison Facilities

Analysis of Proposed Expenditures for the 1945-1947 Biennium

Items 45-57 inclusive; page 5 Budget Bill; pages 91 to 131 inclusive of the Budget. Appropriation requested—\$8,127,613, an increase of \$1,936,182 or 31.27 per cent over expenditures of \$6,191,431 in the 1943-45 Biennium; and an increase of \$2,255,439 or 38.4 per cent over the 1943-45 appropriation of \$5,872,174.¹

I. Introduction

A complete over-all comparative analysis between budget figures for the 1945-47 Biennium and expenditures for the 1943-45 Biennium can not be made. This is due to the fact that the Department of Corrections as presently organized, began functioning in May, 1944, as a result of legislation recommended by the Governor and enacted at the Third Extraordinary Session of the Fifty-fifth Legislature. Some of the activities formerly encompassed in the old Department of Penology have been removed from the new Department of Corrections, while in other instances new functions have been added. It is for this reason that we do not attempt in this analysis to completely compare the present budget request with expenditures and appropriations for preceding biennial periods. Suffice it to note that the overhead costs have gone up materially and they promise to go higher both in total and in unit costs, while the number of inmates is actually not as great as a few years past, when overhead costs were much lower.

¹ This figure includes only those items in the 1943-45 appropriation covering functions analogous to those now administered by the Department of Corrections. Excluded from the 1943-45 appropriation total are the appropriations for Division of Criminal Identification; Narcotic Enforcement and Detective License Bureau, all of which were formerly a part of the Department of Penology.

It is too early to measure results. They should be continuously observed by the Legislature and all claims of successes carefully reviewed for it will be difficult to show any large values in actual returns to society beyond what California was securing previous to the establishment of the present organization. Despite the adverse publicity, the California Department of Penology when measured by true tests rather than by sympathy or sentiment as to actual results secured already had demonstrated progressive thought and procedure in a large part of the field of penology.

The Legislature in its deliberations on the Department of Corrections budget must scrutinize the entire budget in the light of a new and revamped governmental operation. Can as good a job be done for less money or a better job for the same cost is the only approach available.

Table I following gives an over-all comparison of actual and estimated expenditures by activity, for the 1943-45 Biennium, with proposed expenditures for the 1945-47 Biennium.

TABLE I—DEPARTMENT OF CORRECTIONS—ADULT PRISON FACILITIES
Analysis of Proposed Expenditures by Activity
for 1943-1945 vs. 1945-1947

Item No. A.B. 500	Expenditure for:	Bud. Pg. No.	Actual-Est. Expend. 1943-45	Proposed Expend. 1945-47	Increase (+) or Decrease (—)	
					1945-47 over 1943-45 Amount	Percent
45	Departmental administration ---	91	\$67,499	\$168,130	+ \$100,631	+149.
46	Transportation of prisoners -----	91	137,000	137,000*	-----	-----
47	Deportation of aliens, etc., convicted of felonies -----	91	3,000	3,000	-----	-----
48	Returning fugitives	91	100,000	100,000	-----	-----
49	Support—Folsom --	96	1,717,733	2,215,200	+ 497,467	+ 28.96
50	Construction, improvements—Folsom --	96	39,850	20,045	— 19,805	— 49.69
51	Support—California Institution for Men	104	636,980	966,654	+ 329,674	+ 51.75
52	Support—California Institution for Women -----	111	244,121	311,819	+ 67,698	+ 27.73
53	Construction improvements—California Institution for Women -----	111	11,350	2,100	— 9,250	— 81.49
54	Support—San Quentin -----	117	2,694,850	3,430,700	+ 735,849	+ 27.30
55	Construction improvements—San Quentin -----	117	38,225	40,610	+ 2,385	+ 6.23
56	Support—Adult Authority -----	125	470,037	688,575	+ 218,538	+ 46.49
57	Support—Board of Trustees—California Institution for Women -----	131	30,786	43,780	+ 12,993	+ 14.22
			<u>\$6,191,431</u>	<u>\$8,127,613</u>	<u>+ \$1,936,182</u>	<u>+ 31.27</u>

*Page 90 of the Budget giving detailed analysis of current expenses indicates that actual expenditures for transportation of prisoners in the year 1943-44 was \$75,736.92. Using this as a base, the requested appropriation of \$137,000 for the 1945-47 biennium is clearly under-budgeted. This is particularly true in view of the anticipated increase in prison population during the ensuing biennium.

The bulk of the proposed 1945-47 expenditures is attributable to salary and wage expense of \$4,517,813—up \$934,926 or a 26 per cent increase over the 1943-45 expenditure of \$3,582,887; and operating expenditures amounting to \$3,640,175 for the coming biennium—an increase of \$416,686 or 13 per cent over 1943-45 operating expenses of \$3,241,216.

Table II following summarizes the total proposed expenditures by object.

TABLE II—DEPARTMENT OF CORRECTIONS—ADULT PRISON FACILITIES
Expenditures by Object—1943-45 vs. 1945-47

<i>Expenditure for:</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Increase</i>	
	<i>1943-45</i>	<i>1945-47</i>	<i>Amount</i>	<i>Percent</i>
Salaries and wages -----	\$3,582,887	\$4,517,813	+ \$934,926	+ 26%
Operating expenses -----	3,241,216	3,640,175	398,959	+ 12.3%
Equipment -----	86,869	168,193	+ 81,324	+ 94%
Capital outlay -----	144,943	67,775	- 77,168	- 53%
Totals -----	\$7,055,915	\$8,393,956	\$1,338,041	+ 19%

Increased expenditures for salary and wages as set forth in Table II above, is due in large measure to the fact that provision has been made in the Budget for the addition of 161 new positions for the Department of Corrections and Adult Prison Facilities. *The cost of these new positions is \$710,154 or over 79 per cent of the total amount of increase (\$934,926) requested for salary and wages 1945-47 over the current biennium.*

Table III below lists by facility the number of proposed new positions and their cost for the 1945-47 Biennium.

TABLE III—DEPARTMENT OF CORRECTIONS—ADULT PRISON FACILITIES
SCHEDULE OF PROPOSED NEW POSITIONS AND
ADDITIONAL EXPENDITURES THEREFOR
1945-1947 Biennium

<i>Proposed for:</i>	<i>Proposed No. new positions</i>		<i>Estimated cost for the biennium</i>
	<i>1945-46</i>	<i>1946-47</i>	
Departmental Administration -----	10	10	\$53,820
Penal Institutions—			
Folsom -----	31	31	152,340
California Institution for Men -----	9	10	44,460
California Institution for Women -----	6	6	30,684
San Quentin -----	61	61	258,060
Adult Authority -----	35	43	170,790
Totals -----	152	161	\$710,154

In order that the Legislature may adequately examine individual facilities in the light of their respective budget requests detailed analyses of the respective facilities follow:

Departmental Administration

Item 45, page 5 of the Budget Bill; and pages 91 to 93 inclusive of the Budget. Amount requested: \$168,130.

The Budget indicates that the proposed expenditure of \$168,130 for Departmental Administration is approximately \$100,000 or 149 per cent in excess of estimated expenditures for the 1943-1945 Biennium. Included in this increase are salaries of 10 proposed new positions which aggregate approximately \$54,000.

We believe in giving the administration sector of the Department of Corrections a fair trial in carrying out its responsibility for developing and implementing a correctional program.

We recommend that Item 45 in the amount of \$168,130 be approved without reduction. This is for the reason that it is just now being established, and we have no experience upon which to render an opinion. We recommend that the expenditure and results secured be measured before the next appropriation is considered.

Transportation of Prisoners

Item 46, page 5 of the Budget Bill; and pages 91 and 92 of the Budget. Amount requested: \$137,000.

This is the same amount as the estimated expenditure for the 1943-1945 Biennium. This amount is under-budgeted rather than over-budgeted. We recommend that no specific reduction be applied to this item.

Deportation of Prisoners

Item 47, page 5 of the Budget Bill; and page 91 of the Budget. Amount requested: \$3,000.

This is the same amount as the estimated expenditure for the current biennium. We recommend that it be approved.

Return of Fugitive

Item 48, page 5 of the Budget Bill; and page 91 of the Budget. Amount requested: \$100,000.

This is the same amount as the estimated expenditure for the current biennium. We recommend that it be approved.

Department of Corrections—Folsom State Prison Analysis of Proposed Expenditures 1945-47 Compared With 1943-45

Items 49 and 50, page 4 of the Budget Bill; and pages 96 to 103 inclusive in the Budget. Amount requested \$2,235,245.

This is an increase of \$477,662 or 27.17 per cent over 1943-45 expenditures of \$1,757,583, and an increase of \$655,253 or 41.47 per cent over the 1943-45 appropriation (Item 179 A.B. No. 1600) of \$1,579,992. This last comparison is the more valid to use to judge the increased costs chargeable to prison reform.

Proposed expenditures and estimated revenues for the 1945-47 Biennium compared with the 1943-45 period are summarized in Table I following:

TABLE I—FOLSOM STATE PRISON

Expenditures: Support	Actual and Estimated 1943-45	1 Proposed 1945-47	Increase or Decrease 1945-47 over 1943-45	
			Amount	Per Cent
<i>Folsom</i>				
Administration -----	\$109,589	\$121,485	+ \$11,896	+ 10.85
Support and subsistence -----	408,531	611,210	+ 202,679	+ 49.61
Care and welfare -----	922,623	1,125,615	+ 202,992	+ 22.
Maintenance of plant -----	178,408	219,600	+ 41,192	+ 23.08
Farming and Processing -----	131,825	137,290	+ 5,465	+ 4.14
Railroad and quarries -----	8,443	-----	8,443	-100.
Camps -----	25,542	-----	25,542	-100. ²
Totals—Support -----	\$1,784,961	\$2,215,200	+\$430,239	+ 24.10
Less abatements from inmate work projects -----	67,228	-----	67,228	-100.
Net totals—Support -----	\$1,717,733	\$2,215,200	+\$497,467	+ 28.96
Capital outlay -----	39,850	20,045	19,805	49.69
Total expenditures -----	\$1,757,583 ⁽¹⁾	\$2,235,245	+\$477,662	+ 27.17
Revenues -----	2,262	1,140	1,122	49.60

¹ New cost of Department of Corrections began May, 1944, some \$178,000 above 1943-45 Budget.

² Operations in the ensuing biennium are to be financed from a revolving fund. Therefore a true comparison of expenditures tends to become distorted.

Facts revealed by the foregoing table :

1. While proposed total expenditures are up 27.17 per cent, revenues are expected to decrease by 49.60 per cent. Part of this is due to fact camps will be on a revolving fund.
2. All classes of expenditures except the items for railroads, quarries and camps (to be discontinued in the ensuing biennium) show a marked increase with support and subsistence expenditures rising by almost 50 per cent.
3. No allowance has been made in the 1945-47 Budget for forestry camp contracts, war contracts, or harvest work.¹
4. Inmate population is estimated to increase from an average of 1454 in the 1943-45 Biennium to an average of 1745 in the ensuing biennium, an increase of 291 or approximately 20 per cent. It will be noted in Table I above that expenditures for care and welfare and maintenance of plant increased by 22 per cent and 23 per cent respectively. Per inmate costs go up when normally they should show overhead savings with this small increase.

Proposed expenditures for 1945-47 as compared with estimated expenditures for 1943-45, by objects of expenditure, are as follows :

TABLE II—FOLSOM STATE PRISON

Expenditures: Object	Actual and Est. 1943-1945	Proposed 1945-1947	Increase or Decrease	
			Amount	Per Cent
Salaries and wages -----	\$1,011,211	\$1,221,380	+\$210,169	+ 21
Operating expense -----	792,533	981,330	+ 188,797	+ 24
Equipment -----	26,342	53,160	+ 26,818	+101
Inmate pay work projects -----	7,137	-----	7,137	-100
Totals -----	\$1,837,223	\$2,155,870	+\$418,647	+ 17
Less: Reimbursements for main- tenance -----	42,745	28,670	14,075	33
Surplus prod. sales -----	9,517	12,000	2,483	26
Net totals -----	\$1,784,961	\$2,215,200	+\$430,239	+ 24

¹ Operations in the ensuing biennium are to be financed from a revolving fund. Therefore a true comparison of expenditures tends to become distorted.

Of the budgeted increase of \$210,169 for salary expense, \$152,340 or 72 per cent of the increase is for 31 proposed new positions for the biennium, and \$26,620 or 12 per cent of the increase is for normal salary adjustments. None of the proposed new positions are provided for because of military leave.

Operating expense shows an increase from \$792,533 to \$981,330 in the 1945-47 biennium, a net interest of \$188,797 or 24 per cent. A substantial portion is attributable to increased feeding costs from \$305,871 in the 1943-45 biennium to \$465,415—an increase of \$159,544 or 52 per cent. This is an increase in the average cost of feeding of \$45 per year per prisoner. It brings the total average cost of feeding per prisoner to \$11.12 per month, which does not appear to be excessive. The food control system installed recently in all of the institutions under the Department of Corrections should result, if properly operated, in producing adequate diet at the lowest possible cost when coupled with a proper production schedule and distribution of products amongst the several State institutions. Another item of significance is the increased cost for paroles and discharges which are scheduled to increase from \$24,189 in the 1943-45 biennium to \$51,800 in the 1945-47 biennium, a net increase of \$27,611 or 114 per cent.

Proposed new positions and the budgeted salary expense resulting are as follows:

TABLE III—SCHEDULE OF PROPOSED NEW POSITIONS
Department of Corrections—Folsom State Prison—1945-47 Biennium

No. Positions Fiscal Year	1945-46 1946-47 Cumulative	Classification	1 Salary Range	2 Total Amount	
				1945-46	1946-47
1	1	Senior Stenographer-Clerk -----	150-190	\$2,100	\$2,220
1	1	Steward -----	160-200	2,220	2,340
1	1	Supervising Cook -----	140-180	2,220	2,340
1	1	Butchershop Foreman -----	160-180	2,220	2,340
1	1	Associate Warden -----	340-420	4,320	4,560
1	1	Lieutenant -----	180-220	2,460	2,580
7	7	Guard (Uniform Hol.) -----	140-220	15,540	16,380
1	1	Senior Clinical Psychologist -----	215-275	2,380	3,060
1	1	Social Case Worker -----	160-200	2,220	2,340
1	1	Senior File Clerk -----	140-180	1,980	2,100
1	1	Senior Stenographer-Clerk -----	150-190	2,100	2,220
1	1	Supervising Nurse Grade 2 -----	170-210	2,340	2,460
3	3	Graduate Nurse -----	140-180	5,940	6,300
1	1	Librarian -----	140-180	2,220	2,340
1	1	Supervisor of Inmate Activities ---	150-190	2,220	2,340
1	1	Senior File Clerk -----	140-180	1,980	2,100
1	1	Senior Stenographer-Clerk -----	150-190	2,100	2,220
2	2	Intermediate Stenographer-Clerk ---	110-150	3,240	3,480
1	1	Painter-Foreman -----	160-200	2,220	2,340
1	1	Plumber-Foreman -----	160-200	2,220	2,340
1	1	Hog Ranch Operator -----	160-200	2,220	2,340
1	1	Poultryman -----	160-200	2,220	2,340
Reclassifications:					
(Increased costs)					
		1 Guard to Lieutenant -----		240	240
		6 Guards to Sergeant -----		720	720
		1 Asst. Physician to Physician -----		1,620	1,860
		1 Asst. Physician to Psychiatrist ---		1,500	1,740
		Firefighter, part-time -----	10.00	720	720
31	31			\$73,980	\$78,360
					\$152,340

¹ All tables showing salary range, do not include State employees wartime bonus.
² Wartime bonus included in totals.

Recommendations for Folsom State Prison

1. We recommend that the Budget for Folsom State Prison be reduced from the proposed figure of \$2,235,245 to \$2,024,200, a reduction of \$211,045 or approximately 9 per cent. This still represents an increase of \$266,617 or approximately 15 per cent over 1943-45 expenditures. Moreover, it allows a per inmate cost equal to that actually spent in 1943-44 of \$581 per year.
2. Economies to effect this reduction can be made as follows:
 - (a) Feeding costs in the ensuing biennium are estimated to increase from \$305,871 to \$465,415, an increase of \$159,544 or 52 per cent. This cost is high and should be materially reduced by:
 1. Increased production of food and livestock products and maximum utilization of agricultural facilities, equipment, personnel, and inmate population. Local production for consumption shows a decrease of \$37,000 or 20 per cent yet paid help for farming is increased 100 per cent.
 2. Introduction of strict economy methods in the purchase and use of food and supplies. Out-of-line feeding costs indicate waste and mismanagement in the purchase, preparation and consumption of food. We recommend curtailment in these expenditures and a complete overhauling of methods and procedures. Examination of recent menus show a better feeding of prisoners than some of the guards can afford.
 - (b) Elimination of proposed new positions which are not absolutely essential. Included in this category would be the proposed new positions of:

No. Positions Requested

1	Supervising Nurse, Grade 2
3	Graduate nurses Instead of a total of four nurses, one nurse should be able to handle the prison demands, especially in the light of wartime demands for nurses for the armed forces.
1	Associate warden One such position was recently established.
1	Steward Already have a chief steward. This should be sufficient.
1	Social case worker This work can hardly be called essential, especially during time of war.
1	Painter-Foreman Inmates should be able to handle the necessary work under supervision of maintenance man.
1	Supervisor of Inmate Activities Supervisor of Education, Associate Warden, or other officers should be able to handle these duties.
2	Lieutenant (one of which is a reclassification of a guard) Five lieutenant positions are already established. This would seem to be an ample number.
1	Hog Ranch Operator
1	Poultryman } Hardly can be justified with value of production going off 20 per cent. Inmates under supervision of head farmer should be able to handle these.

(c) In addition, some of the new positions established in 1944 after the new setup might well be questioned. Six paid men with "con" help carried on maintenance and operation of the plan. There are 12 sched-

uled for 1945-47. Why an electrical foreman and three electricians? Is it not possible to do some occupational therapy and teach some convicts to do electrical work?

Department of Corrections—California Institution for Men

**ANALYSIS OF PROPOSED EXPENDITURES
1945-47 COMPARED WITH 1943-45**

Item 51, page 5, of the Budget Bill, and pages 104 to 110, inclusive of the Budget. Amount requested, \$966,654.

This is an increase of \$274,156 or 39.58 per cent over expenditures of \$692,498 in the 1943-45 Biennium, and represents an increase of \$172,277 or 21.68 per cent over the appropriation of \$794,377 made for the 1943-45 Biennium.

Proposed expenditures and estimated revenue for the 1945-47 Biennium by broad classes of expenditures are summarized in Table I following:

TABLE I—CALIFORNIA INSTITUTION FOR MEN

Expenditures, support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration -----	\$131,738	\$135,900	\$4,162	3.15
Support and subsistence-----	144,732	239,085	94,353	65.19
Care and welfare-----	380,199	463,839	83,640	21.99
Maintenance operation of plant--	107,491	127,830	20,339	18.92
Farming and processing -----	76,804	-----	76,804	-100*
Camps -----	374,036	491,130	+ 117,094	31.30
Totals, support-----	\$1,215,000	\$1,457,784	\$242,783	19.98
Less abatements -----	578,020	491,130	86,890	15.03
Net totals, support-----	\$636,980	\$966,654	\$329,674	51.75
Capital outlay -----	55,518	-----	55,518	-----
Total expenditures -----	\$692,498	\$966,654	+\$274,156	39.58
Revenues -----	4,781	-----	4,781*	-----

*Not an accurate comparison because farming and processing operations in 1945-47 are to be financed from Working Revolving Fund.¹

Significant facts revealed by foregoing table:

1. No allowance is made for farming and processing operations. In the 1945-47 Biennium this operation is to be financed from Working Revolving Fund and local production consumed will be purchased from Revolving Fund. Transfer of such operations to another fund distorts cost comparisons and makes accurate expenditure analyses difficult. Net total increased expenditures, therefore, will probably be larger than the percentage increase indicates.

2. In spite of the fact that no capital outlay is provided for in the 1945-47 Biennium total expenditures are estimated to increase by \$274,156 or 39.58 per cent over 1943-45 when \$55,518 was spent for capital outlay.

3. Support and subsistence shows a marked increase over the 1943-45 Biennium, \$239,085 for 1945-47 vs. \$144,732 in the 1943-45 Biennium, an increase of \$99,353 or 65.19 per cent. This contrasts sharply with an estimated population increase of less than 4.32 per cent for the ensuing biennium.

Proposed expenditure for 1945-47 as compared with estimated expenditures for 1943-45, by objects of expenditures are as follows:

TABLE II—CALIFORNIA INSTITUTION FOR MEN

Expenditures:	Actual and Estimated 1943-45	Proposed 1945-1947	Increase or Decrease	
			1945-47 over Amount	1943-45 Per Cent
Support				
Salaries and Wages -----	\$581,135	\$683,674	+\$102,539	+ 17.64%
Operating Expense -----	504,342	561,900	+ 57,558	+ 14.12%
Equipment -----	12,332	13,510	+ 1,178	+ 9.55%
Inmate pay—work prop. -----	182,260	224,100	+ 41,840	+ 22.75%
Totals -----	\$1,280,069	\$1,483,184	+\$203,115	+ 15.86
Less:				
Reimbursements for maintenance ----	25,221	25,400	179	+ .007
Laundry abatements -----	2,908	--	2,908	— .100
Surplus products sales -----	36,939	--	36,939	— .100
Net totals, support -----	\$1,215,001	\$1,457,784	-\$242,783	+ 19.98%

Total proposed expenditure for support for the 1945-47 biennium is \$1,457,784, an increase of \$242,788 or 19.98 per cent over the current biennium. Of this amount proposed expenditure for salaries and wages amounts to \$683,674, an increase of \$102,539 or 17.64 per cent over the 1943-45 expenditure of \$581,135.

Of the proposed \$683,674 expenditure for salaries and wages, including adjustments, \$44,460 or 6.50 per cent of the total is allotted for 10 new positions. 1945-47 normal salary adjustments account for \$22,304 or 3.26 per cent of the total salary expense, and uniform holiday expense accounts for \$9,120 of the total salary expenditure.

Proposed expenditures for 1945-47 as compared with estimated expenditures for 1943-1945, by objects of expenditures are as follows:

TABLE III—SCHEDULE OF PROPOSED NEW POSITIONS

Department of Corrections—California Institution for Men—1945-47 Biennium					
Fiscal Year		Classification	Salary Range	Total Amount	
1945-46	1946-47			1945-1946	1946-1947
1	1	Senior Account Clerk -----	\$150-190	\$2,100	\$2,220
1	1	Laundry Supervisor -----	160-200	2,220	2,340
1	1	Classification and Parole Reorgan- ization, Grade 1 -----	170-210	3,340	3,460
1	1	Record Clerk -----	140-180	1,980	2,100
1	1	Senior Stenographer Clerk -----	150-190	2,100	2,220
2	2	Male Nurse -----	160-200	4,440	4,680
2	2	Prison Supervisor Uniform Holi- days -----	160-200	4,440	4,680
	1	Assistant Educational Director --	200-260	--	2,700
9	10			\$19,620	\$23,400
					\$43,020

California Institution for Men—Recommendations

1. We recommend that the appropriation for the institution be reduced from the proposed \$966,654 to \$804,545, a reduction of \$162,109 or 16.7 per cent. This amount will still exceed 1943-45 expenditures by \$112,047 or approximately 16 per cent and will provide for an inmate cost of \$925 per year with pay. This is higher than Folsom, and higher than the Women's Prison where there are only 165 inmates for 1945-47, and where opportunities for production are much poorer. This will also provide ample leeway for necessary increased costs on a generous basis as is shown by the following schedule giving the method of arriving at this figure.

SUGGESTED BUDGET ALLOCATION FOR THE CALIFORNIA INSTITUTION
FOR MEN—1945-1947

The Budget allowance of \$804,545 from the General Fund for Item 51 in the Appropriation Bill in place of \$966,654, or a reduction of \$162,109, gives a generous allowance for this institution as will be demonstrated by the following schedule:

Actual Per Inmate Cost for 1943-44, Including Inmate pay-----	\$851
Average Number of Inmates for 1945-46 and 1946-47-----	700
<hr/>	
Total Cost per year with Pay-----	\$595,700
Total Cost per Biennium with Pay for Inmates-----	\$1,191,400
Less Abatement for Inmate Work Projects-----	491,130
<hr/>	
Net Total Support on Per Inmate Basis-----	\$700,270
 <i>Added Cost Allowed for the Biennium</i>	
10 New Positions-----	\$44,460
Salary Adjustment-----	22,304
New Equipment-----	13,511
Net Food Produced Over Farm Costs-----	24,000
<hr/>	
Total Additional Allowances for Biennium-----	\$104,275
<hr/>	
Total Over-All Appropriation for Biennium-----	\$804,545

There is an urgent need for greater economy in this institution and this is clearly demonstrated by the net per inmate expenditures for the 1943-45 Biennium and the proposed expenditures for the 1945-47 Biennium.

These costs and others are high and should be reduced.

2. Statement of Inmate load per employee listed on page 95 of the Budget shows that the ratio of inmates to guards for California Institution for Men Ninety-fifth Fiscal Year (1943-44) is 8.92 inmates to each guard, and for the Ninety-eighth Fiscal Year (1946-47), it is estimated to be 9.33 inmates to each guard.

It is recognized that these unit costs will remain high until the size of this institution is materially increased. It is recommended that steps be taken to enlarge the facilities and broaden the classification of persons accepted so as to increase the size from 800 to 1000 as rapidly as conditions will justify. It appears that certain suitable older boys committed to the Youth Authority might very well fit into the classification of those sent to Chino.

Since this institution operates as a minimum security institution, we recommend that the ratio of inmates to guards be materially increased—approaching the level of San Quentin, which is 14.30 inmates to each guard for the Ninety-fifth Fiscal Year (1943-44) and estimated 16.00 inmates to guards for the Ninety-eighth Fiscal Year (1946-47).

3. Statement of Inmate load per employee, page 95 of the Budget, shows:

California Institution for Men with a ratio of 5.44 inmates per employee for the Ninety-fifth Fiscal Year (1943-44) and 5.51 inmates per employee for the Ninety-eighth Fiscal Year. This is low and will be so until facilities are used to care for a larger number.

The foregoing statistics in this analysis clearly indicate the need for streamlined business practices and procedures and the full utilization of land, equipment, personnel and inmates to put this institution on a self-supporting basis.

We believe it can be made practically self-supporting without at all reducing the curative and developmental program.

**California Institution for Women—Analysis of
Proposed Expenditures for 1945-1947 Biennium**

Items 52 and 53, page 5, Budget Bill; pages 111-115 of the Budget; \$313,919, an increase of \$58,448 or 22.88 per cent over expenditures of \$255,471 for the 1943-45 Biennium; and an increase of \$42,305 or 15.57 per cent over the appropriation (Assembly Bill No. 1600) of \$271,614 for the 1943-45 Biennium.

Proposed expenditures and estimated revenues for the 1945-47 biennium compared with 1943-45 are summarized in Table I following :

TABLE I—CALIFORNIA INSTITUTION FOR WOMEN

Expenditures	Actual and Estimated 1943-45	Proposed 1945-47	Increase or Decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration	\$37,661	\$50,572	+\$12,911	+34.28
Support and Subsistence	27,866	40,220	+ 12,354	+44.33
Care and Welfare	135,251	159,877	+ 24,626	+18.20
Maintenance and Operation of Plant	30,889	44,075	+ 13,186	+42.68
Farming and Processing	12,453	17,075	+ 4,622	+37.11
Totals, Support	\$244,120	\$311,819	+\$67,699	+27.73
Capital Outlay	11,350	2,100	— 9,250	—81.49
Total Expenditures	\$255,470	\$313,919	+\$58,449	+22.87
Revenues	8,529	3,380	— 1,769	—20.74

Facts revealed by the foregoing table :

1. Proposed total expenditures are scheduled to increase from \$255,470 in the 1943-45 Biennium to \$313,919 in the 1945-47 Biennium, an increase of \$58,449 or 22.87 per cent. Capital outlay items in the 1943-45 Biennium totaled \$11,350, but during the ensuing biennium only \$2,100 is proposed to be spent or a 81.49 per cent reduction.

2. While total proposed expenditures increase by 22.87 per cent, items for "support" increase from \$244,120 in the 1943-45 Biennium to \$311,819 in the 1945-47 Biennium, an increase of \$67,699 or 27.73 per cent.

3. The increased cost for maintenance and operation of plant from \$30,889 in the current biennium to \$44,075 in the ensuing biennium, an increase of \$13,186 or 42.68 per cent results principally from the addition of two new positions—Chief Institution Engineer Grade 1 and Carpenter-Painter, at a total net increased cost for the biennium of \$9,720. Another item affecting the net increased expense is for maintenance of structures—\$5,675 in the 1945-47 Biennium, an increase of \$2,929 over the preceding biennium.

4. Proposed expenditures for 1945-47 as compared with estimated expenditures for 1943-45, by object of expenditures are as follows :

TABLE II—CALIFORNIA INSTITUTION FOR WOMEN

Object:	Actual and Estimated 1943-1945	Proposed 1945-1947	Increase or Decrease 1945-47 over 1943-45	
			Amount	Per Cent
Salaries and wages -----	\$154,414	\$202,109	+\$47,695	+30.88
Operating -----	102,648	119,605	+ 16,957	+16.51
Equipment -----	3,843	5,205	+ 1,362	+35.44
Totals -----	\$260,905	\$326,919	+\$66,014	+25.30
Less:				
Reimbursements for maintenance -----	— 14,615	— 14,000	— 615	
Surplus product sales -----	— 2,169	— 1,100	— 1,069	—49.28
Net totals -----	\$244,121	\$311,819	+\$67,698	+27.73

Of the budgeted increased salary expense of \$47,695—\$30,684 or 64.33 per cent is for six proposed new positions. Normal salary increases account for \$5,750 or 12 per cent of the total salary increase.

Proposed new positions and salary expense resulting follows :

TABLE III—SCHEDULE OF PROPOSED NEW POSITIONS—CALIFORNIA INSTITUTION FOR WOMEN

1945-47 Biennium

Number of Positions Fiscal Year		Classification	Salary Range	Total Amount	
45-46	46-47			1945-46	1946-1947
1	1	Business Manager -----	\$265-325	\$3,180	\$3,360
1	1	Instructor—Garment Making -----	160-200	2,220	2,340
1	1	Graduate Nurse -----	140-180	1,980	2,100
1	1	Chief Supervisor -----	170-210	2,340	2,460
1	1	Chief Institution Engineer Grade 1.-----	180-220	2,520	2,640
1	1	Carpenter-Painter -----	160-200	2,220	2,340
		<i>Reclassification:</i>		Increased cost	
		Head Farmer, Grades 1 to 2 -----		360	360
		<i>Temporary Help</i>			
		Uniform Holidays -----		132	132
6	6			\$14,952	\$15,732
				\$30,684	

In connection with the proposed new positions, we wish to point-out that the average inmate population for the 1943-45 Biennium was 144 and that the anticipated average population in the 1945-47 Biennium is 170, or a net increase of 26 inmates.

On the basis of the proposed increased expenditure for support, the per capita costs will increase as follows :

	Average inmate population	Per capita cost
1943-44 -----	143	\$815.29
1944-45 -----	145	879.54
1945-46 -----	165	914.83
1946-47 -----	175	924.98

The per capita costs are lower than at the Institution for Men at Chino where there is more opportunity to be self supporting.

This per capita cost can not be reduced greatly as long as this institution remains small and is located at this site. Agricultural production never

can be high with the short growing season. There should be every effort to coordinate production with need.

Study should be made of the possibility of increasing the population by caring for other types of offenders so as to reduce overhead and add to services that are desirable.

Recommendations—California Institution For Women

We recommend that the proposed budget be reduced by \$11,620 from \$313,919 to \$302,299, a reduction of 3.7 per cent. This is still an increase of \$46,829 or 18 per cent over expenditures for 1943-45.

The need for continued economy in the operation of this institution is amply indicated by the high per capita costs and the fact the ratio of inmates to employees for the Ninety-fifth Fiscal Year (1943-1944) is 3.25 inmates to each employee; and for the Ninety-eighth Fiscal Year (1946-1947) it is estimated the ratio will be 3.89.

Some economies which can be effected follow:

(a) Elimination of all but absolutely essential new positions. In this category we include:

Graduate Nurse

Two graduate nurses are already employed by this institution. This is ample inasmuch as the estimated average daily inmate population for the fiscal years in the 1945-47 Biennium at no time exceeds 75. The Army and Navy requires all available nurses.

It must be assumed that only a small percentage of these inmates are so ill as to require nursing care.

Business Manager

In an institution of this size the superintendent should be able to conduct the business affairs of the institution.

(b) Feeding costs should be reduced through increased agricultural production.

**Analysis of Proposed Expenditures for San Quentin
Prison—1945-1947 Biennium**

Items 54 and 55, page 5, Budget Bill, and pages 117 to 124 inclusive of the Budget. Appropriation requested \$3,471,310, an increase of \$738,234 or 27.01 per cent over estimated expenditure of \$2,733,076 for the 1943-45 Biennium.

The increase of \$738,234 in the proposed expenditure for 1945-47 over the estimated expenditure for 1943-45 is distributed as follows:

TABLE I

Expenditures support	Actual and Estimated 1943-1945	Proposed 1945-1947	Increase or Decrease 1945-47 over 1943-45	
			Amount	Per Cent
Administration -----	\$184,052	\$230,200	+ \$46,148	+ 25.07
Support and subsistence -----	853,356	1,044,670	+ 191,314	+ 22.41
Care and welfare -----	1,228,691	1,637,950	+ 409,259	+ 33.30
Maintenance and operation of plant -----	297,155	325,850	+ 28,695	+ 9.65
Farming and processing -----	180,171	192,030	+ 11,859	+ 6.58
Camps -----	379,503	-----	- 379,503	¹ -100.0
Totals, support -----	\$3,122,927	\$3,430,700	+\$307,773	+ 9.85
Less: Abatements -----	428,076	-----	- 428,076	¹ -100.0
Net totals, support -----	\$2,694,851	\$3,430,700	+\$735,849	+ 27.30
Capital outlay -----	38,225	40,610	+ 2,385	+ 6.23
Total expenditures -----	\$2,733,076	\$3,471,310	+\$738,234	+ 27.01
Revenues -----	10,000	7,000	- 3,000	- 30.0

¹ This activity during 1945-47 to be handled by a revolving fund.

Significant facts revealed by the foregoing table:

1. Care and Welfare costs are scheduled to increase from \$1,228,691 in the 1943-45 Biennium to \$1,637,950, up \$409,259 or 33.30 per cent. This increase is largely attributable to the new positions proposed for this service.
2. In spite of the fact camp costs and abatements are not included in the budget figures for the ensuing biennium, total proposed expenditures (including capital expenditures) increase by \$738,234 or 2 per cent.
3. Support and subsistence costs are up 22.41 per cent over the preceding biennium. The principal item of expense under "support and subsistence" is feeding. Actual and estimated expenditures for this item in the 1943-45 Biennium were \$692,478 and proposed expenditures for the 1945-47 Biennium are \$875,220, an increase of 26.38 per cent. Average inmate population, on the other hand, is scheduled to increase in the ensuing biennium by only 6 per cent.
4. Proposed administrative expense for the 1945-47 Biennium \$230,200, an increase of \$46,148 or 25 per cent over the 1943-45 expenditure of \$184,052.

PROPOSED EXPENDITURES FOR 1945-47 AS COMPARED WITH ESTIMATED EXPENDITURES FOR 1943-45, BY OBJECT OF EXPENDITURE, ARE AS FOLLOWS

Expenditure object	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages -----	\$1,392,789	\$1,708,660	\$315,871	+ 22.6
Operating expenses -----	1,710,678	1,804,890	+ 94,212	+ 5.5
Equipment -----	22,583	61,350	+ 38,766	+171.0
Inmate work projects -----	162,318	-----	- 162,318	-100.0
Totals -----	\$3,288,369	\$3,574,900	+\$286,531	8.7
Reimbursements for maintenance -----	-106,032	-111,000	+ 4,968	4.6
Service to manufacturing units -----	- 54,365	- 27,000	+ 27,365	- 50.3
Surplus products sales -----	- 5,043	- 6,200	+ 1,157	22.9
	\$3,122,929	\$3,430,700	+\$307,771	+ 9.9

It will be noted that salary and wage costs are up by \$315,871 or 22.67 per cent; operating expenses are up by \$94,212 or 5½ per cent and equipment expenses are scheduled to advance by \$38,766 or 171 per cent.

Of the increase of \$315,871 for salary and wages, normal salary increases account for \$29,340 or 9.23 per cent. Proposed new positions account for \$258,060 or 81.7 per cent of the proposed increased salary expense. These new positions would bring the number of authorized positions to 342, an increase of 47 over the net number authorized for 1944-45, and of 70 over the number for 1943-44. Additional personnel positions requested include personnel for administration, support and subsistence and maintenance activities as well as for medical persons, comprising one physician, one pharmacist, one male nurse, three graduate nurses, one interne and two externes.

TABLE IV—SCHEDULE OF PROPOSED NEW POSITIONS
SAN QUENTIN PRISON 1945-47

Number of positions fiscal year		Classification	Salary Range	Total amount	
1945-46	1946-47			1945-46	1946-47
1	1	Bookkeeping Machine Operator ---	\$110-150	\$1,620	\$1,740
1	1	Intermediate Account Clerk -----	110-150	1,620	1,740
2	2	Senior Account Clerk -----	150-190	4,200	4,440
2	2	Intermediate Typist Clerks -----	100-140	3,000	3,240
1	1	Intermediate File Clerk -----	100-140	1,500	1,620
2	2	Intermediate Stenographer-Clerks -----	110-150	3,240	3,480
1	1	Property Custodian -----	180-220	2,460	2,580
1	1	Senior Stock Clerk -----	140-180	1,980	2,100
1	1	Supervising Baker -----	160-200	2,220	2,340
1	1	Butchershop Foreman -----	160-200	2,220	2,340
3	3	Lieutenant -----	180-220	8,460	8,820
6	6	Sergeant -----	160-200	15,480	16,200
2	2	Guard -----	140-180	3,960	4,200
9	9	Guard (uniform holidays) -----	140-180	19,980	21,060
1	1	Physician -----	215-275	2,880	3,000
1	1	Psychiatrist -----	215-275	2,880	3,000
1	1	Pharmacist -----	160-200	2,220	2,340
3	3	Graduate Nurses -----	140-180	5,940	6,300
1	1	Supervising Male Nurse, Grade 2 ---	170-210	2,340	2,460
1	1	Interne -----	50- 90	900	960
2	2	Externe -----	50- 90	1,800	1,920
3	3	Senior Clerk -----	140-180	5,940	6,300
4	4	Intermediate Clerk -----	100-140	6,000	6,480
1	1	Senior Stenographer-Clerk -----	150-190	2,100	2,220
1	1	Intermediate Stenographer-Clerk ---	110-150	1,620	1,740
2	2	Intermediate File Clerks -----	100-140	3,000	3,240
2	2	Intermediate Typist Clerk -----	100-140	3,000	3,240
1	1	Duplicating Machine Operator ---	90-115	1,380	1,440
1	1	Librarian -----	130-170	1,860	1,980
1	1	Supervisor of Education -----	280-340	3,660	3,900
1	1	Woodworking Foreman -----	180-220	2,460	2,580
1	1	Dairyman -----	160-200	2,220	2,340
Reclassification:					
1 Fingerprint Technician to					
Identification Officer ----- 230-290 480 660					
Part time jobs:					
Fireman (6) ----- 10. 720 720					
<u>61</u>	<u>61</u>	Gross added positions*		<u>\$125,340</u>	<u>\$132,720</u>
				\$258,060	

* As 14 positions will have been abolished previously, there will be a net increase of 47 positions.

Recommendation for Reduction—San Quentin Prison

We recommend that the budget for San Quentin Prison be reduced from \$3,471,310 to \$3,207,680, or a decrease of \$263,630 or 7.6 per cent. This still will represent an increase of \$474,604 or 17.6 per cent over the estimated expenditures 1943-1945 biennium, and will enable this facility to increase its activities which are essential to the functioning of its program.

We have arrived at this amount by application of the following procedure which we feel provides generously for this institution:

(a) Actual and estimated per capita cost, 1944-45	-----	\$461.00
(b) Predicted average population, 1945-47	-----	3,435
(c) Total institutional cost, year	-----	\$1,583,535
(d) Total institutional cost, bien.	-----	\$3,167,070
(e) Capital outlay	-----	40,610
(f) Total amount recommended for Items 54 and 55 of Appropriation Bill	-----	\$3,207,680

We feel that this estimate is liberal for the reason that the actual per capita expenditure, as reported on page 117 of the Budget, for 1943-44 amounted to \$450 per capita in round numbers. Our procedure of calculating on the basis of the 1944-45 per capita cost of \$461 gives an additional \$11 per inmate for each year of the biennium. Since the average population for the 1945-47 biennium is expected to increase by about 300 inmates over the number for 1943-44, there actually should be a reduction in the per capita costs.

The organization and management of this institution has been open to valid criticism for many years, and it is believed that tightening up processes in management can easily produce the suggested savings from the institution's budget request. We wish to point out that the total number of personnel positions increased from 272 in 1943-44 to 295 for 1944-45, despite only a moderate increase of 130 inmates between the reported average population for the former and the latter years. A number of these positions are now vacant. We do not feel that the institution can justify filling these vacant positions and adding an additional 47 employees over the number of authorized positions for 1944-45.

We do not believe that the net increase of approximately 200 inmates for the biennium over the average for the current biennium justifies the employment of additional medical service consisting of a physician, a pharmacist, three graduate nurses, one supervising male nurse, one interne and two externes. It must be noted that only a very small percentage of the inmates at San Quentin are actually ill and need close medical attention.

We question the necessity for increasing the feeding costs between 1943-44 and 1946-47 as indicated by the two following tables. Either the costs in 1943-44 are too low or those for 1945-46 are too high.

	Fiscal Years	Aver. No. of Inmates	Total	*Net Feeding Costs Per Inmate	
				Yearly	Monthly
Actual	1943-44	3,132	\$320,349	\$102.28	\$8.52
Estimated	1944-45	3,369	372,129	110.45	9.20
Proposed	1945-46	3,285	414,740	126.25	10.52
Proposed	1946-47	3,585	460,480	128.44	10.70

* Net feeding costs exclude the estimated value of products locally consumed.

	<i>Fiscal Years</i>	<i>Aver. No. of Inmates</i>	<i>Total</i>	<i>*Gross Feeding Costs Per Inmate</i>	
				<i>Yearly</i>	<i>Monthly</i>
Actual -----	1943-44	3,132	\$421,635	\$134.62	\$12.23
Estimated -----	1944-45	3,369	473,414	140.52	11.71
Proposed -----	1945-46	3,285	525,830	160.07	13.33
Proposed -----	1946-47	3,585	571,570	159.43	13.29

* Gross feeding costs include estimated allowance for local production of food consumed.

We are making no attempt to distribute the \$263,630 savings we suggest, but believe that the administration can readily effect this saving and more and still give all the service that is required. In fact, we believe that a considerable amount of this saving would be accomplished through the failure to fill positions, and that a further saving would normally accrue with better management and control.

Department of Corrections—Adult Authority

For Support of Adult Authority

Item 56 Budget Bill, pages 125-130 inclusive of the Budget; appropriation, \$688,575.

Chapter 2, Third Extraordinary Session of the Legislature of 1944, creating the Department of Corrections, provides for an Adult Authority to consist of three members, appointed by the Governor, by and with the consent of the Senate, for four-year staggered terms.

The act further provides that the members must devote their entire time to the duties of the office, and that one member must be an attorney-at-law, one have had practical experience in handling adult prisoners, and one be a sociologist. The chairman may be designated by the Governor from time to time.

The new law gave the Adult Authority, which took office May 1, 1944, broad powers to control and supervise the treatment of the adult male felons in prison and on parole, and to determine the time and conditions of their return to society.

The specific duties and responsibilities of the Adult Authority are:

1. Supervising and controlling the Diagnostic Clinic.
2. Supervising and operating of the classification and treatment program within each institution.
3. Designating prisons in which inmates shall serve sentences.
4. Authorizing transfer of prisoners between prisons and to prison camps.
5. Determining the nature, type, and duration of punishment.
6. Awarding and forfeiture of good-time credits.
7. Restoring civil rights.
8. Fixing and refixing terms of imprisonment.
9. Granting, withholding or revoking paroles.
10. Directing the operation of the Bureau of Paroles, the supervising parole agency.
11. Advising the Governor on executive clemency matters.
12. Serving as member of the Board of Corrections.

The appropriation of \$688,575 proposed by Item 56 of the Budget Bill represents an increase of \$218,537 or 46.5 per cent over the roughly comparable expenditures of \$470,037 reported by the Budget as spent

for 1943-1945. For purposes of comparison of 1945-1947 with 1943-1945 the Budget includes in the total expenditure of \$470,037 for 1943-1945 biennium amounts totaling \$76,573 that were expended by other agencies.

The increase of \$218,537 in the budgeted expenditure is distributed as follows:

<i>Expenditures *</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Increase</i>	
	<i>1943-45</i>	<i>1945-47</i>	<i>Amount</i>	<i>Per cent</i>
Support, Adult Authority				
Administration -----	\$52,582	\$98,380	\$45,797	87.1
Classification -----	11,315	23,650	12,335	109.0
Diagnostic Clinic -----	35,030	109,950	74,920	213.8
Bureau of Parole -----	340,893	456,595	115,701	33.9
Totals, Support, Adult Authority -----	\$439,821	\$688,575	\$248,753	56.5
Support, Advisory Pardon Board -----	5,872		—5,872	---
Support, Board of Prison Terms and Parole -----	24,343		—24,343	---
Total Expenditures -----	\$470,037	\$688,575	\$218,538	46.5

* For purposes of comparison there has been included in the detailed expenditures for the Adult Authority for the 1942-1945 biennium, the following amounts expended by other agencies:

Board of Prison Directors, Classification Committee -----	\$10,428
Advisory Pardon Board -----	5,872
Board of Prison Terms and Paroles -----	24,343
San Quentin State Prison -----	27,900
Department of Corrections -----	8,030
	\$76,573

For the 1945-47 Biennium proposed salary expense is up by 44 per cent, operating expenses by 26.3 per cent, and equipment expenditure by 153.9 per cent over the 1943-45 level.

The Budget proposes an increase in positions from 67 for the Fiscal Year 1943-1944 and from 72 for the current year 1944-1945 to 88 for the first year of the coming biennium and to 96 for the second year. The total salary expense for the 1945-1947 biennium is \$523,050, which is \$159,885 in excess of the 1943-45 expenditure for this activity.

Proposed new positions listed in the Budget are as follows:

Number of Positions
Fiscal Years
1945-46 1946-47
Cumulative
Total

1	1	Senior Stenographer Clerk -----	\$2,100	\$2,280
	1	Intermediate Stenographer Clerk -----		1,620
3	3	Junior Clerical Interne -----	2,700	2,700
1	1	Junior Sociologist -----	2,880	3,060
1	1	Intermediate Stenographer Clerk -----	1,620	1,740
1	1	Intermediate Clerk -----	1,500	1,620
	1	Electroencephalographic Technician -----		1,980
1	1	Parole Officer, Grade Two -----	2,700	2,880
6	11	Parole Officer, Grade One -----	14,040	26,460
1	1	Research Assistant -----	1,980	2,100
3	4	Junior Stenographer Clerk -----	4,140	5,700
1	1	Intermediate File Clerk -----	1,500	1,620
		Psychiatrist (Part time extended to full time) -----	1,140	1,380
		Intermediate Stenographer Clerk (Increased from part time to full time) -----	1,050	1,050
<hr/>	<hr/>	Totals, year -----	\$37,350	\$56,190
19	27	Total, biennium -----		\$93,540

We recommend that appropriation Item 56 be reduced by \$34,430 or by 5 per cent to \$654,145.

We suggest the following as definite reductions that are possible:

<i>Positions</i>	<i>Amount</i>
1 Electroencephalographic Technician -----	\$1,980
2 Parole Officers -----	4,345
	1945-46)
	1946-47)
3 Parole Officers -----	7,350
1 Junior Clerical Interne -----	1,800
	1945-47
 <i>Equipment</i>	
Automobiles -----	9,000
Travel reduction -----	1,000
Electroencephalographic machine -----	4,880
Specific reductions -----	\$30,355

Other economies will occur through inability to fill positions which should make it possible to exceed the savings recommended.

This reduction will still permit a generous increase over expenditures for the current biennium which in turn should make possible the carrying out of the Legislature's recent decision to have effective work performed in the adult parole sphere. This reduction is large enough to encourage such desirable administrative economies as conservative use of office supplies, travel expense, automobiles, telephone and telegraph. That there is need for some such economy is indicated by the following budgeted amounts for 1945—for certain items for operating expense and for equipment expenditure:

<i>Operating Expense Items</i>	<i>Amount budgeted for 1945-47</i>	<i>Increase over Expenditure for 1943-45</i>
Traveling -----	\$39,570	\$8,464
Automobile -----	33,000	10,480
Telephone & Telegraph -----	10,300	1,148
Printing -----	5,800	3,972
 <i>Equipment</i>		
Office -----	5,200	678
Automobile -----	21,400	12,656
Other -----	7,865	7,565
Total, equipment -----	\$34,465	\$20,894

If the Legislature decides to accept the recommendation given in the following under the discussion of Item 57 of the Appropriation Bill to abolish the Board of Trustees of the California Institution for Women and to transfer its functions and technical staff to the Adult Authority, we recommend that \$15,000 of the \$43,780 be added to appropriation Item 56 to finance the parole work for the California Institution for Women. This will bring the amount for this item to \$669,145.

Department of Corrections

Board of Trustees—California Institution for Women

Item 57, Budget Bill, page 131 of the Budget; appropriation, \$43,780.

This board acts as a parole agency for the California Institution for Women at Tehachapi. It consists of five lay members who receive per diem and traveling expenses while sitting as a board. There are four personnel positions on its staff—two parole officers and two stenographers. Its office is in Los Angeles. The last progress report of the Department of Corrections indicates that the board intends to establish a second office in San Francisco. This will be an excessive expense for the parolees to be served.

The proposed appropriation of \$43,780 represents an increase of \$12,993 or 42.2 per cent over the estimated expenditure of \$30,787 reported by the Budget as spent for 1943-1945. This figure for 1943-1945 includes \$10,582 paid from the appropriation for support of the California Institution for Women.

The budgeted amount of \$43,780 for this agency for 1945-47 is distributed by function and object as follows :

<i>No. of Positions</i>	<i>Administration Salaries and Wages</i>	
	Board Members (5) per diem-----	\$12,000
1	Senior Stenographer-Clerk-----	5,160
2	Women's Parole Officer-----	10,320
1	Intermediate Stenographer-Clerk-----	4,200
	Temporary help-----	270
	1945-1947 normal salary adjustments-----	300
<hr/>		
4	Totals, salaries and wages-----	\$32,250
	<i>Operating Expenses</i>	
	Office-----	1,800
	Postage-----	480
	Traveling-----	6,500
	Telephone and telegraph-----	1,000
	Printing-----	
	Automobile-----	1,500
		<hr/>
	Totals, operating expenses-----	\$11,280
	Equipment-----	250
		<hr/>
	Grand total-----	\$43,780

We recommend that the Board of Trustees—California Institution for Women be abolished and that its functions, responsibilities, and technical staff be transferred to the Adult Authority, which is part of the coordinated Department of Corrections. Reasons for this recommendation include the following :

1. The volume of work of the Board of Trustees in relation to its expense is necessarily small because it serves only one small institution, the California Institution for Women, which has an estimated inmate population of 145 during the current fiscal year and a predicted population of 175 for the 1946-47 year. On November 25, 1944 there were only 100 parolees under the supervision of the Board of Trustees. During the year 1944 the board took 253 actions as follows :

1. Set prison terms-----	82
2. Granted paroles-----	74
3. Denied paroles-----	18
4. Discharged from parole-----	38
5. Discharged from institution-----	10
6. Had board interviews-----	31
	<hr/>
	253

It will always be a lay board and not equipped to do a technical job required in such management.

2. The Adult Authority, performing the comparable function for male inmates and parolees of prisons, will be set up to extend rather diagnostic, classification, and parole services. By virtue of the large number of institutions it serves, the inmates it diagnoses and classifies, and the parolees it supervises, the Adult Authority already is in a better position to do a more technical job than the board of trustees, with its necessarily limited facilities, can ever hope to be. Transfer of the work of the board

of trustees to the Adult Authority would permit the use of the more extensive facilities of the Adult Authority in the classification and parole of women inmates. It is no reflection on the members of the board of trustees to state that the very logic of the situation would permit a better job to be done at relatively less expense if this work were transferred to the Adult Authority which will have the facilities to do the job required. Under this arrangement the actual work of immediate supervision of women parolees could continue to be done by the women parole officers who would be transferred from the staff of the board of trustees. These women parole officers could continue to interest women's organizations in making community resources available to women parolees with the view of inviting parolees to share cultural and recreational activities in the community in which they are living.

We estimate that the adoption of this recommendation would effect a saving of \$28,780 for the 1945-47 Biennium. Comparable savings for ensuing bienniums would result.

Unless this is done no appreciable savings are available in this item and the State will be continuing a practice which yields less desirable results than can be secured by making use of expert facilities which should be second to none if we judge from the increased costs over 1941-43 expenditures.

Department of Corrections—Youth Authority

Analysis of Proposed Expenditure for the 1945-47 Biennium

Items 58-74 inclusive, pages 5 and 6, Budget Bill; pages 132 to 174 inclusive of the Budget. Appropriation requested \$4,901,587, an increase of \$1,374,505 or 38.35 per cent over expenditures of \$3,584,282 in the 1943-45 biennium. The peak load of youth to be handled for the biennium will be only 1,970 or a total cost for each inmate of \$1,276 per year.

The Youth Authority was created by the 1943 Regular Session of the Legislature. Therefore 1943-1945 Biennium expenditures for administrative divisions, work camps for boys and schools other than the Fred C. Nelles School for Boys, the Preston School of Industry, and the Ventura School for Girls, are not comparable to the 1945-47 biennium. The Fred C. Nelles School for Boys, the Preston School of Industry and the Ventura School for Girls have been in operation for years as a part of the Department of Institutions, so comparable figures are available and are valid.

Item 58, page 5 of the Budget Bill and page 131 to 137 inclusive of the Budget—Administrative Divisions: (Head Office).

Proposed expenditures of the administrative divisions for the 1945-47 Biennium compared with 1943-45 are summarized in Table I following:

TABLE I—YOUTH AUTHORITY
Analysis of Proposed Expenditures 1945-47 Compared with 1943-45

Expenditures: Support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Authority	\$4,889	\$62,994	+ \$58,105	+ 1188.48
Administration	125,005	182,605	+ 57,600	+ 46.07
Accounting	52,848	74,402	+ 21,554	+ 40.78
Delinquent prevention	73,132	126,945	+ 53,813	+ 73.58
Diagnosis and classification	109,496	86,275	- 23,221	- 21.20
Training and treatment	29,210	45,340	+ 16,130	+ 55.22
Probation and placement	159,547	415,669	+ 256,122	+ 160.53
Totals	\$554,127	\$994,230	+ \$440,103	+ 79.22

Proposed expenditures of administrative divisions for 1945-47 as compared with estimated expenditures for 1943-45, by object of expenditure are summarized in Table II following:

TABLE II—YOUTH AUTHORITY
Analysis of Proposed Expenditures, by Object, 1945-47 Compared with 1943-45

Expenditures by object	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages -----	\$322,663	\$608,033	+ \$285,370	+ 88.44
Operating expense -----	210,118	360,307	+ 150,189	+ 71.47
Equipment -----	21,346	25,890	+ 4,544	+ 21.29
Totals -----	\$554,127	\$994,230	+\$440,103	+ 79.22

The Budget shows 94 positions in administrative divisions for the 1944-45 Fiscal Year with an estimate of 91 positions at the beginning of the 1945-47 Biennium. There are 16 proposed new positions other than Authority members for the 1945-46 Fiscal Year, with four more new positions to be added during the 1946-47 Fiscal Year, requiring an estimated expenditure of \$65,750 during the biennium. Table III shows these proposed new positions:

TABLE III—YOUTH AUTHORITY
Proposed New Positions 1945-47 Biennium

Number positions Fiscal year			Estimated cost for biennium
45-46	46-47		
1	1	Senior Stenographer Clerk -----	\$4,320
	1	Intermediate Typist Clerk -----	1,500
4	5	*Intermediate Stenographer Clerk -----	11,660
1	1	Transportation Officer-Clerk -----	5,040
2	2	Intermediate Account Clerk -----	5,770
1	1	Junior Socio.-Economic Research Technician -----	5,140
1	1	Senior Account Clerk -----	4,500
1	1	Senior Clinical Psychologist -----	5,940
4	5	*Placement Officer, Grade 1 -----	15,265
1	2	*Placement Officer, Grade 2 -----	6,615
16	20		\$65,750

* Positions to be filled at various dates during biennium.

Of the budgeted increased salary expense of \$285,370, some \$40,000 or 14 per cent is statutory salaries for two members of the Authority; \$65,750 or 23.04 per cent is for 16 proposed new positions for 1945-46, plus four additional positions for 1946-47, making 20 new positions for the biennium (see Table II); \$18,215 or 6.38 per cent is for normal salary increases for present positions and proposed new positions. If the proposed new administrative positions are allowed, the ratio *will be approximately one administrative employee to every 18 inmates according to population estimates for the 1945-47 Biennium*, which is too high.

Operating expense shows an increase of \$150,189 or 71.47 per cent. As this agency was not in full operation during both years of the 1943-45 Biennium, it is difficult to determine what are excessive estimates. However, traveling and automobile expense shows the largest increase and are shown by fiscal years in Table IV.

TABLE IV—YOUTH AUTHORITY

	Traveling expense	Increase over 44-45 estimate	Automobile expense	Increase over 44-45 estimate
Expenditure 1943-44 -----	\$4,714	-----	\$3,655	-----
Estimate 1944-45 -----	30,675	-----	11,900	-----
Proposed 1945-46 -----	43,350	41 per cent	18,525	56 per cent
Proposed 1946-47 -----	47,375	54 per cent	18,750	58 per cent

The above figures show that traveling and automobile operating expense has been amply provided for. We believe some savings can be made in this.

Equipment expenditures show a proposed total expenditure of \$25,890, an increase of \$4,544 or 21.29 per cent. Of the \$25,890 proposed expenditure for equipment, \$9,711 is for office and \$10,300 is for automobiles.

Recommendation:

That Section 1725 of the Welfare and Institutions Code be amended so the members of the Youth Authority receive the same compensation as provided in the original act, thereby saving \$40,000 in salaries of two members during the 1945-47 Biennium.

Ratio of employees to inmates should be approximately 1 to 75, therefore only specialized employees and necessary clerical assistance should be added to the present staff until population catches up.

That only the following new positions be allowed:

	Estimated cost for biennium
1 Intermediate Account Clerk -----	\$2,250
1 Junior Socio-Economic Research Technician -----	5,140
1 Intermediate Account Clerk (Continuation of temporary position authorized in 1944-45) -----	3,520
1 Senior Clinical Psychologist -----	5,940
3 Placement Officers employment to begin in 1945 -----	14,595
2 Placement Officers employment to begin in 1946 -----	7,300
1 Placement Officer employment to begin in 1947 -----	780
1 Intermediate Stenographer-Clerk employment to begin in 1946 -----	2,490
1 Intermediate Stenographer-Clerk employment to begin in 1947 -----	540
<hr/> 12 positions -----	<hr/> \$42,555

That the following emergency war positions be eliminated as soon as possible after the war:

- 3 Field Representatives
- 1 Intermediate Stenographer-Clerk

That in order to reduce proposed expenditures to the proper amount, item No. 58, Assembly Bill No. 500, be approved for \$821,245, a reduction of \$172,985 represented by reductions in:

Salaries and wages -----	\$63,195
Operating expense -----	101,000
Equipment -----	8,790
	<hr/> \$172,985

After the above reduction the Youth Authority will be able to carry on during the 1945-47 Biennium on a basis somewhat above the 1944-45 Fiscal Year budget amounts.

Item No. 59, page 5 of the Budget Bill, and page 138 of the Budget—*Transportation of Persons*—\$117,500, an increase of \$20,598 or 21.26 per cent.

Recommend item be approved as requested as funds can not be used except for transportation of persons committed to the Authority, including sheriffs' fees and transportation. Appropriation can not be diverted to any other purpose.

Item No. 60, page 5 of the Budget Bill, and page 138 of the Budget—*Transportation of nonresidents*—\$50,000, an increase of \$11,990 or 31.54 per cent.

Recommend item be approved as requested as funds can not be used except to transport nonresidents committed to the Authority. Funds can not be diverted to any other purpose.

Item No. 61, page 5 of the Budget Bill, and pages 141 to 147, inclusive, of the Budget—*Work Camps for Boys*. Proposed expenditure for Work Camps for Boys for the 1945-47 Biennium compared with 1943-45 and expenditures for each camp are summarized in Table V following:

TABLE V—YOUTH AUTHORITY

Analysis of Proposed Expenditures for Work Camps 1945-47 Compared With 1943-45

Expenditures: Support	Actual and Estimated 1943-1945	Proposed 1945-1947	Increase or Decrease .	
			1945-47 over Amount	1943-45 Per cent
Work Camps for Boys				
Camp supervision -----	\$6,537	\$15,680	+ \$9,143	+139.87
Calaveras State Park -----	\$101,455	\$215,431	+\$113,976	+112.34
Less: Abatements for services per- formed by inmates -----	— 1,700	—3,400	+ 1,700	+100.0
Net for support -----	\$99,755	\$212,031	+\$112,276	+112.55
Benicia Arsenal -----	\$231,450	\$677,530	+\$446,080	+192.73
Less: Abatements for services per- formed by inmates -----	— 278,000	—852,500	+ 574,500	+206.65
Net for support -----	—\$46,550	—\$174,970	+\$128,420	+275.88
Stockton Ordnance Depot -----	\$186,709	\$272,403	+ \$85,694	+ 45.90
Less: Abatement for services per- formed by inmates -----	—210,500	—338,625	+ 128,125	+ 60.87
Net for support -----	—\$23,791	—\$66,222	+ \$42,431	+178.34
Proposed new camp -----		\$99,598	+ \$99,598	+100.0
Less reimbursement for maintenance	—\$13,564	—\$22,850	+ \$9,286	+ 68.46
Net total for support -----	\$22,387	\$63,267	+ \$40,880	+182.61

Proposed expenditures for Work Camps for Boys for 1945-47 Biennium compared with 1943-45 expenditures, by object of expenditure, are summarized in Table VI following:

TABLE VI—YOUTH AUTHORITY
Analysis of Proposed Expenditures for Work Camps by Object of Expenditure—
1945-47 Compared With 1943-45

Expenditure by Object:	Actual and Estimated 1943-45	Proposed 1945-47	Increase or Decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages	\$150,419	\$348,458	+\$198,039	+131.66
Operating expense	185,289	485,884	+ 300,595	+162.23
Equipment	9,155	6,500	- 2,655	- 29.0
Inmate pay work project	181,288	439,800	+ 258,512	+142.60
Total support	\$526,151	\$1,280,642	+\$754,491	+143.40
Less:				
Reimbursement for Maintenance	— 13,564	— 22,850	— 9,286	— 68.46
Abatements for services performed by inmates	—490,200	—1,194,525	+ 704,325	+143.68
Net total for support	\$22,387	\$63,267	+ \$40,880	+182.61

The budgeted increased salary expense is \$198,039. Some \$49,238 of this or 24.86 per cent, as shown in Table VII, is for two proposed new positions during 1945-46 and 17 positions at a proposed new camp to be established in 1946-47, which will take the place of the Stockton Ordnance Depot Camp, which it is estimated will be closed when the war is over. Therefore the Budget does not show any expenditure for Stockton for the 1946-47 Fiscal Year. \$142,061 or 71.73 per cent is the amount to be paid employees who were not employed during the full 24 months of the 1943-45 Biennium. Normal salary increases during 1945-47 account for \$6,640 or 3.35 per cent of the salary increases.

TABLE VII—YOUTH AUTHORITY
Proposed New Positions, Work Camps for Boys, 1945-47 Biennium

No. positions Fiscal Year		Estimated cost for Biennium
1945-46	1946-47	
		Calaveras State Park
1	1	Boys group supervisor
1	1	Intermediate account clerk
		Temporary help
		Benicia Arsenal
		Head boys supervisor
		(Reclassification—additional salary)
		Temporary help
		Stockton Ordnance Depot
		High school teacher (part time)
		Temporary help
		Proposed New Camp
	1	Camp superintendent
	1	Institution bookkeeper, Grade 1
	1	Intermediate account clerk
	2	Institution cook
	1	Housekeeper
	10	Boys Group Supervisor
		Physician and Surgeon (part time)
	1	High School Teacher
		Temporary Help
		Seasonal Help
2	19	\$49,238

It must be noted that of a total proposed expenditure of \$1,280,642 for support of the Work Camps for Boys an appropriation of only \$63,267 or 5 per cent of the total proposed expenditure is asked in the Budget Bill. The work camps for boys have been almost self-supporting, revenues being derived from labor of the boys furnished on various projects. Therefore, the management of the Youth Authority is commended for the fine job they have been doing in caring for the boys at such a small cost to the taxpayers and at the same time making an excellent record in aiding the war effort and rehabilitating their charges.

Recommended that Item 61 be approved for \$63,267, the amount requested.

Item 62, page 6 of the Budget Bill, and page 146 of the Budget—*Work Camps for Boys*—Construction improvements, repairs and equipment.

Proposed expenditure \$51,500, of which \$50,500 is for a proposed new camp to be constructed during the 1945-46 Fiscal Year to take the place of the Stockton Ordnance Camp for which no expenditures are proposed for the 1946-47 Fiscal Year, it being anticipated that the Stockton Camp will be closed soon after the war is over.

Recommend the appropriation be approved as requested.

Item 63, page 6 of the Budget Bill, and pages 148 and 149 of the Budget, support *Fricot Ranch School for Boys*.

Proposed expenditure of \$220,055—an increase of \$119,756 or 119.04 per cent. This increase is not a fair comparison as this is a new school and was not operated during the full 24 months of the 1943-45 Biennium. Based on estimated expenditures for 1944-45, the increase for the 1945-47 Biennium is approximately 25 per cent, represented by an estimated cost of feeding and clothing caused by an increase in population from 80 to 100 inmates.

Recommend the appropriation be approved as requested.

Item 64, page 6 of the Budget Bill, and page 149 of the Budget—purchase of real property in Calaveras County.

Proposed expenditure of \$60,000 for the purchase of the Fricot Ranch property, the property on which the Fricot School for Boys supported by Item No. 63 is located. Ranch consists of approximately 1,050 acres—with buildings, water supply, hydro-electric plant and concrete swimming pool, and certain useable educational shop equipment.

Recommend the appropriation be approved as requested.

Item 65, page 6 of the Budget Bill, page 149 of the Budget. Construction improvement, repairs and equipment at Fricot Ranch School for Boys.

Proposed expenditure \$28,800. This appropriation is required in order to make necessary improvements and expansion of facilities at the Fricot Ranch School for Boys.

Recommend the appropriation be approved as requested.

Item 66, page 6 of the Budget Bill and pages 151 and 156, inclusive, of the Budget—*Support Fred C. Nelles School for Boys*.

Proposed expenditure for support \$784,047 for the 1945-47 Biennium, an increase of \$100,416 or 14.69 per cent over estimated expenditures of \$683,631 for the 1943-45 Biennium.

The per inmate costs shown on page 151 of the Budget are already high, \$1,084.52 for 1943-44, yet it is proposed to increase this to \$1,227.47 per inmate for 1945-46. With the high percentage of failures in the last 10 years at this school, it is questionable if these costs should be allowed to go up. It seems time to look for a cheaper way to care for delinquents and spend more on promising young people who are not delinquent but are submerged by lack of an opportunity equal to what is given by the State to the inmates of this institution.

Proposed expenditures by organization unit for 1945-47 compared with 1943-45 are summarized in Table VIII.

TABLE VIII—YOUTH AUTHORITY—FRED C. NELLES SCHOOL FOR BOYS
Analysis of Proposed Expenditures 1945-47 Compared With 1943-45

	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over Amount	1943-45 Per cent
Administration -----	\$85,715	\$94,430	+\$8,605	+10.03
Inmate cost per year -----	135	147	+12	
Support and subsistence -----	173,328	209,995	+36,667	+21.15
Inmate cost per year -----	272	328	+56	
Care and welfare -----	375,502	376,687	+1,185	+5.37
Inmate cost per year -----	561	589	+28	
Maintenance and operation of plant -----	85,006	106,955	+21,949	+25.82
Inmate cost per year -----	133	167	34	
Farming and processing -----	-17,920	-3,910	-14,010	-78.18
Inmate cost per year -----	-28	-6	+22	
Total support -----	\$683,631	\$784,047	+\$100,416	+14.69
Inmate cost per year -----	\$1,073	\$1,225	\$+152	

1. Administration shows a proposed expenditure increase of \$8,605 or 10.03 per cent, which is accounted for by salary increases of \$5,747 or 66.8 per cent, and one new position at an increased cost of \$3,360 or 39 per cent during the 1945-47 Biennium.

2. Support and Subsistence shows proposed increase of \$36,667 or 21.15 per cent. Approximately \$12,000 or 32.72 per cent represents approximately \$19 per year proposed increased cost in feeding and clothing each inmate. This increase of \$19 does not appear excessive but when increased costs are broken down by fiscal years there is an estimated increase of approximately \$45 per inmate between the 1943-44 Fiscal Year and 1944-45 Fiscal Year. The proposed expenditure during the 1945-47 Biennium for each inmate is about the same amount as estimated for the 1944-45 Fiscal Year. Salary increases account for \$6,027 or 16.55 per cent and one proposed new position accounts for \$3,060 or 8.34 per cent. Proposed increase in expenditures for equipment amounts to \$19,552 or 53.32 per cent to be expended, mostly for feeding, housekeeping and laundry equipment.

3. Care and Welfare shows a proposed increase of \$19,185 or 5.37 per cent, which is accounted for by salary increases of \$16,972 or 88.4 per cent, and one new position at a cost of \$3,840 or 20.07 per cent during the 1945-47 Biennium.

4. Maintenance and Operation of Plant shows a proposed increase of \$21,949 or 25.82 per cent. Salary increases account for \$4,669 or 21.27 per cent, one new position accounts for \$4,440 or 20.22 per cent. Equipment accounts for the largest increase—\$9,927 or 45.23 per cent—nearly all being for light, heat and power.

Proposed expenditures by object of expenditure are summarized in Table IX as follows:

TABLE IX—YOUTH AUTHORITY—FRED C. NELLES SCHOOL FOR BOYS
Proposed Expenditures, by Object of Expenditure, 1945-47
Compared with 1943-45

Expenditure by Object	Actual and Estimated 1943-1945	Proposed 1945-1947	Increase or Decrease	
			1945-47 over Amount 1943-45	Per Cent
Salaries and wages.....	\$512,466	\$561,724	+	\$49,258 + 9.61
Inmate cost per year.....	805	878	+	73
Operating expense.....	247,231	261,852	+	14,621 + 5.91
Inmate cost per year.....	388	409	+	21
Equipment.....	8,659	42,471	+	35,812 +413.63
Inmate cost per year.....	13	66	+	53
Sub-total.....	\$768,356	\$866,047	+	\$97,691 + 12.71
Inmate cost per year.....	1,206	1,353	+	147
Reimbursement for maintenance.....	—21,175	—22,000	+	825 + 3.89
Inmate cost per year.....	— 33	— 34	—	1
Surplus products sale.....	63,550	60,000	—	3,550 — 5.59
Inmate cost per year.....	— 100	— 94	+	6
Total support.....	\$683,631	\$784,047		\$100,416 + 14.69
Inmate cost per year.....	\$1,073	\$1,225	+	\$152

Of the budgeted increased salary expense of \$49,258, or 9.61 per cent, salary increases during the 1945-47 Biennium amount to \$29,698 or 60.29 per cent and proposed new positions amount to \$19,560 or 39.71 per cent, which are shown in Table X as follows:

TABLE X—YOUTH AUTHORITY—FRED C. NELLES SCHOOL FOR BOYS
Proposed New Positions

No. Positions Fiscal Year		Description	Estimated Cost for Biennium
45-46	46-47		
1	1	Intermediate Stenographer Clerk.....	\$3,260
		Senior Clerk (reclassification).....	360
1	1	Seamstress.....	3,000
1	1	Boys group supervisor.....	3,840
1	1	Stationery fireman.....	4,440
1	1	Instructor in animal husbandry.....	4,560
5	5	Total.....	\$19,560

No increase in population is anticipated during the 1945-1947 Biennium, therefore it is questionable that an increase in employees is necessary. However, some reclassification of present positions may be necessary in order to balance the staff.

The increase of \$14,621 or 5.91 per cent in operating expense has been commented on in reporting on each organization unit.

Of the \$35,812 or 413.63 per cent increase in proposed expenditure for equipment the major expenditures have been commented on in reporting on each organization unit.

Recommendation:

That Item No. 66 of Assembly Bill No. 500 be reduced to \$764,847, the reduction of \$19,200 being the proposed expenditure for new positions. No new positions should be necessary, there being no increase in population anticipated, and per inmate costs are already high.

Item 67, page 6 of the Budget Bill and pages 156 and 157 of the Budget—Construction, Improvements, Repairs and Equipment at Fred C. Nelles School for Boys.

Proposed expenditure of \$11,182 to be used as shown in Table XI:

TABLE XI—YOUTH AUTHORITY—FRED C. NELLES SCHOOL FOR BOYS

Proposed purchase of property and equipment:	
Stock for animal husbandry project	\$6,950
Power line to Greenleaf Cottage.....	1,450
Ice cream freezing and hardening unit.....	800
Improved lighting installation	600
Other	1,382
 Total	 \$11,182

Recommend that Item No. 67 be approved for \$11,182 as requested, with the proviso that no money for stock for animal husbandry be expended until the projects and amount therefor be recommended by the Director of Agriculture, Head of the Department of Agriculture of University of California, and Director of the Farm Production Council.

Item No. 68, page 6 of the Budget Bill and pages 158 to 163, inclusive, of the Budget—*Support Preston School of Industry.*

Proposed expenditure for support of \$1,456,202 for the 1945-47 biennium, an increase of \$208,590 or 16.72 per cent over estimated expenditure of \$1,247,613 for 1943-45.

The per inmate cost at this institution shown on page 158 of the Budget is already high at \$947.55 for 1943-44, when it is considered that there is a population of 692. In the Budget this is calculated to go to \$1,060.48 for 1946-47.

With failures reaching as high as 50 per cent despite publicity of the fine results in selected cases, it is questionable in our opinion that costs should be increased, but rather a cheaper method of handling such delinquents with equal or better results should be sought. Society would profit more if normal young people have not the opportunity to develop their abilities because of economic limitations could be assisted by financial support equal to what is expended by the State on Preston commitments.

In our opinion the costs of recoveries through the Preston process is excessive because of the high per cent of failures. The whole institution needs overhauling including: (1) Type sent there; (2) Program of restoration; (3) Offerings of the school; (4) Discipline; (5) Management; (6) Costs for over-all treatment and care in ratio to those rehabilitated.

Proposed expenditures by organization unit for 1945-47 compared with 1943-45 are summarized in Table XII:

TABLE XII—YOUTH AUTHORITY—PRESTON SCHOOL OF INDUSTRY
Analysis of Proposed Expenditures 1945-47 Compared with 1943-45

Support	Actual and Estimated 1943-45	Proposed 1945-47	Increase or Decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration	\$118,792	\$133,146	+ \$14,354	+12.08%
Inmate cost per year	86	96	+ 10	
Support and subsistence	299,481	355,979	+ 56,498	+18.86%
Inmate cost per year	217	258	+ 41	
Care and welfare	637,036	686,793	+ 49,757	+ 7.81%
Inmate cost per year	452	498	+ 36	
Maintenance and operation of plant	166,125	180,196	+ 14,071	+ 8.47%
Inmate cost per year	120	131	+ 11	
Farming and processing	96,627	100,088	+ 3,461	+ 3.58%
Inmate cost per year	70	72	+ 2	
Total support	\$1,318,061	\$1,456,202	+\$138,141	+10.48%
Inmate cost per year	955	1,055	+ 100	
Reimbursement for subsistence and care of diagnostic and classifica- tion clinic inmates	-70,449	----	- 70,449	-100.0%
Inmate cost per year	51		51	
Net total support	\$1,247,612	\$1,456,202	+\$208,590	+16.72%
Inmate cost per year	904	1,055	+ 151	

1. Administration shows a proposed expenditure increase of \$14,354 or 12.08 per cent, accounted for by: Salary increases of \$4,839 or 33.71 per cent; one proposed new position at a proposed expenditure of \$4,320 or 30.10 per cent for the biennium; operating expenses increased by \$2,505 or 17.45 per cent, all items being increased some; proposed equipment expenditures increased by \$2,690 or 18.74 per cent, the largest item being for general office.

2. Support and subsistence shows proposed increase of \$56,498 or 18.86 per cent, accounted for by: Salary increases \$7,616 or 13.48 per cent; one proposed new position \$3,360 or 5.94 per cent; operating expenses, a net of \$36,053 or 63.81 per cent, represent approximately \$27 per year proposed increased cost in feeding and clothing each inmate. Increased costs broken down by fiscal years shows an increase of approximately \$30 per inmate between the 1943-44 Fiscal Year and the 1944-45 Fiscal Year. The proposed expenditure for the 1945-47 biennium is approximately the same as for the 1944-45 Fiscal Year, which is somewhat overbudgeted. Equipment increase of \$9,467 or 16.75 per cent nearly all to be used for housekeeping equipment.

3. Care and welfare shows a proposed expenditure of \$49,757 or 7.81 per cent, accounted for by salary increases of \$24,160 or 48.55 per cent, five new positions amounting to \$28,360 or 56.99 per cent. Proposed expenditures for operating expense and equipment being less than during the 1943-45 Biennium due to the expenditures for paroles and discharges being transferred to Youth Authority Administration.

Maintenance and operation of plant shows a proposed increase of \$14,071 or 8.47 per cent. Salary increases account for \$5,186 or 36.85 per cent. No new positions are requested. Operating expenses and equipment account for \$8,886 or 63.16 per cent to be used mostly for maintenance of buildings.

5. Farming and processing shows a proposed increase of \$3,461 or 3.58 per cent—a very reasonable increase. Salary increases account for \$2,736 or 79.05 per cent; no new positions are requested. Much of the labor in this unit is done by inmates.

Table XIII following shows a comparison of the net cost of operating the farming and processing unit, with value of production consumed in the support and subsistence unit.

TABLE XIII—YOUTH AUTHORITY—PRESTON SCHOOL OF INDUSTRY
Comparison of Value of Products Consumed to Net Cost of
Operating Farming and Processing Unit

Biennium	Value of consumed products	Net cost of production	Estimated savings
1943-45 -----	\$157,517	\$96,627	\$60,880
1945-47 -----	160,000	100,088	59,912

Proposed expenditures by object of expenditure are summarized in Table XIV as follows:

TABLE XIV—YOUTH AUTHORITY—PRESTON SCHOOL OF INDUSTRY
Analysis of Proposed Expenditures by Object of Expenditure 1945-47 Comp. 1943-45

Expenditures— by object:	Actual and estimated 1943-45	Proposed 1945-47	Increase or Decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages -----	\$910,154	\$990,730	+ \$80,576	8.85
Inmate cost per year -----	659	718	+ 59	
Operating expense -----	439,509	483,270	+ 43,761	10.0
Inmate cost per year -----	319	350	+ 31	
Equipment -----	12,044	32,602	+ 20,558	+170.69
Inmate cost per year -----	9	24	+ 15	
Subtotal -----	\$1,361,707	\$1,506,602	+ \$144,895	10.64
Inmate cost per year -----	987	1,092	+ 105	
Reimbursement for maintenance -----	—38,752	—40,000	+ 1,248	+ 3.22
Inmate cost per year -----	— 28	— 29	— 1	
Surplus products sales -----	— 4,893	— 5,000	+ 107	2.19
Inmate cost per year -----	— 4	— 4	—	
Reimbursement for Laundry Service -----	—	— 5,400	+ 5,400	New
Inmate cost per year -----	—	— 4	+ 4	
Reimbursement for subsistence and care of diagnostic and classification of clinic inmates -----	—70,449	—	— 70,449	—100.0
Inmate cost per year -----	51	—	— 51	
Net support -----	\$1,247,613	\$1,456,202	+ \$208,589	16.72
Inmate cost per year -----	904	1,055	+ 151	

Of the budgeted increased salary expense of \$80,576 or 8.85 per cent, salary increases during the 1945-47 biennium amount to \$44,616, or

55.37 per cent, and proposed new positions and overtime amount to \$35,960 or 44.62 per cent, which are shown in Table XV as follows:

TABLE XV—YOUTH AUTHORITY—PRESTON SCHOOL OF INDUSTRY
Proposed New Positions and Overtime

No. positions fiscal year			Estimated cost for biennium
45-46	46-47		
1	1	Senior Account Clerk-----	\$4,320
1	1	Laundryman-----	3,360
1	1	Asst. Head Boys' Group Supervisor-----	4,560
1	1	Intermediate Clerk-----	3,120
		Physician and Surgeon (increased from intermittent to full time)-----	200
1	1	Physical Education Teacher-----	4,320
		Overtime-----	8,400
2	2	Boys Group Supervisor-----	7,680
<u>7</u>	<u>7</u>		<u>\$35,960</u>

No proposed increase in population is anticipated during the 1945-47 biennium, therefore it is questionable that an increase in employees is necessary, however some reclassification of present positions may be necessary in order to balance the staff.

The proposed increase of \$43,761 or 10.0 per cent in operating expense has been commented on in reporting on each organization unit.

The increase of \$20,558 or 170.69 per cent in equipment looks large from a percentage of increase point of view, but when broken down by units and consideration given to the fact this type of expenditure has been limited during the war, the increase in dollars appears reasonable.

Recommendations:

That Item No. 68 of Assembly Bill No. 500 be reduced to \$1,428,842, the reduction of \$27,360 being proposed expenditure for new positions. No new positions should be necessary, there being no increase in population anticipated.

Medical services at this school are inadequate—the resident physician is unsuited for the work required, and this condition must be corrected. It is recommended that the present physician be replaced by a younger physician, competent to do a full all-around job required at this institution.

Item No. 69 of the Budget Bill, page 164 of the Budget—Construction, improvements, repairs and equipment, Preston School of Industry.

Proposed expenditure of \$52,180 to be used as shown in Table XVI:

TABLE XVI—YOUTH AUTHORITY—PRESTON SCHOOL OF INDUSTRY
Proposed Purchase of Property and Equipment

Laundry equipment-----	\$21,675
Ranch equipment-----	11,270
Printing shop and bindery equipment-----	12,810
Automobile shop equipment-----	4,400
Tailor shop equipment-----	2,025
<u>Total-----</u>	<u>\$52,180</u>

It is proposed to expand the facilities shown in Table XVI in order to give better training to inmates, at the same time making some savings in laundry service rendered to the Fricot Ranch School for Boys.

Recommend Item No. 69 be approved for \$52,180 as requested.

Item No. 70, page 6 of the Budget Bill and pages 165 to 167, inclusive, of the Budget—*Los Guilucos School for Girls Support.*

Proposed expenditure of \$267,576—an increase of \$95,215 or 55.24 per cent. This increase is not a fair comparison, as this is a new school and was not operated during the full 24 months of the 1943-45 Biennium. Based on estimated expenditures for the 1944-45 Fiscal Year, the increase for the 1945-47 Biennium is up approximately 18 per cent, represented by an estimated cost of feeding and clothing caused by an increase in population from 90 to 110 inmates. This will cut per inmate costs. More capacity should be secured, so as to further reduce per inmate costs below \$1,230 for 1946-47.

Recommend the appropriation be approved at \$267,576, the amount requested.

Item No. 71, page 6 of the Budget Bill and page 168 of the Budget—*Purchase of Real Property in Sonoma County.*

Proposed expenditure of \$150,000 to purchase the former Pythian Home, consisting of approximately 320 acres, of which 125 acres are under cultivation. There are two 1,000,000-gallon water storage reservoirs supplied by gravity, three modern brick buildings, and other utility buildings.

Recommend the appropriation be approved at \$150,000, the amount requested.

Item No. 72, page 6 of the Budget Bill and page 68 of the Budget—*Construction, improvements, repairs, at Los Guilucos School for Girls.*

Proposed expenditure of \$88,310, the major items are shown in Table XVII.

TABLE XVII—YOUTH AUTHORITY—LOS GUILUCOS SCHOOL FOR GIRLS
Proposed Construction and Improvements

Laundry building and equipment.....	\$38,000
Remodeling kitchen	7,350
Irrigation system	15,000
New well and pump.....	7,150
Repairing and relocating electrical center.....	1,000
Painting exterior of buildings.....	2,800
Repairs to farm buildings and fences.....	3,050
Repairs to administration and dormitories building.....	5,910
Repairs to existing water system.....	4,750
Improvements to grounds.....	1,600
Butane gas system.....	900
Other	800
Total	\$88,310

Recommend Item No. 72 be approved at \$88,310, the amount requested. This is a companion of Item No. 71, which appropriates funds to purchase the land and buildings upon which the above repairs will be made.

Item No. 73, page 6 of the Budget Bill and pages 169 to 173, inclusive, of the Budget—*Ventura School for Girls—Support.*

Proposed expenditure for support of \$497,238, for the 1945-47 biennium, an increase of \$78,416 or 18.72 per cent over estimated expenditures of \$418,822 for 1943-45. Per inmate costs were \$1,216 for 1943-44 but will increase to \$1,282 for 1945-47.

Proposed expenditures by organization units for 1945-47 compared with 1943-45 are summarized in Table XVIII.

TABLE XVIII—YOUTH AUTHORITY—VENTURA SCHOOL FOR GIRLS
Analysis of Proposed Expenditures 1945-47 Compared with 1943-45

Support:	Actual and Estimated 1943-1945	Proposed 1945-1947	Increase or Decrease 1945-47 over Amount 1943-45	Per Cent
Administration	\$51,281	\$63,605	+\$12,324	+ 24.03
Inmate cost per year.....	142	159	+	17
Support and subsistence.....	114,972	153,470	+ 38,498	+ 33.48
Inmate cost per year.....	319	384	+	65
Care and welfare	193,218	217,488	+ 24,270	+ 12.57
Inmate cost per year.....	537	544	+	7
Maintenance and operation of plant.....	43,004	51,395	+ 8,391	+ 19.51
Inmate cost per year.....	119	128	+	9
Farming and processing.....	16,347	11,280	— 5,067	— 11.78
Inmate cost per year.....	45	28	—	17
Total support	\$418,822	\$497,238	+\$78,416	+ 18.72
Inmate cost per year.....	\$1,163	\$1,243	+	\$80

Administration shows a proposed expenditure increase of \$12,324 or 24.03 per cent accounted for by:

Salary increases of.....	\$5,960 or 48.36%	
One proposed new position.....	4,080 or 33.10%	
Operating expense.....	1,317 or 10.68%	representing normal increases for all classifications.
Equipment	968 or 7.85%	representing normal increases for all classifications.

Support and subsistence shows proposed increase of \$38,498 or 33.48% accounted for by:

Salary increases	\$2,673 or 6.94%
One proposed new position.....	1,940 or 5.04%

Operating expense a net of \$20,510 or 53.27 per cent includes *approximately* \$34 per year proposed increased cost in *feeding* and *clothing* each inmate. Increased costs broken down by fiscal years show an increase of approximately \$38 per inmate between 1943-44 and 1944-45. The proposed expenditure for each fiscal year of the 1945-47 Biennium is approximately the same, and when the 1943-45 Biennium is compared with the 1945-47 Biennium the average increase cost is approximately \$34 as shown above; but to compare the Fiscal Year 1944-45 with 1945-46 shows an increase of \$13 per year for each inmate, also when the Fiscal Year 1943-44 is compared with 1945-47 the increase is approximately \$47 per inmate per year.

Care and welfare shows a proposed increase of \$24,270 or 12.57 per cent, accounted for by:

Salary increases	\$3,936 or 16.22%
Three new positions	14,160 or 58.34%
Operating expenses	1,676 or 6.90%

This increase appears reasonable but when consideration is given to the transfer of expense for paroles to administration, the total increase is about \$3,200; also consideration must be given to a new proposed expenditure for religious services of \$2,400 for the biennium—which leaves a net increase of approximately \$800 in old classifications.

Equipment expenditures increased \$4,500 or 18.54 per cent—to be used in purchasing educational and recreational equipment during each fiscal year.

Maintenance and operation of plant shows a proposed increase of \$8,391 or 19.51 per cent, accounted for by:

Salary increase	\$1,390 or 16.57%
One new position	4,560 or 54.34%
Operating expense	1,530 or 18.23%

This increase includes small amounts for nearly all operating expense classifications.

Equipment	\$912 or 10.86%
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This increase is reasonable, the expenditure for 1943-45 being only \$263.

Farming and processing shows a decrease of \$5,067 or 11.78 per cent. This is unusual. Table XVIX, following, shows a comparison of the net cost of operating the farming and processing unit with value of production consumed in the support and subsistence unit.

TABLE XVIX—YOUTH AUTHORITY—VENTURA SCHOOL FOR GIRLS
Comparison of Value of Products Consumed to Net Cost of Operating Farming and Processing Unit

Biennium	Value of consumed products	Net cost of production	Estimated savings
1943-45	\$18,367	\$16,347	\$2,020
1945-47	15,000	11,280	3,720

Proposed expenditures by object of expenditure are summarized in Table XX as follows:

TABLE XX—YOUTH AUTHORITY—VENTURA SCHOOL FOR GIRLS
Analysis of Proposed Expenditures, 1945-47, Compared with 1943-45

Expenditure by object	Actual and Estimated 1943-1945	Proposed 1945-1947	Increase or Decrease	
			1945-47 over Amount	1943-45 Per cent
Salaries and wages	\$293,550	\$332,683	+\$39,133	+ 13.33
Inmate cost per year	815	832	+ 17	
Operating expenses	144,688	166,500	+ 21,812	+ 15.07
Inmate cost per year	402	416	+ 14	
Equipment	6,735	5,355	+ 18,620	+276.47
Inmate cost per year	19	63	+ 44	
Total	\$444,973	\$524,538	+\$79,565	+ 17.88
Inmate cost per year	1,236	1,311	+ 75	
Reimbursement for maintenance	—25,940	—27,000	+ 1,060	+ 4.09
Inmate cost per year	72	67	— 5	
Surplus Products Sales	— 211	— 300	+ 89	+ 42.18
Inmate cost per year	—	1		
Total Support	\$418,822	\$497,238	+\$78,416	+ 18.72
Inmate cost per year	1,163	1,243	+ 80	

Of the budgeted increased salary expense of \$39,133 or 13.33 per cent, salary increases during the 1945-47 Biennium amount to \$15,853 or 40.51 per cent, and proposed new positions amount to \$23,280 or 59.48 per cent, which are shown in Table XXI as follows:

**TABLE XXI—YOUTH AUTHORITY—VENTURA SCHOOL FOR GIRLS
Analysis of Proposed New Positions**

Number of positions 45-46	46-47	Proposed new positions	Estimated increase for biennium
1	1	Institution Storekeeper, Grade 1.....	\$4,080
1	1	Graduate nurse.....	4,080
2	2	Girl's group supervisor (1 uniform holidays).....	7,680
—	—	Teacher (intermittent).....	2,400
1	1	Institutions painter.....	4,560
—	—	Institution firefighter (2 part-time).....	480
5	5	Total	<u>\$23,280</u>

The increase in population is estimated to increase from 170 during 1943-44 to 200 during each year of the new biennium.

The proposed increase of \$21,812 or 15.07 per cent in operating expense has been commented on in reporting on each organization unit.

The increase of \$18,620 or 276.47 per cent in equipment looks large from a percentage of increase point of view, but when broken down by units and consideration given to the fact this type of expenditure has been limited during the war, the increase in dollars appears reasonable.

Recommendation

That Item 73 of Assembly Bill No. 500 be reduced to \$478,038, the reduction of \$19,200 being proposed increased expenditures for new positions other than for institution storekeeper. Reorganization and reclassification will be necessary to better carry the overhead load.

We also recommend the over-all savings, salary savings and the procedure for this as previously expressed.

Item 74, page 6 of the Budget Bill and page 174 of the Budget. Construction, Improvements, Repairs, and Equipment—Ventura School for Girls.

Proposed expenditure of \$9,500 to be used as shown in Table XXII as follows:

TABLE XXII—PROPOSED CONSTRUCTION, IMPROVEMENTS AND REPAIRS— VENTURA SCHOOL FOR GIRLS	
Improvements to roads.....	\$2,000
Exterior and interior painting.....	4,000
Alterations to cottages.....	2,000
Shelter for farm machinery.....	1,000
Extending employees' dining room.....	500
	<u>\$9,500</u>

The proposed expenditure is 43 per cent of the 1943-45 Biennium expenditure.

Recommend Item 74 be approved for \$9,500 as requested.

Department of Education
ANALYSIS OF PROPOSED EXPENDITURES BY ACTIVITY FOR
1943-45 vs. 1945-47

Item No.	Expenditure for	Budget Page No.	Actual and Estimated Expenditures 1943-1945	Proposed Expenditures 1945-47	Increase or Decrease 1945-47 over 1943-45		
					Amount	Per cent	
75	State Board of Education—Support-----	175	\$4,101	\$4,000	—	\$101 — 2.46	
76	Department of Education—Support-----	176	550,590	713,686	+	193,096 + 35.07	
77	Vocational Education—in addition to provisions of Sec. 505, Education Code-----	186	322,270	421,896	+	99,627 + 30.91	
78	Vocational Rehabilitation-----	189	---	240,000	+	240,000 New	
79	California State Library—Support-----	193	365,061	431,592	+	66,531 + 18.22	
79.5	Publishing, Purchasing and Shipping Free Text Books-----	781	1,525,644	1,616,618	+	90,954 + 5.96	
<i>State Colleges</i>							
80	Chico—Support-----	197	393,136	435,213	+	42,077 + 10.70	
81	Chico—Construction, Improvements and Equipment-----	197	5,000	16,200	+	11,200 +224.00	
82	Fresno—Support-----	204	673,646	811,452	+	137,806 + 20.45	
83	Fresno—Construction, Improvements and Equipment-----	204	10,940	86,092	+	75,152 +686.94	
84	Humboldt—Support-----	212	267,624	286,510	+	18,886 + 7.05	
85	Humboldt—Construction, Improvements and Equipment-----	212	63,350	11,500	—	51,850 — 81.85	
86	San Diego—Support-----	219	655,698	877,262	+	221,564 + 33.79	
87	San Diego—Construction, Improvements and Equipment-----	219	12,000	20,500	+	8,500 + 70.83	
88	San Francisco—Support-----	226	610,733	810,251	+	199,513 + 32.67	
89	San Francisco—Construction, Improvements and Equipment-----	226	20,913	8,000	—	12,913 — 61.75	
90	San Jose—Support-----	233	915,442	1,173,204	+	257,762 + 28.16	
91	San Jose—Construction, Improvements and Equipment-----	233	355,836	73,911	—	281,925 — 79.23	

Department of Education

ANALYSIS OF PROPOSED EXPENDITURES BY ACTIVITY FOR
1943-45 vs. 1945-47

Item No. AB 500	Expenditure for	Budget Page No.	Actual and Estimated Expenditures 1943-1945	Proposed Expenditures 1945-1947	Increase or Decrease 1945-47 over 1943-45 Amount	Per cent
	<i>State Colleges, Continued</i>					
92	California School for Blind—Support-----	246	\$303,736	\$343,953	+ \$40,217	+ 13.24
92	Readers for Blind.College Students California School for Blind-----	246	13,000	13,000	-----	-----
94	California School for Blind— Construction, Improvements and Equipment-----	246	6,500	11,500	+ 5,000	+ 76.92
95	California School for Deaf—Support-----	251	563,146	691,870	+ 128,724	+ 22.86
96	Expenses of Deaf Graduates—attending Gallaudet College-----	251	5,658	12,000	+ 6,342	+112.08
97	California School for Deaf— Construction, Improvements and Repairs-----	251	6,000	9,000	+ 3,000	+200.00
98	California Maritime Academy—Support-----	257	153,052	266,608	+ 113,556	+ 74.19
99	California Maritime Academy—Purchase of Real Property-----	257	-----	15,000	+ 15,000	New
100	California Polytechnic School—Support-----					
	Appropriation 1943-45 was from Fair and Exposition Fund	263	319,047	570,324	+ 251,277	+ 78.75
101	California Polytechnic School— Drug and Oil Plant Program—Support-----	272	32,148	35,000	+ 2,852	+ 8.87
102	Teachers' Retirement System—Support-----	273	66,318	167,100	+ 100,782	+151.97
102.5	Teachers' Permanent Fund—Transferred from the General Fund-----			7,315,000	New	-----
102.6	Teachers' Retirement Annuity Fund—Transfer from General Fund for Operation of Teachers' Retirement System-----			295,000	New	-----
103	University of California—Support-----	276	16,950,984	22,233,081	+5,282,097	+ 31.16
104	Hastings Law School—Support-----	283	65,072	69,403	+ 4,331	+ 6.65

Department of Education—State Board of Education
Analysis of Proposed Expenditures for the 1945-47 Biennium

Item 75, page 6 of the Budget Bill and page 175 of the Budget. Amount requested \$4,000, a decrease of \$101 when compared with expenditure of \$4,101 for the 1943-45 Biennium.

Recommend appropriation be approved for \$4,000, the amount requested.

It is doubtful if the board can perform its functions as provided by law with such a small budget.

Department of Education—Administration
Analysis of Proposed Expenditures for the 1945-47 Biennium

Item 76, page 6 of the Budget Bill and pages 176 to 185, inclusive, of the Budget. Amount requested \$713,686. This represents an increase of \$163,096 or 29.62 per cent over expenditures of \$550,590 for the 1943-45 Biennium.

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown by organization unit in Table I.

TABLE I
DEPARTMENT OF EDUCATION—ADMINISTRATIVE DIVISIONS
Analysis of Proposed Expenditures 1945-47 Compared With 1943-45

Expenditure for Support	Actual and Estimated 1943-1945	Proposed 1945-1947	Increase or Decrease 1945-47 over 1943-45	
			Amount	Per Cent
Administration	\$191,563	\$244,467	+	\$52,904 + 27.62
Research and statistics.....	58,097	61,432	+	3,335 + 5.74
Teacher training and certification.....	70,344	90,655	+	20,311 + 28.87
Elementary rural education.....	44,188	46,165	+	1,977 + 4.47
Secondary education	18,768	27,340	+	8,572 + 45.67
Adult and continuation education.....	20,406	21,580	+	1,174 + 5.75
Health and physical education.....	27,666	31,180	+	3,514 + 12.70
Education for handicapped children	23,237	35,403	+	12,166 + 52.36
Vocational education	11,982	20,769	+	8,787 + 73.34
Schoolhouse planning	25,517	35,880	+	10,363 + 40.61
Textbooks and publications.....	17,575	18,400	+	825 + 4.69
California Historical Association.....	5,099	5,415	+	316 + 6.20
Readjustment education	15,230	75,000	+	59,770 + 392.45
Supervision of child care centers.....	20,918	-----	-	20,918 -100.0
Totals	\$550,590	\$713,686	+	\$163,096 + 29.62

Table I shows 13 separate divisions in the Department of Education. Some of these divisions have only part-time employees which makes it necessary for employees to divide their time between two or more jobs. This complicates everything from administration down the line to the accounting procedure. A survey of this department should be made for the purpose of consolidating divisions and eliminating all part-time salary items. Such reorganization should result in a material saving in personnel operating expense and particularly in travel, and better administration should result. At the present time the setup and procedure followed or lack of it produces a condition which is a violation of all the principles of good management. There are not only too many small divisions with too many subordinates for the director to manage well, but principals are by-passed and subordinates given orders and instructions without their division chiefs being informed.

If reorganization is not made by the department, possibly a cut in appropriation will force it. A saving and improved operations are possible at the same time.

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown by Object of Expenditure in Table II.

TABLE II
DEPARTMENT OF EDUCATION—ADMINISTRATIVE DIVISIONS
Analysis of Proposed Expenditures by Object 1945-47 Compared With 1943-45

Expenditure by Object	Actual and Estimated 1943-1945	Proposed 1945-1947	Increase or Decrease 1945-47 over 1943-45	
			Amount	Per Cent
Salaries and wages-----	\$455,370	\$557,460	+\$102,090	+ 22.42
Operating expense -----	108,823	148,844	+ 40,021	+ 36.78
Equipment -----	9,233	34,532	+ 25,299	+274.0
<i>Total Support</i> -----	\$573,426	\$740,836	+\$167,410	+ 29.19
<i>Less: Reimbursement from special funds for service</i> -----	21,092	19,750	— 1,342	— 6.36
Reimbursement from school district for schoolhouse planning surveys -----	364	4,000	+ 3,636	+998.90
Bulletin sales -----	1,380	3,400	+ 2,020	+146.38
Net totals -----	\$550,590	\$713,686	+\$163,096	+ 29.62

Salaries and wages show proposed expenditure of \$557,460, an increase of \$102,090 or 22.42 per cent over estimated expenditures of \$455,370 for the 1943-45 Biennium. The increase of \$102,090 is accounted for by salary increases and salaries to be paid new employees employed during 1943-45. \$58,900 or 57.69 per cent, and salaries for proposed new positions \$43,190 or 42.30 per cent. The proposed new positions are shown in Table III.

TABLE III
DEPARTMENT OF EDUCATION—ADMINISTRATIVE DIVISIONS
Proposed New Positions During 1945-1947 Biennium

No. positions		Estimated cost for biennium
fiscal year 45-46	46-47	
<i>Administration</i>		
1	1	Assistant Administrative Advisor----- \$7,020
1	1	Intermediate Account Clerk----- 3,360
1	1	Intermediate Stock Clerk----- 3,360
1	1	Intermediate Stenographer Clerk----- 3,360
<i>Teacher Training and Certification</i>		
	1	Chief of Division (M L)----- 5,040
		Assistant Credential Technician (Reclassification of Senior Clerk)----- 1,020
<i>Schoolhouse Planning</i>		
1	1	Intermediate Stenographer Clerk (one-half time) ----- 1,680
<i>Readjustment Education (new service)</i>		
	1	Assistant Chief of Division----- 3,780
	3	Specialist in Veterans' Education----- 11,330
	2	Intermediate Stenographer Clerks----- 3,240
5	12	\$43,190*

* Recommendation: Reduce item 76 by \$43,190 for salaries above and corresponding amount in relation to operating expenses for this proposed personnel.

Until the Department of Education is reorganized no new positions should be necessary. Salary savings will pay for added staff.

Operating Expense shows proposed expenditures of \$148,844, an increase of \$40,021 or 36.78 per cent over estimated expenditures of \$109,823 for the 1943-45 Biennium. This increase is shown by divisions in Table IV following:

TABLE IV
DEPARTMENT OF EDUCATION—ADMINISTRATIVE DIVISIONS
Proposed Increase in Operating Expense by Division

Division	Actual and Estimated 1943-1945	Proposed 1945-1947	Increase or Decrease 1945-47 over 1943-45	
			Amount	Per Cent
Administration	\$41,564	\$46,894	+\$5,330	+ 12.77
Research and statistics	18,973	19,140	+ 167	+ .89
Teacher training and certification	7,762	13,905	+ 6,143	+ 79.13
Elementary and rural education	10,905	11,315	+ 410	+ 3.76
Secondary education	4,020	4,710	+ 690	+ 17.16
Adult and continuation education	4,365	4,530	+ 165	+ .88
Health and Physical Education	3,743	9,580	+ 5,837	+155.9
Education for Handicapped Children	1,563	7,405	+ 5,842	+373.8
Vocational Education	2,764	7,075	+ 4,311	+155.96
Schoolhouse Planning	4,274	5,550	+ 1,276	+ 29.85
Textbooks and Publications	1,834	2,160	+ 326	+ 17.76
California Historical Association	355	650	+ 295	+ 83.10
Readjustment Education	2,925	15,930	+ 13,005	+444.62
Supervision of Child Care	3,776	—	— 3,776	—100.0
Totals	\$108,823	\$148,844	\$40,021	+ 36.78

The major over-all increase in the proposed operating expense is in the proposed expenditure for traveling of \$47,660 for all divisions, an increase of \$16,345 or 52.19 per cent over the estimated expenditure of \$31,315 for the 1943-45 Biennium.

However, \$11,160 or 68.28 per cent of the \$16,345 increase is in the *Division of Readjustment Education, a new division that should be supported by Federal Funds.* We recommend no increase be allowed. Other divisions in which proposed increased traveling expense is reflected in Table IV by an extra increase in percentage are: Administration—\$1500 or 16.98 per cent, Secondary Education—\$400 or 18.37 per cent, Schoolhouse Planning—\$752 or 28.39 per cent.

New items that did not appear in the 1943-45 Biennium Budget are:

For Teacher Training and Certification:

Machine rental and supplies for teacher supply and demand study \$4,000, or 65.11 per cent of the \$6,143 increase.

For Health and Physical Education:

Printing special physical health program bulletin, \$5,500 or 94.22 per cent of the \$5,837 increase.

For Vocational Education:

Printing bulletins \$3,000 or 69.58 per cent of the \$4,311 increase.

Recommend items be reduced by \$12,500 the sum of these new items. We believe these can all be deferred until after the war and considered by the next session of the Legislature.

Equipment shows proposed expenditures of \$34,532, an increase of \$25,299 or 274 per cent over estimated expenditures of \$9,233 for the 1943-45 Biennium.

The above expenditures broken down to the three account classifications shown in the Budget are shown in Table V.

TABLE V
Equipment Expenditure by Account Classification

<i>Amount Classification</i>	<i>Actual and Estimated 1943-45</i>	<i>Proposed 1945-47</i>	<i>Increase or Decrease 1945-47 over 43-45</i>	
			<i>Amount</i>	<i>Per cent</i>
General Office -----	\$6,071	\$25,192	\$19,121	314.95
Books -----	589	940	351	59.59
Automobile -----	2,573	8,400	5,827	226.47
Total -----	\$9,233	\$34,532	\$25,299	274.

Proposed expenditures for general office are excessive and should not be allowed. Expenditures for this classification for the 1941-42 fiscal year were only \$1,306 as shown in the Budget for 1943-45. A reduction of \$17,400 is suggested.

Proposed expenditures for books are reasonable when compared with the 1941-42 Biennium, when this expenditure was \$1,050.

The sum of \$2,573 was paid for automobiles during the 1943-44 Fiscal Year, inasmuch as traveling by automobile should be curtailed because of the war, automobiles should last more than two years, therefore, the appropriation for new automobiles should be limited to barest needs and certainly a cut of \$4,400 which is included in the above reduction is not excessive.

Recommendation.

That Item 76, page 6 of the Budget Bill be reduced from \$713,686 to \$618,521 a reduction of \$95,165 or 13.33 per cent and represented by the following:

Salaries and Wages:

All proposed new positions (Includes \$11,160 for Readjustment Education) ----- \$43,190

Operating Expense

Traveling reduced from \$47,760 to \$31,000, a saving of----- 16,660

New publications and printing bulletins—total amount----- 12,500

Equipment

General office reduced by----- 13,000

Automobiles—Reduced by----- 4,400

The California Historical Association should be abolished or set up so as to secure adequate returns----- 5,415

Total reduction ----- \$95,165

A further saving should be made by the reorganized Department of Education with a substantial reduction in the number of divisions being made.

The present organization consists of too many small divisions each with a chief and private secretary, the Budget shows several divisions with only two, three, or four employees.

The Division of Readjustment Education, a division for the benefit of returning war veterans should be supported by Federal funds. This

perhaps could be taken over by some Federal supported education agency now functioning, possibly the Division of Vocational Education.

A good reorganization of the Department of Education would provide the director with a work program so he would have the better supervision, at the same time make it possible to save an undeterminable amount of taxpayers money.

Department of Education—Vocational Education

Analysis of Proposed Expenditures for the 1945-47 Biennium

Item 77, page 6 of the Budget Bill, and pages 186 to 188, inclusive, of the Budget. Amount requested \$421,896. This represents an increase of \$99,626 or 30.91 per cent over appropriation expenditures of \$322,270 for the 1943-45 Biennium.

This appropriation item is only 37.12 per cent of the total proposed expenditure of \$1,136,278 of State funds required to finance the Vocational Education program in cooperation with the Federal Government in promoting vocational education.

Total proposed expenditures and means of financing expenditures for vocational education are shown in Table I following:

TABLE I
DEPARTMENT OF EDUCATION—VOCATIONAL EDUCATION
Analysis of Proposed Expenditures 1945-47 Compared With 1943-45

Expenditure for:	Actual and Estimated 1943-1945	Proposed 1945-1947	Increase or Decrease 1945-47 over 1943-45	
			Amount	Per Cent
Supervisor and Teacher Training (State Government) (Table II) --	\$454,109	\$557,225	+\$103,116	+22.71
Reimbursements to School Districts (payments and grants) -----	2,189,598	2,422,775	+ 223,177	+10.19
Total expenditure -----	\$2,643,707	\$2,980,000	+\$336,293	+12.72
<i>Financing:</i>				
By State of California from the General Fund by continuing appropriation (Fixed charge prescribed by prescribing Sections 5705 and 9161, Education Code, to match Federal grants under Smith-Hughes Act) ---	\$714,314	\$714,382	+ \$68	----
Item 11 of Budget Bill to meet State's share of expenditures under George-Deen Act -----	322,270	421,896	+ 99,626	+30.91
Total State funds -----	\$1,036,584	\$1,136,278	+\$99,694	+ 9.62
By Federal Funds:				
Smith-Hughes Act -----	\$714,314	\$714,382	+ \$68	----
George-Deen Act -----	892,809	1,129,340	+ 236,531	+26.49
Total Federal funds -----	\$1,607,123	\$1,843,722	+\$236,599	+14.72
Total—all funds -----	\$2,643,707	\$2,980,000	\$336,293	+12.72

Proposed expenditures for supervision and teacher training for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown by Object of Expenditure and means of financing in Table II.

TABLE II
DEPARTMENT OF EDUCATION—VOCATIONAL EDUCATION
Analysis of Proposed Expenditures 1945-47 Compared With 1943-45

Expenditure by Object	Actual and Estimated 1943-1945	Proposed 1945-1947	Increase or Decrease 1945-47 over 1943-45	
			Amount	Per Cent
Salaries and Wages -----	\$358,175	\$436,225	+ \$78,050	+21.79
Operating Expense -----	95,934	121,000	+ 25,066	+26.13
Total support -----	\$454,109	\$557,225	+\$103,116	+22.71
<i>Financing:</i>				
General Fund -----	\$217,547	\$276,185	+ \$58,638	+26.95
Federal funds -----	236,562	281,040	+ 44,478	+18.80
Total -----	\$454,109	\$557,225	+\$103,116	+22.71

The vocational educational program being operated in cooperation with the Federal program, the State must appropriate its share of funds in order to obtain Federal funds.

Recommend that Item 77 be approved for \$421,896, the amount requested, with the proviso that the State funds can not be spent unless the Federal funds are available.

Department of Education—Vocational Rehabilitation

Analysis of Proposed Expenditures for the 1945-47 Biennium

Item 78, page 7, of the Budget Bill and pages 189 to 192 of the Budget. Amount requested \$240,000, a supplemental appropriation.

This appropriation is necessary in order to supplement continuing appropriations provided by the Education Code Sections 5803-5804.

Recommend approval of Item 78 for \$240,000 as requested with the following restrictions:

The unexpended balance of any money appropriated by Item 78 of this act which remains unmatched by money received from the Federal Government or any agency thereof at the end of the biennium shall revert to the General Fund.

Proposed expenditures for vocational rehabilitation for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown by Organization Unit in Table I and by Object of Expenditure in Table II.

VOCATIONAL REHABILITATION

TABLE I
ANALYSIS OF PROPOSED EXPENDITURES—1945-1947 COMPARED WITH 1943-1945

Expenditures for support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration	\$162,442	\$288,590	+ \$126,148	+ 77.65
Vocational Guidance and Placement Service	302,189	550,885	+ 248,696	+ 82.30
Case Service				
Case other than war disabled civilians	555,404	1,200,000	+ 644,596	+ 116.05
War disabled civilians	14,425	37,300	+ 22,875	+ 158.58
Total Expenditures	\$1,034,460	\$2,076,775	+\$1,042,315	+ 100.76
Less: Amount payable from Federal funds	—674,460	—1,476,775	—802,315	+ 118.96
General Fund appropriation	\$360,000	\$600,000	+ \$240,000	+ 66.67
Appropriated by Sections 5803 and 5804—Education Code	\$360,000	\$360,000		
Item No. 78 of Budget Bill		240,000	+ 240,000	new
Total	\$360,000	\$600,000	\$240,000	+ 66.67

TABLE II

Expenditure by object	Actual and estimated 1943-45	Proposed 1945-1947	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and Wages	\$337,574	\$665,565	+\$ 327,991	+ 97.16
Operating Expense	688,756	1,395,950	+ 707,194	+ 102.68
Equipment	8,130	15,260	+ 7,130	+ 87.70
Total expenditures	\$1,034,460	\$2,076,775	+\$1,042,315	+ 100.76

Table I shows a proposed expenditure of \$2,076,775 for the 1945-47 Biennium, an increase of \$1,042,315 or 100.76 per cent over estimated expenditures of \$1,034,460 for the 1943-45 Biennium. *It must be noted that the financing of the above expenditure is from both State and Federal Funds as shown in Table III as follows:*

TABLE III
VOCATIONAL REHABILITATION FINANCING

	Amount	Per cent
1943-45 Biennium		
State funds	\$360,000	34.8
Federal funds	674,460	65.2
Total	\$1,034,460	100.0
1945-47 Biennium		
State funds	600,000	28.89
Federal funds	1,476,775	71.11
Total	\$2,076,775	100.00

Department of Education—California State Library
Analysis of Proposed Expenditures for the 1945-47 Biennium

Item 79 page 7 of the Budget Bill and pages 193 to 195, inclusive, of the Budget. Amount requested \$431,592. This represents an increase of \$66,531 or 18.22 per cent over expenditures of \$365,061 for the 1943-45 Biennium.

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown by Organization Unit in Table I and by Object of Expenditure in Table II.

TABLE I
ANALYSIS OF PROPOSED EXPENDITURES—1945-47 COMPARED WITH 1943-1945

Expenditures for support of organization unit	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration -----	\$61,586	\$70,351	+ \$8,765	+ 14.23
Operation -----	254,291	311,291	+ 57,000	+ 22.42
Accessories and Equipment -----	49,184	49,950	+ 766	+ 1.56
Total -----	\$365,061	\$431,592	\$66,531	+ 18.22

TABLE II

Expenditures by object	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and Wages -----	\$281,515	\$331,660	\$50,145	+ 17.81
Operating Expense -----	34,045	36,577	2,532	+ 7.44
Equipment -----	49,615	63,475	13,860	+ 27.94
Total -----	\$365,175	\$431,712	\$66,537	+ 18.22
Less Reimbursement for Photostat Service -----	— 114	— 120	+ 6	+ 5.26
Total -----	\$365,061	\$431,592	\$66,531	+ 18.22

Salaries and wages show a proposed increase of \$50,145 or 17.81 per cent over estimated expenditures for the 1943-45 Biennium. This increase is accounted for by salary increases and salaries to be paid employees not employed during full 24 months of 1943-1945 Biennium—\$11,686 or 23.3 per cent and by proposed new positions as shown in Table III in the amount of \$38,460 or 76.70 per cent of the total increased salary expense.

Department of Education—California State Library

TABLE III
PROPOSED NEW POSITIONS DURING 1945-1947 BIENNIUM

45-46	46-47		Estimated cost for biennium
1	1	Senior Catalog Librarian -----	\$4,560
2	2	Junior Librarian -----	8,160
	1	Microphotographer -----	2,700
	1	Microphotographer's Assistant -----	1,620
1	1	Senior Ass't. Library Crafts -----	4,080
1	1	Talking Book Machine Assistant -----	3,360
2	2	Library Aid -----	6,240
1	1	Junior Typist Clerk -----	2,580
2	2	Junior Clerk -----	5,160
10	12	Total	\$38,460

Operating expenses shows a proposed increase of \$2,532 or 7.44 per cent over estimated expenditures for the 1943-45 Biennium, which is a reasonable increase.

Equipment shows proposed increase of \$13,860 or 27.94 per cent over estimated expenditures for the 1943-45 Biennium. The major items accounting for this increase are:

Office equipment -----	\$5,918 or 42.69 per cent
Microphotographic laboratory -----	5,654 or 40.80 per cent
Automobile -----	1,200 or 8.66 per cent
Crafts -----	300 or 2.16 per cent

Recommendation: That Item 79 of the Budget Bill be approved for \$424,672, a reduction of \$6,820. The reduction being represented by a sum equal to two of the lesser proposed new positions.

The increase allowed will make it possible in time to catch up with accumulated work and keep abreast of current demands.

Proposed new positions reduced by -----	\$4,620
Proposed purchase of office equipment reduced by -----	1,000
Proposed purchase of automobile -----	1,200
Total all reductions -----	\$6,820

An appropriation of \$424,672 will give an increase of \$59,611 or 16.33 per cent over estimated expenditures of \$365,061 for the 1943-45 Biennium.

**Department of Education—Publishing Free Text Books
Analysis of Proposed Expenditure for the 1945-47 Biennium**

Item 79.5, page 7 of the Budget Bill and page 781 of the Budget. Amount requested \$1,616,618. This represents an increase of \$90,954, or 5.96 per cent over expenditures of \$1,525,664 for the 1943-45 Biennium; and an increase of \$58,000 or 3.95 per cent over the 1943-45 appropriation (A.B. 1600) of \$1,467,664.

Recommend that this item be cut to an even \$800,000.

**Department of Education—Chico State College
Analysis of Proposed Expenditure for the 1945-47 Biennium**

Item 80, page 7 of the Budget Bill and pages 197 to 203 inclusive of the Budget. Amount requested \$435,213. This represents an increase of \$42,077, or 10.7 per cent over expenditure of \$393,136 for the 1943-45 Biennium.

The cost of operating a State college is reflected by the number of students enrolled. The instruction unit which requires the largest expenditure is affected almost immediately by changes in enrollment, other units showing some lag before enrollment changes are reflected, with maintenance and operation of the plant and grounds showing little change.

Chico State College had an enrollment of 594 students during the 1941-42 fiscal year and operated at a cost per student of \$401 per year, total expenditures for the year being \$238,666. During the 1943-44 Fiscal Year two years later, the enrollment on account of the war had dropped to 228 students with operating costs going up to a cost per student of \$886 per year, total expenditures for the year being \$202,060. Thus, using the 1941-42 figures as a base, enrollment has dropped 366 students or 61.61 per cent and operating costs have increased \$485 per student or 120.95 per cent.

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown by organization unit in Table I and by object of expenditure in Table II.

TABLE I
EXPENDITURES BY ORGANIZATION UNIT
 Analysis of Proposed Expenditures for 1945-47 Compared With 1943-45

Expenditures for support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration -----	\$78,558	\$91,595	+\$13,037	+ 16.60
Instruction -----	265,650	309,939	+ 44,289	+ 16.67
Maintenance and operation of plant -----	63,944	69,679	+ 5,735	+ 8.97
Total support -----	\$408,152	\$471,213	+\$63,061	+ 15.45
Capital outlay -----	5,000	16,200	+ 11,200	+224.00
Total -----	\$413,152	\$487,413	+\$74,261	+ 17.98
Appropriation				
Student fees -----	\$15,016	\$36,000	+\$20,984	+139.74
Item No. 80, Budget Bill -----	393,136	435,213	+ 42,077	+ 10.70
Item No. 81, Budget Bill -----	5,000	16,200	+ 11,200	+224.00
Total -----	\$413,152	\$487,413	+\$74,261	+ 17.98

TABLE II
EXPENDITURES BY OBJECT OF EXPENDITURE

Expenditure by object	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages -----	\$359,361	\$405,845	+\$46,484	+ 12.94
Operating expense -----	37,952	46,778	+ 8,826	+ 23.26
Equipment -----	10,840	18,590	+ 7,750	+ 71.50
Total support -----	\$408,153	\$471,213	+\$63,060	+ 15.45
Capital outlay -----	5,000	16,200	+ 11,200	+224.00
Total expenditure -----	\$413,153	\$487,413	+\$74,260	+ 17.98
Total enrollment units for biennium -----	488	850	+ 362	+ 74.18
Enrollment (average each fiscal year) -----	244	425	+ 181	+ 74.18
Unit cost for support -----	\$836	\$554	+ \$282	- 33.78

Table I discloses proposed increase of \$13,037 or 16.6 per cent in administration and \$44,289 or 16.67 per cent in Instruction. These are the two units where increases or decreases in enrollment are reflected the most in cost of operation. Table II shows an increase from 488 students at an average student cost of \$836 during the 1943-45 Biennium to a proposed enrollment of 850 students at a student cost of \$554 during the 1945-47 Biennium. Maintenance and operation of plant shows proposed increase of \$5,735 or 8.97 per cent. This increase is reasonable, the physical layout of the school being the least affected by fluctuation in student enrollment.

Table II shows an increase of \$46,484 or 12.94 per cent in salaries and wages accounted for by \$15,745 or 33.87 per cent for salary increases and \$30,740 or 66.13 per cent for new positions to handle anticipated increase in enrollment.

Proposed new positions are shown in detail in Table III.

TABLE III
PROPOSED NEW POSITIONS, 1945-1947

45-46		46-47		Estimated cost for Biennium	
<i>Administration</i>					
				Intermediate Stenographer-Clerk (Reclassification of 1 Junior Stenographer-Clerk)-----	\$230
1	1			Intermediate Account Clerk-----	3,880
	1			Dean of Men (ML) (part salary)-----	2,276
	1			Junior Stenographer-Clerk-----	1,380
<i>Instruction</i>					
	1			Director of Teacher Training (ML)-----	4,590
	4			Teachers-----	14,400
				Teacher in Commerce (Reclassification of Instructor to Assistant Professor)-----	360
<i>Maintenance and Operation of Plant</i>					
	1			Janitor (part time)-----	792
	1			Stationary Fireman (part time)-----	1,332
	1			Janitress-----	1,500
1	11				\$30,740

Proposed increase of \$8,826 or 23.26 per cent in operating expense is accounted for principally by an increase of \$7,668 or 86.87 per cent for the instruction unit and required by the anticipated increase in enrollment.

Proposed increase of \$7,750 or 71.5 per cent in equipment is accounted for by \$6,364 or 82.11 per cent for the Instruction Unit and is principally for increased teaching service and library.

Recommendation: That Item No. 80 of the Budget Bill be allowed as requested with restrictions such that the expenditure of funds appropriated by Item 80 shall not exceed \$400,000 until enrollment has reached 490 students. After enrollment passes 490 students expenditure of funds appropriated by Item 80 may be increased at the rate of \$120 per student until the total appropriation of \$435,213 has been used.

In order that the complete expenditure program of the college may be before you, the summer school session for which no appropriation is requested, it being supported by student fees, is shown in Table IV.

TABLE IV
SUMMER SESSION

Support by object	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages-----	\$7,950	\$8,300	+\$350	+ 4.40
Operating expense-----	825	920	+ 95	+11.51
Total support -----	\$8,775	\$9,220	+ 445	+ 5.07
State Employees' Retirement System-----	298	310	+ 12	+ 4.02
Total -----	\$9,063	\$9,530	+\$467	+ 5.04
Revenue-----	7,012	7,500	+ 478	+ 6.82
Deficit -----	\$2,051	\$2,030	— \$21	— 1.02
Total enrollment units for Biennium-----	251	260	9	
Enrollment (average each fiscal year)-----	125.5	130	4.5	
Unit cost for support-----	\$71	\$72	+ \$1	

Item 81, page 7 of the Budget Bill and page 201 of the Budget. Amount requested for Capital Outlay \$16,200. This represents an

increase of \$11,200 or 224 per cent over expenditure of \$5,000 for the 1943-45 Biennium.

This being a capital outlay expenditure, a comparison with prior years is not necessary as consideration should be given to each item of outlay. The largest item is for book racks, etc., for the library \$9,375; painting classrooms and halls not previously painted including small improvements \$2,995; linoleum, light fixtures and hardware \$3,800.

Recommended that Item No. 81 be reduced to \$6,825, which will allow for the painting. The reduction of \$9,375 represents the proposed expenditure for book racks, etc., which are normally made of metal and no doubt will not be available until after the war.

Department of Education—Fresno State College

Analysis of Proposed Expenditures for the 1945-1947 Biennium

Item 82, page 7 of the Budget Bill and pages 204 to 211 inclusive of the Budget. Amount requested \$811,452. This represents an increase of \$137,806 or 20.46 per cent over expenditures of \$673,646 for the 1943-45 Biennium.

The cost of operating a State college is reflected by the number of students enrolled. The instruction unit, which requires the largest expenditure, is affected almost immediately by changes in enrollment, other units showing some lag before enrollment changes are reflected, with maintenance and operation of plant and grounds showing little change. Fresno State College had an enrollment of 1591 students during the 1941-42 Fiscal Year and operated at a cost per student of \$267 per year, total expenditures for the year being \$424,004. During the 1943-44 Fiscal Year, two years later, the enrollment on account of the war had dropped to 799 students with operating costs going up to a cost per student of \$473 per year, total expenditures for the year being \$368,659. Thus, using the 1941-42 figures as a base, enrollment has dropped 792 students or 49.78 per cent, with operating costs increasing \$206 per student or 77.15 per cent. This increase is reasonable when decreased enrollment is considered.

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown by organization unit in Table I and by object of expenditure in Table II.

TABLE I

ANALYSIS OF PROPOSED EXPENDITURES 1945-1947 COMPARED WITH 1943-1945

Expenditures for support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration -----	\$82,914	\$103,256	+ \$20,342	+ 24.53
Instruction -----	552,695	675,809	+ 123,114	+ 22.28
Maintenance and operation of plant	107,036	117,887	+ 10,851	+ 10.14
Total support -----	\$742,646	\$896,952	+\$154,306	+ 20.78
Capital outlay -----	10,940	86,092	+ 75,152	+686.95
Total -----	\$753,586	\$983,044	+\$229,458	+ 30.45
<i>Appropriation</i>				
Student Fees -----	\$49,713	\$85,500	+ \$35,787	+ 71.99
Emergency Fund Allotment -----	19,287	19,287	—	—100.00
Item No. 82 Budget Bill -----	673,646	811,452	+ 137,806	+ 20.46
Item No. 83 Budget Bill -----	10,940	86,092	+ 75,152	+686.95
Total -----	\$753,586	\$983,044	+\$229,458	+ 30.45

TABLE II

Expenditure by object	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages-----	\$672,995	\$788,785	+\$115,790	+ 17.21
Operating expenses-----	60,207	76,430	+ 16,223	+ 26.95
Equipment-----	9,444	31,737	+ 22,293	+236.05
Total support-----	\$742,646	\$896,952	+\$154,306	+ 20.78
Capital outlay-----	10,940	86,092	+ 75,152	+686.95
Total-----	\$753,586	\$983,044	+\$229,458	+ 30.45
Total enrollment units for biennium	1,678	2,850	+ 1,172	+ 69.85
Enrollment (average each fiscal year)-----	839	1,425	+ 586	+ 69.85
Unit cost-----	\$443	\$314	— \$129	— 29.12

Table I discloses proposed increases of \$20,342 or 24.53 per cent in administration, and \$123,114 or 22.28 per cent in instruction. These are the two units where increases or decreases in enrollment are reflected the most in cost of operation.

Table II shows an increase from 1,678 students at an average student cost of \$443 during the 1943-45 Biennium to a proposed enrollment of 2,850 students at a student cost of \$314 during the 1945-47 Biennium.

Maintenance and operation of plant shows proposed increase of \$10,851 or 10.14 per cent. This increase is reasonable, the physical layout of the school being the least affected by fluctuation in student enrollment.

Table II shows an increase of \$115,790 or 17.21 per cent in salaries and wages, accounted for by \$28,350 or 24.48 per cent for salary increases and \$87,439 or 75.51 per cent for new positions to handle anticipated increase in enrollment.

Proposed new positions are shown in detail in Table III.

TABLE III
PROPOSED NEW POSITIONS, 1945-1947

Fiscal years			Estimated cost for biennium
45-46	46-47		
<i>Administration</i>			
1	1	Comptroller-----	\$6,180
1	1	Intermediate account clerk (ML)-----	4,200
	1	Graduate nurse (part time)-----	849
	1	Junior stenographer clerk (10 months)-----	1,150
<i>Instruction</i>			
1	17	Teacher-----	64,800
1	1	Senior librarian-----	5,400
<i>Maintenance and Operation of Plant</i>			
	1	Janitor-----	1,500
1	1	Groundsman and flower gardener-----	3,360
5	24	Total-----	\$87,439

Proposed increase of \$16,223 or 26.95 per cent in operating expense is accounted for principally by an increase of \$10,139 or 62.5 per cent and required by the anticipated increase in enrollment.

Proposed increase of \$22,293 or 236.05 per cent in equipment is accounted for by \$19,368 or 86.9 per cent for the instruction unit and is principally for increased equipment for teaching service and library.

Recommendation

That Item 82, page 7 of the Budget Bill, be allowed as requested with restrictions such that the expenditure of funds appropriated by Item 82 shall not exceed \$680,000 until enrollment has reached 1,680 students. After enrollment passes 1,680 students, expenditure of funds appropriated by Item 82 may be increased at the rate of \$120 per student until the total appropriation of \$811,542 has been used.

In order that the complete expenditure program of the college may be before you, the summer school session for which no appropriation is requested, it being supported by student fees, is shown in Table IV.

TABLE IV
FRESNO STATE COLLEGE—SUMMER SESSION

Support by object	Actual and	Proposed	Increase or decrease	
	estimated		1945-47 over	1943-45
	1943-1945	1945-1947	Amount	Per cent
Salaries and wages	\$18,931	\$19,980	+ \$1,049	+ 5.54
Operating expense	1,499	1,790	+ 291	+19.41
Total support	\$20,430	\$21,770	+\$1,340	+ 6.56
State employees' retirement system	260	290	+ 30	+11.54
Total	\$20,690	\$22,060	+\$1,370	+11.51
Revenue	22,908	24,105	+ 1,197	+ 5.23
Revenue over expenditures	\$2,218	\$2,045	— \$173	+ 7.80
Total enrollment units for biennium	927	990	+ 63	+ 6.80
Enrollment (average each Fiscal Year)	463.5	495	+ 31.5	+ 6.80
Unit cost	\$22	\$22	--	--

Item 83, page 7 of the Budget Bill, and page 209 of the Budget. Amount requested for construction, replacement and repairs, \$86,092. This represents an increase of \$75,152 or 686.95 per cent over expenditures of \$10,940 for the 1943-45 Biennium.

This being budgeted as a capital outlay expenditure, a comparison with prior years is not necessary as consideration should be given to each item of outlay. The following items make up this request.

Construction of two floors of book stacks in library stack room	\$25,000
Complete water pumping plant at stadium	16,500
Tile drains and floors in lavatories of main building	6,000
Repairs to women's gymnasium	8,850
Fencing	2,100
Repairs to demonstration school	7,650
Painting interior and outside trim of various buildings	16,300
Sidewalks and curbs	1,282
New sprinkling system on part of campus	1,800
Miscellaneous alterations	610
Total	\$86,092

Many of these capital outlay items are actually repairs and maintenance and no doubt should have been included in the Budget for maintenance and operation of plant. However, their being appropriated as a separate item gives the Legislature better appropriation control.

Recommendation: That Item 83 of the Budget Bill be reduced to \$55,810, a reduction of 35.17 per cent, represented by deleting proposed expenditures for:

Construction of one floor of book stacks in library stack room	\$12,500
Complete water pump plant at stadium	16,500
Sidewalks and curbs	1,282
Total	\$30,282

**Department of Education—Humboldt State College
Analysis of Proposed Expenditures for the 1945-1947 Biennium**

Item 84, page 7 of the Budget Bill, and pages 212 to 218, inclusive, of the Budget. Amount requested, \$286,510. This represents an increase of \$18,886, or 7.06 per cent over expenditures of \$267,624 for the 1943-45 Biennium.

The cost of operating a State College is reflected by the number of students enrolled. Instruction, which requires the largest expenditure, is affected almost immediately by changes in enrollment; other units showing some lag before enrollment changes are reflected, with maintenance and operation of plant and grounds showing little change.

Humboldt State College, the State's smallest college, had an enrollment of 384 students during the 1941-42 Fiscal Year and operated at a cost per student of \$372, total expenditures for the year being \$142,888. During the 1943-44 Fiscal Year, two years later, the enrollment on account of the war had dropped to 162 students with operating costs going up to a cost per student of \$837 per year. Total expenditures for the year were \$135,631. Thus, using the 1941-42 figures as a base, enrollment has dropped 222 students or 57.81 per cent with operating costs increasing \$466 per student or 125.60 per cent. This increase is reasonable considering that this is the smallest of the State Colleges.

Proposed expenditures for the 1945-47 Biennium, compared with estimated expenditures for the 1943-45 Biennium, are shown by Organization Unit in Table I and by Object of Expenditure in Table II.

**TABLE I
Analysis of Proposed Expenditures 1945-47, Compared with 1943-45
EXPENDITURE BY ORGANIZATION UNIT**

Expenditures for support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration -----	\$44,335	\$46,863	+ \$2,528	+ 5.70
Instruction -----	183,240	205,237	+ 21,997	+12.00
Maintenance and operation of plant -----	47,910	50,130	2,220	+ 4.63
Total support -----	\$275,485	\$302,230	+\$26,745	+ 9.70
Capital Outlay -----	63,350	11,500	— 51,850	—81.84
Total -----	\$338,835	\$313,730	—\$25,105	— 7.41
Appropriation—				
Student fees -----	\$7,861	\$15,720	+ \$7,859	+99.97
Item No. 84 Budget Bill -----	267,624	286,510	+ 18,886	+ 7.06
Item No. 85 Budget Bill -----	63,350	11,500	— 51,850	+81.84
Total -----	\$338,835	\$313,730	—\$25,105	— 7.41

TABLE II
EXPENDITURE BY OBJECT OF EXPENDITURE

Expenditure by object	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages -----	\$249,274	\$271,885	+\$22,611	+ 9.07
Operating expenses -----	21,541	23,400	+ 1,859	+ 8.63
Equipment -----	4,670	6,945	+ 2,275	+48.72
Total support -----	\$275,485	\$302,230	+\$26,745	+ 9.71
Capital outlay -----	63,350	11,500	— 51,850	—81.85
Total -----	\$338,835	\$313,730	—\$25,105	— 7.41
Total enrollment units for biennium -----	330	655	+325	+98.48
Enrollment (Average each fiscal year) ---	165	327.5	162.5	+98.48
Unit cost for support -----	\$835	\$461	—\$374	—44.79

Table I discloses proposed increases of \$2,528 or 5.7 per cent in Administration and \$21,997 or 12 per cent in Instruction. These are the two units where increases or decreases in enrollment are reflected the most in cost of operation. Table II shows an increase from 300 students at an average student cost of \$835 during the 1943-45 Biennium to a proposed enrollment of 850 students at a student cost of \$461 during the 1945-47 Biennium. Maintenance and Operation of Plant shows proposed increase of \$2,220 or 4.63 per cent, a very reasonable increase.

Table II shows an increase of \$22,611 or 9.07 per cent in Salaries and Wages accounted for by \$12,932 or 57.19 per cent for salary increases and \$9,680 or 42.81 per cent for new positions to handle anticipated increased enrollment. Proposed new positions are shown in detail in Table III.

TABLE III
PROPOSED NEW POSITIONS, 1945-47

Fiscal years		For instruction	Estimated cost for biennium
45-46	46-47		
1	1	Teacher -----	\$4,260
	1	Teacher (ML) -----	3,470
	1	Teacher (ML) -----	1,950
1	3	Total -----	\$9,680

Proposed increase of \$1,859 or 8.63 per cent in Operating Expenses, a reasonable request, is accounted for principally by an increase of \$1,400 or 75.30 per cent in the Instruction Unit.

Proposed increase of \$2,275 or 48.72 per cent in equipment is accounted for by proposed purchase of equipment for teaching service.

Recommendation: That Item 84, page 7 of the Budget Bill, be allowed for \$286,510 the amount requested. The increase of \$18,886 or 7.06 per cent over the estimated appropriation expenditures for 1943-45 of \$267,624 is very reasonable.

In order that the complete expenditure program of the college may be before you, the summer school session for which no appropriation is requested, it being supported by student fees, is shown in Table IV.

TABLE IV
SUMMER SESSION

Expenditure by object	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease	
			1945-47 over 1943-45 Amount	Per cent
Salaries and wages -----	\$5,575	\$5,000	—\$575	—10.31
Operating expense -----	822	900	+ 78	+ 9.49
Total support -----	\$6,397	\$5,900	—\$497	— 7.77
State Employment Retirement Fund -----	60	60		
Total -----	\$6,457	\$5,960	—\$497	— 7.70
Revenue, student fees -----	4,585	4,850	+ 260	+ 5.78
Deficit -----	\$1,872	\$1,110	—\$762	+40.71
Total enrollment units for biennium -----	221	210	— 11	— 4.98
Enrollment (Average each fiscal year) -----	110.5	105	5.50	4.98
Unit cost -----	\$29	\$28	— 1	— 3.44

Item 85, page 7 of the Budget Bill and page 216 of the Budget. Amount requested for Construction, Improvements, and Repairs—\$11,500. This represents a decrease of \$51,850 or 81.84 per cent under expenditures of \$63,350 for the 1943-45 Biennium.

This being budgeted as a capital outlay expenditure, a comparison with prior years is not necessary as consideration should be given to each item of outlay. The request includes the following:

Painting main buildings and gymnasium -----	\$5,500
Repairs and replacements -----	4,600
Improvements -----	1,400
Total -----	\$11,500

Recommend Item 85 be approved for \$11,500, the amount requested.

Department of Education—San Diego State College

Analysis of Proposed Expenditures for the 1945-47 Biennium

Item 86, page 7 of the Budget Bill and pages 219-225, inclusive, of the Budget. Amount requested \$877,262. This represents an increase of \$221,564 or 33.79 per cent over expenditures of \$655,698 for the 1943-45 Biennium. The Budget shows an over-all increase of 16.4 per cent.

The cost of operating a State college is reflected largely by the number of students enrolled. The instruction unit, which requires the largest expenditure, is affected almost immediately by changes in enrollment; other units showing some lag before enrollment changes are reflected, with maintenance and operation of plant and grounds showing little change.

San Diego State College had an enrollment of 1,401 students during the 1941-42 Fiscal Year and operated at a cost per student of \$315 per year, total expenditures for the year being \$441,295. During the 1943-44 Fiscal Year, two years later, the enrollment on account of the war had dropped to 769 students with unit operating costs going up to a cost per student of \$460 per year, total expenditures for the year being \$353,807. Using the 1941-42 figures as a base, enrollment has

dropped 632 students or 45.11 per cent with operating costs increasing only \$145 per student or 46.03 per cent. This is a very reasonable increase considering the decrease in student enrollment.

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown by organization unit in Table I and by object of expenditure in Table II.

TABLE I
ANALYSIS OF PROPOSED EXPENDITURE, 1945-47, COMPARED WITH 1943-45
Expenditures by Organization Unit

Expenditure for support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration -----	\$102,906	\$117,788	+ \$14,882	+ 14.46
Instruction -----	486,972	707,332	+ 220,360	+ 45.25
Maintenance and operation of plant -----	121,370	148,142	+ 26,772	+ 22.05
Total support -----	\$711,248	\$973,262	+ \$262,014	+ 38.84
Capital outlay -----	12,000	20,500	+ 8,500	+ 70.83
Total -----	\$723,248	\$993,762	+ \$270,514	+ 37.40
Appropriations				
Student fees -----	\$55,550	\$96,000	+ \$40,450	+ 72.81
Item No. 86, Budget Bill -----	655,698	877,262	+ 221,564	+ 33.79
Item No. 87, Budget Bill -----	12,000	20,500	+ 8,500	+ 71.83
Total -----	\$723,248	\$993,762	+ \$270,514	+ 37.40

TABLE II
EXPENDITURES BY OBJECT OF EXPENDITURE

Expenditures by object	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages -----	\$638,895	\$839,231	\$200,336	+ 31.36
Operating expenses -----	60,043	85,027	24,984	+ 41.61
Equipment -----	12,310	49,004	36,694	+ 298.08
Total support -----	\$711,248	\$973,262	\$262,014	+ 36.84
Capital outlay -----	12,000	20,500	8,500	+ 70.83
Total -----	\$723,248	\$993,762	\$270,514	+ 37.40
Total enrollment units for biennium -----	1,804	3,200	1,396	+ 77.38
Enrollment (average each fiscal year) -----	902	1,600	698	+ 77.38
Unit cost for support -----	394	304	-90	- 22.84

Table I discloses proposed increase of \$14,882 or 14.46 per cent in administration and \$220,360 or 45.25 per cent in instruction. These are two units where increases or decreases in enrollment are reflected the most in cost of operation. Table II shows an increase from 1,804 students at an average student cost of \$394 during the 1943-45 biennium to a proposed enrollment of 3,200 students at a student cost of \$304 during the 1945-47 biennium. Maintenance and Operating of Plant shows a proposed increase of \$26,772 or 22.05 per cent. This increase appears high when the percentage of increase is considered and comparison is made with smaller State colleges. However, an analysis reveals the San Diego State College is the only State college that made a reduction in operation costs in the Maintenance and Operation of Plant Unit. When allowance is made for the reduction of \$7,374, the requested increase is reasonable.

Table II shows an increase of \$200,336 or 31.36 per cent in Salaries and Wages accounted for by \$26,880 or 13.41 per cent for salary increases

and \$173,456 or 86.59 per cent for proposed new positions to handle anticipated increased enrollment. Proposed new positions are shown in detail in Table III.

TABLE III
PROPOSED NEW POSITIONS

Proposed new positions 45-46 46-47			Estimated cost for biennium
<i>Administration</i>			
1	1	Intermediate Account Clerk-----	\$3,360
1	1	Physician—Part time (ML)-----	1,776
<i>Instruction</i>			
7	15	Teacher (ML)-----	79,200
9	14	Teacher-----	82,800
3	6	Supervising Teacher (part time)-----	1,500
		Special Lecturer-----	200
<i>Maintenance and Operation of Plant</i>			
1	1	Watchman-----	3,120
	1	Janitor-----	1,500
22	49	Total-----	\$173,456

Proposed increase of \$24,984 or 41.61 per cent in Operating Expense is accounted for by an increase of \$13,389 or 53.60 per cent in Instruction, and \$9,336 or 37.37 per cent in Maintenance and Operation of Plant.

Proposed increase of \$36,694 or 298.08 per cent in Equipment is accounted for principally by \$31,461 or 85.73 per cent for teaching service and library in the Instruction Unit.

Recommendation: That Item 86, page 7 of the Budget Bill be allowed for \$877,262, the amount requested, with restrictions such that the expenditure of funds appropriated by Item 86 shall not exceed \$670,000 until enrollment has reached 1820 students. After enrollment has reached 1820 students, expenditures of funds appropriated by Item 86 may be increased at the rate of \$160 per student until the total appropriation of \$877,262 has been used.

In order that the complete expenditure program of the College may be before you, the summer school session for which no appropriation is requested, it being supported by student fees, is shown in Table IV.

TABLE IV
SUMMER SCHOOL

Expenditure for support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Summer session				
Salaries and wages-----	\$15,101	\$18,755	+ \$3,654	+ 24.19
Operating expense-----	1,361	1,900	+ 539	+ 39.60
Total support-----	\$16,462	\$20,655	+ \$4,193	+ 25.47
State Employees' Retirement System-----	154	191	+ 37	+ 24.02
Total-----	\$16,616	\$20,846	+ \$4,230	+ 25.46
Revenue—Student fees-----	20,323	24,000	— 3,677	— 18.09
Revenue over expenditure-----	3,707	3,154	— 553	— 14.91
Total enrollment units for biennium-----	793	943	+ 150	+ 18.91
Enrollment (average each fiscal year)-----	396.5	476.5	+ 75	+ 18.91
Unit cost-----	\$21	\$22	+ \$1	

Item 87, page 7 of the Budget Bill and 223 of the Budget. Amount requested for construction, improvement and repairs, \$20,500. This represents an increase of \$8,500 or 70.83 per cent over expenditures of \$12,000 for the 1943-45 Biennium.

Of the above \$8,000 is for repairs, the balance of \$12,500 being for acoustical treatment for gymnasium—\$6,000, tennis courts—\$1,000, lawn sprinkler system—\$1,500, seats for open air theatre—\$1,500, lock system—\$1,500.

Recommend Item 87 be approved for \$20,500, the amount requested.

Department of Education—San Francisco State College

Analysis of Proposed Expenditures for the 1945-47 Biennium

Item 88, page 7 of the Budget Bill and pages 226-232, inclusive, of the Budget. Amount requested \$810,251. This represents an increase of \$199,513 or 32.67 per cent over expenditures of \$610,738 for the 1943-45 Biennium.

The cost of operating a State College is reflected by the number of students enrolled. The instruction unit which requires the largest expenditure is affected almost immediately by changes in enrollment, other units showing some lag before enrollment changes are reflected, with maintenance and operation of plant and grounds showing little change.

San Francisco State College had an enrollment of 1,517 students during the 1941-42 Fiscal Year and operated at a cost per student of \$284 per year, total expenditures for the year being \$431,770. During the 1943-44 Fiscal Year, two years later, the enrollment on account of the war had dropped to 722 students with operating costs going up to a cost per student of \$454 per year, total expenditures for the year being \$328,328. Thus, using the 1941-42 figures as a base, enrollment has dropped 795 students or 52.4 per cent with operating costs increasing \$170 per student or 59.85 per cent. This increase is justified considering the reduced student enrollment.

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown by organization unit in Table I and by object of expenditure in Table II.

TABLE I
ANALYSIS OF PROPOSED EXPENDITURES, 1945-47 COMPARED WITH 1943-45
Expenditure by Organization Unit

Expenditure for support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration -----	\$94,857	\$106,032	+ \$11,135	+ 11.74
Instruction -----	469,821	700,419	+ 230,598	+ 49.08
Maintenance and Operation of Plant--	90,385	96,650	+ 6,265	+ 6.93
Total Support -----	\$655,063	\$903,101	+ \$248,038	+ 37.86
Capital Outlay -----	\$20,913	\$8,000	— \$12,913	— 61.75
Appropriations				
Student Fees -----	\$44,326	\$92,850	+ \$48,524	+ 109.47
Item No. 88, Budget Bill -----	610,738	810,251	+ 199,513	+ 32.67
Item No. 89, Budget Bill -----	20,912	8,000	— 12,912	— 61.74
Total -----	\$675,976	\$911,101	+ \$235,125	+ 34.78

TABLE II
EXPENDITURE BY OBJECT OF EXPENDITURE

Expenditure by object	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages -----	\$589,928	\$800,386	+\$210,458	+ 35.68
Operating expenses -----	54,823	77,300	+ 22,477	+ 41.00
Equipment -----	10,312	25,415	+ 15,103	+ 146.46
Total support -----	\$655,063	\$903,101	+\$248,038	+ 37.86
Capital outlay -----	\$20,913	\$8,000	— \$12,913	— 61.74
Total -----	\$675,976	\$911,101	+\$235,125	+ 34.78
Total enrollment units for biennium--	\$1,460	\$3,095	+ \$1,635	+ 111.98
Enrollment (Average each fiscal year)	\$730	\$1,547.5	+ \$817.5	+ 111.98
Unit cost for support-----	\$449	\$292	— \$157	— 34.97

Table I discloses proposed increases of \$11,135 or 11.74 per cent in Administration and \$230,598 or 49.08 per cent in Instruction. These are the two units where increases or decreases in enrollment are reflected the most in cost of operation. Table II shows an increase from 1,460 students at an average student cost of \$449 during the 1943-45 Biennium to a proposed enrollment of 3,095 students at a student cost of \$292 during the 1945-47 Biennium. Maintenance and Operation of Plant shows proposed increase of \$6,265 or 6.93 per cent. We question the enrollment estimate and believe it may not be obtained.

Table II shows an increase of \$210,458 or 35.68 per cent in Salaries and Wages, accounted for by \$27,968 or 13.28 per cent for salary increases and \$182,490 or 86.71 per cent for proposed new positions to handle anticipated increased enrollment. Proposed new positions are shown in detail in Table III.

TABLE III
PROPOSED NEW POSITIONS

Proposed new positions			Estimated cost for biennium
45-46	46-47	<i>Administration</i>	
	1	Intermediate Stenographer Clerk-----	\$1,620
	2	Intermediate Stenographer Clerk (part time)-----	1,620
		<i>Instruction</i>	
	1	Intermediate Stenographer Clerk (part time)-----	2,850
12	37	Teacher -----	176,400
13	41	Total -----	\$182,490

Proposed increase of \$22,477 or 41 per cent in operating expense is accounted for principally by an increase of \$17,848 or 79.4 per cent in the instruction unit, and \$3,900 or 17.35 per cent in the administration unit.

Proposed increase of \$15,103 or 146.46 per cent in equipment is accounted for by \$12,871 or 85.22 per cent in the instruction unit and \$1,257 or 8.32 per cent in the maintenance and operation of plant unit.

Recommendation: That Item 88, page 7 of the Budget Bill be allowed for \$810,251, the amount requested, with restrictions such that the expenditure of funds appropriated by Item 88 shall not exceed \$620,000 until

enrollment has reached 1,460 students. After enrollment passes 1,460 students, expenditure of funds appropriated by Item 88 may be increased at the rate of \$125 per student until the total appropriation of \$810,251 has been used.

In order that the complete expenditure program of the college may be before you the Summer School Session for which no appropriation is requested, it being supported by student fees, is shown in Table IV.

TABLE IV
SUMMER SESSION

Summer session	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Expenditure for support				
Salaries and wages-----	\$27,646	\$31,500	+\$3,854	+14.95
Operating expenses-----	4,042	5,400	+ 1,358	+33.60
Equipment-----	1,637	2,100	+ 463	+28.28
Total support-----	\$33,325	\$39,000	+\$5,675	+17.03
State Employees Retirement System----	\$1,037	\$1,181	+ \$144	+13.89
Total-----	\$34,362	\$40,181	+\$5,819	+16.93
Revenue—Student fees-----	37,145	41,750	+ 4,605	+12.40
Revenue over expenditures-----	2,783	1,569	— 1,214	—43.62
Total enrollment units for biennium----	\$1,774	\$2,263	\$489	+27.56
Enrollment (Average each fiscal year)---	\$887	\$1,131.5	\$244.5	+27.56
Unit cost for support-----	\$19	\$18	— \$1	

Item 89, page 7 of the Budget Bill and page 230 of the Budget. Amount requested for Construction, Improvement and Repairs, \$8,000. This represents a decrease of \$12,913 or 61.74 per cent under expenditures of \$20,913 for the 1943-45 Biennium.

This item is for painting and repairs to various buildings and equipment.

Recommend Item 89 be approved for \$8,000, the amount requested.

Department of Education—San Jose State College

Analysis of Proposed Expenditures for the 1945-47 Biennium

Item 90, page 7 of the Budget Bill and pages 233-240, inclusive, of the Budget. Amount requested, \$1,173,204. This represents an increase of \$257,762 or 28.15 per cent over expenditures of \$915,442 for the 1943-45 Biennium.

The cost of operating this State college is reflected like others in the number of students enrolled. The instruction unit which requires the largest expenditure is affected almost immediately by changes in enrollment, other units showing some lag before enrollment changes are reflected, with maintenance and operation of plant and grounds showing little change.

San Jose State College had an enrollment of 2,263 students during the 1941-42 Fiscal Year and operated at a cost per student of \$245 per year, total expenditures for the year being \$554,806. During the 1943-44 fiscal year, two years later, the enrollment on account of the war had dropped to 997 students with operating costs going up to a cost per

student of \$484 per year, total expenditures for the year being \$48 2,646. Using the 1941-42 figures as a base, enrollment has dropped 1266 students or 55.94 per cent with operating costs increasing \$239 per student or 97.55 per cent. This increase is justified considering the reduced student enrollment.

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown by organization unit in Table I and by object of expenditure in Table II.

TABLE I
Analysis of Proposed Expenditures 1945-47 Compared With 1943-45
EXPENDITURE BY ORGANIZATION UNIT

Expenditure for support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration -----	\$132,964	\$151,929	+ \$18,965	+ 14.26
Instruction -----	716,825	987,180	+ 270,355	+ 37.72
Maintenance and operation of plant -----	136,206	154,995	18,789	+ 12.12
Total support -----	\$985,995	\$1,294,104	+ \$308,109	+ 31.25
Capital outlay -----	355,836	73,911	- 281,925	- 79.23
Total -----	\$1,341,831	\$1,368,015	+ \$26,184	+ 1.95
Appropriations				
Student fees -----	64,539	120,900	+ 56,361	+ 87.33
Emergency Fund—Salary adjustments -----	6,014	—	- 6,014	- 100.00
Item No. 90—Budget Act -----	915,442	1,173,204	+ 257,762	+ 28.15
Item No. 91—Budget Act -----	355,836	73,911	- 281,925	- 79.23
	\$1,341,831	\$1,368,015	+ \$26,184	+ 1.95
<i>Summer Session Fund</i>				
Summer Session -----	29,595	28,915	- 680	- 2.30
Revenue—Student fees -----	38,341	43,000	+ 4,659	+ 12.15
Revenues over expenditures -----	8,746	14,085	5,339	+ 61.04

TABLE II
EXPENDITURE BY OBJECTS OF EXPENDITURE

Expenditure by object	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages -----	\$848,073	\$1,104,978	+ \$256,900	+ 30.29
Operating expense -----	114,690	143,028	+ 28,338	+ 24.71
Equipment -----	23,227	46,098	+ 22,871	+ 98.46
Total support -----	\$985,995	\$1,294,104	+ \$308,109	+ 31.24
Capital outlay -----	355,836	73,911	- 281,925	- 79.23
Total -----	\$1,341,831	\$1,368,015	+ \$26,184	+ 1.95
Total enrollment units for biennium -----	2,258	4,030	+ 1,772	+ 78.48
Enrollment (average each fiscal year) -----	1,129	2,015	886	+ 78.48
Unit cost for support -----	\$437.	\$321	- \$116	- 26.54

Table I discloses increases of \$18,965 or 11.74 per cent in Administration and \$270,355 or 37.72 per cent in Instruction. These are the two units where increases or decreases in enrollment are reflected the most in cost of operation. Table II shows an increase from 2,258 students at an average student cost of \$437 during the 1943-45 Biennium to an estimated enrollment of 4,030 students at a student cost of \$321 during the 1945-47 Biennium. Maintenance and operation of plant shows a proposed increase of \$18,789 or 12.12 per cent.

Table II shows an increase of \$256,900 or 30.29 per cent in salaries and wages, accounted for by \$74,410 or 28.96 per cent for salary increases and salaries of employees not employed during the full 24 months of the 1943-45 Biennium. Proposed new positions accounts for \$182,490 or 71.03 per cent, and will be necessary to handle anticipated increased enrollment. Proposed new positions are shown in detail in Table III.

TABLE III
PROPOSED NEW POSITIONS

Proposed new positions 1945- 46	1946- 47		Estimated cost for biennium
		<i>Administration</i>	
	1	Graduate Nurse (Increase from one-half to full time)	\$2,040
		Placement Secretary (ML)-----	5,280
		<i>Instruction</i>	
7	28	Teachers-----	126,000
	1	Junior Stenographer Clerk (ML)-----	1,680
		<i>Maintenance and Operation of Plant</i>	
1	1	Watchman-----	3,120
1	1	Mechanical Handyman-----	3,700
<hr/> 9	<hr/> 32		<hr/> \$141,820

Proposed increase of \$28,338 or 24.71 per cent in operating expense is accounted for principally by an increase of \$19,535 or 68.93 per cent in instruction unit, and \$6,344 or 22.38 per cent in the maintenance and operation of plant unit.

Proposed increase of \$22,871 or 98.46 per cent in equipment is accounted for by \$20,677 or 90.41 per cent for teaching service and library in the instruction unit.

Recommendation: That Item 90, page 7 of the Budget Bill be allowed for \$1,173,204, the amount requested, with restrictions such that the expenditure of funds appropriated by Item 90 shall not exceed \$950,000 until enrollment has reached 2,260 students, expenditures of funds appropriated by Item 90 may be increased at the rate of \$125 per student until the total appropriation of \$1,173,204 has been used.

In order that the complete expenditure program of the College may be before you, the Summer School Session for which no appropriation is requested, it being supported by student fees, is shown in Table IV.

TABLE IV
SUMMER SESSION

Summer session	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Expenditure and support				
Salaries and wages-----	\$24,636	\$24,400	— \$236	— .95
Operating Expense-----	4,035	3,600	— 435	—10.78
Total support-----	\$28,671	\$28,000	— \$671	— 2.34
State Employees Retirement System---	924	915	— 9	— .97
Total-----	\$29,595	\$28,915	— \$680	— 2.30
Revenue—Student fees-----	38,341	43,000	+ 4,659	+12.15
Revenue over expenditures-----	8,746	14,085	+ 5,339	+61.05
Total enrollment units for biennium---	1,466	1,760	+ 294	+20.05
Enrollment (average each fiscal year)---	733	880	+ 147	+20.05
Unit cost for support-----	\$20	\$16	— \$4	—20.0

Item 91, page 7 of the Budget Bill and page 238 of the Budget. Amount requested for construction, improvement and repairs, \$73,911.

This represents a decrease of \$281,925 or 79.23 per cent under expenditures of \$355,836 for the 1943-45 Biennium which included a special appropriation of \$300,000 for acquisition of land and buildings.

This appropriation being for construction, improvement and repairs, it is not necessary to make a comparison with prior years as each item should be considered separately. The items included in this appropriation are as follows:

Construction, improvements and equipment:	
Electric service and transformers.....	\$11,000
Campus outdoor lighting.....	13,200
Interior lighting in main building.....	6,000
Construction of:	
Deep vacuum pump pit in boiler room.....	2,077
Tunnels for steam service.....	10,076
Fire walls in attics of main building, education, art, and home economics buildings.....	5,000
Installation of:	
Bookshelves in library.....	
Concrete floor covered with cork linoleum in reserve book room.....	4,334
Basket locker system in men's gymnasium.....	6,000
Tile on wall and ceiling in shower room in men's gymnasium.....	1,500
Steam flow meter, feed-water regulators and booster circulating pump.....	985
New hot water heater in home economics building.....	600
Lawn sprinkling system.....	8,936
Mastipave on cement floors in science building.....	3,128
Ventilating fans in basement of classrooms.....	500
Painting:	
Science building.....	
Main building.....	
Alterations to lavatories in main building.....	575
Repairing window frames and sashes.....	
Miscellaneous painting and repairs in all buildings.....	
Totals, construction, improvement and equipment.....	\$73,911

Expenditures for repairs and maintenance for the two preceding bienniums were below average however, so it is clear not all the above items are emergency. It is recommended that Item 91 be approved for \$51,000, reducing the request by \$22,911. This will allow enough to do emergency work. Outdoor lighting and lawn sprinkling can wait until the end of the war.

Department of Education—California School for the Blind

Items, 92, 93 and 94 of the Budget Bill, pages 246 to 250, inclusive, of the Budget. Total appropriation requested, \$368,453. This is an increase of \$45,217 or 13.98 per cent over 1943-45 expenditure of \$323,236 and an increase of \$85,113 or 30.03 per cent over the 1943-45 appropriation of \$283,340. Item 92 for support—\$343,953 is an increase of \$40,217 or 13.3 per cent above 1943-45.

The two largest items of expense in connection with operation of the California School for the Blind are: "Instruction and care" and "Support and subsistence." In the 1945-47 Biennium "Instruction and care" costs are scheduled to increase from a total of \$146,770 in the 1943-45 Biennium to \$164,163, an increase of \$17,384 or 11.85 per cent. Blind students require a greater degree of care and more personalized supervision than is normally necessary thus tending toward high per

capita costs. In view of larger enrollment and resulting increased intramural activities, we believe this 11 per cent increase to be in line.

The item for "Support and subsistence" is to increase from \$79,976 in the 1943-45 Biennium to \$95,335 in the 1945-47 Biennium, an increase of \$15,379 or 19.22 per cent. Owing to the fact that the California School for the Blind purchases all of its food supplies on the open market some allowance should be made for increased expenditures due to larger enrollment. We believe, however, that the total increase requested can be reduced without causing undue hardship. This is particularly true in view of the tapering off of food prices which already has begun to develop. However, we do not recommend reducing the appropriation but allow the institution to save if moneys are not required.

Salaries and wages in the 1943-45 Biennium amounted to \$235,397. It is proposed that the amount for salaries and wages in the 1945-47 Biennium shall be \$266,598, an increase of \$31,201 or 13.25 per cent. Of this budgeted salary increase \$7,158 is for normal salary increases and the remainder for new positions necessary by population increase.

Proposed new positions account for \$12,792 of the increase and the differential, \$11,250 is salary increases and salaries to be paid to employees who did not work the full 24 months of the 1943-45 Biennium but who are expected to be working the full 24 months of the ensuing biennium.

Proposed expenditures and estimated revenue are summarized in Table I following:

CALIFORNIA SCHOOL FOR THE BLIND

GENERAL FUND					
Expenditures	Budget	Actual and	Estimated	Increase (+)	Per cent increase
Support:	Page No.	estimated	and proposed	or decrease (-)	or decrease
		1943-45	1945-47	from 1943-45	from 1943-45
Administration	247	\$34,363	\$38,545	+ \$4,181	+ 12.16
Support and subsistence	248	79,975	95,355	+ 15,379	+ 19.22
Instruction and care	248	146,779	164,163	+ 17,383	+ 11.85
Maintenance and operation of plant	249	34,066	37,290	+ 3,223	+ 9.46
Field work	249	8,550	8,600	+ 50	-----
Totals, support	246	\$303,735	\$343,953	+\$40,217	+ 13.25
Other current expenses:					
Readers for blind college students	250	13,000	13,000	-----	-----
Totals, current expenses		\$316,735	\$356,953	+\$40,217	+ 12.69
Capital outlay:					
Construction, improvements and equipment	250	6,500	11,500	+ 5,000	+ 76.92
Total expenditures		\$323,235	\$368,453	+\$45,217	+ 13.98
Revenues					
Tuition fee, nonresident deaf-blind student	250	1,600	3,200	+ 1,600	+100.

ENROLLMENT AND UNIT COSTS

	Fiscal year	Average student enrollment	Cost per student
Actual -----	1943-44	135	\$1,056.27
Actual and Estimated -----	1944-45	147	1,096.18
Estimated -----	1945-46	147	1,197.39
Estimated -----	1946-47	147	1,142.43

Recommendations: Item 92—Although we believe that per student costs should be held down, we recommend that the request for appropriations for new positions be held in a salary saving fund as previously described.

Item 93—We recommend that Item 93 for \$13,000 for readers for the blind be approved. This is the same sum appropriated for the current biennium.

Item 94—\$11,500. We recommend that the amount requested for capital outlay be approved for the proposed sum of \$11,500.

Department of Education—California School for the Deaf

Items 95, 96, 97 of the Budget Bill and pages 251-256, inclusive, of the Budget.

Item 95 for support. Amount requested, \$691,870; this is an increase of \$128,724 or 22.85 per cent over expenditure of \$563,146 in the 1943-1945 Biennium and an increase of \$123,395 or 21.70 per cent over the 1943-45 appropriation of \$568,475.

Item 96, for expenses of deaf graduates attending Gaulladet College. Amount requested, \$12,000, an increase of \$6,342 or 112.08 per cent over expenditures of \$5,658 for the 1943-45 Biennium and an increase of \$3,900 or 48.15 per cent over the 1943-45 appropriation of \$8,100 for this purpose.

Item 97, for construction and improvements. Amount requested, \$9,000. This is an increase of \$3,000 or 50 per cent over the 1943-1945 expenditure, and an increase of \$7,000 or 350 per cent over the capital outlay appropriation of \$2,000 for the 1943-45 Biennium.

Table I below analyses total expenditures, revenues, and enrollment and unit costs:

TABLE I—CALIFORNIA SCHOOL FOR DEAF

GENERAL FUND		Actual and estimated	Estimated and proposed	Increase (+) or decrease (-)	Per cent increase or decrease
Expenditures	Budget page number	1943-45	1945-47	1943-45	45-47 over 43-45
Support:					
Administration	252	\$49,985	\$53,245	+ \$3,259	6.52
Support and subsistence	252	156,327	188,450	+ 32,122	20.54
Instruction and care.....	253	286,581	367,995	+ 81,413	28.40
Maintenance and operation of plant.....	254	70,252	82,180	+ 11,927	16.97
Totals, support		\$563,145	\$691,870	+\$128,724	+22.85
Other current expenses:					
Expenses of deaf graduates attending Galludet College					
	255	5,658	12,000	+ 6,341	+112.08
Totals, current expenses---		\$568,803	\$703,870	+\$135,066	+23.74
Capital outlay:					
Construction, improvements and equipment... 255					
		6,000	9,000	+ 3,000	+50.
Total expenditures-----		\$574,803	\$712,870	+\$138,066	+24.02
Revenues:					
Miscellaneous	256	100	100		

ENROLLMENT AND UNIT COSTS		Average student enrollment	Cost per student	Students per employee
	Fiscal year			
Actual	1943-44	320	\$822.04	3.5
Actual and estimated.....	1944-45	320	937.79	3.2
Estimated	1945-47	320	1,076.54	2.8
Estimated	1946-47	320	1,085.55	2.8

As in the case of the School for the Blind, the two major items of expense are for "Instruction and care" and "Support and subsistence." "Instruction and care" costs are scheduled to increase from \$286,581 in the 1943-45 Biennium to \$367,995 in the ensuing biennium, an increase of \$81,414 or 28.40 per cent.

Salaries and wages are the largest contributing factor to the cost of this service, totaling \$286,390 for the 1943-45 Biennium and \$296,890 for the 1945-47 Biennium. Fourteen proposed new positions for "Instruction and care" would add an additional salary cost of \$57,960 for the biennium making the total salary expense \$354,850 for "Instruction and care." This is the largest factor in increasing the per student cost from \$822.04 per year for 1943-44 up to \$1,085 for 1946-47 for the same enrollment of 320. In 1943-44 there were 3.5 students per employees. For 1944-45 it will be 3.2 and for 1945-46 and 1946-47 it drops to 2.8 students for each employee.

In our opinion the State is not justified in such a low ratio of students per employee.

We believe that student costs should be held down to a lower figure and the ratio of students per employee held higher. We recommend that the requested appropriation for new positions be limited to one-half of the request, or to \$32,240 making a reduction of \$30,000.

Table II following shows the scheduled new positions.

TABLE II
SCHEDULE OF PROPOSED NEW POSITIONS—DEPARTMENT OF EDUCATION
CALIFORNIA SCHOOL FOR THE DEAF

Total for year	Number of positions 1945-46	1946-47 Cumulative total for biennium	Classification	Total amount	
				1945-46	1946-47
1	1	1	Supervising teacher—Vocational -----	\$3,120	\$3,240
9	9	9	Junior teacher -----	17,820	18,900
3	3	3	Housemother -----	4,650	4,950
1	1	1	Junior stenographer clerk -----	1,620	1,740
1	1	1	Mechanical handyman -----	1,740	1,860
			Employment of seamstress increased from 10 to 12 months -----	330	350
			Advancement of junior teachers to senior teachers -----	720	1,200
				<hr/> \$30,000	<hr/> \$32,240
					\$62,240

We also recommend the previously described salary saving plan be applied.

Support and subsistence is to increase from \$156,327 in the current biennium to \$188,540 in the 1945-47 Biennium, an increase of \$32,123 or 20.54 per cent. In connection with "Support and subsistence," the largest item of expenditure is for feeding, which, in the 1943-45 Biennium amounted to \$67,770 but which is estimated to increase in the 1945-47 Biennium to \$79,000, an increase of \$11,230 or 16.57 per cent.

The same situation prevails here as for the School for the Blind, namely, the fact that this institution purchases all of its food and supplies in the open market and can not effect a saving through local production. However, since the estimated enrollment in this school is not scheduled to increase in the ensuing biennium, and since food prices are already beginning to decline, the proposed \$11,230 increase in feeding costs is high.

Table III following gives a breakdown of the principal item of expenditure for "Support and subsistence."

TABLE III

	Actual and estimated 1943-45	Actual and estimated 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Operating expenses				
Support and subsistence				
Feeding -----	\$67,770	\$79,000	+\$11,230	+16.57
Clothing -----	862	800	— 62	— 7.19
Housekeeping -----	3,813	4,000	+ 187	+ 4.90
Laundry -----	25,300	28,000	+ 2,700	+10.68
County children's clothing -----	781	1,000	+ 219	+28.04
	<hr/> \$98,526	<hr/> \$112,800	<hr/> +\$14,274	<hr/> +14.48
Less: Abatements				
From counties for clothing -----	781	1,000		
For feeding blind children in hospital -----	428	200		
	<hr/> -\$1,209	<hr/> -\$1,200		
Grand total -----	<hr/> \$97,317	<hr/> \$111,600	<hr/> +\$14,283	<hr/> +14.68

Table IV following shows proposed expenditures for the 1945-47 Biennium compared with actual and estimated expenditures for 1943-45 by major items of expense.

Expenditures	Actual and estimated	Proposed	Increase or decrease	
	1943-45	1945-47	Amount	Per cent
Salaries -----	\$419,763	\$519,545	\$99,782	+ 23.77
Operating expenses -----	155,798	175,750	+19,952	+ 12.80
Equipment -----	3,037	11,575	8,538	+281.13

Recommendations: 1. We recommend that feeding costs be reduced from a proposed expenditure of \$79,000 to \$75,000 for the 1945-47 Biennium, a saving of \$4,000. This will still amply allow for increased population or any slight rise in food costs which may develop.

2. We recommend the amount for new positions be reduced by \$30,000 allowing an increase for new positions of \$32,240.

3. Item 95 to be reduced \$34,000 from \$691,870 to \$657,870 which still leaves an increase of \$94,724 or \$148 per student per year.

Department of Education—California Maritime Academy

Analysis of Proposed Expenditures for 1945-47 Biennium

Item 98, page 8 of the Budget Bill, pages 257 to 262, inclusive, of the Budget. Amount requested \$266,608. This represents an increase of \$113,556 or 74.19 per cent over appropriation expenditures of \$153,052 for the 1943-45 Biennium.

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown by organization unit in Table I and by object of expenditure in Table II.

TABLE I
DEPARTMENT OF EDUCATION, CALIFORNIA MARITIME ACADEMY
Analysis of Proposed Expenditures for the 1945-47 Biennium

By organization unit	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration -----	\$45,812	\$46,350	+ \$538	+ 1.18
Instruction -----	26,759	53,110	+ 26,351	+98.47
Support and subsistence -----	144,376	165,640	+ 21,264	+14.73
Maintenance and operation of base -----	34,799	63,430	+ 28,631	+82.27
Maintenance and operation of ship -----	57,150	74,670	+ 17,520	+30.65
Total support -----	\$308,896	\$403,200	+ \$94,304	+30.53
Less amount payable from Federal contributions -----	50,000	50,000	----	----
Net total support -----	\$258,896	\$353,200	+ \$94,304	+36.43
Appropriations—				
Item 98 of Budget Bill -----	\$153,052	\$266,608	+ \$113,556	+ 74.19
Emergency fund -----	15,815	-----	— 15,815	-----
Student fees -----	90,029	86,592	— 3,437	— 3.82
Total -----	\$258,896	\$353,200	+ \$94,304	+36.42

TABLE II
EXPENDITURE BY OBJECT

Salaries and wages -----	\$135,008	\$210,800	+ \$75,792	+ 56.14
Operating expense -----	176,068	191,600	+ 15,532	+ 8.82
Equipment -----	7,530	9,200	+ 1,670	+22.18
Less reimbursement for maintenance -----	\$9,710	\$8,400	— \$1,310	—13.50
Net total -----	\$308,896	\$403,200	+ \$94,304	+30.53

Table II discloses the following:

Proposed increase in salaries and wages of \$75,792 or 56.14 per cent accounted for by \$34,742 or 45.83 per cent for salaries increase and salaries of new employees required for maintenance and operation of the new base constructed for the academy. Proposed new positions shown in detail in Table III accounts for \$41,050 or 54.17 per cent.

TABLE III
DEPARTMENT OF EDUCATION, CALIFORNIA MARITIME ACADEMY

45-46	46-47	Proposed new positions	Estimated cost for biennium	
		<i>Administration</i>		
		Institution Bookkeeper Gr. 2 (Reclassification of Inst. Bookkeeper Gr. 1) -----	\$240	
		Institution Storekeeper Gr. 2 (Reclassification of Inst. Storekeeper Gr. 1) -----	240	
		<i>Instruction</i>		
	1	Chief Engineer—Instruction -----	3,780	
	1	Commandant of Midshipmen (Maint. only) -----	240	
	1	Ist Lt. Deck-Instructor -----	3,060	
	1	Navigator, Deck-Instructor -----	2,880	
	1	Communications Officer-Instructor -----	2,700	
	1	Physical Education Spanish-Instructor -----	2,700	
		<i>Support and Subsistence</i>		
		Business Manager, Grade 1 (Reclassification of Supply Officer) -----	540	
	1	Medical Officer Instructor -----	2,880	
		<i>Maintenance and Operation of Base</i>		
	2	Janitor—Janitress -----	6,000	
	1	Institution Equipment Operator -----	3,480	
	2	Ass't. Inst. Groundsman and Flower Gardener -----	6,000	
		<i>Maintenance and Operation of Ship</i>		
	1	Master -----	3,780	
	1	Chief Radio Operator (5 months) -----	925	
	3	Apprentice Radio Operator (5 months) -----	1,125	
		Senior Stenographer-Clerk (male) (Reclassification of Ins. Steno-Clerk) -----	480	
	<hr/>	<hr/>	<hr/>	
	5	17	Total -----	\$41,050

Table III shows eight new positions in the instruction unit for the second year of the 1945-47 Biennium. These positions are needed in order to provide instructors to replace U. S. Navy men now acting as instructors and to operate the training ship and instruction thereon. The new positions in other units are necessary in order to employ persons to do maintenance work, which is now performed by students so that the students will have more time to study.

Proposed increase in operating expenses of \$15,532 or 8.82 per cent a reasonable Budget request.

Proposed increase in equipment of \$1,670 or 22.18 per cent the percentage amount is high but amount in dollars is reasonable.

The Maritime Academy is at this time working under a war program training cadets as fast as possible for the Navy and Maritime Service, therefore it is recommended that Item 98 page 8 of the Budget Bill be approved for \$266,608 the amount requested.

However, it is believed that there is over budgeting for 1944-45 and carried over to 1945-47. We, therefore, recommend the over all savings be applied and also the salary savings. If the training ship is not operated and the base not brought up to full operations then some of the proposed new positions should not be filled.

Per student costs per year have increased from \$733.17 for 1941-42 to estimated for 1946-47 at \$1,611.25. However, the school did not operate its own base until the present site was secured and still occupies temporary quarters.

The per student costs will remain high unless enrollment is materially increased.

Item 99 page 8 of the Budget Bill and page 262 of the Budget amount requested \$15,000.

This item is for the purchase of real property for the California Maritime Academy. The property is needed, therefore, it is recommended that item 99 be approved for \$15,000 as requested.

Department of Education—California Polytechnic School

Analysis of Proposed Expenditures for the 1945-47 Biennium

Item 100, page 8 of the Budget Bill and pages 263-271 inclusive of the Budget. Amount requested from the General Fund \$570,324. This represents an increase of \$251,278 or 78.76 per cent over appropriated expenditures of \$319,046 for the 1943-45 Biennium.

The California Polytechnic School normally is supported by funds received from horse racing. Horse racing having been curtailed during the war, it has been necessary to appropriate General Fund money with the provision that it will not be used until such a time that horse racing funds are not sufficient to operate the school. Similar provisions were made in the 1943-45 Budget and none of the General Fund money has been used, funds received from horse racing being sufficient for the 1943-45 Biennium.

At the present time with the Federal ban on horse racing, the situation in forecasting ahead for the 1945-47 Biennium is such that it probably will be necessary to use some General Fund money. However, Item 100 is written in such a way that should horse racing funds become available in the second year of the 1945-47 Biennium the General Fund will be reimbursed.

It is recommended that this institution be supported by a regular appropriation from the General Fund for all purposes and that all revenues from horse racing go into the General Fund to be appropriated out by the Legislature as it determines.

It is also recommended that all receipts from the operation of this institution be considered henceforth as income and not as abatements for particular activities, and appropriations be made for the institution including appropriation from receipts. See bottom Table III—net cost to taxpayers for this agency.

During the 1945-47 Biennium the California Polytechnic School had two Federal training projects for which the school was reimbursed. There are also other projects for which the school is reimbursed. On the pages of the Budget referred to above these reimbursements have been deducted in showing the expenditures of the school. Below in Table I are shown the net expenditure figures by organization unit as shown in the Budget.

TABLE I
NET EXPENDITURES BY ORGANIZATION UNIT

By organization unit	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration -----	\$78,931	\$101,647	+\$22,716	+ 28.77
San Luis Obispo Unit :				
Instruction -----	122,006	268,516	+146,510	+120.08
Maintenance & Operation of Plant -----	77,750	122,290	+ 44,540	+ 57.28
Farm -----	29,479	33,940	+ 4,461	+ 15.13
Total—San Luis Obispo Unit -----	\$229,235	\$424,746	+\$195,511	+ 85.29
Voorhis Unit :				
Instruction -----	7,769	52,216	44,447	+572.11
Maintenance & Operation of Plant	8,017	14,025	+ 6,008	+ 74.94
Farm -----	-2,595	560	- 2,035	- 78.42
Total—Voorhis Unit -----	\$13,191	\$65,681	+\$52,490	+397.92
Total Support -----	\$321,356	\$592,074	+\$270,718	+ 84.24
Appropriation				
Fair & Exposition Fund -----	319,046		-319,046	-100.00
Item 100 Budget Bill -----		570,324	+570,324	New
Student Fees -----	2,310	21,750	19,440	841.55
	\$321,356	\$592,074	+\$270,718	+ 84.24

In Table II following are shown in detail the revenue which was treated as reimbursements in the preparation of the Budget, also the other items of revenue including student fees which are appropriated for support and revenue not for support.

TABLE II

Revenues	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Revenues deducted from expenditures in Budget				
Surplus product sales -----	\$32,585	\$31,000	—	\$1,585 — 4.86
Reimbursements for maintenance -----	4,548	7,000	+	2,452 + 53.91
Reimbursements from:				
Federal Government				
For National Defense Training Program -----	25,833	28,877	+	3,044 + 11.78
For Naval Training School -----	270,308	87,709	—	182,599 — 67.55
Bureau of Agricultural Education				
For clerical assistance -----	30,700	38,954	+	8,254 + 26.88
Instructors' salaries -----	124	1,600	+	1,476 + 1190.32
Cadets' salaries -----	7,019	12,000	+	4,981 + 70.96
Automobile rental -----	3,191	3,500	+	309 + 9.68
California Polytechnic Foundation				
For accounting service -----	6,905	10,970	+	4,065 + 58.87
Utilities service -----	3,310	4,400	+	1,090 + 32.93
Total revenue—				
Reimbursement -----	\$384,523	\$226,010	—	\$158,513 — 41.22
Revenues Appropriated for Support				
Student fees -----	2,310	21,750	+	19,440 + 841.55
Revenue Not Appropriated				
Rentals -----	421	422	+	1 -----
Payment for use of facilities for Navy Training				
Program -----	28,728	7,000	—	21,728 — 75.63
Miscellaneous -----	1,499	200	—	1,299 — 86.65
Total -----	30,648	7,622	—	23,026 — 75.13
Total all revenue -----	417,481	255,382	—	162,099 — 38.82

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown for each organization unit by object of expenditure in Table III.

TABLE III
EXPENDITURES BY ORGANIZATION UNIT AND BY OBJECT OF EXPENDITURE

	Actual and estimated 1943-45	Proposed 1945-47		Increase or decrease 1945-47 over 1943-45 Amount	Per cent
Administration					
Salaries and wages -----	\$152,664	\$166,407	+	\$13,743	+ 9.00
Operating expense -----	18,634	23,840	+	5,206	+ 27.94
Equipment -----	33	1,236	+	1,203	+3645.45
Total administration -----	171,331	191,483	+	20,152	+ 11.76
San Luis Obispo Unit					
Salaries and wages -----	419,247	421,066	+	1,819	+ .43
Operating expense -----	86,256	103,314	+	16,810	+ 19.49
Equipment -----	5,219	26,540	+	21,321	+ 408.52
Total -----	510,722	550,920	+	40,198	+ 7.87
Voorhis Unit					
Salaries and wages -----	15,568	56,657	+	41,089	+ 263.93
Operating expense -----	8,208	15,599	+	7,391	+ 90.04
Equipment -----	50	3,425	+	3,375	+6750.00
Total -----	23,826	75,681	+	51,855	+ 217.64
Grand total -----	705,879	818,084	+	112,205	+ 15.89
Deduct:					
Total revenue shown on Table II -----	417,481	255,382	-	162,099	- 38.82
Net expenditure of California tax funds -----	288,398	562,702	+	274,304	+ 95.11

Proposed new positions are shown in Table IV.

TABLE IV
PROPOSED NEW POSITIONS

45-46	46-47		Proposed cost for biennium
1	3	<i>Administration</i>	
	1	Intermediate Stenographer-Clerks -----	\$7,300
	1	Intermediate Typist Clerk -----	1,500
	1	Intermediate Typist Clerk (part time) -----	880
1	1	Bookkeeper Grade 1 -----	4,200
1	1	Intermediate Account Clerk -----	3,560
		Student Assistants -----	1,350
			\$18,790
3	7	<i>Instruction—San Luis Obispo Unit</i>	
2	2	Instructor Agriculture Education -----	\$14,182
1	1	Assistant Instructor Agriculture Education (part time) ---	2,225
3	5	Instructor, Industrial Division -----	22,050
	1	Assistant Instructor—Industrial Division -----	2,150
2	2	Instructor—Related Subjects (ML) -----	12,350
1	1	Assistant Instructors—Related Subjects -----	3,500
1	1	Senior Librarian -----	3,960
	1	Junior Librarian -----	1,680
			\$62,097
10	14	<i>Maintenance and Operation of Plant at San Luis Obispo Unit</i>	
1	1	Mechanical Handyman -----	\$3,100
			\$83,987
		<i>Instruction—Voorhis Unit</i>	
4	5	Instructor—Agriculture Education -----	\$28,757
1	1	Assistant Instructor—Agriculture -----	5,760
1	1	Junior Librarian -----	4,080
		Student Assistants -----	1,500
			\$40,097
7	8		
20	29	Total -----	\$124,084

Administration Unit shows a total proposed increase in expenditures of \$20,152 or 11.76 per cent. Salaries and wages shows a proposed increase of \$13,743 or 9.0 per cent. An examination of proposed new positions shown in Table IV shows seven new positions at a proposed expenditure of \$18,790 for the 1945-47 Biennium, an amount in excess of the total proposed increase in salary payments. The cause of this difference is this unit has nine war emergency positions in the Navy Training Program for which no funds are requested for the second year of the 1945-47 Biennium, proposed new permanent positions being requested to fill these war positions.

Maintenance and operation shows a proposed increase of \$5,206 or 27.94 per cent accounted for by increases in nearly all classifications.

Equipment shows a proposed increase of \$1,203 or 3,645.45 per cent, a very high percentage of increase, and is due to the small expenditure of \$33 during the 1943-45 Biennium.

San Luis Obispo Unit shows a total proposed increase in expenditures of \$40,198 or 7.87 per cent.

Salaries and wages show an increase of only \$1,819 or .43 per cent. An examination of Table IV shows 14 new positions at a proposed expenditure of \$62,097 for the 1945-47 Biennium, an amount in excess of the total proposed increase in salary payments. The large difference is caused by war positions, as during the 1943-44 Fiscal Year there were 24 instructors in war emergency positions. These positions have been reduced to 8 for the 1944-45 Fiscal Year, with an additional reduction to 6 positions during the first year of the 1945-47 Biennium. No war emergency positions are shown for the second year of the 1945-47 Biennium, proposed new permanent positions being requested to take the place of part of the war positions.

Maintenance and operation shows a proposed increase of \$16,810 or 19.49 per cent, nearly all classifications showing substantial increases.

Equipment shows a proposed increase of \$21,321 or 408.52 per cent, all classifications showing substantial increases.

The Voorhis Unit shows a total proposal increase in expenditures of \$51,855 or 217.64 per cent. We are informed this unit has not operated as a school during the war but has been maintained more as a ranch. According to a booklet published by the California Polytechnic School, the Voorhis Unit consists of a 150-acre ranch located near San Dimas, Los Angeles County. There are approximately 28 acres of citrus orchard on the ranch which was in bad condition when the State acquired the property several years ago. There are buildings that can be used to house and train about 200 boys. The school being originally constructed as a school for boys should make a very suitable school for the Youth Authority. California Polytechnic never did have the enrollment up to a paying basis as not enough students were studying the subjects taught there. Based on the manner the Youth Authority has operated some of their camps, they could no doubt take the Voorhis School with its 150 acres of land and do a lot of good for its better class of boys and at the same time keep the cost to the taxpayers at a minimum.

Therefore, it is recommended that a survey be made by the Youth Authority to determine the feasibility of the transfer of the Voorhis School to the Youth Authority. If this is not possible, the property

should be disposed of as the operation of it as a branch of the California Polytechnic School is not justified.

Budget Recommendations

That Item 100, page 8 of the Budget Bill, be reduced to \$492,939, a savings of \$77,385 represented by:

The total amount of proposed increase at the Voorhis Unit.....	\$51,855
The Capital Outlay, page 271 of the Budget, should be eliminated for Voorhis Unit.....	8,300*
A cut in the appropriation for Administration and San Luis Obispo Units	25,530
Total savings	\$77,385

The San Luis Obispo Unit having been on a War Educational Program, it is difficult to forecast at this time just what will be needed.

Drug and Oil Project

Item 101, page 8 of the Budget Bill and page 272 of the Budget. Amount requested \$35,000. This represents an increase of \$2,852 or 8.88 per cent over estimated expenditures of \$32,148 for the 1943-45 Biennium.

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown by object of expenditure in Table I.

TABLE I
EXPENDITURES BY OBJECT OF EXPENDITURE

Object of expenditure	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages	\$20,238	\$20,860	+ \$622	3.08
Operating expense	11,641	13,940	+ 2,299	19.74
Equipment	269	200	— 69	—25.65
Total	\$32,148	\$35,000	\$2,852	8.87

The total proposed increase is reasonable but this is a war project and by the end of the first fiscal year of the biennium (1945-46) no doubt will have completed its usefulness. Therefore, it is recommended that Item 101 of the Budget Bill be reduced by \$17,575, the amount of the appropriation, for support of this project for the second fiscal year of the Biennium 1945-47.

Teachers Retirement

Item 102 Budget Bill, pages 273-275 of the Budget; appropriation from the General Fund \$167,100 for support of the Teacher's Retirement System. This is an increase of \$100,782 from the General Fund over 1943-45 actual and estimated expenditures but this requires explanation.

It is only \$50,233.26 over actual expenditures for \$50,548.74 was paid out of Teachers Fund prior to July 1, 1944 when the Statute of 1944 (Fourth Extraordinary Session) Chapter 13 provided all cost be borne by the General Fund.

The added cost is largely for three new positions for each of the two years of 1945-47, \$11,700 and some \$30,000 to continue the two new posi-

* Not taken into total as not in appropriation bill as it is from horse race money.

tions added in 1944 and operating expense up \$16,000 for 1945-47 or from \$12,665 actually spent in 1943-44 to over \$20,000 for each year following to \$21,500 for 1946-47.

While work has been increased by the new Teachers Retirement Act of 1944, we feel that operating expenses are too high, particularly when one whole item—Departmental pro rata administration charges of \$4,800 per biennium has been entirely eliminated for 1945-47 by becoming a General Fund charge.

We recommend a reduction of \$11,500 from operating expense, so that Item 102 will be reduced to \$155,600.

Item 102.5 Budget Bill, pages 274-275 of the Budget; appropriation from the General Fund to the Teachers Permanent Fund for the Teachers Retirement System \$7,315,000. This is the amount calculated by the actuary to be required to pay the State's share of the obligations of the Teachers Retirement Fund for retirement costs for the next biennium under the terms of the 1944 legislation.

If this is over what is required the overage will be a credit for reduction of the next biennium appropriation, if under it must be made up.

This is the first time this appropriation has appeared for a full biennium. It will now continue as a fixed charge. It shows the approximate increase we predicted when the law was enacted. It will continue to increase each year at an accelerated rate for many years.

This replaces the former full obligation of the State of 5 per cent of the inheritance tax collections.

This appropriation is all from the General Fund and the reserve of \$30,000,000 set up for the Teachers Retirement Fund by 1944 Special Session remains intact for future appropriation.

It has grown by interest earnings to \$30,550,000 and it is estimated it will reach \$31,900,000 by June 30, 1947. If this fund can be kept intact for several bienniums the earnings will go far to cut down the pyramiding costs to the State of the retirement requirements.

No reductions can be recommended in this fixed charge unless the Legislature wishes to reduce the benefits, or secure more support from other sources.

Item 102.6 Budget Bill, pages 274-275 of the Budget. Appropriation \$295,000 from the General Fund to the Retirement Annuity Fund for the operation of the Teachers Retirement System. This follows along the same procedure and requirements of law as the prior item and for the same reasons. For the same reasons *we can not recommend any reduction.*

University of California

Item 103, Budget Bill, pages 276-282, inclusive, of the Budget. While the entire Budget for spending over \$22,000,000 is presented in seven pages and is far from as complete as a Budget officer desires, this year's Budget presentation of the University is a decided improvement over what the Legislature had to work with in prior years. The current 1943-45 Budget covered the University of California in four pages. It is hoped the improvement is continued and future Budgets give the Legislature more facts and breakdowns of figures and amounts to work with so as to promote a better understanding and fuller consideration of the needs of the University with as full an equity as possible.

The brief summary of Budget requests for 1945-47 prepared by the University has been very helpful in making the analysis and the confidential larger detailed Budget request which was furnished the Legislative Auditor is by far the best presentation we have had from the University.

With some further breakdowns and some more detailed information, this will furnish a very satisfactory basis for full Budget analysis.

The appropriation from the General Fund is \$22,233,081, an increase of \$5,282,097.18 over actual and estimated expenditures of \$16,950,983.82 for 1943-45.

The usual five items of continuing appropriations, four dating from 1919 and one from 1921, amounting to \$794,450 from the General Fund, go on. This brings the grand total from the General Fund to \$23,027,531 with the same total increase.

The items of continuing appropriations might just as well be done away with and included in the entire Budget. Considerable bookkeeping would be saved both at Sacramento and at Berkeley. We can not see any harm following from this procedure—the money all comes from the State General Fund.

It is estimated the receipts from the Fair and Exposition Fund (Horse Racing) will reach \$939,480 or an increase of \$115,530. The receipts depend on the Federal ruling on holding meets so we make no comment on the possibilities of these receipts.

The University uses this money for capital outlay as the amount is not predictable. We concur in this procedure. We make no further recommendation on this item.

New Activities and Provisions

We call particular attention to the bottom of page 278 and to page 279 in the Budget entitled "new activities and provisions." The cost of these activities totaled a little less than one million dollars for 1943-45 but they go up to almost \$3,000,000 (\$2,902,074) for 1945-47.

These activities and their increasing costs are shown in the following tabulation for ready consideration:

Place	Activity	Actual 1943-44	Estimated 1944-45	Proposed 1945-46	Proposed 1946-47	Remarks
Statewide	Academic salary adjustments			\$600,000	\$600,000	Matter of policy—decision by legislature
Berkeley	School public health	\$34,976	\$114,343	80,211	81,231	Chapter 1080, Statute 1943
Berkeley	Forest Products Laboratory				20,000	By Legislative Resolution
Berkeley	Physic-medical physics			3,250	3,450	University of California proposal
Los Angeles	College of Engineering		300,000	293,800	294,300	Legislature approved 1943
Los Angeles	Nursing education			5,450	5,450	University of Calif. own proposal
Los Angeles	Occupational therapy			8,245	10,965	University of Calif. own proposal
Los Angeles	Institute geophysics			50,000	50,000	University of Calif. own proposal
Santa Barbara College			354,885	396,258	399,464	Transferred by Legislature, 1943
Total of new activities		\$34,976	\$769,228	\$1,437,214	\$1,464,860	
Total for biennium			\$804,204		\$2,902,074	
			Increase		\$2,097,870	

If these services are to be supplied, it will require approximately the amounts proposed. If the Legislature wishes these new services, then the money should be provided. Most of the items have had some sort of a Legislative "go ahead" sign or an expressed approval. This, of course, does not bind the present Legislature.

One item not at all decided is the first one for adjustment of all academic salaries in the sum of \$600,000 per year or \$1,200,000 out of \$2,902,074. This is clearly a salary increase and a matter of policy. This \$1,200,000 not only includes increases for the present faculty but includes enough money for like salaries for the increased faculty to be added for the expanded program both in research and in teaching due to contemplated added enrollment based on the University's estimates.

The University has made a salary study. This study shows that academic salaries paid by the University of California are in general lower than salaries for similar positions in those institutions considered by the University as comparable. These salaries are not lower, however, than for many other universities and colleges which in this study are not considered comparable.

We have not reviewed the proposed distribution of these funds if the amount requested for increasing salaries should be approved and we are not in a position to judge the proposed results. This is the kind of information we believe the University should present with such a request.

We wish to call the attention of the Budget Committee and the Legislature to the fact that the new services listed above are generally just being started and that they will make much larger demand in the next biennium and that practically all of them will continue to increase for several bienniums in succeeding Budgets. Some of them will require a very large expenditure in capital outlay before they can be fully made effective. This is particularly true of the new College of Engineering at Los Angeles established in response to the terms of the Kellems Bill of the 1943 Session. This is only the first request for funds and on a minimum basis. These requests will grow and grow as the services are developed. The terms of the Kellems Bill, Chapter 1021, Statutes of 1943, might well be considered to determine an idea of the ultimate outlay that will be necessary.

The new item of Santa Barbara for the University of California budget results from a transfer from the Department of Education. The amount of this item is not actually an increase in total appropriation by the State but a bookkeeping matter showing an increase in the amount for the University of California and a decrease for State Colleges. The amount of the increase required for this institution is not large.

These new items make up \$2,097,870 of the increase of \$5,282,097 in State appropriations. The remainder of the increase is distributed throughout the Budget in increased positions and operation costs to take care of additional research and anticipated increase in student enrollment as estimated and determined by the University.

The increase in positions is shown in the following table as is the enrollment and the per student costs.

**POSITIONS FOR REGULAR CONTINUING ACTIVITIES
OFFICERS AND EMPLOYEES, ENROLLMENT, STUDENT COSTS**

	Fiscal years				Increase biennially
	1943-44	1944-45	1945-46	1946-47	1945-47 over 1943-45
Full time -----	3,654	3,727	3,894	3,913	814
Part time -----	3,645	3,683	3,964	4,135	771
Enrollment -----	18,724	21,500	24,000	28,000	
Per Student Cost --	\$647.85	\$607.73	\$606.99	\$534.46	

The University has at no time stated how much of the added cost results from increased enrollment. The above table, however, shows that the enrollment for 1943-44 was 18,724 and the University estimated that this will increase to 28,000 for 1946-47. It is presumed that some part of the increased cost of \$5,282,097 from State funds alone is due to increased enrollment. If the enrollment is not secured in approximately the numbers estimated and should it fall materially below the estimates, certainly comparable savings should result of that part of the increase that is attributed to be due to increased enrollment. To meet this unknown situation and to secure savings under such circumstances, and to treat the University in budgeting as are other departments of the State, we believe that such savings should accrue to the General Fund.

In this connection, it should be noted that the Department of Finance, which exercises budgetary control in general over State agencies and audits expenditures to determine if the money has been spent as budgeted exercises no budgetary control over appropriations made to the University of California, nor has it at any time audited the expenditures of the University. Under the Constitution and the statutes as presently interpreted, when an appropriation is made to the University the only limitations on the expenditure of this money are those limitations that are placed in the appropriation bill itself. Budgetary control can not be exercised so as to make savings if it is subsequently discovered that original estimates upon which the Budget was based turn out to be in error. In other State departments these savings can be made and controlled through functioning budgetary control by the Department of Finance.

It has been suggested in other sections of this report for other agencies that budgetary control be exercised for the several departments for the reason that this being a transition budget from war to peace, the needs of the several institutions cannot be accurately estimated due to changing conditions which will result from the ending of the war or from other economic changes over which the State has no control.

In other places in the Budget we have suggested specific reductions where it was clearly demonstrated by material in the Budget in the several sections referred to that appropriations were out of line with previous experience. The detail presented in this Budget, in the six pages therein given, is not sufficient to make such specific recommendations for the University. We have requested the University to provide us with information showing that part of their increased Budget which they attribute to increased enrollment and what amounts they can save in personnel and operating expense if they do not have approximately the

enrollments estimated. We believe this material should be before the Legislature for consideration. It is not available at this time.

Hastings College of Law

Item 104 Budget Bill, pages 283 to 285, inclusive, of the Budget. Appropriates \$69,403 from the General Fund an increase of \$4,331 over actual and estimated expenditures but only about \$1,000 over the prior appropriation. The increase is to take care of an estimated increase of 50 students in enrollment for the second year of 1946-47 to 125 students.

The increase is modest and per student costs show a corresponding decrease. Other State agencies might well follow this example.

We recommend approval of this appropriation.

Department of Employment

Analysis of the Proposed Expenditures for the 1945-47 Biennium

Item 105 of the Budget Bill, pages 286 and 287 of the Budget; appropriation from the General Fund of \$312,380. This is a new item which does not appear in the 1943-45 Budget. The appropriation item states this is to match contributions to the State of California from the Federal Government, under the provisions of the Wagner-Peyser Act.

This item is included in the Budget solely to cover the contingency that the employment service, now operated by the Federal Government, will be returned to the status of an agency of the State. This is entirely problematical, and in our opinion it is doubtful if this will be done during the 1945-47 Biennium. It certainly will not be accomplished if the war continues.

To cover the contingency sufficient money should be available in the estimated sum of \$312,380. Since the Budget was prepared and the appropriation bill introduced, the financial status of the Department of Employment has been somewhat modified by the passage and the approval of Senate Bill 286. This is now the law on this matter since it carries an urgency clause.

This bill went through the Legislature without having been referred to the respective committees supposed to consider appropriations, and has the further defect of not having a letter from the Governor, a violation of constitutional requirements. We doubt the validity of the bill. We furthermore believe that a bill of this nature involving the appropriation of approximately \$1,000,000 should be given full consideration by the respective committees in the two houses considering appropriations.

Senate Bill 286 amends the Unemployment Insurance Act and sets up a special fund known as the Unemployment Fund. This fund shall consist of: (1) All contributions collected under this act; (2) Interest earned upon any moneys in the fund; (3) Any property or securities acquired through the use of moneys belonging to the fund; and (4) All earnings of such property or securities.

The act was amended to provide that there shall be maintained within the fund the three following accounts:

- (1) A clearing account
- (2) An Unemployment Trust Fund account
- (3) A benefit account

Refunds or judgments are to be paid by the Controller on the direction of the commission. *The money is continuously appropriated for this without regard to fiscal years.* In other words, this is a continuous appropriation.

There is also created a Department of Employment Contingent Fund into which shall be deposited or transferred all interest on contributions, penalties, and fines collected under this act. *All amounts in this fund are also continually appropriated and can be expended by the Commission under authorization of the Director of Finance, under provision of Section 661 of the Political Code, which is the section providing for the allowing of deficiencies.* In other words, the Legislature has given up control over the future budgeting of this fund. We believe this is bad financial policy.

It is proper to provide for the making of refunds but in this instance the refunds may not amount to more than \$30,000 or \$40,000 a biennium. We estimate, however, that at least \$40,000 a month will go into this Contingent Fund and it will reach from \$960,000 to \$1,000,000 a biennium. In the last couple of days in January, since the act has been in effect, collections have amounted to \$2,411.64.

We suggest that this money should be subject to budgetary control and expenditure thereof provided by the Legislature and budgeted as for other departments of the State.

We furthermore suggest that Item 105 of the Budget Bill be amended so that this appropriation be made out of the Department of Employment Contingent Fund rather than out of the General Fund, and reduce the appropriation from the General Fund by \$312,380.

The rest of the Budget for the operations of the Department of Employment is found on pages 286 to 297 inclusive. It calls for an expenditure of \$8,361,645 for 1945-47 or an increase of \$3,636,909 over 1943-45. This is for the reason that considerable unemployment is anticipated and the increase is to handle claim payments.

The funds come from the Federal Government for the Unemployment Administration Fund on the basis of a Budget approved by the Federal agency, and they are controlled by this agency so no attempt has been made to analyze this Budget or make recommendation for it.

Fiscal Affairs

Item 106 of the Budget Bill, page 298 of the Budget, appropriates \$31,760 from the General Fund for the support of the State Board of Control.

This is an entirely new item in the Budget, never having before appeared as a separate item. Previously, expenditures for the Board of Control have been included in the support item for the Department of Finance. This is shown on page 260 of the Budget for 1943-45 and it is also shown on page 336 of the Budget for 1945-47, indicating the positions that are eliminated in the Department of Finance Budget and included in this item. The corresponding operations expense is likewise eliminated from the Department of Finance Budget, setting this up as a separate item—therefore this is equivalent to reducing necessary expenditure of the Department of Finance by this sum or \$31,760.

The Budget provides for the per diem payment of the members of the board and for the salaries of a secretary and a senior stenographer, and

for the necessary operating expense. There are also two special items— one, the service of accountants supplied by the Division of Budgets and Accounts of the Department of Finance in the sum of \$9,280. This should be noted in making an adjustment of the Department of Finance budget. The second special item is \$1,000 to pay for the services of a referee.

The only item that appears out of line is \$2,000 for postage for the Biennium. This appears to be excessive and we suggest should be reduced by \$1,000 leaving Item 106 in the sum of \$30,760.

For Support of State Controller

Item 107 of the Budget Bill, pages 299-305 inclusive of the Budget; appropriation \$1,195,376; increase of \$241,053 or 25.2 per cent over the estimated expenditure of \$954,323 for the 1943-1945 Biennium; and of \$222,648 or 22.8 per cent over the \$972,728 for the 1943-1945 Biennium appropriated by Item 26 of Assembly Bill No. 1600 of the last regular session.

Recommendation: Reduce Item 107 by \$152,765 or 13 per cent to \$1,042,611.

Part I. Statistical Summary

This appropriation item covers the general activities of the Controller's Office which includes administration and the divisions of county budgets and reports, accounting, inheritance and gift tax, claims auditing and disbursing, and tax collection.

The proposed increase of \$241,053 or 25.2 per cent is distributed as follows among these six sectors of General Activities of the State Controller's Office:

Expenditures—support	Estimated 1943-45	Proposed 1945-47	Change		Per cent of total increase
			Amount	Per cent	
Administration	\$80,361	\$86,050	\$5,689	7.1	2.4
County Budget and Report Division...	24,752	37,790	13,037	52.6	5.4
Accounting Division	162,026	203,896	41,870	25.8	17.4
Inheritance and Gift Tax Division...	315,874	426,575	110,701	35.0	45.9
Claims Auditing and Disbursing Division	259,865	313,960	54,095	20.8	22.4
Tax Collecting Division.....	111,444	127,105	15,661	14.0	6.4
Totals, general activities.....	\$954,323	\$1,195,376	\$241,053	25.2	100.0

Significant facts revealed by the foregoing table include the following:

1. Almost half of the approximately \$241,000 proposed increase is for Inheritance and Gift Tax Division.
2. Almost an additional quarter, or \$54,000 of the total increase is for the Claims Auditing and Disbursing Division.
3. The largest percentage increase among the divisions is for the County Budgets and Report Division, which is slated to increase expenditures by some \$13,000 or 52.6 per cent.

The following table summarizes the proposed increase of \$241,053 for the 1945-1947 Biennium, by object of expenditure:

43-44	Number of Positions, Fiscal Years				Estimated 1943-45	Proposed 1945-47	Change		Per cent of total change
	44-45	45-46	46-47				Amount	Per cent	
171	173	170	170	<i>Salaries and wages:</i>					
				Positions now authorized.....	\$805,381	\$885,240	\$79,859	9.9	33.1
				Estimated salary savings.....	—8,500	—11,250	—2,750	32.3	-----
				1945-47 normal salary adjust- ments.....		25,145	25,145	-----	10.4
		12	14	Proposed new positions.....		61,840	61,840	-----	25.6
<hr/>									
171	173	182	184	Totals, salaries and wages	\$796,881	\$960,975	\$164,094	20.6	68.0
				Operating expenses.....	151,654	198,631	46,977	31.0	19.5
				Equipment.....	5,786	35,770	29,984	518.2	12.5
<hr/>									
				Totals.....	\$954,322	\$1,195,376	\$241,053	25.2	100.0

Significant facts indicated by the foregoing analysis of the proposed increased expenditures, by object of expenditure, include the following.

1. Salaries and wages account for almost \$165,000 of 68 per cent of the total proposed increase of some \$241,000.
2. The budgeted salaries for the proposed new positions (12 for the first year and a cumulative total of 14 for the second) represent over one-quarter of the proposed total increase.
3. Increased proposed operating expenditures account for almost 20 per cent of the total increase.

Part II. Findings and Recommendations

1. *Summary of Recommended Reductions in Appropriation Item 107*

We recommend that Appropriation Item 107 be reduced by \$21,660 or 2 per cent to \$1,173,716. The recommended reduction of \$21,660 would be divided up among the divisions of the general activities sector of the Controller's office as follows:

(a) Administration	\$1,000
(b) County Budgets and Reports Division	300
(c) Accounting Division	4,360
(d) Inheritance and Gift Tax Division	12,800
(e) Claims Auditing and Disbursing Division	7,200
(f) Reduction from Item 107 of the Appropriation Bill in the sum of \$127,105 as shown on page 305 of the Budget resulting from recommended transfer of the Tax Collection Division of the Controller's office to the jurisdiction of the Board of Equalization. (It is anticipated that the Board of Equalization will be able to coordinate this activity with their current tax collection activities at a saving approaching 50 per cent of the amount currently budgeted for this division	\$127,105
Total reduction recommended for Item 107	\$152,765

The foregoing individual recommended reductions are discussed in greater detail in recommendations 2 to 7 below:

2. *Administration*

Expenditures proposed for 1945-47 are up by \$5,689 or 7.1 per cent. There are 11 positions under this Division of Administration. There is one vacancy. No additional positions are requested.

Much of the total increase is due to normal salary increases. Individual budgeted expenditure items are in line except traveling expense which is up to \$6,000 for the Biennium as compared with approximately \$4,300 for the current period. We recommend a reduction of \$1,000 in traveling expense for administration.

3. *County Budgets and Reports Division*

This division was created in October 1943 by transfer from the Department of Finance to administer the County Budget Act, Section 3714 of the Political Code, including the gathering and publishing of local government fiscal data. It is instituting uniform Budget procedure and uniform reporting by all counties.

Expenditures proposed for 1945-47 are up by \$13,037 or 52.6 per cent. Much of this expansion results from the fact that this activity in the Controller's office began well toward the middle of the current Biennium and is now approaching its peak period of operations.

An additional employee, a Senior Account Clerk, is requested which would bring the number of authorized positions up to three. This request is reasonable in view of the objectives and the predicted work load of this activity. Other items of the Budget also are in line, with the exception of a provision of \$1,300 for purchase of an automobile. We believe that \$1,000 will suffice for this purpose. Recommended saving: \$300.

4. Accounting Division

Expenditures proposed for 1945-47 are up by \$41,870 or 25.8 per cent. There are 30 authorized positions of which two are currently vacant. Two additional positions are proposed.

We recommend that one of two proposed positions not be granted. This would be the position of Intermediate Account Clerk. We believe that with the return of personnel on military leave that a rearrangement and division of work among personnel would obviate the need for this particular position of Intermediate Account Clerk. The saving this would realize would be \$3,360 in salary expense itemized by the Budget.

Printing costs budgeted for this Accounting Division are up by approximately \$2,000. The Controller's Office reports that most of this increase results from the anticipated increase in the cost of printing the Controller's Biennial Report caused by plans to enlarge this biennial report, which in turn is reported as necessary because of the increased complexity and volume of financial transactions recorded on the State control records. We believe that careful planning of this report will keep it down to its present size and that a reduction of \$1,000 is possible and desirable here. Recommended saving: \$1,000.

5. Inheritance and Gift Tax Division

Expenditure proposed for 1945-47 is up by \$110,703 or 35 per cent and represents almost half of the total increase involved in Appropriation Item 107. This proposed increase is distributed as follows, by object of expenditure:

	Estimated 1943-45	Proposed 1945-47	Increase	
			Amount	Per cent
Positions now authorized.....	\$256,963	\$295,040	\$38,077	14.8
Proposed new positions.....	-----	36,505	36,505	
Operating expenses	56,710	81,700	24,990	44.9
Property and equipment.....	2,199	13,330	11,131	506.1
Totals	\$315,872	\$426,575	\$110,703	35.0

We recommend that the proposed increase in salary expense for currently authorized and for proposed new positions (of which there are six for the first year and a cumulative total of seven for the second year) be cut by \$6,000. The increased positions, however, will be subject to the general salary saving provision mentioned above in our report under which the Department of Finance would pass on the wisdom and need for specific positions. The Inheritance and Gift Tax Division needs some additional personnel in view of: (1) Recent losses to the military, (2) a serious backlog of work; and (3) An expanding work load resulting from several factors, including population growth, war time expansion in the value of estates, and some changes in inheritance tax law within recent years.

We recommend that budgeted operating expenses be reduced by \$6,800 with this proposed reduction being divided up among different operating expense items as follows :

Items	Estimated 1943-45	Proposed by Budget 1945-47	Recommended reduction
Printing -----	\$6,169	\$9,800	\$2,800
Telegraph and telephone-----	6,891	8,200	1,000
Conference -----	3,000	6,000	3,000
			<u>\$6,800</u>

The budgeted printing item given above includes an allowance for the printing and proposed free distribution to attorneys and others of two pamphlets on inheritance and gift tax laws. These publications should continue to be distributed through the State Superintendent of Documents on a definite self supporting basis. There is no reason for this service being rendered free of charge, particularly since gift and inheritance tax laws can be secured from a number of legal sources, especially public law libraries. We recommend a saving of \$1,800 in printing. As indicated by the table above, we believe that a saving of \$1,000 from the amount budgeted can be effected in telephone and telegraph expense.

The budgeted item of \$6,000 for Conference is designed to cover the expenses of inheritance tax appraisers to an annual two day conference. We are convinced that the results achieved from such conferences are not commensurate with their cost and recommend that the deletion of \$3,000 of this budgeted item be made which would result in a saving of \$3,000 and allow for only one conference during the second year of the biennium. Such conventions should not be held during the war.

We recommend that appropriate steps be taken to place inheritance tax appraisers under civil service. We are convinced that such action will reduce the possibility of political favoritism in appointment, together with such other consequences of such a practice as poor supervision, low morale, inequitable distribution of work loads, and inequality of compensation.

We further recommend that the administration of the inheritance and gift taxes be made a responsibility of a proposed Central Department of Revenue Collection which would collect practically all of the State's taxes. We also recommend that the staff of the Inheritance and Gift Tax Division be transferred to this proposed Department of Revenue when and if it is established. Under such a centralized and coordinated tax collection department, the administration of the inheritance and gift taxes, as well as of the other taxes, could be accomplished with greater effectiveness and at much less expense through the use of such central staff services as legal services, auditing and research serving all sectors of the department, through better coordination of travel that is possible with central planning and control, and the shifting of staffs to meet reasonable work demands of different taxes.

Pending the establishment of a Revenue Department, we recommend a complete overhauling of this division.

6. *Claims Auditing and Disbursing Division*

Expenditures proposed for 1945-47 are up by almost \$55,000 or 20.8 per cent.

The budgeted items for this division appear to be in line in view of the gradually increasing load of State business, with the exception of

one of the two proposed new positions for Supervising Claim Auditor. We recommend that this proposed position not be granted on the grounds that reallocation of work among the staff of the Controller's Office and the return of personnel on military leave will make it unnecessary. This recommendation would effect a saving in budgeted salary expense of \$7,200.

7. Tax Collection Division, pages 304-5 of Budget

The Controller collects the Motor Vehicle Fuel Tax (Gas Tax), the Motor Transportation Tax, and the Insurance Premium Tax. These are all assessed by the Board of Equalization and payments are sent in as a result.

In the case of the Insurance Tax, most of the payments are made on assessment and billing is not required. Records must be kept by both agencies and certain notices sent to the taxpayers by both. Both agencies do some auditing in respect to these taxes. Some confusion of the taxpayers results.

The Board of Equalization have a large corps of auditors and investigators covering many other taxes paid by the same taxpayers as pay the above taxes.

For these reasons it is believed that the Board of Equalization can collect these taxes with very small additions to their present staff.

The staff of the Controller for the Tax Collecting Division consists of 19 and the biennial appropriation for 1945-47 requested is \$127,105 or an increase as shown on the previous table of 14 per cent. It is felt the Board of Equalization can perform this service at at least a 50 per cent saving. The Interim Senate Committee on the State Board of Equalization concluded that such a move would produce economy and lessen the taxpayers confusion.

It is, therefore, recommended that such transfer be made effective as soon as possible and funds and personnel be transferred.

Audit of Expenditures for Local Post War Public Works Plans and Sites

Budgeted expenditure of \$50,000, pages 299 and 306 of the Budget.

The Appropriation Bill does not make provision for this expenditure item as it will be cared for from an appropriation made by Chapter 47, Statutes of 1944 (Fourth Extraordinary Session). The Budget (page 306) makes provision for expenditures of \$50,000, including a staff of seven, and operating expenses of \$13,540.

It probably will require more funds rather than less to do this work properly.

State Controller

For Support of Motor Vehicle Fuel Tax Refund Division

Item 108 Budget Bill, page 307 of the Budget; appropriation from the General Fund, \$182,863; increase of \$30,478 or 20.0 per cent over the estimated expenditure of \$152,385 for the 1943-1945 Biennium; and of \$20,357 or 12.5 per cent over the \$162,506 for the 1943-1945 Biennium appropriated by Item 27 of Assembly Bill No. 1600 of the last regular session.

This proposed expenditure of \$182,863 is to cover the expenses involved in connection with refunding motor vehicle fuel taxes where fuel is used for purposes other than for highway use. This is a special

fund activity. Recommendation: Reduce Item 108 of Budget Bill by \$3,800 or 2.1 per cent to \$179,063.

The proposed increase results from increased equipment expenditures, some upward trend in operating expenses, and increased allowance for salary expense through anticipated better success in filling existing positions. No new positions are proposed.

The budgeted items appear to be generally in line, with minor exceptions. The traveling expense item is up by approximately \$2,000, and budgeted automobile operating expense is up by approximately \$1,000.

We recommend a total reduction of \$2,000 for these two items. Budgeted equipment expense includes \$1,800 per year for expenditure for automobiles. We recommend that no expenditure for automobiles be made. The total savings resulting from acceptance of these recommendations would be \$3,800, which would reduce appropriation item 108 by 2.1 per cent to \$179,063.

We further recommend that when and if a centralized department of revenue is created for the State, that this Motor Vehicle Fuel Tax Refund Division be transferred to such a department. Pending creation of such an agency, we recommend that this Motor Vehicle Fuel Tax Refund Division be transferred to the Board of Equalization which can administer the motor vehicle fuel tax refund work in connection with its administration of other tax work, particularly the Motor Vehicle Transportation License Tax.

If either of these recommendations is accepted and applied, a very substantial saving can be realized, during this Biennium, and in succeeding biennial periods, through the elimination of duplicate investigations and record keeping by two agencies, and the institution of other short cuts that are possible with the amalgamation of these tax administering responsibilities in one agency.

We also recommend a more stringent investigation of claims for refunds as there is opportunity for great abuse.

For Support of State Controller: Redemption Tax Division

Item 109 Budget Bill, pages 308-309 of the Budget; Appropriation from the Redemption Tax Fund, \$351,473, increase of \$37,390 or 11.9 per cent over the estimated expenditure of \$314,083 for 1943-45; and of \$81,128 or 30.0 per cent over the \$270,345 for the 1943-1945 Biennium appropriated by Item 28 of Assembly Bill No. 1600 of the last regular session.

This division sells and leases lands deeded to the State for nonpayment of taxes. It has 56 personnel positions and two more positions (map delineators) are proposed for the coming Biennium.

We recommend Legislative study of this division and its work of selling and leasing lands deeded to the State to determine the answers to the following questions:

1. Should the functions of the State Redemption Tax Division continue to be performed at the State level or should they be performed by the several counties which may be found to have certain natural administrative advantages by virtue of being nearer the lands being sold and leased.
2. In the event that it is determined that the work of the State Division of Tax Redemption should remain in the hands of the

State Government, should this remain within the jurisdiction of the State Controller, or should it be transferred to the State Division of Lands within the Department of Finance which administers, sells, and leases other State lands and may, upon study, be found in a superior position to assume responsibility for tax-deeded lands as well.

Pending action on such a study, we specifically recommend that:

The appropriate laws should be changed to increase revenues from this tax redemption work so that revenues therefrom at least match expenditures—something that will not be achieved by the State during the current Biennium for which estimated expenses of the State Redemption Tax Division are estimated at \$314,083 which is \$21,246 in excess of estimated revenues of \$292,837.

Charges of overhead should also be made to cover these costs as well as direct costs.

It is also recommended that appropriation Item 109 be reduced by \$4,800 to \$346,673; which reduction represents the salary expense for one of the two positions of mapping delineator proposed by the Budget. We are convinced that the resulting one delineator, with the aid of existing secretarial and clerical personnel, can carry on the work of keeping maps of State-owned lands in this division up to date. The other budgeted subitems for the Redemption Tax Division appear to be in line.

For Support of State Controller: SRA Restitutions Division

Item 110 Budget Bill, pages 310-311 of the Budget; appropriation from the State Controller's SRA Restitution Fund. This is a special fund operation. It is to be used for the auditing and collection of refunds under, and administrative expenses in connection with the "California Unemployment Relief Act of 1935," \$120,840; increase of \$11,204 or 10.2 per cent over the estimated expenditure of \$109,636 for 1943-45.

We recommend a 50 per cent reduction in this appropriation to \$60,420 which is the sum budgeted for this activity for the first year of the Biennium. We further recommend that this activity be discontinued as of the end of the 1945-1946 Fiscal Year unless collections are such at this time that it will justify support from the Emergency Fund.

We make this recommendation because the point of diminishing and economical returns in collections for money spent on administration probably will be reached by that time and the State will have more effective use of the money and the manpower involved. The staff should be reduced as effective work decrease. Estimated expenditures for this division for the 1943-45 Biennium are \$109,636 as compared with estimated collections of \$358,975. This gives a ratio of \$3.27 in collections for every dollar of expenditure on administration. It is reasonable to assume that as time passes and as more former relief recipients move around, and there are fewer accounts remaining to be collected, less rather than more money will be collected and the ratio of collections to administrative expense will be considerably less than the \$3.27 in collections to \$1 in administration expense that prevails during the 1943-1945 Biennium.

We also recommend that the unbudgeted surplus as of July 1, 1945, estimated at \$312,721, page 311 of the Budget, or whatever it is be transferred to the General Fund and this account be closed out. All appropriations to be made henceforth from the General Fund. This will eliminate one more fund and simplify funds and operations and accounting by this sum.

Board of Equalization

Analysis of Proposed Expenditures 1945-47

1. General Statement

Items 111-114, inclusive, of the Appropriation Bill, pages 312-333, inclusive, of the Budget. There are four appropriation items for the Board of Equalization as follows:

Item 111. Support of Board of Equalization-----	\$1,495,991
Item 112. Support of Retail Sales Tax Division, State Board of Equalization-----	6,626,112
Item 113. Support of Alcoholic Beverage Control Division of the State Board of Equal- ization -----	2,796,301
Item 114. Support of Motor Vehicle Fuel Tax Division, State Board of Equalization	396,330
Total -----	\$11,314,734

It is pertinent to call attention to the conclusions and recommendations respecting administrative organization of the Board of Equalization of the Senate Interim Committee on the State Board of Equalization appearing in the Senate Journal of January 26, 1945 as follows:

CONCLUSIONS

Your committee has reached the conclusion that the licensing and control of liquor and the various tax functions now vested in the State Board of Equalization should not both be vested in said board or in any other board or department of government. That the two functions should be in separate departments.

That the duties of the State Controller, as same relate to the Motor Vehicle Fuel Tax Division and the Transportation Tax Division, should be transferred to the State Board of Equalization.

RECOMMENDATIONS

For the purpose of divorcing the licensing and control of liquor from the tax functions now administered by the State Board of Equalization, your committee submits to the Legislature two proposals:

1. A constitutional amendment divorcing the licensing and control of liquor from the State Board of Equalization; and
2. A bill, or bills, creating a Department of Revenue to administer the tax functions of the State Board of Equalization, leaving the licensing and control of liquor with said board.

In the matter of the Motor Vehicle Fuel Tax Division and Transportation Tax Division, the functions of the State Controller should be transferred to the State Board of Equalization or to a Department of Revenue, if one be created by the Legislature.

Your committee is having prepared for consideration of the Legislature a constitutional amendment and the necessary bills to accomplish the objectives herein outlined.

Respectfully submitted.

CLARENCE C. WARD
W. P. RICH
FRANK W. MIXTER
HAROLD J. POWERS
OLIVER J. CARTER

We commented as follows in our Budget report to the last regular session (1943) concerning the proposal for a central revenue collecting agency:

In order to produce the most effective administration of the functions of the Board of Equalization for the best interests of the people of the State and in the most economical and efficient manner, it appears that in connection with the entire problem of tax administration it would be well, as has been mentioned before, in connection with the State Controller, to set up a department of taxation and revenue and concentrate therein the administration of all taxes of the State. These then could be coordinated both in their administration and in their application so as to reduce the costs to the minimum and at the same time produce a more coordinated scheme of taxation.

Whether or not the Board of Equalization shall constitute this department is not now so important as the establishment of such a department. It is important, however, that somebody with the constitutional authority which is possessed by the Board of Equalization of administering and equalizing taxes, as well as acting as a Board of Tax Appeals, should be established independent of the tax department. The decisions of this body should be the reflection of the entire body and in no instance should it allow the individual view of one of the members to prevail in the particular district from which he is elected, for unless this is done, uniformity of tax system throughout the State, on a general basis, will not be accomplished and particular influences will be brought to bear.

We also repeat our recommendation of the prior report that the Board of Equalization should make the maximum desirable use of the practice of transferring employees during the course of a year from activities having slack periods to other activities having peak periods.

For Support of State Board of Equalization

Item 111 Budget Bill, pages 314-319 inclusive of the Budget, appropriation from the General Fund, \$1,495,991; increase of \$200,247 or 15.4 per cent over the estimated expenditure of \$1,295,743 for the 1943-45 Biennium.

Our recommendation: Reduce Item 111 by \$54,800 or 3.7 per cent to \$1,441,191. The other general reductions of overall salary, automobile, and printing savings would also apply.

I. Statistical Summary

The expenditure of \$1,495,991 proposed by Item 111 of the Budget from the General Fund is for support of general activities of the Board

of Equalization, and for certain pro rata charges against the General Fund. General activities of the Board of Equalization include the following:

- General Administration
- Division of Research and Statistics
- Division of Assessment Standards
- Valuation Division
- Motor Transportation License Tax Division

The \$200,247 or 15.4 per cent proposed increase for the 1945-47 Biennium over the 1943-45 period is divided up as follows among the different sectors of the general activities of the Board of Equalization:

Expenditures General Fund	Actual and estimated 1943-45	Estimated and proposed 1945-47	Increase or decrease 1945-47 over 1943-45		Per cent of total increase
			Amount	Per cent	
Support, General Activities:					
General Administration-----	\$274,920	\$312,525	+ \$37,604	13.7	18.7
Division of Research and Statistics-----	34,196	45,340	+ 11,143	32.5	5.5
Division of Assessment Standards-----	140,400	169,107	+ 28,706	20.5	14.3
Valuation Division-----	255,046	302,569	+ 47,522	18.6	23.7
Motor Transportation Li- cense Tax Division:					
Headquarters-----	151,843	163,412	+ 11,568	7.6	5.8
District Offices-----	313,569	373,861	+ 60,291	19.2	30.1
Totals, Motor Trans- portation License Tax Division-----	\$465,413	\$537,273	+ \$71,859	15.3	35.8
Pro rata charges for services rendered by Sales Tax Divi- sion-----	136,069	139,857	+ 3,787	2.7	1.9
Totals, General Activities	\$1,306,047	\$1,506,671	+\$200,623	15.7	
Less credits for prorata of gen- eral administration and re- search and statistics charge- able to Motor Fuel Tax Divi- sion-----	10,304	10,680	+ 376		
Net Totals, General Activities-----	\$1,295,743	\$1,495,991	+\$200,247	15.4	100.0

Significant facts revealed by the foregoing table include the following:

1. The total proposed increase is up by 15.4 per cent—slightly less than the average increase for the entire Budget of 16.4 per cent.
2. The Motor Transportation License Tax Division accounts for some \$71,000 or almost one-third of the total proposed increase.

The same \$200,000 or 15.4 per cent proposed increase, by object of expenditure, is as follows:

	Estimated 1943-45	Proposed 1945-47	Change		Per cent total increase
			Amount	Per cent	
Salaries and wages:					
Positions now authorized-----	\$1,003,030	\$1,146,600	\$143,570	---	71.5
Estimated salary savings-----	46,324	32,245	35,921	---	---
1945-47 normal salary adjustment	---	21,915	21,915	---	10.9
Proposed new positions-----	---	29,120	29,120	---	14.5
Totals, salaries and wages----	\$956,706	\$1,115,390	\$158,684	16.6	79.1
Operating expenses-----	344,373	373,753	29,381	8.5	14.6
Equipment-----	4,968	17,528	12,561	252.8	6.3
Totals-----	\$1,306,047	\$1,506,671	\$200,624	15.4	100.0

The foregoing table shows that operating expenses are up by some \$29,000 or 8 per cent while equipment expenditures are scheduled to expand by some \$12,500, and salaries and wages are budgeted to increase by about \$158,000 or 16.6 per cent.

Of the total increase of approximately \$200,000, salaries and wages are responsible for \$158,000 or 79.2 per cent. Most of this increase for salaries or \$143,570, or 71.5 per cent of the total increase, is for presently authorized positions that are vacant or have been vacant.

II. Findings and Recommendations

1. Summary of Recommendations

We recommend that appropriation Item 111 be reduced by \$54,800 or 3.7 per cent to \$1,441,191; with the recommended reduction of \$54,800 being divided as follows:

General Administration	\$44,500
Division of Assessment Standards.....	5,800
Valuation Division	4,500
Total of Recommended Reductions.....	\$54,800

These recommended reductions are discussed further below:

2. General Administration

Proposed expenditure for general administration are \$312,525 and are up by \$37,604 or 13.7 per cent, and this increase represents 18.7 per cent of the total increase for general activities.

We recommend a reduction of \$44,500 for general administration to be applied as follows:

- (a) Elimination of the three established positions of public relations officers for the biennium..... \$22,080
- (b) Elimination of the position of assistant tax counsel..... 7,200
- (c) Elimination of the position of associate tax counsel..... 8,640
- (d) Denial of request for new position of junior typist clerk..... 2,680
- (e) Reduction of the three succeeding operating expense items, as indicated, by..... 4,000

Item	Estimated 1943-45	Budget 1945-47	Reduction in Budget recommended
Traveling	\$15,987	\$18,000	\$1,000
Printing	3,819	7,900	2,000
Automobiles	5,735	7,250	1,000
Total reduction..	xx	xx	\$4,000

- (f) Total reduction recommended

The records show that there were 34 positions for administration in 1943-44 and that a net increase of five, including the above positions of tax counsel established in 1944-45, make a net of 39. There were 39 positions allowed in 1941-42 and 40 budgeted for 1942-43 and 1943-45.

As indicated above, we recommend abolition of the three positions of public relations officer as this type of position is not needed for public business in a State tax collecting agency.

The above positions of tax attorney are now vacant and the elimination of two of them will still leave a consulting tax counsel and a junior assistant counsel, which we believe are sufficient in general administration to advise the board, when we consider that the executive secretary is an attorney and that the Retail Sales Tax Division has three positions of associate tax counsel, and the Alcoholic Beverage Control Division has two positions of associate tax counsel. Besides this, the Attorney Gen-

eral contracts to furnish legal service to the Motor Vehicle Fuel Tax Division and his office is available to the entire department.

We recommend that the new position of junior typist clerk indicated not be established for the reason that with greater transfer of workers within this agency it would not be needed.

We recommend the reductions in the operating expense items given above as they are substantially out of line with those for the previous biennium.

3. *Division of Assessment Standards*

This division was established to assist in the development of uniformity in assessment practices throughout the State. The board reports that the activities and work of the Division of Assessment Standards assist in equalizing assessment values within and among counties as a result of close cooperation with county assessors.

The proposed expenditure for the Division of Assessment Standards for 1945-47 is \$169,107, which represents an increase of \$28,706 or 20.5 per cent. We recommend a reduction of \$5,800 for the Division of Assessment Standards which represents the salary of a proposed new position of junior real property appraiser and a cut of \$1,000 for traveling expense. The division can operate effectively with its current staff of three land appraisers, and two assistant real estate appraisers, and one property inspector and appraiser. The recommended cut of \$1,000 in traveling is needed as the Budget proposes an out-of-line increase from about \$16,400 for 1943-45 to \$19,600 for 1945-47. We further recommend that the proposed new position of junior petroleum valuation engineer be granted as it will permit necessary and desirable, better and more extensive service in this field of tax administration which is increasing in importance in the oil producing State of California.

4. *Valuation Division*

This division assesses for all tax purposes various types of public utility property and certain other holdings. It also administers the Private Car Tax Act of 1937, which imposes an ad valorem State tax on rolling stock operated over rail lines, but not owned by railroad companies.

Proposed expenditures for the Valuation Division for 1945-47 are \$302,569, an increase of \$47,522 or 18.6 per cent over the estimated expenditure for 1943-45. *We recommend a reduction of \$4,500 in the Budget for the Valuation Division with the cut being applied as follows:*

Elimination of proposed new position of Intermediate Stenographer- Clerk -----	\$3,540
Reduction of travel expense by -----	1,000
	<hr/>
	\$4,540

Through greater transfer of personnel among the different divisions, the proposed new position of intermediate stenographer-clerk can be safely denied. The budgeted amount of \$18,000 for travel, representing an increase of almost \$7,000 over expenditures for 1943-45, is excessive and warrants at least the cut of \$1,000 we recommend above.

5. *Motor Transportation Tax Division*

This division handles the administration of the gross receipts tax imposed upon motor vehicle carriers for hire.

Proposed expenditures for 1945-47 for this division are \$537,271, an increase of \$71,859 or 15.4 per cent. Practically all of this increase results from normal salary adjustments and anticipated filling of positions vacant during the current biennium. No additional job spots are requested. Budget subitems are in line and we recommend no change.

We have already recommended under the section dealing with the Controller that the tax collecting functions of the Controller be transferred to the Board of Equalization. We believe this can be absorbed with very little additional help or equipment, possibly none.

**For Support of Retail Sales Tax Division
State Board of Equalization**

Item 112 Budget Bill, pages 320-323, inclusive, of the Budget, appropriation from the General Fund \$6,626,112; increase of \$1,445,562 or 27.9 per cent over the estimated expenditure of \$5,180,549 for the 1943-45 Biennium.

Recommendation: Reduce Item 112 by \$347,450 or 5.2 per cent to \$6,278,662.

1. Statistical Summary

The proposed increase of \$1,445,562 or 27.9 per cent for 1945-47 over the estimated expenditure for 1943-45 is distributed, by object of expenditure, as follows:

	Estimated 1943-45	Budget 1945-47	Change 1945-47 over 1943-45		
			Amount	Per cent	Per cent of total increase
<i>Salaries and Wages</i>					
Positions now authorized	\$5,282,104	\$6,010,280	\$728,176	13.7	50.3
Estimated salary savings	—521,484	—522,462	—981	---	---
1945-47 normal salary adjustments	-----	155,391	155,391	---	10.7
Proposed new positions	-----	421,620	421,620	---	29.1
Totals, salaries and wages	\$4,760,620	\$6,064,829	\$1,304,209	27.4	90.2
Operating expenses	398,998	506,722	107,724	26.9	7.4
Equipment	20,930	54,561	33,631	160.6	2.3
Totals	\$5,180,549	\$6,626,112	\$1,445,563	27.9	99.9

Operating expenses, up about \$107,000 or 27 per cent, account for 7 per cent of the total increase of approximately \$1,445,000; while equipment expenditures account for slightly more than 2 per cent of the total increase. *Over 90 per cent or about \$1,300,000 of the total increase, is for salaries and wages.*

This scheduled expansion is particularly significant in view of the fact that revenue receipts are estimated to decline materially (13 per cent) for the biennium.

II. Findings and Recommendations

1. Summary of Recommendations

In addition to application of the previously mentioned general savings items of allowance for unfilled positions, and general reductions for printing, automobile, and travel expense, we recommend a specific reduction of \$347,450 or 5.2 per cent in Item 112 of the Appropriation Bill, which

will reduce this amount to \$6,278,662. The recommendations below give further information:

2. Salaries and Wages

The budgeted amount for salaries and wages for 1945-47 is up by \$1,304,209 or 27.4 per cent as follows:

	Increase amount
Positions now authorized.....	\$728,176
Estimated salary savings.....	—981
1945-47 normal salary adjustments.....	155,391
Proposed new positions.....	421,620
Total increase	\$1,304,209

The \$728,176 item above represents the estimated amount to be expended as a result of filling authorized positions that are, or have been, vacant.

The subitem of \$421,620 above for proposed new positions is divided up as follows:

	Amounts
60 new positions, first fiscal year.....	\$126,240
114 (cumulative total) new positions, second fiscal year.....	270,360
Subtotal new positions, excluding reclassifications.....	396,600
Reclassifications	25,020
Total increase.....	\$421,620

The proposed 114 additional positions would bring the total number of authorized personnel positions up to 1,274 as compared with 1,125 for the prewar Fiscal Year of 1937-1938. Of these 114, 74 are for the auditing department, of which 25 are for the first year and an additional 49 for the second year.

We recommend that a reduction of \$297,450 be made for salaries and wages, which represents three quarters of the amount budgeted for new positions (excluding reclassifications). This reduction would still permit an increase of \$1,006,759 or 21.1 per cent in the amount budgeted for salaries and wages for 1945-47 over the estimated expenditure for 1943-45. It would permit the full budgeted increases for positions currently approved, normal salary adjustments, and reclassifications, as well as one quarter of the salary expense of the proposed new positions (excluding reclassifications).

Under our recommendation, the Board of Equalization would decide which of the additional positions proposed by the Budget it would fill from the money available.

With a tightening up in administrative practices, the resulting increase for salaries and wages so permitted would be sufficient to care for the division's needs. One important element in such improved administrative practices would be to so organize the auditing work as to secure a properly regulated flow of audits for the particular types of businesses needing more careful audits and for close supervisory scrutiny of the time consumed by auditors in processing the audits assigned to them.

3. *Operating Expenses*

Budgeted operating expenses for 1943-47 aggregate \$506,722, which represents an increase of \$107,724 or 26.9 per cent over the estimated expenditure for 1943-1945.

Almost 80 per cent of this increase in operating expenses of over \$107,000 occurs in the four operating expense items of tabulating equipment rental, printing, traveling, and automobile expense as follows:

	Estimated 1943-45	Proposed 1945-47	Increase		Per cent of total increase for all items
			Amount	Per cent	
Tabulating equipment rental.....	\$16,875	\$27,662	\$10,737	63.6	10.0
Printing	53,695	63,095	9,400	17.5	8.7
Traveling	133,550	185,110	51,560	38.6	47.8
Automobile	55,040	63,314	8,274	15.0	7.7
Subtotal four above items....	\$259,160	\$339,181	\$79,971	30.8	74.2
Total, all operating expense items	\$398,998	\$506,722	\$107,724	26.9	100.0

The amount budgeted for operating expenses, \$506,722 is excessive with the increases for the four items of tabulating equipment rental, printing, traveling and automobile expense being particularly out of line.

We recommend a reduction of \$50,000, or approximately 10 per cent, in the total budgeted amount of \$506,722 for operating expenses, with the Board of Equalization being left free to apply this reduction among the different operating expense items. This reduction of \$50,000 would still allow an increase of \$57,724 or 14.4 per cent over the estimated expenditure for 1943-45 and will be sufficient for the board's needs.

4. *Equipment*

Proposed expenditure for equipment during the 1945-47 Biennium is \$54,561, an increase of \$33,631 or 160.7 per cent. While the increase is relatively large, we believe it justified due to the inability to replace old equipment and to purchase necessary new equipment within the past several years because of wartime conditions.

It is also recommended that the overall general savings be applied to this agency, and the recommended savings in printing and automobiles be secured. Also the salary savings plan should be followed to save from funds for salary and wages when not used. We feel sure that additional savings of large amounts will be saved through this process.

Alcoholic Beverage Control Division State Board of Equalization

Item 113 in Budget Bill, pages 324 to 327 of the Budget. Appropriation from General Fund \$2,796,301, an increase of \$314,535 or 12.6 per cent over the estimated expenditure of \$2,481,766 for the 1943-45 Biennium.

Our recommendation: Reduce Item 113 by \$265,000 or \$2,531,301.

1. Statistical Summary

The proposed increase of \$314,535 or 12.6 per cent for 1945-47 over the estimated expenditure for 1943-45 is as follows, by object of expenditure:

Object	ALCOHOLIC BEVERAGE CONTROL DIVISION EXPENDITURE FOR SUPPORT BY OBJECT		Increase	
	Estimated 1943-45 Biennium	Proposed 1945-47 Biennium	Amount	Per cent
Salaries and wages				
Positions now authorized-----	\$2,138,143	\$2,318,244	\$180,101	8.4
Estimated salary savings-----	-126,720	-135,349	-8,629	7.1
1945-47 normal salary adjustments-----		51,670	51,670	-----
Proposed new positions-----		22,895	22,895	-----
Totals, salaries and wages-----	\$2,011,423	\$2,257,460	\$246,037	12.2
Operating expense-----	464,475	499,957	35,482	7.6
Equipment-----	5,868	38,884	33,016	562.4
	\$2,481,766	\$2,796,301	\$314,535	12.6

Operating expenditures are up by \$35,482 or 7.6 per cent while equipment expenditures are expanding by \$33,016. Salaries and wages, up by \$246,037, or 12.2 per cent, account for over 78 per cent of the increase.

II. Findings and Recommendations

Summary of Recommendations: While we can report that there has been some improvement in the administration and operation of the Alcoholic Beverage Control Division since our report of two years ago to the Legislature, there still remains considerable ground for further improvement. We believe that very substantial gains in liquor control activities could be secured from divorcing the administration of the liquor control laws from tax administration work. We again call attention to the recommendation of the Senate Interim Committee on the Board of Equalization to the effect that the State Board of Equalization should *not* administer both liquor control laws and tax laws. One unfortunate effect of the present arrangement is to cause the members of the Board of Equalization to spend most of their time on liquor control matters at the expense of the tax matters for which the board was originally created. In fact, the situation now has reached the point where the liquor control tail of the Board of Equalization is wagging the tax dog.

In any event, whether or not the Alcoholic Tax Division remains with the Board of Equalization, its Budget warrants reduction. This Budget calls for an increase of \$314,535 or 12.6 per cent for the 1945-47 Biennium from the already inflated expenditure base of \$2,481,766.

In addition to the general overall reductions previously mentioned for salary savings through failure to fill positions and the general reductions for printing, automobiles and traveling expenses, we recommend a reduction for Item 113 of \$265,000 to \$2,531,301. This amount approximately represents the sum of the listed salary expense for the vacant positions (excluding those formerly occupied by persons on military leave) plus the budgeted salary expense for the six new positions proposed by the Budget. This reduction is very moderate and is both possible and highly desirable because of past over-budgeting of positions. This recommendation would still leave a margin of expansion to meet additional demands in the event they develop through the filling of the large number of

current vacancies on the staffs of the offices of the districts. In the interest of administrative flexibility, we further recommend that the Alcoholic Beverage Control Division be authorized to apply this reduction to whatever parts of its organization it deems most suitable.

**Motor Vehicle Fuel Tax Division
State Board of Equalization**

Item 114 of the Budget Bill, pages 330 to 333 of the Budget—a Special Fund Agency. Appropriation from Motor Vehicle Fuel Fund \$396,330, an increase of \$68,474 or 20.9 per cent over the estimated expenditures of \$327,856 for the 1943-45 Biennium.

The proposed increase of \$68,474 or 20.9 per cent for 1945-47, by object of expenditure, is as follows:

Object	Expenditures		Increase	
	Estimated 1943-45	Proposed 1945-47	Amount	Per cent
Salaries and wages				
Positions now authorized.....	\$248,926	\$273,880	\$24,954	10.0
Estimated salary savings.....	—3,000	—3,000	-----	----
1945-47 normal salary adjustments	-----	5,015	5,015	----
Proposed new positions.....	-----	26,400	26,400	----
Total, salaries and wages...	\$245,926	\$302,295	\$56,369	22.9
Operating expense	81,398	88,396	6,998	8.6
Equipment	532	5,639	5,107	960.0
Total	\$327,856	\$396,330	\$68,474	20.9

This increase is definitely out of line with prior budgets and the current and anticipated work load of this Motor Vehicle Fuel Tax Division. We believe that unless new and substantial duties are bestowed on this division, it can operate effectively without the six new positions proposed by the Budget. *Accordingly, we recommend a reduction of \$24,900, or to \$371,430, in Item 114 to cover the salaries of these positions.* This reduction can be achieved through greater use of the practice of transferring employees among divisions of the Board of Equalization.

If our previous recommendation, given in the section on the Controller's Office, to transfer the Motor Vehicle Fuel Tax Refund Division from the State Controller's Office to the Board of Equalization, is approved then Item 114 should be increased by \$84,800 to \$481,130, to finance the additional work involved. This increase of \$84,800 represents 60 per cent of the amount currently budgeted for the Motor Vehicle Fuel Tax Division of the Controller's Office less \$24,900 for the salaries of the six new positions for the Motor Vehicle Fuel Tax Division that can be dispensed with under the present form of administrative organization.

Fiscal Affairs—Department of Finance

Item 115, for support of Department of Finance, exclusive of Buildings and Grounds, pages 334-341, inclusive, of the Budget, appropriation from the General Fund, \$1,487,590; increase of \$309,120, or 26.23 per cent over estimated expenditure of \$1,178,470 for the 1943-1945 Biennium; and of \$302,847 or 25.56 per cent over the \$1,184,743 appropriated by Item 85 of Assembly Bill No. 1600 of the last regular session for the 1943-45 Biennium.

This Department of Finance is the financial management and control agency of the State and the most important arm of the Chief Executive in carrying into effect his fiscal policies. In this respect the proper and effective functioning of the department particularly in budgetary control, purchasing and auditing, is of primary importance to the economy of State Government.

Its functions should not be hampered but ineffective spending should be eliminated and more efficient action substituted.

We have already pointed out in several places of our report where better budgeting can be secured and better control methods devised. We present here the following overall recommendations to review desirable procedure in improving financial control.

1. The office of State General Auditor should be established independent of the Executive to make all post audits and the Department of Finance transfer this activity over to this officer, and there should be turned over to the Department of Finance the function of a full preaudit as an integral part of its responsibility for budgetary control. The preaudit work of the Controller to determine legality of expenditures should be maintained but should be coordinated with the preaudit work of the Department of Finance so as to reduce duplication to the minimum.

2. The responsibility for establishing and maintaining a uniform accounting system should be given to the Auditor General, but should be coordinated to the preaudit needs of the Department of Finance and the Controller so as to satisfy the three offices.

3. Purchasing procedure and control should be reviewed, modernized, and coordinated with the preaudit activity so that purchases mesh with equipment and supplies in hand, budgeted amounts for supplies and equipment, and actual needs for the period to be covered. Such purchasing procedure should take into account surpluses in other Departments of the State, including surpluses being liquidated, as well as the production facilities for State use of all State institutions and agencies. Preaudit on purchases should include a positive record of what was bought and what was delivered.

4. A full and effective property record and audit should be made and kept abreast of the State's property acquisition so as to tie together accounting for property held, property purchased, property consumed or disposed of, and property on hand as well as for use in connection with post audits.

Full accountability for all property should be established and maintained. This applies to both real and personal property and to every agency of the State, including the State Guard, and includes property on loan from the Federal Government and other agencies.

While there has been large improvement in the procedure of the department, better budgeting should be secured by:

- (a) Improving the Budget Document.
- (b) Developing unit costs for services and functions.
- (c) Determining actual need rather than primarily comparing with prior expenditures.
- (d) Giving full explanation to all items that appear out of line.

- (e) Tying appropriations to the Budget closer through the appropriation act.
- (f) Improve the Budget and control thereof for the Department of Public Works, The University of California, the Department of Natural Resources, particularly, Fish and Game, as well as numerous so-called self supporting agencies.
- (g) Better control of personnel and coordination of personnel records and procedure between the Department of Finance, Personnel Board, Controller and several departments concerned. The purpose of this would be to eliminate unnecessary records and red tape to make it easier to hire, discharge for cause, lay off, etc., and pay personnel. This requires a high degree of cooperation and leadership.
- (h) Coordinate property records with Budget procedures.

6. Extraneous activities should be reduced to the minimum with time and effort being concentrated on the vital work of the Department.

7. The Division of State Lands should be an integral part of the Department of Finance, and the State Lands Commission should be abolished as unnecessary and as an added expense and time consumer of the Director of Finance.

8. Management of the Napa State Farm should be transferred to some other agency, or the agricultural part sold, or the Department of Finance should have an agricultural production specialist to coordinate agricultural production at all State agencies and see that the Napa State Farm is operated in the general plan.

Many of these recommendations can be forwarded under the proposed Budget.

This Budget shows an increase of \$309,120 or 26.23 per cent, while the total Budget increase is 16.4 per cent. The increase is somewhat more than this for the costs of the Board of Control have been taken out of this Budget, but were in the current Budget.

A comparative analysis of expenditures for support by administrative activity is set forth in Table I following:

TABLE I
FISCAL AFFAIRS—DEPARTMENT OF FINANCE

Expenditures—General Fund	Actual and estimated, 1943-45	Estimated and proposed, 1945-47	Increase or decrease from, 1943-45	Per cent change 1945-47 over 1943-45
<i>Support, general activities:</i>				
Departmental administration.....	\$161,325 89	\$187,750 00	+ \$26,424 11	+ 16.37
Accounts and disbursements.....	90,984 93	107,620 00	+ 16,635 07	+ 18.28
Division of budgets and accounts.....	199,864 56	249,070 00	+ 49,205 44	+ 24.61
Division of audits.....	344,632 01	529,655 00	+ 185,022 99	+ 53.68
Division of State Planning.....	887 59	-----	-877 59	-----
Division of service and supply:				
Divisional administration.....	19,183 08	34,950 00	+ 15,766 92	+ 82.19
Bureau of purchases.....	314,399 84	368,835 00	+ 54,435 16	+ 17.33
Bureau of liquidation.....	62,192 31	59,660 00	- 2,532 31	- 4.07
<hr/>				
Totals, general activities.....	\$1,193,470 21	\$1,537,590 00	+\$344,119 79	+ 28.83
Less amounts appropriated from Fair and Exposition Fund.....	15,000 00	50,000 00	+ 35,000 00	+233.00
<hr/>				
Net totals, general activities.....	\$1,178,470 21	\$1,487,590 00	+\$309,119 79	+26.23

Principal Causes of Increases

The principal reasons for the increases in the Budget are for salaries, operations and equipment.

Salaries went up from \$1,121,692 in 1943-45 to \$1,425,975 for 1945-47, an increase of \$304,283 or 27.12 per cent.

Operating expense increased \$17,911 from \$140,749 for the current biennium 1943-45 to \$158,660 for 1945-47 or 12.72 per cent.

Equipment increased from \$7,726 to \$12,145 up \$4,419 or 57.19 per cent.

Reimbursements for auditing decreased by \$17,507 or 22.82 per cent, making the net increase that much greater.

TABLE II
ANALYSIS OF EXPENDITURES BY OBJECT

Expenditures—support	Budget page	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
				Amount	Per cent
Salaries and wages -----	335	\$1,121,692	\$1,425,975	\$304,283	+27.12
Operating expense -----	335	140,749	158,660	17,911	+12.72
Equipment -----		7,726	12,145	4,419	+57.19
		<u>\$1,270,167</u>	<u>\$1,596,780</u>	<u>\$326,613</u>	<u>+25.71</u>
Less					
Miscellaneous reimbursements -----	335	76,697	59,190	+ 17,507	-22.82
Net totals, support		<u>\$1,193,470</u>	<u>\$1,537,590</u>	<u>\$344,120</u>	<u>+28.83</u>

Continuing present positions through 1945-47 shows an increase in salaries of \$147,000. New positions call for \$122,470 and normal salary adjustments add \$30,000 more.

The item of new positions is the largest amount and requires some explanation. Actual positions for 1943-44 totaled 199 and 223 for 1944-45. For 1945-46 the two board of control positions and a planner—or three positions—are transferred and one is eliminated and 19 new positions are added, making a net addition of 15. For the 1946-47 Fiscal Year, 19 new positions are continued and nine more are added.

New Positions: Of the proposed new positions, three military leave positions are provided for in the first fiscal year at a cost of \$8,940. The cumulative total for military leave positions in the second fiscal year is five, at a cost of \$16,440, or a total cost for the biennium of \$25,380.

Number of new positions requested		Cost
19	First fiscal year-----	\$46,370
Cumulative total		
28	Second fiscal year-----	73,670
Total 1945-1947 -----		<u>\$120,040</u>
Less:		
Five military leave-----		<u>25,380</u>
Net actual new positions -----		<u>\$94,660</u> or 31.10 per cent
of the total salary increase goes for new positions.		

One entirely new service is provided: An Agricultural Adviser. We presume he will advise in relation to the production of all State agencies and institutions. If this is done effectively it will be a good investment. Two administrative analysts positions are proposed for 1946; if they function properly they will be a good investment.

Two senior buyers are proposed with one to be added each year. We recommend that one be eliminated for 1946-47 at a saving of \$3,780; also that there be eliminated the three proposed positions of three typist clerks for 1946-1947 in Purchases at a saving of \$4,500, as these positions all depend on the postwar construction program. We have already recommended that this be held until the war ends.

The remainder of the new positions are for accountants and clerks and appear necessary.

We recommend only the elimination of the four positions mentioned above with an aggregate salary saving of \$8,280 resulting.

Operating expense shows some items out of line and undoubtedly savings will be made. We feel sure the department will apply to itself the same rules of saving which it applies to other State departments.

The proposed equipment expenditure is not out of line. The largest item for \$5,395 (page 340 of Budget for the Bureau of Purchases) is for a new automobile, 16 typewriters and furniture.

We recommend that Item 115 of the Budget be reduced by only \$8,280.

The same overall savings should be applied to the Department of Finance as to other General Fund Departments of the State to produce a saving of \$10,000,000. The salary savings plan for all unfilled and new positions should be applied to this department.

**Department of Finance—For Support of
Bureau of Buildings and Grounds, Division of Services and Supply**

Item 116 Budget Bill, pages 342-350, inclusive, of the Budget, appropriation from the General Fund \$1,780,733; increase of \$83,779 or 4.9 per cent over estimated expenditure of \$1,696,954 for the 1943-45 Biennium; and of \$71,481 or 4.2 per cent over the \$1,709,252 appropriated by Item 85.5 of Assembly Bill No. 1600 of the last regular session for the 1943-1945 Biennium.

A breakdown of expense by broad classification follows:

TABLE I

Expenditures for:	1943-45	1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration -----	\$43,602	\$59,293	\$15,691	35.98
Sacramento State Buildings and Grounds -----	833,236	944,481	111,245	13.35
San Francisco State Buildings--	184,639	220,545	35,906	19.44
Los Angeles State Buildings----	283,647	310,030	26,433	9.31
Rented offices -----	351,830	246,334	-105,496	-29.98
	<u>\$1,696,954</u>	<u>\$1,780,733</u>	<u>\$83,779</u>	<u>4.93</u>

SERVICE REVOLVING FUND ANALYSIS

Causes of Increase

1. *Salaries*—Up from \$1,663,958 in the 1943 Biennium to \$1,781,282 in the 1945-47 Biennium an increase of \$120,525 or 7.24 per cent.

<i>New Positions</i> —Nine, for both years of the Biennium, at a total cost of -----	\$48,920
<i>Normal salary adjustments</i> (1945-47) -----	32,294
	<u>\$81,214</u>

Balance between new positions, normal salary adjustments and proposed increase in salaries is \$39,310 which amount represents existing but unfilled positions in 1943-45 expected to be filled in 1945-47.

2. *Capital Outlay*: Note that the recapitulation of this item on page 334 of the Budget shows:

	1943-45	1945-47	Increase or decrease		
			Amount	Per cent	
Acquisition of real property	\$190,000	\$384,460	+	\$194,460	102.34
Construction of dam and water distribution system to supply State institutions in Napa County-----	1,370,669	-----	-	1,370,669	-100
	<u>\$1,560,670</u>	<u>\$384,460</u>	-	<u>\$1,176,210</u>	<u>- 75.36</u>

This statement is misleading. It will be impossible to construct and complete the above proposed dam before June 31, 1945, and consequently this expenditure is properly chargeable to the ensuing Biennium.

A true statement of the facts follows:

	1943-45	1945-47	Increase or decrease		
			Amount	Per cent	
Acquisition of property-----	\$190,000	\$384,460	+	\$194,460	102.34
Construction of dam and water distribution system to supply State institution at Napa-----	-----	1,370,670	+	1,370,670	new
	<u>\$190,000</u>	<u>\$1,755,130</u>		<u>\$1,565,130</u>	<u>+ 8.237</u>

Decreases

Operating Expenses—Down from \$1,095,345 in 1943-45 to \$1,004,327, a decrease of \$91,018 or —8.3 per cent.

Equipment—Down from \$4,469 in 1943-45 to \$3,200 in 1945-47 a decrease of \$1,269 or 28.39 per cent.

The Bureau of Buildings and Grounds of the Department of Finance, under Sections 689 and 689.5 of the Political Code, must make all expenditures from the Service Revolving Fund. This fund is made up from collections from the Special Funds and after the cost of all service is paid, the remainder is made up from the General Fund.

For these reasons the increase or decrease of Item 116 does not mean much in itself insofar as measuring the cost or effectiveness of the Bureau.

The percentage increase of 4.9 per cent looks very favorable. The total expenditure shown on page 344 of the Budget is more pertinent.

This shows an expenditure of \$2,763,771 for 1943-45 and \$2,788,809 for 1945-1947, or an increase of \$45,038 or 1.63 per cent. The details are presented on pages 344 to 350 of the Budget Bill. This looks very favorable but it illustrates the fallacy of budgeting merely by considering the expenditures of prior years.

Reference to page 350 will show that no material increase came in the Fiscal Year 1944-45 which is \$1,438,653 as compared with \$1,385,602 or an increase of \$53,051. Yet it may be that the base expenditures are already too high and the division overstaffed.

In this case a complete operation study will be required to make an intelligent recommendation. We, therefore, suggest merely the overall percentage saving be applied as previously explained, and the other scheduled savings for printing and automobiles, and the salary savings plan, but no specific reductions pending completion of an operations survey.

Item 117 of the Budget Bill, page 334 and page 342 of the Budget. An appropriation from the General Fund of \$125,000 for alterations, repairs and equipment of the State Capitol and State Office buildings.

This is the customary appropriation made to the Department of Finance for this purpose. The actual amount expended and estimated for the current fiscal year is \$76,380. The appropriation requested therefore is \$48,620 increase or an increase of 63.65 per cent. We believe that this sum will be sufficient for the purpose and that there should be a remaining balance at the end of the biennium. We see no advantage of recommending a reduction of this item. During the current biennium an emergency repair item amounting to \$69,932 was expended. This is not repeated for the coming biennium.

Item 118 of the Budget Bill and pages 334 and 342 of the Budget. This provides for an appropriation to the Department of Finance of \$70,000 from the General Fund for the payment of automobile liability insurance premiums, expense of investigation and payments of claims. There was expended for the current biennium \$66,216 for this purpose, so the increase is only \$3,784. This item is not out of line and is a necessary expenditure.

Item 119 of the Budget Bill, pages 334 and 342 of the Budget. Appropriates \$2,000 from the General Fund for the Department of Finance for official advertising. The expenditure for the current biennium is \$1,295.11. This is an increase of \$704.89. The item is necessary and is not out of line.

Item 120 of the Budget Bill, pages 334 and 342 of the Budget. Appropriates \$9,000 from the General Fund for the Department of Finance for premiums on official bonds required by law for officers and employees for salaries paid from the General Fund, and also bonds required by Section 28 of the Unemployment Insurance Act.

The amount required for the current biennium is \$6,732.23. This is an increase of \$2,267.77. The increase may be necessary to take care of additional bonds or any fluctuation in costs. It is not out of line and the expenditure is required by law.

Item 121, of the Budget Bill, pages 334 and 342 of the Budget, appropriates \$150 from the General Fund for reclamation assessments on State-owned property to be paid by the Department of Finance. There was required for this purpose for the current biennium \$547.80. This is a decrease of \$397.80, made possible by the sale of State-owned land subject to reclamation. This sale places this property on the local tax roll and it is hoped that the remaining State-owned land which is not needed for State Government purposes will likewise be disposed of and eliminate this necessary land assessment.

Item 122 of the Budget Bill, pages 334 and 342 of the Budget, appropriates \$5,000 from the General Fund to the Department of Finance for making tax license and fee refunds paid erroneously into the General Fund and where no other provision is provided by law and requiring the approval of the State Board of Control. The sum of \$1,297.96 was required for the current biennium. The request is an increase of \$3,702. It is not out of line for the amount of such refunds required cannot be accurately estimated. Any balance remaining will revert to the General Fund.

Item 123 of the Budget Bill, pages 334 and 342 of the Budget—an appropriation of \$1,500 from the General Fund to the Department of Finance for painting the portrait of the two former Governors whose portraits are not yet in the possession of the State. This is the customary

amount appropriated for this purpose and was not made in the Biennium 1943-45.

Item 124 of the Budget Bill, page 343 of the Budget, appropriates \$275,000 from the General Fund to the Department of Finance for the purchase of real property in San Francisco. This is for the purchase of the California Building, which the State has had under lease and has occupied for some time. This is the sum estimated to complete this purchase. An analysis was made of this matter by the Legislative Auditor and on the basis of appraisals and the saving in rent, it appears to be a good investment.

Item 125 of the Budget Bill, page 343 of the Budget, appropriates \$109,460 to the Department of Finance for the purchase of the warehouse in Sacramento which the State has had under a rent lease purchase agreement for some time. This is the balance that is necessary to secure full title.

Rector Canyon Dam Construction

We have already called attention to the fact that there is another item of capital outlay chargeable to the Department of Finance which is set up as an expenditure for the 1943-45 Biennium and is entered as actually expended. Reference to pages 334 and 343 of the Budget will show this item set up as a charge for the Biennium 1943-45 in the sum of \$1,370,669.85. This is taken as a decrease of the same amount in the proposed Budget for 1945-47 which, of course, will not occur between now and June 30, 1945. This is for the construction, improvement and equipment of a water works in Napa County to consist of the Rector Canyon Dam and a water distribution to supply State institutions in Napa County. The appropriation and authorization was made by Chapter 1208, Statutes of 1941. No reappropriation is required.

Item 126 of the Budget Bill, page 334 of the Budget, provides for the appropriation of \$50,000 from the Fairs and Expositions Fund, as allocated by Section 19626 of the Business and Professions Code for the support of the Division of Audits of the Department of Finance. This is a special fund item. This appropriation is a lump sum item to pay for the auditing of local county and district fairs: \$15,000 was spent during the 1943-45 Biennium for this same purpose, so this is an increase of \$35,000. However, certain other adjustments and charges for auditing will be eliminated and only so much as is necessary will be spent for this purpose.

Item 127 of the Budget Bill, pages 334 and 353 of the Budget. This provides for the appropriation of \$42,105 from the Fairs and Expositions Fund, as allocated by Section 19626 of the Business and Professions Code, to the Department of Finance for the support of the Division of Fairs and Expositions. This is a special fund operation. Details are found on page 353. The expenditure for this purpose for the current biennium was \$26,912. This is an increase of \$15,193, or 56.45 per cent. This division operated during the Fiscal Year 1943-44 with three employees. For the current fiscal year they have four employees and they expect to continue with that number through the biennium. The salaries have been increased from \$24,000 to \$33,000, making up the major part of the increase.

It is expected that only a few district and county fairs will be held during the Biennium 1945-47, and that no State Fair will be held during

the first fiscal year of the biennium and probably not until the second fiscal year of the biennium, if at all. It is necessary, however, to carry on certain administrative work to take care of property and to keep proper accounts insofar as they are necessary. It is possible that not as much activity will occur as is contemplated. Some savings can be made but not to any great extent in this Budget.

Item 128 of the Budget Bill, page 354 of the Budget. This provides for the appropriation of \$168,320 from the State Agricultural Society Contingent Fund to the Department of Finance, Division of Exhibits, for the support of the State Agricultural Society. This is a special fund activity. This is for the operation of the organization that puts on the State Fair. It is not contemplated that a State Fair will be held the first fiscal year of the biennium and it is only problematical that the fair will be held during the second year. The appropriation is an increase of \$25,710 over the actual-estimated expenditure for the current biennium. The principal increases are in administration, \$4,921; and operations, \$20,614. Salaries and wages require the largest single increase. \$36,500 is for eight new positions. These positions are: One intermediate stenographer-clerk, one carpenter, one electrician, and five laborers. The other increases are due primarily to operating expense, which increases with the number of employees.

It does not appear that this budget is particularly out of line. A large plant at the State Fair Grounds has to be maintained. If it is allowed to deteriorate, it will cost more to put it in shape later. We feel that the Department of Finance will exercise control over these State Fair expenditures.

We recommend that the overall savings in the Budget previously proposed to produce a \$10,000,000 saving be applied to this activity.

It is also recommended that the money for vacant positions and new positions be set aside in a special salary saving fund as has been previously recommended.

Item 129 of the Budget Bill, pages 354 and 357 of the Budget, provides for an appropriation of \$150,000 to the Department of Finance from the Fairs and Expositions Fund allocated by Section 19626 of the Business and Professional Code for the purchase of real property. This is a special fund item. This is for the purchase of land at the State Fair Grounds in Sacramento for an area immediately adjacent to the present plant. While this land is desirable and will round out the property, it is not absolutely necessary for the successful operation of a State Fair. The State now has some 35 acres of land to the south of the fenced in area which is used primarily for parking purposes and is not otherwise occupied. It is desirable to have such a parking space, but this area can be used for expansion. The decision whether or not to make this appropriation is purely one of legislative policy. If eventually this land will be required and will be used, it is desirable to purchase it now. If not, it should not be purchased and taken off the local tax roll.

Item 130 of the Budget Bill, pages 358-361, inclusive, of the Budget, appropriates \$86,538 from the Sixth District Agricultural Association Fund for the support of the Sixth District Agricultural Association, Division of Exhibits, Department of Finance. This is a special fund activity. The primary activity of the Sixth District Agricultural Association is the operation of the Exposition Building in Exposition Park,

Los Angeles. It also participates in the management of the Los Angeles Memorial Coliseum, which is located on land belonging to the district.

The appropriation of \$86,538 is an increase of \$41,862 over the estimated and actual expenditures for the current biennium. This increase is caused largely through an increase in salaries and wages by the addition of eight new positions in 1945-46 and one more in 1946-47, making the total number of positions 17 in the last year of the biennium. This requires \$36,080. Continuation of present salaries and the increase in operating expense from \$2,546 to \$8,728 makes up the remaining balance.

The new positions to be added consist of the following:

- 1 Mechanical model maker
- 1 Exhibit craftsman
- 2 Graphic Artists
- 2 Intermediate clerks
- 1 Head janitor
- 1 Janitor
- 1 Watchman
- 1 Head janitor

A careful examination of the functioning of this activity and the use made of it by the public demonstrates that these additional positions are necessary if the facility is to be properly used and the valuable exhibits maintained.

We do recommend, however, that the same percentage saving be applied here as is suggested for the General Fund to produce the over-all \$10,000,000 savings. We also suggest that the salary savings be set up as previously described.

The revenues for the Sixth District Agricultural Association are derived primarily from the rent of the Coliseum site, as shown on page 361 of the Budget in the sum of \$60,000 a year, or \$120,000 for the biennium. This is an increase of \$59,445 over receipts for the present Biennium, or almost a 100 per cent increase. This, in turn, results in an estimated unbudgeted surplus June 30, 1947, of \$168,190.

A further word of explanation is required. At the present time a controversy is going on between the Sixth District Agricultural Association, the city playground commission of Los Angeles city and the county supervisors over the control and management of the Coliseum and the contract which existed for ten years whereby the Sixth District Agricultural Association was paid \$30,000 a year in lieu of its right to exercise the privilege of taking certain days for the use of the district. When this contract ended in 1943 it was not renewed and at the present time, pending solution of the matter, all receipts from various games and events held in the Coliseum are being impounded and it may require a lawsuit to straighten the matter out. This matter has been thoroughly investigated by the Legislative Auditor, acting for the Ways and Means Committee of the Assembly; meetings have been held by this committee and testimony taken, and as a result a bill has been introduced into the Legislature providing that the Sixth District Agricultural Association shall have the power to exercise condemnation to protect the State's interest and to secure control and management of the Coliseum. Since this is a public institution operating for the best interests of the public and on a State-wide basis, it is our recommendation that the State's inter-

est should be protected fully by the Sixth District Agricultural Association; and that all of the revenues that can be accrued to the credit of the State through exercising the option to use the Coliseum for a certain number of selected days be exercised; and the directors of the Sixth District Agricultural Association, in our opinion, will be derelict in their duty if they do not select these days to the best financial advantage of the State. They will furthermore be negligent of their duty if they do not protect the interests of the State in the properties of the State under their control in Exposition Park, including all interests that may exist in the Coliseum in the site on which it is located and the reversion rights in their full value.

Item 131 of the Budget Bill, pages 363 to 367, inclusive, of the Budget, appropriates \$301,811 for the support of the Division of State Lands, and the State Land Commission of the Department of Finance, payable from the State Lands Act Fund. This is a special fund activity. This appropriation is an increase of \$89,407 or 42 per cent over the actual and estimated expenditure for 1943-45.

Item 132 is an appropriation of \$35,000 to the Division of State Lands from the State Land Act Fund for the installation of a public lands record system. This is an increase of \$25,001 or 250 per cent above the expenditures of the current biennium. This is divided into two principal expenditures: \$20,000 for the record system, and \$15,000 for a proprietary lands survey. Both of these are special items and are proposed for the purpose of increasing the efficiency and effectiveness of the division and so as to better determine the values of lands.

The principal increase in the support expenditures is from the following: To continue the five new positions created in 1944-45 through the current biennium and to add six new positions for the biennium 1945-46. These six new positions are a Junior Engineering Aid, a Senior Civil Engineer, a Senior Stenographer Clerk, an Intermediate Account Clerk, a District Petroleum Engineer and a Junior Geological Draftsman. There is also a material increase in equipment of approximately \$5,000 or a 100 per cent increase. \$3,900 of this is for the purchase of automobiles in the administration and the same amount in the oil land control.

If the same degree of activity continues as now exists in the sale and leasing of State land and the exploration for oil on State lands, the staff requested will probably be necessary. If this activity should decline, it is quite possible to reduce the staff. The revenues are estimated to continue at the 1944-45 rate, which indicates the Budget was made on the basis that revenues are holding up.

We recommend that the overall saving suggested from the General Fund to produce the \$10,000,000 saving there be applied to this fund in the same percentage. We also recommend that the schedule of savings for automobiles be applied to this division. It is further recommended that the salary savings plan be fully applied to this division and that the moneys for vacant positions and new positions be segregated and the amounts not needed be saved.

It is also recommended that the State Lands Commission be abolished and that the State Division of Lands be returned and made an integral part of the Department of Finance as one of its regular divisions. This is primarily the operating real estate division of the State in the way of

management. It is a fiscal function and belongs in the Department of Finance and under a division chief. Its administration now is not coordinated properly with the Department of Finance. The administrative control is not meshed. Yet the Director of Finance is required to act in a dual capacity, particularly in relation to the approval of leases. He first puts on his hat as a member of the State Lands Commission, and then as Director of Finance he reviews the work of the commission and the recommendations made with regard to leases and either approves or disapproves of such leases. We see no particular advantage in the operation of the Lands Commission, and we do see an added expense. While we recognize the diligence of the present management and commend them for that diligence, it is no argument for the continuation of a separate land commission, nor is the fact that revenues have been increased a material argument, for these increases have come primarily from oil royalties which are derived from the exploitation of natural resources. The commission may have managed them well, but they did not create the values, these result from the war which has brought on an accelerated development and a high price for petroleum products.

We also recommend that the revenues from this source should go into the General Fund as general receipts of the State, as they properly are, and that the Legislature then Budget for those several items that now are allocated from the receipts from this source. The accounts showing the source of the receipts can be kept. The present procedure of fixed appropriations on a percentage basis into other special funds without regard to the needs of these funds and without full and adequate consideration biennially of these matters by the Legislature results in a dislocation in appropriations and in State activities and also results in a more costly accounting procedure than if these receipts went directly into the General Fund with expenditures also coming from the General Fund in conformance with regular established budgetary procedure and under the immediate control of the Legislature.

Napa State Farm

Item 133 of the Budget Bill, pages 368-369 of the Budget. Appropriates \$51,833 from the General Fund to the Department of Finance for support of the Napa State Farm.

Previously this facility has been operated out of a revolving fund and it has not appeared in the appropriation bill. Deficits have been made up out of appropriations from the General Fund.

Income will go to the General Fund. This is estimated at \$30,000 for the biennium from farm income.

This will show a deficit on this basis of \$21,833. Part of this, however, is for equipment, some \$14,413, a large part of which (such as a tractor) will last for a number of years.

The farm should be operated to produce a larger return on the heavy overhead.

It is now proposed to operate a dairy and to supply milk to the Veterans' Home. This should produce an income of sufficient size to justify operations. If the farm operation continues to show a loss, it should be abandoned, with only the production of water being developed as a State activity.

Occupational therapy for inmates of the Veterans' Home and Napa State Hospital should be provided when possible for the two twofold purpose of benefiting the State's charges and cutting labor costs.

Franchise Tax Commissioner

Item 134 Budget Bill, pages 371-378 inclusive of the Budget, appropriation from the General Fund, \$2,563,824; increase of \$412,348 or 19.2 per cent over estimated expenditure of \$2,151,475 for the 1943-1945 Biennium.

Recommendation: Approve Item 134 in the amount of \$2,563,824 without reduction.

We recommend the application of the overall Budget savings; automobile and printing savings and the salary saving fund procedure.

We also recommend strongly that this office be placed under some competent body for overall control. It is suffering in management and from lack of control from the top under present operations and an unmeasurable excess cost results.

I. Statistical Summary

The increase of \$412,348 or 19.2 per cent for 1945-1947 proposed by the Budget over estimated expenditures for 1943-1945 is distributed as follows by object of expenditure:

Object:	Actual and estimated 1943-45	Proposed 1945-47 Biennium	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages:				
Positions now authorized	\$1,922,729	\$2,168,713	+\$245,984	+ 12.8
Estimated salary savings 1945-47 Normal salary adjustment	— 128,284	— 147,545	— 19,260	— 15.0
Proposed new positions		82,105	+ 82,105	
		60,990	+ 60,990	
<hr/>				
Totals—Salaries and Wages	\$1,794,444	\$2,164,263	+\$369,819	+ 20.6
Operating expenses	341,724	359,628	+ 17,904	+ 5.2
Equipment	15,307	39,933	+ 24,626	+160.9
<hr/>				
Totals for biennium for support	\$2,151,475	\$2,563,824	+\$412,348	+ 19.2

The relatively large increase of \$245,984 for positions now authorized indicated by the table above results largely from the expectation that the large number of vacant positions will be filled during the coming biennium. As of March 30, there were 67 vacant positions. The \$60,990 sum above represents the budgeted amount for 12 new positions and the reclassification of several other job spots.

II. Findings and Recommendations

As previously indicated, we are convinced that the establishment of a central tax collecting and administering agency for the State of California which would amalgamate the several separate tax collecting agencies, including the Franchise Tax Commissioner, would effect considerable improvement and economy in the administration of taxes. This improvement and economy would result from the better control that a central tax collecting department would exercise in overall planning and coordination of the work of the several tax collecting branches; from the transfer of personnel from slack period to peak period tax collecting sectors of the department; and from greater and more effective use of the central auditing, legal, and research staff services.

However, pending the establishment of such a central tax collecting agency, the work of the Franchise Tax Commissioner's Office will require the amount of \$2,563,824 provided by Item 134 of the Budget Bill, and we recommend the approval of this item without reduction. Reasons for this recommendation include the following:

1. The volume of work has increased considerably during the biennium. This was because of the much larger number of tax returns and the larger amounts from such returns as a result of expanded wartime incomes.
2. The office has a very heavy backlog of work in checking returns and, in fact, runs the danger of falling afoul of the statute of limitations in connection with a number of unchecked returns.
3. An inadequate amount of money for administration of this agency would result in substantial loss of tax revenue to the State through the resulting failure to adequately audit tax returns.

We further recommend that the request of the Franchise Tax Commissioner in his letter of February 21, 1945, to the Ways and Means Committee for an addition to the Budget of \$14,580 be denied. This request would cover the Commissioner's estimate of the cost of reclassifying a number of Income Tax Examiner Grade II positions to Grade III. Some of the reclassifications have already been approved by the Personnel Board and approval of others is expected.

While there may be good ground for such reclassification of a limited number of positions, we recommend that no additional allotment be granted over and above the total appearing in the Governor's Budget for the following reasons:

1. The amount requested—\$14,580—represents the Franchise Tax Commissioner's estimate of the cost, based in turn on his estimate of the number of positions that will be reclassified. It is probable that the Personnel Board will approve a fewer number of such reclassifications. During the biennium it may also reduce classifications or reduce salary ranges.
2. We believe that the Franchise Commissioner's Office, through the exercise of available economy devices, can find the money from its Budget for such approved reclassifications.

Horse Racing Board

Item 135 of the Budget Bill, pages 379 to 384 inclusive of the Budget. This is a special fund agency.

Appropriates \$95,176 out of the Fair and Exposition Fund for support of the California Horse Racing Board.

This is an increase of \$45,124.56 over 1943-45 or 90 per cent increase. Practically all of this is proposed for the 1946-47 Fiscal Year or the last year of the biennium. It is caused primarily by adding eight new employees at an annual cost of \$23,040. Likewise, operating expense is increased by \$17,000.

This is due to the estimate that there will be no horse racing in 1944-45 but there will be full racing in 1946-47.

The estimates of revenues are made on this same basis, page 381 Budget.

We believe the appropriation requested will be necessary if horse racing is held as assumed.

Fiscal Affairs—State Treasurer

Item 136 in the Budget Bill, pages 336 and 337 of the Budget.

Appropriation of \$192,205 from the General Fund. This is an increase of \$8,397.12 or 4.5 per cent. Salary adjustment, fiscal agency fees, and equipment make up the increase. There is no increase for positions.

There is no opportunity to make appreciable savings on a definite basis. We recommend the appropriation as requested.

Department of Industrial Relations

Analysis of Proposed Expenditures for the 1945-47 Biennium

Items 137 to 144, inclusive, of the Budget Bill, and pages 388 to 404 inclusive of the Budget. Amount requested from all funds—\$3,821,235. This represents an increase of \$631,844 or 19.81 per cent over expenditures of \$3,189,391 for the 1943-45 biennium; and an increase of \$823,977 or 27.49 per cent over the 1943-45 (AB 1600) appropriation of \$2,997,258.

Of the total appropriation requested, proposed General Fund expenditures amount to \$3,671,281 or 96.07 per cent. Appropriation from Special Funds (Fire Marshal's Fund) amounts to \$149,954 or 3.92 per cent of the total. This latter amount is for additional support of the Division of Fire Safety.

We recommend that the overall percentage savings be applied to this department as recommended to produce \$10,000,000 General Fund savings. Also that automobile and printing costs be reduced as per schedule previously presented. Also that the general salary savings plan be applied to all divisions of this department.

The following table summarizes by Division total actual and estimated expenditures for the 1943-45 Biennium compared with total proposed expenditures for the 1945-47 Biennium.

TABLE I
ANALYSIS OF PROPOSED EXPENDITURES BY DIVISION FOR THE 1945-47 BIENNIUM
COMPARED WITH THE 1943-45 BIENNIUM

Item No.	Budget page No.	Expenditure for	Actual and estimated expenditures, 1943-45	Proposed expenditure, 1945-47	Increase or decrease, 1945-47 over 1943-45	
					Amount	Per cent
137	389	Departmental administration.....	\$99,726	\$129,687	+ \$29,960	+30.04%
138	390	Support, Division of Apprenticeship	64,862	69,655	+ 4,793	+ 7.38%
	391	Training				
139	392	Support, Division of Fire Safety (General Fund).....	42,603	60,950	+ 18,347	+43.06%
140	393	Additional support, Division Fire Safety (Fire Marshal's Fund).....	165,006	149,954	- 15,052	- 9.12%
141	394	Support, Division of Immigration and Housing.....	217,343	252,674	+ 35,330	+16.25%
142	395	Support, Division of Industrial Accidents.....	1,831,068	2,247,071	+ 416,003	+22.71%
143	400	Support, Industrial Welfare.....	192,862	273,340	+ 80,478	+41.72%
144	402	Support, Division of Labor Statistics	575,920	637,904	+ 61,984	+10.76%
Grand total, expenditures all funds.....			\$3,189,391	\$3,821,235	+\$631,844	+19.81%
Grand total, revenues, all funds			\$320,953	\$329,400	\$8,447	+2.63%

To facilitate examining appropriations for this department, there is set forth in the following pages a detailed analysis of the respective division's appropriation requests as they appear in the Budget Bill, items 137 to 144 inclusive.

Administration

Item 137, page 12 of the Budget Bill, and pages 389 and 390 of the Budget. Amount requested \$129,687. This represents an increase of \$29,960 or 30.05 per cent over expenditures of \$99,727 for the 1943-1945 Biennium; and an increase of \$38,571 or 42.33 per cent over the 1943-45 appropriation (Assembly Bill No. 1600) of \$91,116.

Reduction recommended—\$24,067.

Increased expenditures for the 1945-1947 Biennium over the 1943-1945 Biennium is comprised largely of increased salary and wage expenses which have risen from \$87,114 in the 1943-1945 Biennium to \$110,071 in the 1945-1947 Biennium, an increase of 26.30 per cent.

The second largest percentage-wise increase is for equipment. This expenditure in the 1943-1945 Biennium amounted to \$706. In the ensuing biennium it is proposed to increase this item to \$3,914 or a 452.40 per cent increase.

Proposed expenditures for the 1945-1947 Biennium compared with actual and estimated expenditures, 1943-1945, by object of expenditure are set forth in Table I below:

TABLE I
DEPARTMENTAL ADMINISTRATION

Expenditures (Gen. Fund)	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Support:				
Salaries and wages -----	\$87,144	\$110,071	\$22,927	+ 26.30
Operating expenses -----	16,979	20,437	3,458	+ 20.36
Equipment -----	706	3,900	+ 3,194	+452.40
Total -----	\$104,829	\$134,408	\$298,579	+ 28.0
Less: Reimbursements from Fire Marshal's Fund for Departmental Administration -----	5,103	4,721	— 391	
Totals for support -----	\$99,726	\$129,687	\$29,961	+ 30.05

Of the total of \$22,927 for salary increases \$13,720 or 59.84 per cent is for four new positions for the first year and two of them carried into the second year.

Table II below shows the proposed new positions and the budgeted salary expense resulting therefrom:

TABLE II
DEPARTMENTAL ADMINISTRATION—SCHEDULE OF PROPOSED NEW POSITIONS, 1945-47 BIENNIUM

Number of positions		Classification	Total amount ¹	
1944-45	1945-46		1945-46	1946-47
Total for year	Cumulative total for Biennium			
1	1	Senior Account Clerk -----	\$2,100	\$2,220
1	1	Intermediate Stenographer-Clerk -----	1,620	1,740
1	-	Supervisor of Apprentice Labor Agreements	3,420	---
1	-	Intermediate Stenographer-Clerk -----	1,620	---
		Temporary help -----	500	500
4	2		\$9,260	\$4,460

\$13,720

¹ Wartime bonus included in totals.

RECOMMENDATIONS
DEPARTMENTAL ADMINISTRATION

1. We recommend that the proposed new positions for Senior Account Clerk and Stenographer-Clerk be denied. Under the classification of War Emergency positions, there are already two Intermediate Stenographer-Clerks, one Intermediate Account Clerk and one File Clerk. These positions should be terminated when the war emergency is over and no new classifications of this type should be added during the ensuing biennium.
Saving ----- \$6,680
2. The Secretariat, Citizens Advisory Committee on Social and Industrial Welfare, is a new function not heretofore presented to the Legislature for approval. We recommend that until the Legislature has an opportunity to review this proposal, that the requested appropriation, therefore, be stricken from the item in the sum of----- \$16,387
3. We recommend that traveling expenses in 1945-47 be reduced from the proposed total of \$4,000 to \$3,000, a reduction of ----- \$1,000

Division of Apprentice Training

Item 138, page 12 of the Budget Bill and page 391 of the Budget. Amount requested \$69,655. This represents an increase of \$4,792, or 7.38 per cent over expenditures of \$64,862 for the 1943-45 Biennium; and an increase of \$15,793 or 29.32 per cent over the 1943-45 appropriation (AB 1600) of \$53,862.

Analysis of expenditures for this division, by object, indicates that proposed expenditures for salaries and wages in the ensuing biennium are scheduled to increase \$3,765 or 7.72 per cent; operating expenses are to be expanded from \$16,040 in the 1943-45 Biennium to \$16,955 in the 1945-47 Biennium, an increase of \$915 or 5.70 per cent.

RECOMMENDATIONS
APPRENTICESHIP TRAINING

We recommend that the Division of Apprenticeship Training be abolished and Item 138 in the sum of \$69,555 be eliminated.

- (a) The peak requirements for apprenticeship training have passed.
- (b) Even when the need for skilled labor was at its height, the State-sponsored program failed to attract but a small number of apprentices and only in a haphazard way, and almost entirely in union shops.
- (c) With the termination of the war and the return to normal peacetime industrial production, any apprenticeship training program that is necessary can be adequately handled by organized trades and industry itself and the regular educational agencies. This is true also in connection with rehabilitation of veterans through a regular educational training program.
- (d) At no time since its inception have benefits derived from the State-sponsored program matched its cost to the California taxpayers.

Division of Fire Safety

Item 139, page 12 of the Budget Bill and page 392 of the Budget. Amount requested from General Fund \$60,950. This represents an increase of \$18,347 or 43 per cent over expenditures of \$42,603 for the 1943-45 biennium; and an increase of \$32,285 or 112.62 per cent over the 1943-45 appropriation (AB No. 1600) of \$28,665.

Item 140, page 12 of the Budget Bill and page 393 of the Budget. Amount requested from Fire Marshal Fund \$149,954. This is a decrease of \$15,052 or 9.12 per cent below expenditures of \$165,006 for the 1943-45 biennium; and a decrease of \$36,854 or 19.72 per cent below the 1943-45 appropriation (AB No. 1600) of \$186,808.

We will treat proposed expenditures from both funds on the basis of a single lump sum appropriation (Items 139 and 140 combined, or a total appropriation request of \$210,904).

Proposed expenditures for 1945-47 Biennium as compared with actual and estimated expenditures for the 1943-45 biennium by object of expenditure, and fund, follows:

TABLE I
DIVISION OF FIRE SAFETY

Expenditure object	Fund				Total estimated expenditures, both funds	Total property expenditures, both funds	Increase or decrease, 1945-47 over 1943-45	
	General Fund		Fire Marshal's				Amount	Per cent
	1943-45	1945-47	1943-45	1945-47	1943-45	1945-47		
Salaries.....	\$30,120	\$44,700	\$107,905	\$96,262	\$138,025	\$140,963	+\$2,938	+ 2.12%
Operating expenditures.....	12,423	15,070	56,850	53,241	69,273	63,311	- 962	- 1.38%
Equipment.....	60	1,180	251	450	311	1,630	+ 1,319	+424.11%
Totals.....	\$42,603	\$60,950	\$165,006	\$149,954	\$207,609	\$210,904	+\$3,295	+ 1.58%

The total expenditure proposed is an increase of \$3,295 or 1.58 per cent over the 1943-45 expenditures of \$207,609 and a decrease of \$4,569 or 2.12 per cent below the 1943-45 combined appropriation (both General and Fire Marshal's Fund—AB No. 1600 of \$215,473).

RECOMMENDATIONS
DIVISION OF FIRE SAFETY

While no new positions are requested, war emergency positions are continued in the ensuing biennium at an aggregate cost of \$11,480. It is reasonable to expect curtailment of wartime activities in the ensuing biennium, but proposed operating expenses are scheduled to continue at an unabated rate.

In view of the fact that normal peacetime expenditures for this agency approximate \$189,000 (using the 1939-41 Biennium as a base period) and anticipating curtailment of wartime activities in the 1945-47 Biennium, we believe that a reduction of \$3,000 in the requested appropriation of \$210,904 to \$207,904 or approximately the amount of the actual and estimated expenditures for the 1943-45 Biennium, is ample to carry on the work of the division and still provide for whatever additional work load may have arisen as the result of increased population and wartime activities.

We recommend that the whole reduction be from the General Fund and that Item 139 be reduced \$3,000 to \$66,655.

Division of Immigration and Housing

Item 141, page 12 of the Budget Bill and page 394 of the Budget. Amount requested \$252,674. This represents an increase of \$35,331 or 16.25 per cent over expenditures of \$217,343 for the 1943-45 Biennium; and an increase of \$68,860 or 37.46 per cent over the 1943-45 appropriation (Assembly Bill No. 1600) of \$183,814.

TABLE I
DIVISION OF IMMIGRATION AND HOUSING—ANALYSIS OF EXPENDITURES
BY OBJECT

Expenditures Support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages -----	\$154,998	\$184,875	+\$29,877	+19.28
Operating expense -----	54,498	63,100	+ 8,602	+15.78
Equipment -----	7,846	4,699	- 3,147	-40.0
Net totals, support-----	\$217,342	\$252,674	+\$35,332	+16.25

Of the budgeted salary increase of \$29,877, only \$1,620 or 5.42 per cent is for new positions (temporary help); \$4,900 or 16.40 per cent of the total increase is for normal salary adjustments. The balance, \$23,377 or 78.24 per cent, is the amount that is expected to be expended for positions in the 1945-47 Biennium which were existing but unfilled in the 1943-45 Biennium.

In connection with operating expense we wish to direct particular attention to the following facts:

- (1) Actual traveling expense for the first fiscal year of the 1943-45 Biennium amounted to \$12,391.02, a 69 per cent increase over actual expenses of \$8,530 for travel for the first fiscal year of the 1941-43 Biennium.
- (2) It is proposed that in the second fiscal year of the 1943-45 Biennium traveling expenses will increase to \$23,200, an increase of \$10,809, almost double the amount expended in the first fiscal year of the biennium. This is only a budget figure and will not be expended.
- (3) During the 1945-47 Biennium the division proposes to spend for traveling expense, a total of \$38,000, an increase of \$2,407 over actual and estimated expenditures for the 1943-45 Biennium.
- (4) The second operating expense item which contributes largely to increased operating costs is automobile expense. Actual and estimated expenditures for this item during the 1943-45 Biennium are \$12,026. During the 1945-47 Biennium the division proposes to spend \$16,600, an increase of \$4,574 or 38.03 per cent.

RECOMMENDATIONS

DIVISION OF IMMIGRATION AND HOUSING

The peak of the work load for this Division of Immigration and Housing was reached during the 1943-44 Fiscal Year. This is particularly true in connection with housing, camp, and trailer court inspections. As a result of wartime concentration of population in urban areas, camps and temporary housing facilities expanded rapidly in the 1943-44 Fiscal Year, thus increasing the inspection service work load. This situation, however, can not be expected to prevail in the ensuing biennium, but to the contrary the work of the division should taper off materially.

We therefore recommend that traveling expense for the ensuing biennium be reduced from the proposed \$38,000 to \$26,000, a reduction of \$12,000. Based on the actual expenditure figure of \$12,391 for 1943-44, the sum of \$26,000 should be more than ample to cover requirements.

We further recommend, and for the same reasons, that automobile expense be reduced from \$16,600 as proposed, to \$14,000—a reduction of \$2,600.

The total reduction recommended for item 141 is \$14,600 or to \$237,874. This is still an increase of \$20,531 or approximately 10 per cent over 1943-45.

Division of Industrial Accident and Safety

Item 142, page 12 of the Budget Bill and pages 395-399, inclusive, of the Budget. Amount requested \$2,247,071. This represents an increase of \$416,003 or 22.71 per cent over expenditures of \$1,831,068 for the 1943-45 Biennium; and an increase of \$510,762 or 29.41 per cent over the 1943-45 appropriation (Assembly Bill No. 1600) of \$1,736,309.

Of the budgeted increased salary expense of \$355,113, the sum of \$113,900 or 32.07 per cent is for 17 new positions in the first fiscal year and a cumulative total of 26 new positions in the second fiscal year of the biennium. Normal salary adjustments amount to \$48,620 or 13.69 per cent. The remainder, \$192,593, is the amount that is expected to be expended for positions during the 1945-47 Biennium, which were not filled during the 1943-45 Biennium.

A tabulation of proposed expenditures 1945-47 compared with 1943-45 by object of expenditure is shown in Table I following.

TABLE I
DIVISION OF INDUSTRIAL ACCIDENT AND SAFETY—ANALYSIS OF EXPENDITURES
BY OBJECT

Expenditures—support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages -----	\$1,586,529	\$1,941,642	+ \$355,113	+ 22.38
Operating expense -----	227,739	283,534	+ 55,795	+ 24.49
Equipment -----	16,801	21,895	+ 5,094	+ 30.31
Net totals, support-----	\$1,831,069	\$2,247,071	+ \$416,002	+ 22.71

Proposed new positions, showing increased costs therefor, are listed in Table II.

TABLE II
DIVISION OF INDUSTRIAL ACCIDENT AND SAFETY—SCHEDULE OF PROPOSED
NEW POSITIONS—1945-47 BIENNIUM

Number of positions		Classification	Total amount	
1945-46	1946-47		1945-46	1946-47
Total for year	Cumulative total biennium			
	1	<i>I. Administration</i>		
	1	Associate Counsel.....		\$3,420
		Intermediate Stenographer Clerk.....		1,740
		<i>II. Industrial Accident and Prevention</i>		
1	1	Senior Safety Engineer.....	3,420	3,600
6	6	Assistant Safety Engineers.....	18,360	19,440
1	1	Senior Stenographer-Clerk.....	2,100	2,220
		<i>III. Industrial Compilation Bureau</i>		
1	1	Referee.....	4,080	4,320
1	1	Hearing Reporter.....	2,460	2,580
1	1	Senior Stenographer-Clerk.....	2,100	2,220
		<i>IV. Accident and Statistics</i>		
1	1	Junior Clerk.....	1,260	1,320
2	2	Intermediate Accounting Clerk.....	3,240	3,480
2	2	Key Punch Operator, Grade 2.....	3,240	3,480
1	1	Intermediate Stenographer-Clerk.....	1,620	1,740
		<i>V. Revue of Permanent Disability Ration Schedule</i>		
	1	Actuary.....		5,040
	2	Actuary Statistician.....		7,920
	2	Senior Stenographer-Clerk.....		4,100
	2	Field Investigator.....		5,400
17	26		\$41,880	\$72,020

¹ Wartime bonus included in totals.

The largest single item of operating expense is for travel. During the 1943-45 Biennium actual and estimated expenditures total \$98,464. Proposed expenditures for the 1945-47 Biennium amount to \$109,500, an increase of \$11,036 or 11.20 per cent.

Automobile expense accounts for a substantial portion of total operating costs. In the 1943-45 Biennium expenditures were \$61,805; in the ensuing biennium it is proposed to increase these expenditures by nearly \$10,000 to \$71,300, or an increase of 15.36 per cent.

A tabulation of these expenses by "administrative" function is set forth in Table III below.

TABLE III
DIVISION OF INDUSTRIAL ACCIDENT AND SAFETY

	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Traveling Expense				
Administration.....	\$5,732	\$6,900	+ \$1,168	+ 20.30
Accident Prevention Bureau.....	69,376	76,000	+ 6,624	+ 9.54
Industrial Compensation Bureau.....	23,356	23,000	- 356	- 1.52
Accident Statistics.....		3,600	+ 3,600	+100.0
Totals	\$98,464	\$109,500	+ \$11,036	+ 11.20
Automobile Expense				
Administration.....	1,536	\$2,300	+ 764	+ 49.73
Accident Prevention Bureau.....	36,913	44,000	+ 7,087	+ 19.19
Industrial Compensation Bureau.....	23,356	25,000	+ 1,644	+ 7.03
Totals	\$61,805	\$71,300	+ \$9,495	+ 15.36

RECOMMENDATIONS

DIVISION OF INDUSTRIAL ACCIDENT AND SAFETY

1. The total proposed increase in salary expense is \$355,113 for the ensuing biennium; \$192,593 of this, or 54.23 per cent is the amount to be expended for positions in the 1945-47 Biennial Period which were established, but unfilled, in the 1943-45 Biennium.
 This sum would seem to be adequate to take care of any additional requirements which may arise in the biennium. Industrial production is tapering off and will probably continue to diminish in the two-year period ahead. This will relieve the division of many of its present wartime responsibilities.
 We therefore recommend that the requested appropriation for new positions be reduced from the proposed \$192,593 to \$38,460. This will still enable the division to improve its statistical setup and possibly some added safety work and in the last fiscal year of the biennium to fill the seven positions required to do work in connection with revising the Permanent Disability Rating Schedule, indicated in Table II above. This will produce a saving of ----- \$154,133
2. It is further recommended that the 85 wartime emergency positions, aggregating an expenditure of \$263,880 for the last year of the biennium, be reduced in the last year of the biennium by 50 per cent to a total of \$131,990. This will produce a saving of ----- 129,890
3. Proposed expenditures for telephone and telegraph are high. It is our recommendation that the proposed sum of \$11,100 for this purpose be reduced to \$9,435, a saving of ----- 1,665
4. In line with the above suggestions it is recommended that the total budget for this division be reduced from the proposed figure of \$2,247,071 to \$1,961,383, a reduction of ----- 285,688
 This still represents an increase of \$130,315 or 7.10 per cent over actual and estimated expenditures for the 1943-45 Biennium, which was the maximum requirement and has been falling off since January, 1944.

Division of Industrial Welfare

Item 143, page 12 of the Budget Bill and pages 400 and 401, inclusive, of the Budget. Amount requested, \$273,340. This represents an increase of \$80,478, or 41.72 per cent over expenditures of \$192,862 for the 1943-45 Biennium; and an increase of \$113,548 or 71.05 per cent over the 1943-45 appropriation (Assembly Bill No. 1600) of \$159,792.

Total proposed expenditures for support for the 1945-47 Biennium are \$273,340, an increase of \$80,478 or 41.72 per cent over the current biennium. Proposed expenditures for salaries and wages are up 33.94 per cent and operating expenses are up 88.82 per cent. See Table I below for detail.

TABLE I

DIVISION OF INDUSTRIAL WELFARE—ANALYSIS OF EXPENDITURES BY OBJECT

Expenditures—support	Actual and	Proposed	Increase or decrease	
	estimated 1943-45	1945-47	1945-47 over 1943-45 Amount	Per cent
Salaries and wages-----	\$148,794	\$199,308	+ \$50,514	+ 33.94
Operating expense-----	38,843	73,347	+ 34,504	+ 88.82
Equipment-----	5,225	685	- 4,540	- 86.88
Net totals, support-----	\$192,862	\$273,340	+ \$80,478	+ 41.72

Thirteen war emergency positions are requested to be continued for the first fiscal year of the biennium and in the second year of the biennium the division asks that seven wartime positions be allowed.

A schedule of these positions and salary expense resulting is set forth in Table II below :

TABLE II

DIVISION OF INDUSTRIAL WELFARE—SCHEDULE OF PROPOSED NEW POSITIONS 1945-47 BIENNIUM

Number of positions 1945-46	Classification	Salary range	Total amount		
			1945-46	1946-47	
Total for year	Cumula- tive total biennium				
<i>Proposed War Emergency Positions be continued</i>					
8	4	Industrial Welfare Agent-----	\$180-220	\$20,400	\$11,040
3	1	Intermediate Stenographer-Clerk--	110-150	4,860	1,740
1	1	Senior Stenographer-Clerk-----	150-190	2,100	2,220
1	1	Deputy Chief of Division-----	215-275	2,880	3,060
-	-	Temporary Help-----		3,330	500
13	7			\$33,570	\$18,560
<i>War Emergency Positions in Effect During the 1943-45 Biennium and Scheduled to Continue During the 1945-47 Biennium as Perma- nent.</i>					
1	1	Senior Payroll Auditor-----	\$150-190	\$2,100	\$2,100
1	1	Industrial Welfare Agent-----	180-220	2,700	2,700
2	2	Intermediate Stenographer-Clerk--	110-150	3,600	3,600
1	1	Junior Stenographer-Clerk-----	90-115	1,680	1,680
5	5			\$10,080	\$10,080

¹ Does not include State employees wartime bonus.

² Wartime bonus included in totals.

Reference to page 400 of the Budget shows that during 1944-45 under the category of "War Emergency Positions" a total of nine industrial welfare agents were employed. Under this same category for the ensuing biennium only one industrial welfare agent is to be employed. However, under "Proposed New Positions" for the ensuing biennium the division requests eight industrial welfare agents for the 1945-46 Fiscal Year, which if granted will bring the strength of this classification to the 1944-45 level. This same situation prevails in connection with intermediate stenographer-clerk. In effect, then, these are *not* new position requests but if granted has the effect of continuing the war emergency positions already set up.

The large increase in operating expense is principally due to increased expenditures for travel—up 71 per cent. Printing is up 41 per cent; automobile expenses are up 13 per cent; and there is a \$10,725 allowance for legal advertising. Table III following gives a comparative summary of operating costs 1943-45 vs. 1945-47:

TABLE III
DIVISION OF INDUSTRIAL WELFARE—PROPOSED OPERATING EXPENSES 1945-1947
COMPARED WITH ACTUAL AND ESTIMATED EXPENDITURES 1943-1945

Expenditure for:	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Administration				
Office -----	\$2,374	\$2,600	+ \$226	+ 9.51
Printing -----	2,124	3,000	+ 876	+ 41.24
Traveling -----	15,624	26,800	+ 11,176	+ 71.53
Telephone and telegraph -----	5,041	5,000	- 41	-.008
Postage -----	2,850	3,600	+ 750	+ 26.31
Automobile -----	7,763	6,700	- 1,063	- 13.69
Freight and cartage -----	276	300	+ 24	+ .008
Rent -----	2,002	4,982	+ 2,980	+ 148.85
Sub-total—Administration	\$38,054	\$52,982	+ \$14,928	+ 39.22
Wage Board				
Office -----	---	\$1,110		
Legal advertising -----	---	10,725		
Printing -----	\$548	3,405		
Traveling -----	---	1,250		
Telephone and telegraph -----	---	125		
Postage -----	165	3,345		
Freight and cartage -----	76	210		
Rent -----	---	195		
Total	\$38,843	\$73,347		

RECOMMENDATIONS
DIVISION OF INDUSTRIAL WELFARE

1. Wartime emergency positions should be curtailed in this biennium. Much of the peak load which existed in the 1943-45 Biennium is now passed. This should be particularly true in the case of the welfare agents who devote the major portion of their time to checking those firms operating under war production permits. In this group are included the eight industrial welfare positions proposed for 1945-46, and the four industrial welfare agents proposed for the 1946-47 Fiscal Year. We recommend that proposed new war emergency positions be denied for the second fiscal year of the biennium, and the strength then be placed at 29 employees.
2. Traveling expenses are excessive and should be reduced. We recommend that this item be cut from a proposed expenditure of \$26,800 to \$20,100. This still provides an increase of \$4,476 over expenditures for this item in the 1943-45 Biennium.
3. In connection with legal advertising, we recommend that only the actual amount used for this purpose shall be allowed. Any balance remaining shall not be diverted to other purposes.

In conformance with the above suggestions, we recommend that the 1945-47 Budget request for Item 143 be reduced from \$273,340 to \$213,970, a decrease of \$59,370. This still permits an increase

of \$21,884 over expenditures for 1943-45, or 11.35 per cent when needs are decreasing with the reduction of the number of women and children in employment.

Division of Labor Statistics and Law Enforcement

Item 144, page 12 of the Budget Bill and pages 402-403 inclusive of the Budget. Amount requested \$637,904. This represents an increase of \$61,984, or 10.76 per cent over expenditures of \$575,920 for the 1943-45 Biennium; and an increase of \$81,012 or 14.54 per cent over the 1943-45 Appropriation (Assembly Bill No. 1600) of \$556,892.

Total proposed expenditures for support for the 1945-47 Biennium are \$637,904, an increase of \$61,984 or 10.76 per cent over the 1943-45 Biennium. Of this amount, proposed expenditures for salaries and wages come to \$526,188, an increase of \$53,243 or 11.25 per cent over the 1943-45 expenditure of \$472,945. Of the \$53,243 increase for salaries and wages, \$12,540 or 23.45 per cent is for normal salary adjustments. Four proposed new positions will require an expenditure of \$12,960 or 24.34 per cent of the total increase for salaries and wages. The balance, \$27,743, is the amount that is expected to be expended for positions during the 1945-47 Biennium which were not filled in the 1943-45 period.

In addition to the analysis of expenditures by object which is given in Table I following, Table II presents a list of the present war emergency positions, and their cost, and a list of proposed new positions for the 1945-47 Biennium and the salary expense resulting therefrom:

TABLE I
DIVISION OF LABOR STATISTICS AND LAW ENFORCEMENT—ANALYSIS
OF EXPENDITURES BY OBJECT

Expenditures—support	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages	\$472,945	\$526,188	+ \$53,243	+ 11.25
Operating expense	91,680	99,800	+ 8,110	+ 8.84
Equipment	11,295	11,916	+ 621	+ .005
Net totals—Support	\$575,920	\$637,904	+\$61,984	+10.76

TABLE II
DIVISION OF LABOR STATISTICS AND LAW ENFORCEMENT—
SCHEDULE OF PROPOSED NEW POSITIONS AND WAR EMERGENCY POSITIONS
1945-47 BIENNIUM

Number of positions		Classification	Total amount	
1945-46	1946-47		1945-46	1946-47
Total for year	Cumulative total biennium			
<i>War Emergency Positions:</i>				
1	1	Junior Socio-Economic Research Technician	\$2,340	\$2,340
4	4	Intermediate Stenographer-Clerk	6,960	6,960
2	2	Intermediate Accounting Clerks	3,720	3,720
1	1	Intermediate Typist Clerk	1,980	1,980
2	2	Departmental Labor Commissioner	5,760	5,760
-	-	Temporary Help	500	500
<hr/> 10	<hr/> 10		<hr/> \$21,260	<hr/> \$21,260
			<hr/> \$42,520	
<i>Proposed New Positions:</i>				
1	1	Intermediate Typist Clerk	\$1,500	\$1,620
1	1	Intermediate Accounting Clerk	1,620	1,740
1	1	Key Punch Operator, Grade 2	1,620	1,740
1	1	Library Aid	1,500	1,620
<hr/> 4	<hr/> 4		<hr/> \$6,240	<hr/> \$6,720
			<hr/> \$12,960	

¹ Wartime bonus included in totals.

Operating expenses in the ensuing biennium are scheduled to increase from \$91,680 to \$99,800, an increase of \$8,120, or approximately 9 per cent.

In connection with operating expenditure, the principal items contributing to the over-all increase are as follows:

Item:	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Office	\$13,281	\$14,000	+ \$719	+ 5.41%
Printing	8,060	10,000	+ 1,940	+ 13.57%
Traveling	13,243	13,200	- 43	-
Telephone and telegraph	9,868	10,000	+ 132	+ 1.33%
Postage	9,606	12,000	+ 2,394	+ 24.92%
Automobile	16,725	15,600	- 1,125	- 6.12%
Rent	20,394	24,000	+ 3,606	+ 17.68%

RECOMMENDATIONS

DIVISION OF LABOR STATISTICS AND LAW ENFORCEMENT

1. The cost of proposed new positions for the coming biennium as shown in Table II above, is \$12,960. As previously pointed out, there is already allowed in salary and wage totals a sum of \$27,743 which is expected to be expended for positions during the 1945-47 biennium which were unfilled in the 1943-45 period. This sum should be ample to take care of additional needs in the 1945-47 biennium and we, therefore, recommend that the requested amount for new positions be denied. This will allow a continuance of 96 positions in the first half of the fiscal year of the biennium, and 91 positions in the second fiscal year of the 1945-47 biennium.
2. We recommend that the 10 war emergency positions with a proposed expenditure of \$42,520 be reduced by one-half in the second fiscal year of the biennium. This will effect a saving of \$11,260 for salaries and wages during the biennium.

3. The requested appropriation for office equipment in the sum of \$9,216 for the 1945-47 biennium is excessive. This is particularly true in view of the fact that during the 1943-45 biennium estimated and actual expenditures for this item totaled \$4,777.55. In view of anticipated curtailed wartime activities we recommend the proposed expenditure of \$9,216 for office equipment for the 1945-47 biennium be reduced to \$5,000, a saving of \$4,216.
4. With the termination of the war, telephone and telegraph requirements for this division should diminish materially. We recommend that the appropriation for this item be reduced to \$9,000—a saving of \$1,000.
5. In conformance with the above suggestions, we recommend that Item 144 be reduced from \$637,904 to \$608,468, a decrease of \$29,436 or 4.6 per cent. This still permits an increase of \$32,548 or 5.6 per cent over expenditures for 1943-1945.

INSTITUTIONS

Analysis of Budgeted Expenditures, State Department of Institutions for 1945-1947 Biennium

Items 145 to 171 inclusive, pages 12 to 14 of the Appropriation Bill, and pages 404 to 497, inclusive, of the Budget.

I. Summary of Appropriation Items and Budget.

These appropriations call for a total expenditure of \$30,034,099 for the 1945-1947 Biennium, which represents an increase of \$5,325,199 or 21.5 per cent over the estimated expenditure for 1943-1945, compared with the Budget increase of 16.4 per cent.

Table 1, page 354, comparing budgeted expenditures for 1945-1947 with those for 1943-1945 for the several institutions, reveals that proposed appropriations for support total \$29,101,351, an increase of \$5,250,465 or 21.5 per cent. It further shows that budgeted expenditures for capital outlay items for construction, etc., aggregate \$932,748, an increase of \$74,737 or 8.7 per cent over estimated expenditures for the current biennium. The capital outlay item is abnormally low for both periods on account of the war. Percentage increases for 1945-47 support items over 1943-45 range from 5.4 per cent for the transportation of inmates to 100.5 per cent for the Langley Porter Clinic. An entirely new item (No. 149) of \$179,500 is being added for outpatient mental clinics.

The Langley Porter Clinic was established on a teaching and research basis as an experiment to see if new cures and treatments could not be developed. It is just now getting into full swing and this large increase in expenditures is to make its program effective. We recommend this be approved, with the reservation that results be observed and measured insofar as possible to determine if further expansion of this type of service is justified in relation to the costs. No new institutions of this sort should be set up until this one proves its worth.

As Item 149 is an entirely new service for outpatient clinics never before approved by the Legislature, determination on it is purely a matter of Legislative policy. The costs set up in the Budget are only a "come-on." The actual costs in a few years will be very much higher than is asked for now.

We recommend delaying the establishment of this new service until after the war closes.

TABLE I
COMPARISON OF ESTIMATED EXPENDITURES FOR 1943-1945 BIENNIUM WITH
EXPENDITURES PROPOSED BY GOVERNOR'S BUDGET FOR 1945-1947
DEPARTMENT OF INSTITUTIONS AND INSTITUTIONS IT CONTROLS

Institutions	Support		Capital outlay from General Fund for construction, improvements and equipment						Totals			
	Estimated 1943-45	Proposed 1945-47	Increase		Estimated 1943-45	Proposed 1945-47	Change		Estimated 1943-45	Proposed 1945-47	Change	
			Amount	Per Cent			Amount	Per Cent			Amount	Per Cent
Departmental Administration-----	\$350,753	\$514,009	\$163,256	46.5	-----	-----	-----	-----	\$350,753	\$514,009	\$163,256	46.5
Transportation of Inmates-----	98,433	103,800	5,367	5.4	-----	-----	-----	-----	98,433	103,800	5,367	5.4
Mental Hospitals												
Langley Porter Clinic-----	418,020	838,237	420,217	100.5	38,900	\$24,500	-\$14,400	31.0	456,920	862,737	405,817	88.8
Outpatient Clinics-----	-----	179,500	179,500	New	-----	-----	-----	-----	-----	179,500	179,500	New
Agnews-----	2,662,678	3,155,192	492,514	15.0	186,800	59,500	-127,300	-68.1	2,849,478	3,214,692	365,214	12.8
Camarillo-----	2,772,614	3,718,436	945,821	34.1	93,400	125,722	32,322	34.6	2,866,014	3,844,158	978,144	34.1
Mendocino-----	2,188,202	2,583,257	395,054	18.1	69,167	91,800	22,633	32.7	2,257,369	2,675,057	417,688	18.8
Napa-----	2,844,044	3,364,273	520,229	18.3	186,725	2,600	-184,125	-98.6	3,030,769	3,366,873	336,104	11.1
Norwalk-----	2,006,873	2,326,733	319,860	15.9	75,698	55,206	-20,492	-27.1	2,082,571	2,381,939	299,368	14.4
Patton-----	2,880,963	3,357,270	476,302	16.5	22,200	99,900	77,700	350.0	2,903,163	3,457,170	554,002	19.1
Stockton-----	3,165,247	3,820,274	655,027	20.7	121,841	258,020	136,178	111.7	3,287,088	4,078,294	791,206	24.1
Pacific Colony-----	1,425,757	1,702,966	277,209	19.4	11,000	60,900	49,900	453.6	1,436,757	1,763,866	327,109	22.7
Sonoma State Home-----	2,625,450	2,983,275	357,825	13.6	27,980	132,000	104,020	371.8	2,653,430	3,115,275	461,845	17.4
Agencies for the Blind:												
Industrial Home,												
Adult Blind-----	299,737	332,717	32,980	11.0	24,300	22,600	-1,700	7.0	324,027	355,317	31,280	9.6
Industrial Workshop-----	74,252	81,382	7,130	9.6	-----	-----	-----	-----	74,252	81,382	7,130	9.6
State Blind Shop-----	37,863	40,030	2,167	5.7	-----	-----	-----	-----	37,863	40,030	2,167	5.7
Totals-----	\$23,850,886	\$29,101,351	\$5,250,465	21.7	\$858,011	\$932,748	\$74,737	8.7	\$24,708,897	\$30,034,099	\$5,325,199	21.5

Increased salary expense accounts for \$4,182,050 or 78.5 per cent of the total scheduled increase for support and capital outlay. Approximately \$2,331,000 or 43.7 per cent of the total increased expenditure is scheduled for the salaries for proposed new positions. There are 491 of these for the first year of the biennium and a cumulative total of 754 for the second year of the two-year period. These proposed new positions are summarized as follows:

NEW POSITIONS					
	No.	1945-46	No.	1946-47	
Director of Clinical Services (at Institutions)-----			9	34,560	A
Physician and surgeon-----	7	18,480	16	43,920	B
Occupational therapists-----	7	15,060	13	27,780	C
Physio- and hydrotherapists-----	4	8,160	12	24,240	D
Dentist-----	2	4,800	2	5,160	E
Graduate nurses (1-500 ratio)-----	29	57,420	62	126,240	F
Reclassification hospital attendants to nurses-----		11,040		25,440	G
Institution librarian-----			6	11,660	H
Juvenile units (Camarillo and Napa)-----	8	18,600	8	19,560	I
Tuberculosis survey-----	3	9,180	3	9,420	J
Outpatient clinics-----	8	21,180	40	107,160	K
Senior clerk (personnel)-----	9	17,820	9	18,900	L
Intermediate accounting clerk (property)-----	6	9,720	6	10,440	M
Institution supervising dietitian-----	3	7,740	9	23,580	N
Institution equipment operator (fire department)-----	7	12,180	7	13,020	O
Farmhand (assistant hog ranch operators)-----	7	11,220	7	12,060	P
Social workers (extramural care)-----			12	25,560	Q
Intermediate stenographic clerks (extramural care)-----	1	1,620	5	8,100	R
Holidays (additional)-----	94	145,170	94	156,330	S
Hospital attendants—					
(For increase in population)-----	74	114,430	139	224,840	T
(For improved service on wards)-----	65	97,740	117	179,180	U
Langley Porter Clinic-----	49	100,000	68	142,120	V
Miscellaneous—Administration-----	23	41,220	24	46,080	W
Miscellaneous—Feeding, laundry, etc.-----	44	68,040	44	73,320	W
Miscellaneous—Care and welfare-----	9	17,820	10	21,000	W
Miscellaneous—Maintenance and operation-----	13	23,600	13	25,040	W
Miscellaneous—Farm-----	16	25,070	16	26,760	W
Medical deputy director-----	1	8,040	1	8,280	X
Private institutions inspector-----	1	4,020	1	4,260	Y
Senior maintenance engineer-----	1	4,080	1	4,320	Z
Totals-----	491	\$873,450	754	\$1,458,330	
				873,450	
Total for biennium-----				\$2,331,780	

In connection with this request for a large number of additional positions for the coming biennium, it is significant that on February 13, 1945, there were 502 vacant positions waiting to be filled in the department. It is now proposed to fill all these vacant positions and create 491 new positions the first year and go up 263 more the next year. Many of these require technical trained people not to be had now or probably as long as the war lasts.

Many of these are for new or enlarged services never before offered by the Department.

II. *The Department of Institutions' Reasons for Increased Expenditures and Our Comments on These Reasons*

Reasons for proposed increases in expenditures by State Institutions, as gleaned from materials submitted by the Department of Institutions, include the following:

“California is now the third largest state in the Union and one of the wealthiest. It is only logical that California should take its respective place among other states in the Union with regard to all types of service rendered to its citizens.”

The Department of Institutions further stated that a review of the services and forward-looking governmental programs reveals that California is at, or near, the top expenditure status for each particular program—viz., old age assistance, aid to blind, aid to dependent children, juvenile correctional activity, and education. According to the Department of Institutions, California has not made comparable progress in caring for mental cases. The department intimates that the time is at hand for California to begin “catching up” in its program of treatment and care of the mentally ill. The population of hospitals is expected to increase during the coming biennium.

The Department of Institutions rephrases its explanation for increased proposed expenditure in general and for additional personnel positions in particular as follows:

It must be understood that with the increasing population in the State of California there will be an increased number of patients in the State hospitals and to care for these patients increased personnel must be provided for in the respective budgets.

In addition to this, if California is to provide services to its mental patients *similar to other States*, there must be included in our budgets added positions in various functions to bring California up to the average service rendered by other States, even though we are not requesting sufficient positions to place California among the first few States of the Union where it should properly be when considering the size, population, and wealth of this State.”

We have the following comments to make on the above explanations:

Reason one above is a totally inadequate attempted justification. Just because California is large and wealthy compared with other States is no proper reason for greater spending as such. Nor should the amount of money spent by other States be used as the criterion for California. It is quite possible, indeed probable, that some of the other States are wasting, or ineffectively spending, substantial portions of the sums they are allocating for hospitals. Furthermore, a comparison of California expenditures with those for eastern States is not valid because of the difference in climate. The warmer California climate permits California institutions to spend less money on such expensive items as clothing, heat and light; and the California hospitals also are able to grow larger parts of their food supplies, and keep patients out-of-doors a larger part of the time than can the eastern institutions. Nor should the fact that California leads many other States in expenditures for such governmental services as old age pensions and education necessarily mean that

our State should lead in expenditures for mental hospitals; for California may be spending more money than it should for such other services. An excessive expenditure in one sphere does not of itself justify increased spending in another field.

Moreover, the cases for improved and for more expensive governmental services must be balanced against the mounting burden upon the taxpayer to meet the rising cost of State, local, and federal taxes.

Finally, it must not be forgotten that the war is far from being won. In consequence, this is not the time for civilian services, including hospitals, to compete with the war effort for the people's limited supply of taxable wealth and labor.

The population increase explanation advanced above has only limited application for the Department of Institutions estimated that its population will increase by about 1,500 patients, or 4.9 per cent during the coming biennium, but the total expense item goes up 21.5 per cent in the Budget or four times as much. Most of this is for new and expanded service.

III. *Summary of Recommendations*

More detailed findings and recommendations respecting appropriations for individual institutions are given in connection with an analysis of each appropriation item given below. For convenience, we summarize at this point our recommendations.

In addition to the over-all reductions which will apply to all departments of the State, we recommend the following:

(a) *Capital Outlay*

Reductions in capital outlay items for construction, improvement, repair, and equipment totaling \$190,910 or 20.5 per cent of the total of items for this purpose in the appropriation bill. Details will be found for each institution under Part IV below.

(b) *For Support*

We recommend that the support items which total \$29,101,351 be reduced by \$1,581,029 or 5.4 per cent. The remaining amount, \$27,520,322, still represents the substantial increase of \$3,609,436 or 15 per cent over the estimated support of \$23,910,886 expenditures of \$23,910,886 for the 1943-45 Biennium. *This percentage increase of 15.0 per cent is still substantially above the rate of population increase of 4.9 per cent.*

The amount recommended for the State mental hospitals and the homes for mental defectives *would permit the same per capita expenditure for the two ensuing years as prevails during the current fiscal year of 1944-45.* The allowance for 1944-45, the second year of the current biennium, is liberal as it is in excess of what actually will be spent. In addition, it includes allowances for the following:

1. Additional personnel, consisting of hospital attendants and doctors to care for expected population increases.
2. An additional generous number of personnel to apply the uniform State holidays policy to the institutions.
3. A liberal allowance for normal salary increases.

4. Some extra positions that are justified on the basis of their individual merit. These include a dietician, and several doctors for medical work in the mental hospitals, and for Camarillo Hospital, 24 attendants for the first year and a cumulative total of 29 for the second year to more adequately use existing facilities. We recommend the appropriation required to hire the employees to do the job. We do not specify the exact positions.
5. An allowance for equipment representing the difference between the abnormally low expenditures for equipment for 1943-1945 and the amount recommended by the Governor's Budget for 1945-1947.

The recommended total amount for support also includes a generous expansion in the expenditure level of the Langley Porter Clinic to permit it to use its existing facilities and to demonstrate whether or not it will produce results commensurate with its cost.

The amount proposed for central administration is based on the actual expenditure for the current biennium, plus moderate amounts for a complete tuberculosis testing program, normal salary increases, population increases of institutions, one additional professional position for improved diet control, and a farming operations manager.

The specific adjustments to meet needed expansion and improved services are as follows:

The program for support recommended differs from that presented by the Department of Institutions in the following chief aspects:

1. It calls for an expenditure for Support totaling \$27,520,320 instead of \$29,101,351—a reduction of \$1,581,029.
2. It provides for specific allowances for 281 additional positions by the second fiscal year, to balance the expected population increase and to apply the uniform State holiday policy, and to permit full use of the facilities of the Camarillo Hospital in place of the 754 new jobs specifically recommended by the Department of Institutions.
3. It recommends the deletion of the expenditure item of \$179,500 for the five new outpatient mental clinics and mobile units proposed by the Department of Institutions.
4. The recommended program for support is based primarily upon the maintenance, during the 1945-47 Biennium, of 1944-45 per capita expenditures for institutional operations and for parole activities with additional allowances for normal salary increases, added personnel to apply the uniform State holidays policy, the additional salary expense of positions needed to match the expected population increase, and a few other positions which are justified on the basis of their individual merit and allowances for equipment. Anything beyond this must be considered as added services.

The following table summarizes our application of the foregoing to the appropriation items for support of the institutions. There follows, thereafter, discussion and recommendations for each appropriation item for institutions in the order listed in the appropriation bill.

Budget Request and Suggested Reductions

	Amounts in budget	Reductions proposed		Net amounts proposed
		Amount	Per cent	
Departmental administration.....	\$514,009	\$78,526	10.2	\$435,483
Transportation of inmates.....	103,800	-----	-----	103,800
Langley Porter Clinic.....	838,237	41,900	5.0	796,337
Outpatient clinics.....	179,500	179,500	Entire amount	None
Agnews State Hospital.....	3,155,192	\$126,840	4.0	\$3,028,352
Camarillo State Hospital.....	3,718,436	105,969	2.8	3,612,467
Mendocino State Hospital.....	2,583,257	142,002	5.4	2,441,255
Napa State Hospital.....	3,364,273	160,485	4.7	3,203,788
Norwalk State Hospital.....	2,326,733	113,320	4.8	2,213,413
Patton State Hospital.....	3,357,270	98,278	2.9	3,258,992
Stockton State Hospital.....	3,820,274	265,134	6.9	3,555,140
Pacific Colony.....	1,702,966	125,061	7.3	1,577,905
Sonoma State Home.....	2,983,275	124,541	4.2	2,858,734
Industrial Home for the Adult Blind....	332,717	18,473	5.5	314,244
Industrial Workshop for the Blind.....	81,382	-----	-----	81,382
State Blind Shop.....	40,030	1,000	2.5	39,030
Totals.....	\$29,101,251	\$1,581,029	5.4	\$27,520,322
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*IV. Analysis of Individual Appropriation Items
For Support of Department of Institutions*

Item 145 of Appropriation Bill, pages 405-408, inclusive, of the Budget; appropriation of \$514,009; increase of \$163,256 or 46.5 per cent over the estimated expenditure for the 1943-1945 Biennium.

Recommendation: Reduce Item 145 by \$78,526 or 15.0 per cent to \$435,483.

Among the items covered by the increase of \$163,256 requested by the Budget are the following:

1. A proposed tuberculosis testing survey among inmates of the institutions, with three new positions and total budgeted expenditure for the biennium of \$34,900.
2. Eight other proposed new positions with budgeted salaries aggregating \$52,380.
3. A substantial increase of \$57,880 in operating expenses.

While the expenditure proposed for equipment totals \$13,535 for the 1945-47 Biennium as compared with \$22,413 for the 1943-45 period, it includes an item of \$8,000 for automobile equipment.

As indicated in the table above, we recommend that this appropriation for departmental administration be reduced by \$78,526 to \$435,483. The following represent the bases for our calculations:

1. Estimated expenditures for 1943-1945.....	\$350,753
2. Tuberculosis survey.....	34,900
3. Normal salary adjustments.....	8,650
4. Additional allowance for population increases at the institutions.....	17,900
5. Salaries of positions justified on basis of their individual merit—A farm coordinator, clerical assistance and travel....	18,000
An additional dietitian to the staff of the food administrator..	5,280
Total	\$435,483

This recommended amount is in excess of the estimated expenditure for the 1943-1945 Biennium and should be sufficient for the department's work, which will be basically the same during the coming biennium.

Our calculations above include provision for the addition of a dietitian to the Office of the Food Administrator of the department. We propose this in lieu of the department's recommendation for nine dietitians stationed in the several institutions by the second year of the biennium. Our recommendation would cost about \$5,280 in salary expense, plus an additional amount for traveling expenses, as against the \$31,220 in salary expense involved in the department's proposal. Through visits to the several institutions the additional dietitian on the central staff can effect at least a substantial part of the benefit of the department's proposal for more of this type of service for the institutions.

We further propose that a new position be added to the administrative staff for the purpose of coordinating all the farming and food preserving activities of the institutions. Such a position, properly administered, will produce and save more food values than several times its cost. This man should be a high caliber farm manager and administrator. He would lay out production plans for each of the institutions so as to coordinate the whole and get the most out of land, climate and inmate labor consistent with their treatment needs.

He must have the cooperation of the medical staff at each institution so as to have labor available when needed, and of the business manager at each so as to coordinate production and preservation of food with the local and Statewide needs of the mental hospitals.

None of this has been done consistently in the past. There is room for much improvement.

A qualified man will merit good pay. We suggest allocation of \$18,000 a biennium for this service to cover his salary, necessary clerical assistance, and travel expense.

For Transportation of Patients

Item 146 Budget Bill, pages 405-407, inclusive, of the Budget; appropriation from the General Fund—\$103,800 increase of \$5,367 or 5.4 per cent over the estimated expenditure for the 1943-1945 Biennium.

We recommend that this sum for transportation of patients and other persons committed to the State institutions be approved without reduction, as it is in line with prior requests after allowances are made for expected population increases and the prevailing and anticipated extra traveling expenses and difficulties.

For Support of Langley Porter Clinic

Item 147 of the Appropriation Bill and pages 411 to 416 inclusive of the Budget; appropriation \$838,237; increase of \$420,217 or 100.5 per cent over the estimated expenditure of \$418,020 for 1943-1945, and of \$325,582 or 64.1 per cent over the amount appropriated by (Assembly Bill No. 1600) of the last regular session for the 1943-1945 Biennium. It is significant that revenues show an estimated increase of from \$79,784 to \$147,450 or up \$67,665 or approximately 85 per cent.

Recommendation: Reduce Item 145 by \$41,900 or approximately five per cent to \$796,337. This still leaves an increase of 91 per cent.

The increase of the budgeted expenditures for 1945-1947 over the estimated expenditures for 1943-1945 is distributed as follows:

For support	Increase	
	Amount	Per cent
Administration	\$32,972	51.9
Support and subsistence.....	104,514	75.2
Care and Welfare.....	254,531	143.9
Maintenance and operation of plant.....	16,955	73.6
Extramural care.....	11,245	71.9
Total Increase.....	\$420,217	100.5

The budgeted expenditure for 1945-1947 as compared with the estimated for 1943-1945, by objects of expenditure, is as follows:

	Estimated 1943-1945	Budgeted 1945-1947	Increase	
			Amount	Per cent
Salaries and wages.....	247,593	\$578,187	\$330,594	133.5
Operating expenses	155,655	249,900	94,235	60.5
Equipment	14,761	10,150	4,611	31.2
Total	\$418,020	\$838,237	\$420,217	100.5

Of the budgeted increase of \$330,594 for salaries, \$242,120 is to cover the expense of proposed new positions. There are 49 of these for the first year and a cumulative total of 68 for the second year. If all positions are filled, the Langley Porter Clinic would have 135 persons for the first year and 154 for the second year of the biennium.

The nature, purpose, and problems of the Langley Porter Clinic are briefly summarized by the following excerpts from an article in the "California Tax Digest" of August, 1944 by Dr. Karl M. Bowman, Medical Superintendent of the Clinic.

"The Langley Porter Clinic is a 100-bed, four-story neuropsychiatric hospital built by the Department of Institutions. It has a neurosurgical ward, a psychiatric ward for children, and four psychiatric wards for adults.

"The clinic contains the latest equipment for the diagnosis and treatment of mental disorders. Besides the well-equipped operating room for neurosurgery, there are special treatment wards for the use of insulin, electric shocks, fever therapy, and other methods of treatment. The clinic also has special diagnostic laboratories, an X-ray laboratory, and a special laboratory for electroencephalography. The electroencephalograph is a new type of machine, something like the electrocardiograph, which is able to take off electrical impulses from the brain. Under certain conditions, abnormal states of the brain can be diagnosed by this machine.

"The purpose of establishing the Langley Porter Clinic was to set up an institution where early and incipient cases of mental disease might receive thorough examination and treatment and where no legal procedures of commitment would be necessary. Hence, patients are encouraged to seek early treatment which we know is just as important in mental disease as it is in tuberculosis, cancer and other physical diseases. Many persons hesitate to seek help for a mental condition because of the feeling of stigma attached

to admission or commitment to one of the State hospitals. It is hoped that The Langley Porter Clinic will do away with this feeling.

“The Langley Porter Clinic is also set up under joint control of the Department of Institutions and The Regents of the University of California as a research and teaching hospital. The University of California is given exclusive use of the clinic for research and teaching purposes although the Department of Institutions may carry out any researches it wishes or set up classes for any group in the Department of Institutions. Such an arrangement makes available all the facilities of the University of California Medical School and Hospital, and members of branches of Medicine and Surgery are available as consultants for The Langley Porter Clinic.

“The general construction of The Langley Porter Clinic and its administration is primarily that of a general hospital rather than that of a State hospital for mental diseases. Since all cases come for intensive study and treatment, the cost of administering such a hospital is that of a well run general hospital, rather than that of a large State institution where many chronic cases receive largely custodial care and where many patients have recovered to the degree that they are able to help some about the institution and, therefore, cut down the general cost.

“The Director of The Langley Porter Clinic is also Professor of Psychiatry at the University of California Medical School, which makes the relationship still closer. The clinic may, therefore, be thought of as having three relationships—one to the State Hospital System, one to the University of California, and one to the community. As a part of the State Hospital System, it will receive special patients for diagnostic studies and treatment, will carry out research studies in conjunction with work in State hospitals, and will set up courses of instruction for State hospital personnel. By its relationship to the University of California it will carry out the special researches in the field of mental disease and will serve as a teaching center for psychiatry. Already special courses have been set up for the instruction of medical students, nurses, psychologists, and psychiatric social workers, and it is contemplated that, through the extension division of the University, students in occupational therapy will receive special instruction. Doctors receive training in the specialty of psychiatry, working as internes and residents.

“The Outpatient Department has been established and already more applications for patients to be treated have been received than can possibly be accepted. A special child guidance clinic is being arranged and The Commonwealth Fund of New York has given the University of California an annual grant of \$20,000 to aid in the establishment of this psychiatric work with children. Because of the shortage of personnel, it has only been possible to open three of the six wards up to the present time. It is hoped that the children's ward will be opened soon. Already special research studies have been carried out under special contract between the University of

California and the United States Office of Scientific Research and Development.

“The Langley Porter Clinic should develop into a great teaching and research center of which the people of California can be justly proud. It will also serve as a place where early and incipient cases of mental disease can receive prompt and sympathetic care and treatment, so that many of these patients can be cured in the early stages of their disorders.”

We recommend that all except approximately 5 per cent of the amount budgeted for support of The Langley Porter Clinic be appropriated for the following reasons:

1. The institution has been operating on a partial capacity basis. Additional money is needed to permit full use of its available facilities.
2. The institution is doing pioneer medical work in the treatment of the mentally ill. This is necessarily expensive and can yield large dividends for use by the other hospitals in treating their patients. In its pioneering stages, this activity justifies ample financial support to make a fair trial possible.

We propose a reduction of \$41,900 or approximately 5 per cent in the appropriation item to encourage application of such desirable administrative economies as conservative use of automobiles, supplies, travel, etc.

We also recommend that such sums as represent vacant and new positions be set aside in a special fund only to be available on the terms previously described for controlling this item.

*For Construction, etc., at The Langley Porter Clinic
at San Francisco*

Item 148 Budget Bill, page 415 of the Budget; appropriation from the General Fund \$24,500; decrease of \$14,400 or 37.1 per cent from the estimated expenditure of \$38,900 for the 1943-1945 Biennium; and a decrease of \$9,400 or 27.7 per cent from the \$33,900 for the 1943-1945 Biennium appropriated by Item 108 of (Assembly Bill No. 1600) of the last regular session.

This item covers the following proposed improvement expenditures:

Conversion of dumbwaiter shaft to storage closets.....	\$2,000
Installation of passenger elevator in existing shaft.....	18,000
Installation of locking screens in windows of seclusion rooms....	2,500
Miscellaneous building alterations.....	2,000
Total.....	\$24,500

We recommend that this item be approved without change.

Out Patient Clinics

Item 149 of the Budget Bill, pages 417-418 of the Budget, appropriates \$179,500 from the General Fund for this new service.

This new service has never appeared in the Budget nor has it received any appropriation before. It has never been acted on by the Legislature.

It should be decided as a matter of policy and on the basis of facts. It is recommended both by the Director of Institutions, and the Governor in his Biennial Message on page ten.

The request for \$179,500 for the biennium does not cover the costs for the two years, but only in fact for one year and that at a very limited coverage for the State. It is proposed to spend only \$30,220 the first year and \$149,280 the second year. A full two years' operation would cost \$298,560 plus salary increases for the second year, or in excess of \$300,000.

This, however, only covers Los Angeles, San Diego, Fresno, and Sacramento—and in a limited way.

This is only the start of a cost which will pyramid. It is the camel's head in the tent.

The outpatient fees are set at \$40,200 for one year—which we believe is an over-optimistic guess—for Langley Porter Clinic with its fine equipment and large staff estimates \$14,400 in outpatient fees for the biennium.

In short, costs are underestimated and fees overestimated.

Moreover, experts are required to do this job or they will do more harm than good. Such experts are not available now and probably will not be until a new group graduates after the war.

We recommend for the following reasons that the item be stricken from the Budget and the matter studied during the coming biennium.

1. It is a new service expanding our institutional work, when we should improve our established services.
2. It will be a call on manpower and the particular kind of specialists needed in our military hospitals.
3. Competent experts are not available.
4. The problem has not been studied and the whole matter placed before the Legislature for action.
5. The amount asked will not do the job but is just to get a start, when a real sizeable appropriation will be requested.
6. We can get more experience in this field and act more intelligently two years hence.
7. The almost doubled expenditure scheduled for the Langley Porter Clinic will permit it to expand and to intensify its outpatients services to mentally ill, and potentially mentally ill persons. This institution itself is young and its outpatient program is necessarily still in the experimental stage. It is wiser to watch how well its outpatient program works during the coming biennium on the proposed expanded basis than to take on another experiment. If results of its activities indicate that objectives will have been met in full or in large part and are worth their costs, then the State may more properly consider whether it should provide outpatient mental clinic service in other centers of the State. Is it wise to embark on a large new mental care program until further experience has been gained with the "test pilot" outpatient program represented by that given by the Langley Porter Clinic?
8. Serious harm can be done to the mental hygiene movement itself if the State embarks upon a "galloping off in all directions at

once mental care program.” During the coming biennium it probably would be possible to start the proposed new clinics with only less qualified psychiatric workers than are necessary to give to patients the high quality of service needed to do more good than harm.

9. The amount of \$179,500 for the establishment of five new clinics in the Budget represents a bare minimum expenditure for the contemplated program. As such, it amounts to an “entering wedge” expenditure that would be expanded very substantially in succeeding biennial periods. A rough forecast of such expanded expenditure is afforded by the fact that proposed support expenditures for the Langley Porter Clinic for the coming biennium are up 100 per cent over those for the current period. A further clue that the current suggested sum is a relatively small vanguard of larger items for succeeding budget periods is indicated by the fact that the proposed sum *does not allow for any capital outlay*. It does allow \$30,000 for mobile units — which experience shows are costly to operate.

For Support of Agnews State Hospital

Item 150 Budget Bill, pages 419-425, inclusive of the Budget; appropriation from the General Fund, \$3,155,192; increase of \$492,514 or 18.5 per cent over the estimated expenditure of \$2,662,678 for the 1943-1945 Biennium; and of \$620,570 or 24.4 per cent over the \$2,534,622 for the 1943-1945 Biennium appropriated by (Assembly Bill No. 1600) of the last regular session.

Our recommendation: Reduce Item 150 by \$136,560 or 4.3 per cent to \$3,018,632, leaving an increase of \$355,954 or 13.3 per cent.

The increase of \$492,514 in the budgeted expenditure for 1945-1947 over the estimated expenditure for 1943-1945 is distributed as follows:

	Estimated 1943-1945	Budgeted 1945-1947	Increase Amount	Per-cent
Administration	\$131,520	\$181,867	\$50,347	49.6
Support and subsistence	849,449	861,967	12,518	1.5
Care and welfare	1,303,778	1,634,631	330,853	25.4
Maintenance and operation of plant	261,634	291,801	30,117	11.5
Farming and processing	66,171	83,587	17,416	26.3
Totals, Institution's operation	\$2,612,602	\$3,053,853	\$441,251	16.8
Extramural Care	50,076	101,339	51,263	102.3
Totals, Support	\$2,662,678	\$3,155,192	\$492,514	18.5

The proposed expenditure of \$3,155,192 for support of the Agnews State Hospital will permit the following increases in per capita expenditures for institutional operations and parole activities:

	Fiscal year	Institution operations		Parole operations		
		Average resident population	Cost per patient Per year	Per month	Average parole population	Cost per year per patient
Actual	1943-44	3622	\$346.10	\$28.84	888	\$20.34
Estimated	1944-45	3664	370.91	30.91	900	35.74
Estimated	1945-46	3735	394.05	32.83	900	51.92
Estimated	1946-47	3810	415.24	34.61	900	60.68

The increase of \$492,514 in the budgeted expenditure is distributed as follows, by object of expenditure :

	Estimated 1943-45	Proposed 1945-47	Increase Amount	Per cent
Salaries and wages				
Positions now authorized -----	\$1,796,578	\$1,935,260	\$138,682	7.7
Estimated salary savings -----	96,270	74,133	+ 22,137	22.9
1945-47 normal salary adjustments		47,920	47,920	100.0
Proposed new positions -----		197,760	197,760	100.0
Totals, salaries and wages --	\$1,690,308	\$2,106,807	\$416,499	26.0
Operating expenses -----	1,061,033	1,111,250	50,217	4.7
Equipment -----	10,726	35,335	24,609	229.4
Totals -----	\$2,762,069	\$3,263,392	\$501,323	18.2
Reimbursement for maintenance --	72,862	84,200	11,338	15.6
Surplus products sales -----	26,529	24,000	— 2,529	9.5
Net totals -----	\$2,662,678	\$3,155,192	\$492,514	18.5

Operating expenses are up by approximately \$50,200 or 4.7 per cent. Equipment expenses are scheduled to advance by \$24,600 or 229.4 per cent; and expenditures for salaries and wages are expected to expand by \$416,499 or 26.0 per cent.

Of this latter increase of some \$416,000 in salary expense, almost \$200,000 is for the salaries of 40 new positions for the first year of the biennium and a cumulative number of 71 for the second year.

We recommend that appropriation item 150 be reduced by \$161,560 or 4.0 per cent to \$3,028,352. This still will represent an increase of \$365,674 over the estimated expenditure for the 1943-45 Biennium. This increase will permit the same per capita expenditures for institutional operations and parole work as prevails for the current Fiscal Year, 1944-45, and also will allow additional amounts to cover normal salary increases, new hospital attendant positions to care for population increases, new positions to apply the uniform State holidays policy to this institution, and several other positions that are justified on an individual basis.

Statistical basis for our recommended sum of \$3,028,352 follows :

1. *Per Capita Institutional Cost Basis:*

A. Per capita, 1944-45 -----	\$370.91		
B. Predicted average population 1945-47 -----	3,773		
C. Total institutional cost—Year -----		\$1,399,443	
D. Total institutional cost—Biennium -----			\$2,798,886

2. *Extramural Cost Item:*

A. Per patient on parole 1944-45 -----	\$35.57		
B. Predicted average number on parole, 1944-45 -----	900		
C. Total cost, year -----		32,013	
D. Total cost, biennium -----			64,026

3. Normal salary increases -----			47,920
4. Additional salary expense for uniform State holidays -----			37,980
5. Additional salary expense of positions needed to match expected population increase -----			41,580
6. Allowance for equipment -----			25,000
7. Salaries of positions justified on the basis of their individual merit -----			12,960

8. Total sum we recommend for support of Agnews State hospital -----			\$3,028,352
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While budgeted expenditures for farming and processing operations for the 1945-1947 Biennium show an increase of 16.2 per cent over the current period, the budgeted value of products produced for local consumption remains at the same figure of \$141,000 per year and the value of surplus products sold decreases by \$2,500 per year. This seems out of line as the inmate population is scheduled to increase by approximately 200 persons within the biennium.

We believe that the Coordinator of Farming Operations that was proposed for the central administrative staff and better use of inmate labor will improve this condition.

For Construction, etc. at Agnews State Hospital

Item 151 Budget Bill, page 426 of the Budget; appropriation \$59,500; decrease of \$127,300 or 68 per cent from the estimated expenditure of \$186,800 for the 1943-45 Biennium.

We recommend that appropriation Item 151 be reduced by \$12,600 to \$46,900. This recommended reduction can be absorbed through careful management and greater use of the labor of patients as indicated in the table following:

	Amts. proposed by budget	Reductions we propose	Net amt. recommended
Repairs to roofs and drainage facilities---	\$2,500	\$500	\$2,000
Morgue refrigeration -----	3,700	700	3,000
Zone heating control -----	2,500	-----	2,500
Addition to annex stable-----	4,700	1,000	3,700
Orchard pipe line-----	1,000	400	600
Hog ranch expansion-----	20,000	5,000	15,000
Food elevator replacement-----	6,000	-----	6,000
Remodeling treatment building first floor	5,600	1,000	4,600
Annex landscape units and vegetable hot houses -----	8,750	3,000	5,750
Resurfacing laundry floors-----	4,750	1,000	3,750
	<u>\$59,500</u>	<u>\$12,600</u>	<u>\$46,900</u>

For Support of Camarillo State Hospital

Item 152 Budget Bill, pages 427-434, inclusive of the Budget; appropriation from the General Fund, \$3,718,436; increase of \$945,821 or 34.1 per cent over the estimated expenditure of \$2,772,614 for the 1943-1945 Biennium; and of \$928,196 or 33.3 per cent over the \$2,790,240 for the 1943-1945 Biennium appropriated by (Assembly Bill No. 1600) of the last regular session.

Our recommendation: Reduce Item 152 by \$105,969 or 2.8 per cent to \$3,612,467, leaving an increase of \$839,853 or 30.2 per cent.

The increase of \$945,821 in the budgeted expenditure for 1945-1947 over the estimated expenditure for 1943-1945 is distributed as follows:

	Estimated 1943-45	Budgeted 1945-47	Increase Amount	Per cent
Administration -----	\$ 171,244	\$ 207,187	\$ 35,943	20.9
Support and subsistence -----	846,454	1,085,102	238,648	28.2
Care and welfare -----	1,256,197	1,790,019	533,822	42.5
Maintenance and operation of plant -----	252,572	303,299	50,726	20.1
Farming and processing -----	169,948	224,367	54,418	32.0
Totals, institutions' operations -----	<u>\$2,696,415</u>	<u>\$3,609,974</u>	<u>\$913,558</u>	<u>33.9</u>
Extramural care -----	76,198	108,462	32,263	42.3
Totals, support -----	<u>\$2,772,614</u>	<u>\$3,718,436</u>	<u>\$945,821</u>	<u>34.1</u>

The proposed Budget expenditure of \$3,718,436 for support of the Camarillo State Hospital will permit the following increases in per capita expenditures for institutional operations and parole activities:

	Fiscal year	Average resident population	Cost per patient in residence		Average parole population	Yearly parole cost per patient
			Yearly	Monthly		
Actual -----	1943-44	3,869	\$330.37	\$27.53	900	\$39.81
Actual and est. -----	1944-45	4,123	343.98	28.66	900	44.86
Estimated -----	1945-46	4,375	392.45	32.71	900	57.69
Estimated -----	1946-47	4,650	407.10	33.92	900	62.83

The increase of \$945,822 in the budgeted expenditures is distributed as follows, by object expenditure:

	Estimated 1943-45	Proposed 1945-47	Increase	
			Amount	Per cent
<i>Salaries and Wages:</i>				
Positions now authorized -----	\$1,839,015	\$2,036,530	\$197,515	10.7
Estimated salary savings -----	101,760	79,189	22,571	-22.2
1945-47 normal salary adjustments -----		87,855	87,855	100.0
Proposed new positions -----		405,000	405,000	100.0
<hr/>				
Totals, salaries and wages -----	\$1,737,255	\$2,450,186	\$712,931	41.0
Operating expenses -----	1,160,911	1,348,720	187,809	16.2
Equipment -----	15,028	84,030	69,002	45.9
<hr/>				
Totals -----	\$2,913,193	\$3,882,936	\$969,743	33.3
Reimbursements for Maint. -----	109,971	134,500	24,529	22.3
Surplus Products Sales -----	30,608	30,000	608	2.0
<hr/>				
Net totals -----	\$2,772,614	\$3,718,436	\$945,822	34.1

Operating expenses are up by approximately \$187,800 or 16.2 per cent. Equipment expenses are scheduled to advance by \$69,000 or 45.9 per cent; and expenditures for salaries and wages are expected to expand by \$712,000 or 41 per cent.

Of this latter increase of some \$713,000 in salary expense, \$405,000 is for the salaries of 97 new positions for the first year of the biennium and a cumulative number of 134 for the second year.

We recommend that appropriation Item 152 be reduced by \$105,969 or 2.8 per cent to \$3,612,467. This still will represent an increase of \$839,853 or 30.2 per cent over the estimated expenditure for the 1943-1945 Biennium. *This increase will permit the same per capita expenditures for institutional operations and parole work as prevails for the current fiscal year (1944-1945), and also will allow additional amounts to cover normal salary increases, new hospital attendant positions to care for population increases, new positions to apply the uniform State holidays policy to this institution, several other positions that are justified on an individual basis, an allowance for necessary equipment, and additional hospital attendants to permit greater use of facilities.**

* These total 24 for the first fiscal year and a cumulative total of 29 for the second year.

The statistical basis for our recommended sum of \$3,612,467 follows:

1. <i>Per Capita Institutional Cost Basis:</i>			
A. Per capita, 1944-45-----	\$343.98		
B. Predicted ave. population 1945-47-----	4,513		
C. Total institutional cost—year-----		\$1,552,382	
D. Total institutional cost—biennium-----			\$3,104,764
2. <i>Extramural Cost Item:</i>			
A. Per patient on parole, 1944-45-----	\$44.86		
B. Predicted ave. No. on parole 1945-47-----	900		
C. Total cost—year-----		\$40,374	
D. Total cost—biennium-----			80,748
3. Normal salary increases-----			87,855
4. Additional salary expense for uniform State holidays-----			38,860
5. Additional salary expense of positions needed to match expected population increase-----			108,060
6. Allowance for equipment-----			69,000
7. Salaries of positions justified on the basis of their individual merit-----			123,180
8. Total sum we recommend for support of Camarillo State Hospital-----			\$3,612,467

While budgeted expenditures for farming and processing operations for the 1945-1947 Biennium show an increase of 26 per cent over the current period, the budgeted value of products produced increases only nominally by 3.2 per cent, while the budgeted value of surplus products sold remains about the same. This seems out of line when inmate population is scheduled to go up by approximately 527 patients during the coming biennium.

We believe that the Coordinator of Farming Operations we propose for the central administrative staff and better use of patient labor will improve this condition. This institution has the opportunity of producing practically every farm product it requires.

For Construction, etc., at Camarillo State Hospital

Item 153 Budget Bill, page 434 of the Budget; appropriation from the General Fund, \$125,722; increase of \$32,322 or 34.6 per cent over the estimated expenditure of \$93,400 for the 1943-1945 Biennium.

We recommend that appropriation Item 153 be reduced by \$55,040 or 44 per cent to \$70,482. This recommended reduction can be absorbed as indicated in the table below through careful management and greater use of the labor of patients.

	Amounts proposed by Budget	Reductions we propose	Net amts. we recommend
Additional morgue boxes.....	\$1,500	\$22,000	\$1,500
Correct existing drainage problem west of dairy	2,650		2,650
Construction of concrete manure bins...	4,240	3,240	1,000
Replacement of cooling tower—main kitchen	1,000		1,000
Construct 14" storm drain in rear of commissary building	1,200		1,200
Drainage of farm land adjacent to booster plant	2,100		2,100
Irrigation lines for 90-acre tract.....	3,922	500	3,422
Resurface main entrance road	34,000	10,000	24,000
Enlarge vegetable preparation room— male kitchen	7,500	1,000	6,500
Alterations to existing superintendent's residence	4,800		4,800
Improvements to main intersection at junction of county road and main institution road	4,200		4,200
Employees' garage, southeast of laundry	6,300	3,300	3,000
Fence institution property	40,200	35,000	5,200
Mattress drying unit, male group.....	5,920	1,000	4,920
Concrete storm drain along south road together with parking area in rear of male Unit 11; capacity 30 cars	6,170	1,000	5,170
	<u>\$125,722</u>	<u>\$55,040</u>	<u>\$70,682</u>

For Support of Mendocino State Hospital

Item 154 Budget Bill, pages 435-442, inclusive, of the Budget; appropriation from the General Fund \$2,583,257; increase of \$395,054 or 18.1 per cent over the estimated expenditure of \$2,188,202 for the 1943-1945 Biennium; and of \$530,807 or 25.9 per cent over the \$2,052,450 for the 1943-45 Biennium appropriated by Assembly Bill No. 1600 of the last regular session.

Our recommendation: Reduce Item 154 by \$142,002 or 5.4 per cent to \$2,411,255, leaving an increase of \$203,053 or 9.3 per cent.

The increase of \$395,054 in the budgeted expenditure for 1945-1947 over the estimated expenditure for 1943-1945 is distributed as follows:

	Estimated 1943-45	Budgeted 1945-47	Increase	
			Amount	Per cent
Administration	\$121,320	\$150,775	\$29,455	24.2
Support and subsistence	563,065	600,428	37,363	6.6
Care and welfare	1,009,376	1,234,305	224,929	22.3
Maintenance and operation of plant	245,393	271,607	26,214	10.7
Farming and processing	212,017	247,241	35,224	16.6
Totals, institution operations	<u>\$2,151,170</u>	<u>\$2,504,356</u>	<u>\$353,186</u>	<u>16.4</u>
Extramural care	37,032	78,901	41,869	113.1
Totals, support	<u>\$2,188,202</u>	<u>\$2,583,257</u>	<u>\$395,054</u>	<u>18.1</u>

The proposed expenditure of \$2,583,257 for support of the Mendocino State Hospital would permit the following increases in per capita expenditures for institutional operations and parole activities:

	Fiscal year	Institution operations			Extramural care	
		Average resident population	Cost per patient		Average parole population	Cost per patient
			Yearly	Monthly		
Actual -----	1943-44	2,903	\$365 41	\$30 45	289	\$50 33
Estimated ----	1944-45	2,921	373 29	31 11	250	89 95
Estimated ----	1945-46	2,975	411 42	34 28	250	155 74
Estimated ----	1946-47	3,025	423 27	35 27	250	159 86

The increase of \$395,054 in the budgeted expenditure is distributed as shown in the following, by object of expenditure:

	Estimated 1943-45	Proposed 1945-47	Increase	
			Amount	Per cent
<i>Salaries and Wages:</i>				
Positions now authorized -----	\$1,457,146	\$1,526,760	\$69,614	4.8
Estimated salary savings -----	—75,332	58,548	16,784	22.2
1945-47 normal salary adjustments -----		40,000	40,000	100.0
Proposed new positions -----		170,820	170,820	100.0
Totals, salaries and wages--	\$1,381,814	\$1,679,032	\$297,218	21.5
Operating expenses -----	867,619	903,660	36,041	4.1
Equipment -----	16,814	66,065	49,251	292.9
Totals -----	\$2,266,248	\$2,648,757	\$382,509	16.9
Reimbursements for maintenance--	48,134	53,500	5,366	11.4
Surplus products sales -----	29,911	12,000	—17,911	—59.8
Net totals-----	\$2,188,202	\$2,583,257	\$395,054	18.1

Operating expenses are up by approximately \$36,041 or 4.1 per cent; equipment expenses are scheduled to advance by \$49,251 or 292.9 per cent; and expenditures for salaries and wages are expected to expand by \$297,218 or 21.5 per cent.

Of this latter increase of some \$297,000 in salary expense, almost \$171,000 is for the salaries of 38 new positions for the first year of the biennium and a cumulative number of 58 for the second year.

We recommend that appropriation Item 154 be reduced by \$142,002 or 5.4 per cent to \$2,441,255. This still will represent an increase of \$142,002 or 5.4 per cent over the estimated expenditure for the 1943-1945 Biennium. This increase will permit the same per capita expenditures for institutional operations and parole work as prevails for the current fiscal year (1944-1945), and also will allow additional amounts to cover normal salary increases, new hospital attendant positions to care for population increases, new positions to apply the uniform State holidays policy to this institution, several positions that are justified on an individual basis, and an allowance for needed equipment.

The statistical basis for our recommended sum of \$2,441,255 is as follows:

1. <i>Per Capita Institutional Cost Basis:</i>			
A. Per capita, 1944-1945-----	\$373 29		
B. Predicted average population 1945-47..	3,000		
C. Total institutional cost—year-----		\$1,119,870	
D. Total institutional cost—biennium ---			\$2,239,740
2. <i>Extramural Cost Item:</i>			
A. Per patient on parole, 1944-1945-----	89 95		
B. Predicted average number on parole, 1945-47 -----	250		
C. Total cost—year -----		22,487	
D. Total cost—Biennium -----			44,975
3. Normal Salary Increases -----			40,000
4. Additional salary expense for uniform State holidays -----			29,280
5. Additional salary expense for positions needed to match expected population increase -----			24,300
6. Allowance for equipment -----			50,000
7. Salaries of positions justified on the basis of their individual merit -----			12,960
8. Total sum we recommend for support of Mendocino State Hospital -----			\$2,441,255

While budgeted expenditures for farming and processing operations for the 1945-1947 Biennium show an increase of 7.1 per cent over the current period, the budgeted value of products produced remains at practically the same level of \$202,000 annually prevailing for the current year. The sale of surplus products decreases by \$17,911 or 59.8 per cent. This seems out of line.

We believe that the Coordinator of Farming Operations we propose for the central administrative staff and better use of patient labor will improve this condition.

The business manager at this institution has planned better than some of the other institutions in producing what is needed. Here, however, as in most of the institutions, labor needs have not been fully met by classification and assignment of all patients able to work.

For Construction, etc., at Mendocino State Hospital

Item 155 Budget Bill, page 411 of the Budget; appropriation from the General Fund, \$91,800; increase of \$22,633 or 32.7 per cent over the estimated expenditure of \$69,167 for the 1943-1945 Biennium.

We recommend that Appropriation Item 155 be reduced by \$32,500 or 35.4 per cent to \$59,300. This recommended reduction can be absorbed as indicated in the table below through careful management and greater use of the labor of patients.

	Amounts proposed by Budget	Reductions we propose	Net amt. we recommend
Blower system in carpenter shop-----	\$3,500	\$500	\$3,000
Stable, barn and implement shed-----	8,875	2,000	6,875
Line and grass fences, new and replacement-----	5,625	3,000	2,625
Addition to milking barn, including two concrete silos-----	10,000	5,000	5,000
Road and court yard resurfacing, landscaping, curbs, repairs-----	10,000	5,000	5,000
Garage extension for <i>State equipment</i> -----	12,000	6,000	6,000
Raze old red hay barn and replace with new drive- through hay barn at new dairy-----	7,000	7,000	-----
Lean-to shed addition to new hay barn (needed for grain storage)-----	2,000	2,000	-----
Air conditioning at laundry-----	2,800	-----	2,800
Dredging work at upper dam. Clear banks, clean out silt deposits and otherwise restore natural source of water supply-----	15,000	1,000	14,000
Electric, gas, steam and water line repairs-----	15,000	1,000	14,000
	<hr/> \$91,800	<hr/> \$32,500	<hr/> \$59,300

For Support of Napa State Hospital

Item 156 Budget Bill, pages 443-450 inclusive of the Budget; appropriation from the General Fund, \$3,364,273; increase of \$520,229 or 18.3 per cent over the estimated expenditure of \$2,844,044 for the 1943-1945 Biennium; and of \$683,229 or 25.5 per cent over the \$2,681,281 for the 1943-1945 Biennium appropriated by (Assembly Bill No. 1600) at the last regular session.

Our Recommendation: Reduce Item 156 by \$163,605 or 4.8 per cent to \$3,200,668.

The increase of \$520,229 in the budgeted expenditure for 1945-1947 over the estimated expenditure for 1943-1945 is distributed as follows:

	Estimated 1943-45	Budgeted 1945-47	Increase Amount	Per cent
Administration-----	\$160,029	\$193,672	\$33,643	21.0
Support and subsistence-----	667,558	768,905	101,347	15.1
Care and Welfare-----	1,475,044	1,752,750	298,706	20.5
Maintenance and operation of plant-----	239,682	274,116	34,434	14.4
Farming and processing-----	279,709	286,627	6,918	2.4
Totals, institutions operations-----	\$2,801,022	\$3,276,070	\$475,048	16.9
Extramural care-----	43,022	88,203	45,181	105.0
Totals, support-----	\$2,844,044	\$3,364,273	\$520,229	18.3

The proposed expenditure of \$3,364,273 for support of the Napa State Hospital will permit the following increases in per capita expenditures for institutional operations and parole activities:

	Fiscal year	Institution operations			Extramural care	
		Average resident population	Cost per patient Yearly	Monthly	Average parole population	Cost per patient
Actual	1943-44	3,893	\$351.50	\$29.29	552	\$33.17
Estimated	1944-45	3,945	363.15	30.26	600	41.19
Estimated	1945-46	4,050	393.76	32.81	600	66.18
Estimated	1946-47	4,150	405.14	33.76	600	80.83

The increase of \$520,229 in the budgeted expenditure is distributed as follows, by object of expenditure:

	Estimated 1943-45	Budgeted 1945-47	Change	
			Amount	Per cent
Positions now authorized.....	\$2,002,860	\$2,123,400	\$120,540	6.0
Estimated salary savings.....	—104,240	—81,238	—23,002	—22.1
1945-1947 normal salary adjustments.....		47,590	47,590	100.0
Proposed new positions.....		224,160	224,160	100.0
Totals, salaries and wages.....	\$1,898,620	\$2,313,912	\$415,292	21.9
Operating expenses.....	1,099,267	1,118,380	19,113	1.7
Totals.....	\$3,017,325	\$3,482,173	\$464,848	15.4
Reimbursements for maintenance.....	90,421	101,900	11,479	12.6
Subsistence abatements from Navy.....	66,494		66,494	100.0
Surplus products sales.....	16,366	16,000	366	2.2
Net Totals.....	\$2,844,043	\$3,364,273	\$520,230	18.3

Operating expenses are up by approximately \$19,100 or 1.7 per cent. Equipment expenses are scheduled to advance by \$30,443 or 156.6 per cent; and expenditures for salaries and wages are expected to expand by \$415,292 or 21.9 per cent.

Of this latter increase of some \$415,200 in salary expense, almost \$225,000 is for the salaries of 47 new positions for the first year of the biennium and a cumulative number of 73 for the second year.

We recommend that Appropriation Item 156 be reduced by \$163,605 or 4.8 per cent to \$3,200,668. This still will represent an increase of \$356,625 or 12.5 per cent over the estimated expenditure for the 1943-1945 Biennium. *This increase will permit the same per capita expenditures for institutional operations and parole work as prevails for the current fiscal year (1944-1945) and also will allow additional amounts to cover normal salary increases, new hospital attendant positions to care for population increases, new positions to apply the uniform State holidays policy to this institution, several other positions that are justified on an individual basis, and an allowance for needed equipment.* The statistical bases for our recommended sum of \$3,200,668 is given by the following table:

1. <i>Per Capita Institutional Cost Basis:</i>			
A. Per capita, 1944-45.....	\$363.15		
B. Predicted ave. population 1945-47.....	4,100		
C. Total institutional cost—year.....		\$1,488,915	
D. Total institutional cost—biennium.....			\$2,977,830
2. <i>Extramural Cost Items:</i>			
A. Cost per patient on parole 1944-45.....	41.19		
B. Predicted ave. no. on parole 1944-45.....	600		
C. Total cost—year.....		24,714	
D. Total cost—biennium.....			49,428
3. Normal salary increases.....			47,590
4. Additional salary expense for uniform State holidays.....			38,160
5. Additional salary expense of positions needed to match population increase.....			44,940
6. Allowance for equipment.....			30,000
7. Salaries of positions justified individually.....			15,840
8. Total sum recommended for support of Napa State Hospital.....			\$3,203,288

For Construction, etc., at Napa State Hospital

Item 157 Budget Bill, page 450 of the Budget; appropriation from the General Fund, \$2,600; decrease of \$184,125.

This item is for fire alarm siren and signal equipment. We recommend that it be approved without reduction.

For Support of Norwalk State Hospital

Item 158 Budget Bill, pages 451-457, inclusive, of the Budget; appropriation from the General Fund, \$2,326,733; increase of \$319,860 or 13.7 per cent over the estimated expenditure of \$2,006,873 for the 1943-1945 Biennium; and of \$170,863 or 9.3 per cent over the \$1,836,010 for the 1943-1945 Biennium appropriated by (Assembly Bill No. 1600) of the regular session of 1943.

Our Recommendations: Reduce Item 158 by \$110,320 or 4.7 per cent to \$2,216,413.

The increase of \$319,860 in the budgeted expenditure for 1945-1947 over the estimated expenditure for 1943-1945 is distributed as follows:

	Estimated 1943-45	Budgeted 1945-47	Change	
			Amount	Per cent
Administration -----	\$122,289	\$150,221	\$27,931	22.8
Support and subsistence -----	446,481	509,514	63,033	14.1
Care and welfare -----	1,079,844	1,223,508	143,664	13.3
Maint. and operations of plant -----	155,959	177,607	21,648	13.9
Farming and processing -----	160,095	186,335	26,240	16.4
Totals, institution operations --	\$1,964,669	\$2,247,185	\$282,516	14.4
Extramural care -----	42,205	79,548	37,343	88.5
Totals, support -----	\$2,006,873	\$2,326,733	\$319,860	15.9

The proposed expenditure of \$2,326,733 for support of the Norwalk State Hospital will permit an increase in per capita costs for institution operation from an estimated \$423.55 for 1944-45 to \$454.10 for 1945-46 and to \$471.53 for 1946-47. It would permit the cost per patient on parole to increase from an estimated \$45.97 for 1944-45 to \$76.35 for 1945-46 and to \$82.75 for 1946-47.

The sending of senile aged to this institution by the counties solely for custodial care for the few remaining months of their life, or even days, increases the costs beyond what they otherwise would be. This practice represents an abuse which should be stopped.

An analysis of the proposed increase in expenditure over that for the current biennium, by object of expenditure, reveals that operating expenses are up by 12 per cent; equipment expenses by 254 per cent; and salaries and wages expenses by 15 per cent.

Of this latter increase of 15 per cent or some \$215,000 in salary expense, almost \$130,000 is for the salaries of 27 new positions for the first year of the biennium and a cumulative number of 43 for the second year.

We recommend that appropriation Item 158 be reduced by \$113,320 or 4.8 per cent to \$2,213,413. This still will represent an increase of \$206,541 or 10.4 per cent over the estimated expenditure for the 1943-1945 Biennium. *This increase will permit the same per capita expenditures for institutional operations and parole work as prevails for the current fiscal year (1944-1945), and also will allow additional amounts to cover normal salary increases, new hospital attendant positions to*

care for population increases, new positions to apply the uniform State holidays policy to this institution, several other positions that are justified on an individual basis, and an allowance for necessary equipment. The statistical basis for our recommended sum of \$2,213,413 is given in the table below.

1. <i>Per Capita Institutional Cost Basis:</i>			
A. Per capita, 1944-45	-----	\$423.55	
B. Predicted ave. population 1945-47	-----	2,428	
C. Total institutional cost—year	-----		\$1,028,379
D. Total institutional cost—biennium	-----		\$2,056,758
2. <i>Extramural Cost Items:</i>			
A. Cost per patient on parole 1944-45	-----	45.97	
B. Predicted ave. no. on parole 1944-45	-----	500	
C. Total cost—year	-----		22,985
D. Total cost—biennium	-----		45,970
3. Normal salary increases	-----		29,145
4. Additional salary expense for uniform State holidays	-----		21,840
5. Allowance for equipment	-----		36,000
6. Additional salary expense of positions needed to match population increase	-----		10,740
7. Salaries of positions justified indiv.	-----		12,960
8. Total sum recommended for support of Norwalk State Hospital	-----		\$2,213,413

This institution has reached its maximum size. It should now be fully planned as to physical plant and type of inmates to best fit into its limitations and serve at the minimum costs.

For example, the firehouse should be close as possible to the engine room—the work of some full-time employee who could operate the fire truck in case of a fire and get it onto the job in the shortest time.

Farm operations should be closely geared to the needs of the institution.

For Construction, etc., at Norwalk State Hospital

Item 159, Budget Bill, page 457 of the Budget; appropriation from the General Fund, \$55,206; decrease of \$20,492 from the estimated expenditure of \$75,698 for the 1943-45 Biennium.

We recommend that appropriation Item 159 be reduced by \$10,500 or 19 per cent to \$44,706. This recommended reduction can be absorbed as indicated in the table below through careful management and greater use of the labor of patients.

	Amounts proposed in Budget	Reductions we propose	Net amounts we recom- mend
Addition to laundry building and equipment	\$37,050	\$5,500	\$31,550
Alteration of dairy milk house and equipment	18,156	5,000	13,156
	\$55,206	\$10,500	\$44,706

For Support of Patton State Hospital

Item 160, Budget Bill, pages 458-465, inclusive, of the Budget, appropriation from the General Fund, \$3,357,270; increase of \$476,302 or 16.5 per cent over the estimated expenditure of \$2,880,968 for the 1943-1945 Biennium; and of \$693,997 or 26.1 per cent over the \$2,663,273 for the 1943-45 Biennium appropriated by Assembly Bill No. 1600 of the last Regular Session.

Our recommendation: Reduce Item 160 by \$98,278 or 2.9 per cent to \$3,258,992.

The increase of \$476,302 in the budgeted expenditure for 1945-1947 over the estimated expenditure for 1943-1945 is distributed as follows:

	Estimated 1943-45	Budgeted 1945-47	Change	
			Amount	Per cent
Administration -----	\$155,649	\$198,036	\$42,387	27.2
Support and subsistence -----	656,023	712,922	56,899	8.7
Care and welfare -----	1,456,422	1,753,387	296,965	20.4
Maintenance and operation of plant ---	220,239	264,502	44,263	20.1
Farming and processing -----	312,118	330,620	18,502	5.9
Totals, institution operations --	\$2,800,450	\$3,259,467	\$459,020	16.4
Extramural care -----	80,518	97,803	17,285	21.4
Totals, support -----	\$2,880,968	\$3,357,270	\$476,302	16.5

On the basis of current population estimates, the proposed expenditure of \$3,357,220 for support of the Patton State Hospital would permit per capita expenditures for institutional operations to increase from an estimated \$369.06 for the Fiscal Year 1944-45 to \$398.14 for 1945-46 and to \$411.36 for 1946-47. This proposed expenditure also would permit the cost per patient on parole to advance from \$47.66 for 1944-45 to \$52.93 for 1946-47, while the cost for 1945-46 would decline to \$44.88 due to an expected increase in the number on parole.

An analysis of the proposed increase of \$476,302, by object of expenditure, reveals that operating expenses are scheduled to expand by 2.4 per cent; equipment expenses by 220 per cent; and salaries and wages by 22.6 per cent.

Of this latter increase of some 22.6 per cent or some \$432,000 in salary expense, almost \$233,320 is for the salaries of proposed new positions totaling 50 for the first year of the biennium and a cumulative number of 78 for the second year of the two-year period.

We recommend that appropriation Item 160 be reduced by \$98,278 or 2.9 per cent to \$3,258,992. This still will represent an increase of \$378,024 or 13.1 per cent over the estimated expenditure for the 1943-45 Biennium. *This increase will permit the same per capita expenditures for institutional operations and parole work as prevails for the current fiscal year (1944-1945), and also will allow additional amounts to cover normal salary increases, new hospital attendant positions to care for population increases, new positions to apply the uniform State holidays policy to this institution, several other positions that are justified on an individual basis, and an allowance for necessary equipment.* The statistical basis for our recommended sum of \$3,258,992 is given in the table below:

1. <i>Per Capita Institutional Cost Basis:</i>			
A. Per capital, 1944-45 -----	\$369.06		
B. Predicted average population 1945-47 ----	4,026		
C. Total institutional cost—year -----		\$1,485,836	
D. Total institutional cost—biennium -----			\$2,971,672
2. <i>Extramural Cost Item:</i>			
A. Cost per patient on parole, 1944-45 -----	\$47.66		
B. Predicted average number on parole, 1944-45 -----	1,000		
C. Total cost—year -----		47,660	
D. Total cost—biennium -----			95,320
3. Normal salary increases -----			50,480
4. Allowance for equipment -----			30,000
5. Additional salary expense for uniform State holidays -----			39,580
6. Additional salary expense of positions needed to match population increase -----			58,980
7. Salaries of positions justified indiv. -----			12,960
8. Total sum recommended for support of Patton State Hospital -----			\$3,258,992

With increase in population of the institution as estimated up from 3,850 inmates for 1944-45 to 4,088 for 1946-47 and added staff and more farm help, it is reasonable to expect farm production to be increased. The Budget shows \$245,000 for each year of 1945-47.

The employment of a farm supervisor for the Department of Institutions recommended herein should certainly bring up the value of farm products produced. There should be ample inmate labor to do this.

For Construction, etc., at Patton State Hospital

Item 161 Budget Bill, page 465 of the Budget; appropriation from the General Fund, \$99,900; increase of \$77,700 over the estimated expenditure of \$22,200 for the 1943-1945 Biennium.

We recommend that appropriation Item 159 be reduced by \$15,000 or 27 per cent to \$84,900. This recommended reduction can be absorbed as indicated in the table below through careful management and greater use of the labor of patients.

	Amount proposed by Budget	Reductions proposed	Net amount we recom- mend
Repair garage, equipment and fencing -----	\$10,000	\$4,000	\$6,000
Tile drainage system, Taylor Ranch -----	6,000	1,000	5,000
Horse barn and hay shed, Taylor Ranch -----	4,500	1,000	3,500
Two additional water reservoirs -----	15,000	3,000	12,000
Addition to laundry building -----	25,000	3,000	22,000
Additional laundry equipment -----	20,000	-----	20,000
Additional dry cleaning equipment for blankets, suits, etc., and extractor -----	2,400	-----	2,400
Replacing pole line of street lighting system -----	17,000	3,000	14,000
Totals -----	\$99,900	\$15,000	\$84,900

For Support of Stockton State Hospital

Item 162 Budget Bill, pages 466-473 inclusive of the Budget; appropriation from the General Fund, \$3,820,274; increase of \$655,027 or 20.7 per cent over the estimated expenditure of \$3,165,247 for the 1943-1945 Biennium; and of \$802,156 or 26.6 per cent over the \$3,018,118 for the 1943-1945 Biennium appropriated by Item 120 of Assembly Bill No. 1600 of the last regular session.

Our Recommendation: Reduce Item 162 by \$265,134 or 6.9 per cent to \$3,555,140.

The increase of \$655,027 in the budgeted expenditure for 1945-47 over the estimated expenditure for 1943-1945 is distributed as follows:

	Estimated	Proposed	Increase	
	1943-45	1945-47	Amount	Per cent
Administration	\$181,394	\$210,953	\$29,559	16.3
Support and subsistence	765,956	861,969	96,013	12.5
Care and welfare	1,513,037	1,917,919	404,882	26.7
Maintenance and operation of plant	284,928	309,632	24,704	8.7
Farming and processing	384,457	426,538	42,081	10.9
Totals, institution operation	\$3,129,771	\$3,727,011	\$597,240	19.1
Extramural care	35,476	93,263	57,787	16.3
Totals, support	\$3,165,247	\$3,820,274	\$655,027	20.7

The proposed expenditure of \$3,820,274 for support of the Stockton State Hospital would permit the following increases in per capita expenditures for institutional operations and parole activities:

	Institution operations				Extramural care	
	Fiscal year	Average resident population	Cost per patient		Average parole population	Cost per patient
			Yearly	Monthly		
Actual	1943-44	4,224	\$360.43	\$30.03	886	\$14.22
Estimated	1944-45	4,328	371.38	30.99	900	25.42
Estimated	1945-46	4,430	408.16	34.01	900	46.12
Estimated	1946-47	4,530	423.59	35.29	900	57.50

The increase of \$655,027 in the budgeted expenditure is distributed as shown on the following page, by object of expenditure:

Salaries and wages	Estimated	Proposed	Increase	
	1943-45	1945-47	Amount	Per cent
Positions now authorized	\$2,191,707	\$2,391,940	\$200,233	9.1
Estimated salary savings	—115,709	—91,171	—24,538	—21.2
1945-47 normal salary adjustments		46,040	46,040	100.0
Proposed new positions		256,120	256,120	100.0
Totals, salaries and wages	\$2,075,998	\$2,602,929	\$526,931	25.4
Operating expenses	1,214,376	1,281,900	67,524	6.0
Equipment	15,539	60,345	44,806	283.3
Totals	\$3,305,914	\$3,945,174	\$639,260	19.3
Reimbursement for maintenance	—80,459	—94,900	—14,441	
Surplus products sales	—60,207	—30,000	+30,207	
Net totals	\$3,165,247	\$3,820,274	\$655,027	20.7

Operating expenses are up by approximately \$67,524 or 6.0 per cent. Equipment expenses are scheduled to advance by \$44,806 or 283.3 per cent; and expenditures for salaries and wages are expected to expand by well over half a million dollars, or by 25 per cent.

Of this latter increase of salary expense, more than \$250,000 is for the salaries of 56 proposed new positions for the first year of the biennium and a cumulative number of 90 for the second year.

We recommend that appropriation Item 162 be reduced by \$265,134 or 6.9 per cent to \$3,555,140. This still will represent an increase of \$389,893 or 12.3 per cent over the estimated expenditure for the 1943-1945 Biennium. *This increase will permit the same per capita expendi-*

tures for institutional operations and parole work as prevails for the current fiscal year (1944-1945), and also will allow additional amounts to cover normal salary increases, new hospital attendant positions to care for population increases, new positions to apply the uniform State holidays policy to this institution, and several other positions that are justified on an individual basis, and an allowance for necessary equipment.

The statistical basis for our recommended sum of \$3,510,140 is given in the table below:

1. <i>Per Capita Institutional Cost Basis:</i>			
A. Per capita, 1944-45 -----	\$371.38		
B. Predicted average population 1945-47 -----	4,480		
C. Total institutional cost—year -----		\$1,663,732	
D. Total institutional cost—biennium -----			\$3,327,564
2. <i>Extramural Cost Item:</i>			
A. Cost per patient on parole, 1944-45 -----	\$ 25.42		
B. Predicted average number on parole, 1944-45 --	900		
C. Total cost—year -----		22,878	
D. Total cost—biennium -----			45,756
3. Normal salary increases -----			46,040
4. Allowance for equipment -----			45,000
5. Additional salary expense for uniform State holidays -----			41,040
6. Additional salary expense of positions needed to match population increase -----			44,940
7. Salaries of positions justified individually -----			4,800
8. Total sum recommended for support of Stockton State Hospital -----			\$3,555,140

The entire farming operations and use of patient labor at Stockton needs to be reviewed. Expenditure for farming and processing is increased by 11 per cent or up \$42,081, but surplus sales show a drop of \$30,207 and local products consumed remains the same, at \$282,000 per year.

A considerable acreage of excellent gardenland is being used to grow grain. We question the economy of such a use.

Investment in farm buildings is excessive and costs in the future should be controlled.

For Construction, etc., at Stockton State Hospital

Item 163 Budget Bill, page 473 of the Budget; appropriation from the General Fund, \$258,020; increase of \$136,178 over the estimated expenditure of \$121,842 for the 1943-1945 Biennium.

We recommend that appropriation Item 163 be reduced by \$45,980 or 17.7 per cent to \$212,040. This recommended reduction can be absorbed as indicated in the table below through careful management and greater use of the labor of patients.

	Amounts in Budget	Reductions proposed	Net amounts recommended
Purchase of modern laundry equipment-----	\$68,840	-----	\$68,840
Completion of refrigeration plant and butcher shop-----	75,000	5,000	70,000
Link fence with steel posts, front boundary, ranch-----	6,000	1,000	5,000
Turbine pump, for irrigating lower end of ranch-----	1,500	-----	1,500
Pump and well at N.E. corner ranch-----	3,000	-----	3,000
Pump and well at west of horse barn, at ranch-----	3,000	-----	3,000
Pump and well at twin-barns-----	3,000	-----	3,000
Occupational therapy building at farm annex-----	10,000	2,000	8,000
Ground lights at farm annex-----	10,600	8,000	2,600
Completion of ground lighting, main institution-----	8,480	8,480	0
Lining drainage ditch from sewer settling basin, farm annex-----	11,600	1,500	10,100
Completion of hog shelter sheds, hog ranch-----	7,000	3,000	4,000
Completion of farrowing barn, hog ranch--	14,500	5,000	9,500
Maternity and hospital barn, at dairy-----	16,000	8,000	8,000
Completion of road paving at hog ranch----	9,000	4,000	5,000
Boiler room controls-----	4,000	-----	4,000
Replace setting for boiler, farm annex----	3,500	-----	3,500
Replace feed water receiving tank, main institution-----	3,000	-----	3,000
	\$258,020	\$45,980	\$212,040

For Support of Pacific Colony

Item 164 Budget Bill, pages 474 to 479, inclusive, of the Budget; appropriation from the General Fund, \$1,702,966; increase of \$277,209 or 19.4 per cent over the estimated expenditure of \$1,425,757 for the 1943-1945 Biennium; and of \$327,805 or 23.8 per cent over the \$1,375,161 for the 1943-1945 Biennium appropriated by Item 122 of (Assembly Bill No. 1600) the last regular session.

Our Recommendation: Reduce Item 164 by \$125,061 or 7.3 per cent to \$1,577,905.

The increase of \$277,209 in the budgeted expenditure for 1945-1947 over the estimated expenditure for 1943-1945 is distributed as follows:

	Estimated 1943-45	Budgeted 1945-47	Increase	
			Amount	Per cent
Administration-----	\$108,258	\$135,394	\$27,136	25.1
Support and subsistence-----	508,580	545,877	37,297	7.3
Care and welfare-----	611,357	786,060	174,703	28.6
Maint. and operation of plant----	170,516	197,561	27,045	15.9
Farming and processing-----	27,046	38,074	11,028	40.7
Totals, support-----	\$1,425,757	\$1,702,966	\$277,209	19.4

The proposed expenditure of \$1,702,966 for support of Pacific Colony will permit the following increases in per capita expenditures for support:

	Fiscal year	Average patient population	Cost per patient	
			Per year	Per month
Actual-----	1943-44	1533	\$441.96	\$36.83
Estimated-----	1944-45	1600	467.65	38.97
Estimated-----	1945-46	1600	517.81	43.15
Estimated-----	1946-47	1600	546.55	45.54

The increase of \$277,209 in the budgeted expenditure is distributed as follows, by object of expenditure:

	Estimated 1943-45	Budgeted 1945-47	Increase Amount	Per cent
Salaries and wages:				
Positions now authorized-----	\$920,661	\$1,023,540	\$102,879	11.1
Estimated salary savings-----	49,464	—39,596	9,868	19.9
1945-47 normal salary adjustments -----		37,825	37,825	100.0
Proposed new positions-----		92,700	92,700	100.0
<hr/>				
Totals, salaries and wages--	\$871,197	\$1,114,469	\$243,272	27.9
Operating expenses -----	594,668	603,970	9,302	1.6
Equipment -----	6,813	35,427	28,614	419.9
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Totals -----	\$1,472,678	\$1,753,866	\$281,188	19.1
Reimbursements for maintenance	43,398	48,300	4,902	11.3
Surplus products sale-----	3,523	2,600	923	26.2
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Net totals -----	\$1,425,756	\$1,702,966	\$277,209	19.4

Operating expenses are up by approximately \$9,300 or 1.6 per cent. Equipment expenses are scheduled to advance by \$28,614 or 419 per cent; and expenditures for salaries and wages are expected to expand by \$243,000 or 27 per cent.

Of this latter increase in salary expense, almost \$93,000 is for the salaries of 22 new positions for the first year of the biennium and 30 for the second year.

We recommend that appropriation Item 164 be reduced by \$125,061 or 7.3 per cent to \$1,577,905. This still will represent an increase of \$152,149 or 10.6 per cent over the estimated expenditure for the 1943-1945 Biennium. *This increase will permit the same per capita expenditures for institutional operations as prevails for the current fiscal year (1944-1945), and also will allow additional amounts to cover normal salary increases, new hospital attendant positions to care for population increases, and new positions to apply the uniform State holidays policy to this institution, and an allowance for necessary equipment.*

The statistical basis for our recommended sum of \$1,577,905 is given by the table below.

1. *Per Capita Institutional Cost Basis:*

A. Per capita, 1944-45-----	\$467.65
B. Predicted average population, 1945-47-----	1,600
C. Total institutional cost—year-----	\$748,240
D. Total institutional cost—biennium-----	\$1,496,480
2. Normal salary increases-----
 37,825 |
3. Additional salary expense—uniform State holidays-----
 15,600 |
4. Additional salary expense of positions
needed to match population increase-----
 0 |
5. Allowance for equipment-----
 28,000 |
6. Salaries of positions justified individually-----
 0 |
| --- | |
7. Total sum recommended for support of Pacific Colony-----
 \$1,577,905 |

For Construction, etc., at Pacific Colony

Item 165 Budget Bill, page 480 of the Budget; appropriation from the General Fund, \$60,900; increase of \$49,900 over the estimated expenditure of \$11,000 for the 1943-1945 Biennium.

Expenditure items proposed by the Budget include the following:

Farm irrigation system.....	\$6,000
Additional plumbing fixtures on male wards.....	1,500
Increased vegetable storage space.....	3,000
Fuel oil pumping equipment.....	2,400
Repairs and paving of streets and roads.....	4,000
Concrete incinerator.....	4,000
Installation of lawn irrigation system at cottages 1, 2, 3, 4, and 6....	1,000
Additional refrigeration space.....	7,000
Pro rata cost sewage plant.....	12,500
Sewage disposal plant comminator.....	7,000
Annex to school.....	12,500
	\$60,900

In view of greater difficulties in the use of labor of inmates of a home for mental defectives as compared with the mental hospitals, a lesser degree of reduction is indicated for this institution's construction expenditures. We recommend a 10 per cent cut in the foregoing, or \$6,090. This brings the recommended sum for Item 164 to \$54,810.

For Support of Sonoma State Home

Item 166 Budget Bill, pages 481-486, inclusive of the Budget; appropriation from the General Fund, \$2,983,275, increase of \$357,824 or 13.6 per cent over the estimated expenditure of \$2,625,450 for the 1943-45 Biennium; and of \$595,378 or 24.9 per cent over the \$2,387,897 for the 1943-45 Biennium appropriated by Item 123 of (Assembly Bill No. 1600) of the last regular session.

Our Recommendation: Reduce Item 166 by \$124,541 or 4.2 per cent to \$2,858,734, leaving an increase of \$233,284 or 8.9 per cent over the expenditure for 1943-1945.

The increase of \$357,824 in the proposed expenditure for 1945-47 over the estimated expenditure for 1943-45 is distributed as follows:

	Estimated 1943-45	Budgeted 1945-47	Increase Amount	Per cent
Administration.....	\$140,026	\$169,853	\$29,827	21.3
Support and subsistence.....	635,756	686,498	50,741	8.0
Care and welfare.....	1,292,148	1,522,980	230,832	17.9
Maintenance and operation of plant.....	272,865	297,551	24,686	9.0
Farming and processing.....	284,655	306,393	21,738	7.6
Totals, support.....	\$2,625,450	\$2,983,275	\$357,825	13.6

The proposed expenditure of \$2,983,275 for support of the Sonoma State Home would permit the following increases in per capita expenditures for support:

	Fiscal year	Average patient population	Cost per patient Per year	Per month
Actual.....	1943-44	3,249	\$396.49	\$33.04
Estimated.....	1944-45	3,350	399.19	33.26
Estimated.....	1945-46	3,350	433.29	36.10
Estimated.....	1946-47	3,350	457.24	38.10

Of the budgeted increase, operating expenses are up by some \$33,000 or 3.5 per cent; equipment expenditures are up by approximately \$30,600 or 216 per cent; and salaries and wages are up by \$305,154 or 17.6 per cent.

We recommend that Appropriation Item 166 be reduced by \$124,541 or 4.2 per cent to \$2,858,734. This still will represent an increase of \$233,284 or 8.9 per cent over the estimated expenditure for the 1943-45

Biennium of \$2,625,450. *This increase will permit the same per capita expenditure for institutional operations as prevails for the current fiscal year (1944-45), and also will allow additional amounts to cover normal salary increases, new hospital attendant positions to care for recent population increases, new positions to apply the uniform State holidays policy to this institution, and an allowance for necessary equipment.*

The statistical basis for our recommended sum of \$2,858,734 is given by the table below:

1. <i>Per Capita Institutional Cost Basis</i>	
A. Per capita, 1944-45-----	\$399.19
B. Predicted average population, 1945-47-----	3,350
C. Total institutional population cost—year-----	\$1,337,287
D. Total institutional population cost—biennium-----	\$2,674,574
2. Normal salary increase-----	58,100
3. Additional salary expense for uni- form State holidays-----	36,000
4. Additional salary expense of posi- tions needed to match popula- tion increase-----	60,060
5. Allowance for equipment-----	30,000
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Total sum recommended for support of Sonoma State Home-----	\$2,858,734

For Construction, Etc., at Sonoma State Home

Item 167 Budget Bill, page 487 of the Budget; appropriation from the General Fund, \$132,000; increase of \$104,020 over the estimated expenditure of \$27,980 for the 1943-1945 Biennium.

Expenditure items proposed by the Budget include the following:

Purchase of modern laundry equipment-----	\$75,000
Incinerator-----	10,000
Underground power line-----	7,000
Occupational therapy room at Paxton Hall-----	40,000
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	\$132,000

We recommend a 10 per cent cut in the foregoing, or \$13,200. This brings the recommended sum for Item 167 to \$118,800.

For Support of Industrial Home for the Adult Blind

Item 168 Budget Bill, pages 489-494, inclusive, of the Budget; appropriation from the General Fund, \$332,717; increase of \$32,979 or 11 per cent over the estimated expenditure of \$299,737 for the 1943-45 Biennium; and of \$47,915 or 16.8 per cent over the \$284,802 for the 1943-45 Biennium appropriated by Item 130 of (Assembly Bill No. 1600) of the last regular session.

Our Recommendation: Reduce Item 168 by \$18,473 or 5.6 per cent to \$314,244, leaving an increase of \$14,507 or 5 per cent over the 1943-45 expenditure.

This institution is both a residence for the blind with an average member population of about 110 persons and an industrial workshop. Its estimated per capita cost of \$1,233 for 1944-45 covers both residential and industrial activities. The proposed expenditure of \$332,717 for support would permit the per capita cost to advance to \$1,258 for 1945-46

and to \$1,265 for 1946-47. The institution employs 45 persons, which represents a ratio of 2.4 residents per employee.

We recommend that appropriation Item 168 be reduced by \$18,473 or by 5.6 per cent to \$314,244. This figure represents continuance during the coming biennium of expenditures for institutional operations at the 1944-45 per capita rate of \$1,237.07, and the same biennial amount (\$42,970) for the Field Rehabilitation Service of this institution.

The Legislature should seriously consider the advisability of closing the custodial feature of this institution and operating a workshop for all the blind in the area. Note that it costs the State over \$103 per month for each person resident at this home.

It would be cheaper to pay each one \$100 per month cash and sell this property and set up a proper workshop for the blind similar to those in Los Angeles or San Diego. Those who can earn would help pay for a workshop. More blind persons could be served.

There is now one employee for each 2.4 resident blind or a total of 45 as compared with seven employees at San Diego and 14 at Los Angeles.

For Construction, Etc., at Industrial Home for Adult Blind

Item 169 Budget Bill, pages 493-494 of the Budget; appropriation from the General Fund, \$22,600; decrease of \$1,700 from the estimated expenditure of \$24,300 for the 1943-1945 Biennium.

Expenditure items proposed by the Budget include the following:

Relocation of and repairs to roads.....	\$2,500
Replacement of water tank and general improvements to water and drainage system.....	11,600
Sprinkler system for broom and garment factories.....	8,500
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	\$22,600

We recommend that Item 169 be approved without change.

For Support of Industrial Workshop for the Blind at Los Angeles

Item 170 Budget Bill, pages 495-496, inclusive, of the Budget; appropriation from the General Fund, \$81,382; increase of \$7,130 or 9.6 per cent over the estimated expenditure of \$74,251 for the 1943-1945 Biennium; and a decline of \$565 or .5 per cent from the \$81,947 for the 1943-1945 Biennium appropriated by Item 132 of (Assembly Bill No. 1600) of the last regular session.

Recommendation: Approval without change.

The moderate increase proposed over expenditures for the current biennium is due largely to budgeting for certain industrial equipment in the sum of about \$5,300. This equipment is needed to make effective use of a building the State has purchased for this establishment. We recommend that no reduction be made in this item.

For Support of State Blind Shop at San Diego

Item 171 Budget Bill, page 497 of the Budget; appropriation from the General Fund, \$40,030; increase of \$2,167 or 5.7 per cent over the estimated expenditure of \$37,862 for the 1943-45 Biennium; and of \$3,469 or 9.5 per cent over the \$36,561 for the 1943-45 Biennium appropriated by Item 133 of (Assembly Bill No. 1600) of the last regular session.

We recommend appropriation Item 171 at \$40,030 as set up in the Budget.

**Analysis of Proposed Expenditures for the Department of Insurance
1945-1947 Biennium**

Item 172 Budget Bill, pages 498-502 of the Budget; appropriation from the Insurance Fund \$826,918; increase of \$148,797 or 21.9 per cent over the estimated expenditure of \$678,121 for 1943-1945.

Proposed expenditures and estimated revenues for the 1945-1947 Biennium, compared with the 1943-45 period, are summarized as follows:

Expenditures Support	Estimated expenditure 1943-45	Proposed expenditure 1945-47	Increase	
			Amount	Per cent
Administration -----	\$559,059	\$677,453	\$118,394	21.2
Statement analysis -----	55,764	73,590	17,826	32.0
Examination -----	22,175	21,865	—310	—1.4
Workmen's compensation investigation ----	34,988	46,510	11,522	32.9
Liquidation -----	6,134	7,500	1,365	22.2
Totals, support -----	\$678,121	\$826,918	\$148,797	21.9
Contributions to State Employees' Retirement fund -----	\$21,383	\$25,431	\$4,048	18.9
Total expenditures -----	\$699,504	\$852,349	\$152,845	21.8
Revenues				
License, examination and special fees ----	\$876,981	\$908,780	\$31,799	3.7

Significant facts revealed by the foregoing table:

1. While proposed expenditures are up by 21.8 per cent, revenues for the coming biennium are expected to increase by only 3.7 per cent.

2. All types of expenditure except one—that for examinations—are scheduled to increase by more than 18 per cent, with the percentage rate of increase being over 30 per cent for statement analysis work and for the Workmen's Compensation Investigation.

The proposed expenditures for 1945-47 as compared with the estimated expenditures for 1943-45, by objects of expenditure, are as follows:

	Estimated 1943-45	Proposed 1945-47	Increase	
			Amount	Per cent
Salaries and wages -----	\$570,236	\$678,163	\$107,927	18.9
Operating expenses -----	189,347	203,984	14,637	7.7
Equipment -----	583	5,279	4,696	805.5
Totals -----	\$760,166	\$887,426	\$127,260	16.7
Less abatements for service to insurance companies in liquidation -----	\$82,045	\$60,508	—\$21,537	—26.2
Net totals -----	\$678,121	\$826,918	\$148,797	21.9

Of the budgeted increased salary expense of \$107,927, \$73,500 is for eight proposed new positions for the first year, a cumulative total of 15 new positions for the second fiscal year, and reclassification of six positions. Fourteen of the new positions are for individuals on leave for service with the armed forces.

Proposed new positions and the budgeted salary expense resulting are as follows:

No of positions fiscal years			Proposed	
45-46	46-47		1945-46	1946-47
Cumulative total				
1	3	Senior Insurance License Investigator (ML)-----	\$3,420	\$10,260
1	2	Senior Insurance Document Examiner (ML)-----	3,780	7,560
3	6	Junior Insurance License Investigator (ML)-----	7,740	15,480
1	1	Intermediate Typist-Clerk (ML)-----	1,980	1,980
		Senior Insurance License Investigator (Reclassification of six Junior Insurance License Investigators upon return from military leave)-----	360	1,440
1	2	Accountant-Auditor, Grade 1 (ML)-----	2,820	5,640
1	1	Assistant Supervisory Insurance Examiner-----	5,520	5,520
<hr/>				
8	15	Totals, years -----	\$25,620	\$47,880
		Total biennium -----		\$73,500

Much of the \$14,637 budgeted increase for operating expenses is due to an allowance of \$20,000 for auditing work for the liquidation activity as compared with an estimated \$12,000 for the fiscal year 1944-45. An additional \$2,419 of the \$14,637 increased operating expenses is for traveling which is budgeted for \$24,035 as compared with the \$21,616 estimated for the current biennium.

Increased automobile expense is responsible for \$700 more of the expended operating expense with the total for automobile expense being budgeted at \$2,700 for the 1945-1947 Biennium as contrasted with the \$1,999 estimated expenditure for the 1943-45 period.

Of the \$4,696 scheduled increase for equipment, \$2,000 is for automobile equipment during the first year of the biennium with the remainder being for office equipment.

The Department of Insurance is a self-supporting activity financed by appropriation from the Insurance Fund which is built up by the payment of fees by insurance companies and licenses of insurance agents. As of July 1, 1945, there was an unbudgeted surplus in the Insurance Fund of \$698,069. The Budget estimates that this will increase to \$754,500 by June 30, 1947, a net increase of approximately \$56,000.

Our recommendations are as follows:

1. In line with over-all cuts that we are recommending for all agencies—we recommend that
 - (a) The sum budgeted for printing be reduced from \$18,000 to \$15,000;
 - (b) Budgeted automobile operating expense be cut by 10 per cent or \$270.
2. We recommend that the amount of \$2,000 for the purchase of an automobile be reduced to \$1,500.
3. We recommend that the budgeted traveling expense items which total \$22,355 be reduced by 10 per cent or \$2,235.

We also raise a serious question as to the justification for the continuance of the workmen's compensation investigation and pay roll test audit in relation to the compensation carriers out of the insurance fund. Insofar as this study is an examination of the operations of a carrier it should be financed on an assessment basis in the same manner as other special services benefiting particular carriers are financed. If this particular study is justified to protect the public then its objective should either be to reduce compensation rates or to require proper premiums,

which if the rates are increased would yield additional revenues to the general funds.

We also wish to point out that the workmen's compensation investigation started out as a one time special study. It now appears to be a permanent part of the budget. It involves a significantly large expenditure of money, totaling approximately \$35,000 for 1943-45 and \$46,500 for 1945-1947.

**Analysis of Proposed Expenditures for the Division of Banking
Department of Investment—1945-1947 Biennium**

Item 173 of Budget Bill, pages 503-505 of the Budget; appropriation from the Banking Fund, \$345,662; increase of \$79,867 or 30 per cent over the estimated expenditure of \$265,795 for 1943-1945.

The Budget increase for 1945-1947 of \$79,867 is distributed among classes of expenditure as follows:

Support	Estimated	Proposed	Increase	
	expenditure 1943-45	expenditure 1945-47	Amount	Per cent
Administration -----	\$101,068	\$111,636	\$10,567	10.46
Enforcement of banking laws -----	147,847	213,986	66,138	44.74
Certification of bond issues -----	16,880	20,040	3,160	18.72
Total support -----	\$265,795	\$345,662	\$79,866	30.0

The proposed expenditure for 1945-1947 as compared with the estimated expenditure for 1943-1945, by objects of expenditure, is as follows:

	Estimated	Proposed	Increase	
	1943-45	1945-47	Amount	Per cent
Salaries -----	\$204,227	\$267,326	\$63,099	30.9
Operating expense -----	60,581	77,236	16,655	27.5
Equipment -----	987	1,100	113	1.15
Net Totals -----	\$265,795	\$345,662	\$79,867	30.0

(See comment on proposed increased personnel and traveling.)

Of the Budget increase, salary expense of \$63,099, \$27,960 is for five proposed new positions, which are as follows:

No. of new positions fiscal years			Proposed	
1945-46	1946-47		1945-46	1946-47
Cumulative total				
1	1	Intermediate typist-clerk -----	\$1,620	\$1,740
2	2	Semi-senior bank examiners -----	6,840	7,200
2	2	Junior bank examiners -----	5,160	5,400
Total years -----			\$13,620	\$14,340
				13,620
Total for biennium -----				\$27,960

This is 44.31 per cent of the total salary increase of \$63,099.

Additional personnel is requested to make independent examinations of several large banks which are now jointly examined with the Federal examiners and for examination of various financial institutions which desire to be converted into banks.

This appears very logical and the number of new examiners requested appears to be in line.

A review of operating expenses, as itemized below, will show a proposed increase of \$16,655 or 27.5 per cent over the estimated expenditure for 1943-1945.

OPERATING EXPENSES

	Estimated 1943-45	Proposed 1945-47	Increase	Per cent
Office -----	\$2,830	\$3,000	\$170	6.0
Printing -----	4,242	4,600	358	8.4
Traveling -----	18,702	32,200	13,498	72.2
Telephone and telegraph -----	2,572	2,800	228	8.9
Postage -----	1,716	2,000	284	16.6
Automobile -----	2,188	3,000	812	37.1
Freight, cartage and express -----	85	100	15	17.6
Rent -----	25,224	25,224	---	---
Pro rate general fiscal administration -----	1,965	2,574	609	31.0
Pro rate personnel board services -----	1,057	1,738	681	64.4
Total biennium -----	\$60,581	\$77,236	\$16,655	27.5

The increase of \$13,498 or 72.2 per cent for traveling expense does not appear to be in line. The large proposed increase is in the Enforcement of Laws Department.

Following is a comparative schedule showing gradual increase in this expenditure:

Biennium	Number of examiners	Actually spent	Average biennium
1939-1941	15	\$11,851	\$790
1941-1943	16	14,292	894
1943-1945	13 Filled	17,115	1,320
Proposed:			
1945-1947	20	30,000	1,500

We do not know of any logical reason for this large proposed increase as they have the same number of banks to examine and except for the examination of the various financial institutions that they expect to be converted into banks, their expense should be the same except for the additional proposed examiners, and with more staff the individual travel should be less.

An examination of the allowances made by this division for traveling expense shows that their schedule for meals has been \$3.50 per day while the Board of Control rules allow for a higher amount. Since the price for meals has increased, the travel request appears to be in line.

We recommend that the proposed percentage reduction applied to the General Fund to produce an over-all saving of \$10,000,000 in the General Fund be applied to this Budget.

An examination of the use of automobiles indicates a very conservative policy which includes garaging automobiles in San Francisco when not in use. Although this costs \$12.50 per month per car, there is a reduction in mileage costs. We recommend, therefore, that the over-all reduction for automobiles be *not* applied to this division.

The increase in printing costs arises primarily from increased costs for the annual report.

Money for the salaries of all vacant and new positions for 1945-47 should be placed in a separate fund only to be spent if filled as previously recommended.

Expenditure for equipment really needs no comment as they are requesting only nominal office equipment and asking for the replacement of an automobile that has travelled in excess of 82,000 miles.

The Division of Banking is a self-supporting activity financed by appropriation from the Banking Fund, which is built up by payment of assessments and fees from banks.

As of July 1, 1945, there was an unbudgeted surplus of \$211,494 in the Banking Fund. The Budget indicates that this will increase to \$266,227 by June 30, 1947 or a net increase of \$55,733.

The anticipated unbudgeted surplus as of June 30, 1947 (\$266,227) is about the same as the amount estimated for support for the 1943-1945 Biennium, which was \$265,795. It is not an overly large amount to carry for emergency needs.

**Analysis of Proposed Expenditures for the Department of Investment
Division of Building and Loan—1945-47 Biennium**

Item 174, page 14, Budget Bill, pages 506-9 of the Budget. Total appropriation requested from the *Building and Loan Inspection Fund*, \$176,352, an increase of \$46,775 or 36.0 per cent over the 1943-45 expenditure of \$129,577 for support.

This represents an increase of \$14,436 or 8.91 per cent over the appropriation for the 1943-45 Biennium (Assembly Bill No. 1600) of \$161,916.

Proposed expenditures and estimated revenue for the 1945-47 Biennium compared with the 1943-45 period are summarized as follows:

Expenditures—Support	Actual and estimated 1943-45	Proposed 1945-47	Increase	
			1945-47 over Amount 1943-45	Per cent
Administration -----	47,296	\$65,560	\$18,264	+ 38.61
Examination -----	82,281	110,792	28,511	+ 34.65
Totals, support -----	\$129,577	\$176,352	\$46,775	+ 36.09
Contributions to State Employees				
Retirement Fund -----	4,720	5,334	614	+ 13.
Totals, expenditures -----	\$134,297	\$181,686	\$47,389	+ 35.28
Revenues:				
License fees -----	\$134,467	\$184,080	\$49,613	+ 36.89

Significant facts revealed by foregoing table:

1. Estimated revenue is expected to increase in the ensuing biennium by \$49,613 or 36.89 per cent.
2. Proposed expenditures for support for the 1945-47 Biennium are up \$46,775 or 36.09 per cent—almost exactly offsetting the increase in revenue.

**THE PROPOSED EXPENDITURES FOR 1945-47 AS COMPARED WITH THE ESTIMATED
EXPENDITURES FOR 1943-45, BY OBJECTS OF EXPENDITURE**

	Estimated 1943-45	Proposed 1945-47	Change	
			Amount	Per cent
Salaries and wages:				
Positions now authorized -----	\$133,252	\$136,992	\$3,740	2.8
Estimated salary savings -----	7,380	3,340	4,040	54.7
1945-47 normal salary adjust- ments -----		2,340	2,340	new
Proposed new positions -----		6,240	6,240	new
Totals, salaries and wages ---	\$125,872	\$142,232	\$16,360	13.0
Operating expenses -----	40,923	43,120	2,197	5.4
Equipment -----	481	1,000	519	107.9
Totals -----	\$167,276	\$186,352	\$19,076	11.4
Less: Reimbursements for serv- ices rendered to associations in liquidation -----	37,699	10,000	27,699	73.5
Net total -----	\$129,577	\$176,352	\$46,775	36.1

It will be noticed from the above that a very substantial part of the increased total expenditure for the coming biennium *arises from the expected lesser amount of reimbursement for services rendered to associations in liquidation.*

The Budget proposes one new position. It is for an accountant-auditor, Grade I, for work in connection with the division's examination function. The position is set up as for a worker currently on military leave. In 1941-42, the division had a total of 21 positions—the same number as proposed for the coming biennium.

Of the \$2,197 budgeted increase in operating expenses for the 1945-47 Biennium as compared with 1943-45, \$1,447 is increased traveling expense which is budgeted at \$23,400 as compared with an estimated \$21,953 for the 1943-45 period.

Our recommendations include the following:

1. We recommend that no reduction be made in the appropriation for printing on the over-all reduction schedule previously presented, for the reason that the amount for printing as given on page 506 of the Budget should be \$583 in place of \$270.
2. We recommend that traveling expenses be reduced by \$1,450—which will cut expenditures for this purpose to the level for the 1943-45 period.
3. We recommend that the proposed new position be granted in order to take care of the employee on military leave, but the salary for this position be set up in a salary savings fund as recommended for all vacant positions.
4. The budgeted expenditures are almost the same as anticipated revenue for the Building and Loan Inspection Fund for the ensuing biennium for the reason that annual assessments are made on the building and loan companies on the basis of their assets to support the budget which they estimate.

The estimated unbudgeted surplus as of June 30, 1947, is \$32,943. This is not a large reserve but is adequate for the reason that additional assessments can be made by the Building and Loan Commissioner whenever this is required to cover a special examination.

Analysis of Proposed Expenditures for the Division of Corporations Department of Investment

Item 175, Budget Bill, page 14. Budget, pages 509-511, inclusive. Appropriation requested, \$589,658, an increase of \$69,491 over expenditures of \$520,167 for 1943-45, or plus 13.35 per cent.

Compared with the 1943-45 appropriation (Assembly Bill No. 1600) of \$625,191 the 1945-47 Budget requested of \$589,658 *represents a decrease of \$35,533 or 5.68 per cent under the amount appropriated for the preceding biennium.*

The budgeted increase, \$69,491 for 1945-47 over actual and estimated expenditures for 1943-45 is distributed among classes of expenditures as follows:

	Actual and estimated 1943-45	Proposed 1945-47	Increase	
			1945-47 over 1943-45 Amount	Per cent
Support				
Administration -----	\$147,798	\$184,868	\$37,070	+ 25.08
Applications, permits and orders--	241,256	250,130	8,874	+ 3.67
Audits and investigation-----	131,113	154,660	23,547	+ 17.95

The proposed expenditures for 1945-47 as compared with actual and estimated expenditures for 1943-45 by object of expenditure is as follows:

TABLE II

Object	Actual and estimated 1943-45	Proposed 1945-47	Increase 1945-47 over 1943-45	
			Amount	Per cent
Salaries and wages.....	\$477,864	\$532,058	\$54,194	+ 11.34
Operating expenses.....	41,742	54,250	12,508	+ 30.00
Equipment.....	560	3,350	2,790	+498.00
	<u>\$520,166</u>	<u>\$589,658</u>	<u>\$69,492</u>	<u>+ 13.35</u>

Of the proposed salary increase of \$54,194 or 11+ per cent over the preceding biennium, all but \$1,000 (normal salary increases) is attributable to 13 proposed new positions. All but three of the proposed new positions arise as a result of military leaves of absence. Proposed expenditures for the three *strictly new positions* amount to \$4,320 for the Fiscal Year 1945-46, and \$7,140 for the Fiscal Year 1946-47 or a total of \$11,460 for the biennium or 21.5 per cent of the total proposed increase for new positions.

Proposed new positions and budgeted expense resulting therefrom are indicated in the following table:

TABLE III
SCHEDULE OF PROPOSED NEW POSITIONS
DIVISION OF CORPORATIONS, 1945-1947 BIENNIUM

Number of positions Fiscal Year	Classification	Salary range	Total amount	
			1945-46	1946-47
45-46				
46-47				
Cumulative total				
1	1 Intermediate Stenographer-Clerk.....	110-150	\$ 1,620	\$ 1,740
1	1 Senior Clerk*.....	140-180	2,460	2,460
	1 Intermediate File Clerk*.....	100-140		1,980
	1 Junior Stenographer-Clerk.....	90-115		1,680
	1 Junior Deputy Commissioner*.....	170-210		2,820
	3 Deputy Commissioner*.....	300-380		14,400
1	2 Accountant Auditor, Grade 1.....	160-200	2,700	5,400
	1 Chief Investigator*.....	380-460		5,760
1	2 Investigator*.....	200-260	3,420	6,840
<u>4</u>	<u>13</u>		<u>\$10,200</u>	<u>\$43,080</u>

* On military leave.

Table II preceding indicates that proposed operating expenses for the 1945-47 are budgeted at \$54,250, an increase of \$12,508 or 30 per cent over the 1943-45 expenditure of \$41,742. Of this amount, it is proposed that allowance for traveling expense be increased from \$17,776 to \$23,300, up \$15,524 or 31.07 per cent. The budgeted figure for printing expense is increased from \$4,340 to \$6,500, up \$2160 or \$49.76 per cent. Automobile expenditures are up \$755 or 24 per cent over 1943-45; and the item for telephone and telegraph is budgeted at \$7,750 vs. \$6,704, an increase of \$1,046 or 15.60 per cent.

A detailed breakdown of operating expenditures is given in Table IV below:

TABLE IV
OPERATING EXPENSES BY OBJECT, 1945-1947 BIENNIUM,
COMPARED WITH EXPENDITURES FOR 1943-1945

Object	Actual and estimated 1943-45	Proposed 1945-47	Increase	
			Amount	Per cent
Travel -----	\$17,776	\$23,800	\$5,524	31.07
Printing -----	4,340	6,500	2,160	49.76
Automobile -----	3,045	3,800	755	24.79
Telephone and telegraph -----	6,704	7,750	1,046	15.60
Postage -----	4,257	6,800	2,043	47.99
Office -----	5,097	5,700	603	11.83
Freight and cartage -----	523	900	377	72.08
	<u>\$41,742</u>	<u>\$54,250</u>	<u>\$12,508</u>	

Proposed expenditures for *equipment* include one new item—automobile—\$2,100 for the biennium. Expenditures for office equipment are budgeted at \$1,250 vs. \$560 expended in the 1943-45 Biennium, or an increase of 55.20 per cent.

Revenues for the General Fund are estimated to increase from \$580,272 in the 1943-45 Biennium to \$620,600 in the ensuing biennium, an increase of \$40,328 or 6.94 per cent.

With proposed expenditures up 13 per cent to \$589,658, the excess revenue over expenditures will be only \$30,942. This follows the general principal established when this agency became largely a General Fund supported agency that revenues would be equal to costs. This surplus over costs does not add much to the State general surplus available when revenues go off and when costs of operating this division will undoubtedly go up.

Recommendations

1. We recommend that the over-all reduction necessary to produce the \$10,000,000 savings for the General Fund be applied to this division.
2. It is also recommended that the salary saving item as previously described be applied.
3. We recommend reduction in the appropriation for printing based on the over-all schedule previously presented but no additional reduction.
4. While automobile travel costs have gone up somewhat, this division adopted an economy policy of routing employees on travel so as to cover all business that is possible on one trip. Therefore, no further reduction is recommended.
5. The item for telephone and telegraph expense shows a material increase. We believe that the division, by further organization of its work, can transact a larger part of its business by mail rather than by telephone. We do not recommend a specific reduction for the reason that the up-swing in the corporate securities business, which has occurred since the Governor's Budget was prepared, indicates that the volume of the business may be materially more than has been anticipated.

**Analysis of Proposed Expenditure 1945-1947 Biennium
Division of Real Estate, Department of Investment**

Item 176 Budget Bill, pages 513-516 of the Budget. Appropriation from the Real Estate Fund \$428,147; increase of \$69,649 or 19.4 per cent over the estimated expenditure of \$358,498 for 1943-1945.

Proposed expenditures and estimated revenues for the 1945-1947 biennium compared with the 1943-1945 period, are summarized as follows:

Expenditures	Estimated expenditure 1943-1945	Proposed expenditure 1945-1947	Increase	
			Amount	Per cent
Support				
Administration -----	\$252,990	\$286,127	\$33,137	13.1
Inspections and Hearings -----	98,353	135,020	36,667	37.2
Directory -----	7,154	7,000	— 155	— 2.2
Totals, Support -----	\$358,489	\$428,147	\$69,649	19.4
Contributions to State Employees' Retirement Fund -----	\$9,261	\$11,628	\$2,367	24.5
Total Expenditures -----	\$367,750	\$439,775	\$72,016	19.5
Revenues				
Fees -----	\$413,763	\$470,850	\$57,087	13.8

Principal classes of expenditure that are shown to be up by the above table are for administration and for inspections and hearings. The table also shows that while total proposed expenditures are up by 19.5 per cent revenues are expected to increase by only 13.8 per cent.

The proposed expenditures for 1945-1947 as compared with estimated expenditures, by object of expenditure, is as follows:

	Estimated expenditure 1943-1945	Proposed expenditure 1945-1947	Increase	
			Amount	Per cent
Salaries and Wages				
Positions now authorized -----	\$254,471	\$268,240	\$13,769	5.5
Estimated salary savings -----	7,500	7,500	—	—
1945-1947 normal salary adjust's. ---	---	3,435	3,435	100.0
Proposed new positions -----	---	45,900	45,900	100.0
Totals, salaries and wages ---	\$246,971	\$310,075	\$63,104	25.6
Operating expenses -----	\$111,164	\$114,242	\$3,078	2.8
Equipment -----	363	3,830	3,467	955.1
Totals -----	\$358,498	\$428,147	\$69,649	19.4

Of the total increase of \$69,649 for the 1945-1947 Biennium over the 1943-45 period, \$45,900 is for the salaries of nine proposed new positions for the first year of the biennium and a cumulative total of 12 for the second year of the period. This sum represents 63.7 per cent of the total scheduled increase for the coming biennium.

These proposed new positions and budgeted expense resulting therefrom are indicated in the resulting table:

No. of positions	Fiscal Year	Classification	Salary range	Total amount	
				1945-46	1946-47
2	2	Intermediate Typist Clerk -----		\$3,000	\$3,000
2	2	Intermediate Stenographer-Clerk -----		3,240	3,240
1	1	Telephone Operator and Information Clerk -----		1,500	1,500
4	7	Deputy -----	\$200 (15) 260	10,800	19,620
9	12	Totals, year -----		\$18,540	\$27,360
		Total Biennium -----		\$45,900	

The changes of operating expense items between 1945-47 and 1943-45 are indicated in the table following :

Items	Estimated 1943-45	Proposed 1945-47	Change	
			Amount	Per cent
Office -----	\$8,716	\$9,750	\$1,034	
Printing -----	19,822	17,540	— 2,282	
Traveling -----	12,030	13,500	1,470	
Telephone and telegraph -----	5,549	5,500	— 49	
Postage -----	8,881	8,750	61	
Automobile -----	6,920	7,000	80	
Rent -----	38,167	42,000	3,833	
Pro Rata General Fiscal Administration -----	2,860	3,187	327	
Pro Rata Attorney General Expenditures -----	6,767	5,000	— 1,767	
Pro Rata Personnel Board Services -----	1,650	2,015	365	
Totals, operating expense....	\$111,164	\$114,242	\$3,078	2.8

It will be noticed from above that the proposed expenditure for printing is an exception to the general rule of an expanded amount. It is down by \$2,282 or 11.5 per cent from the expenditure level for the current biennium.

Rent expense is up by over \$3,800 per year. This increase appears to be unavoidable.

Recommendations:

1. It is recommended that two of the four proposed new jobs of Deputy for Inspections and Hearings for the first fiscal year and four of the seven for the second fiscal year be not granted. This will effect a biennial saving in salary expense of \$13,380. We do not believe that these two oppositions in 1945-46 or the four in 1946-47 are needed. The denial of this request will still permit the division to add a total of two new Deputies during the first year and three during the second year. The division already has a total of 14 positions for the inspections and hearings activity with a budgeted salary expense aggregating \$92,160.

We recommend that traveling expenses be reduced by \$750 ; and that office operating expenses be cut by \$500.

The unbudgeted balance in this fund at the end of the next biennium is estimated to be \$192,894. Since this estimate was made, there has been a marked upturn in revenues so that this amount will be exceeded. Section 10455 of the Business and Professions Code provides that any surplus over \$100,000 shall revert to the General Fund. We recommend that expenditures be kept down so that this surplus will be maintained. We do not believe that expenses should be incurred in an endeavor to reduce reversions to the General Fund. The over-all savings and salary savings previously recommended should be applied to this division.

The additions requested in a subsequent communication over and above the Governor's Budget for personnel should be denied until it is demonstrated that the work load of necessary correspondence and other clerical work is in line. The request for \$5,000 to publish the reference book and guide previously published by the Bureau of Documents, and which will produce profit, is justified ; also the \$300 for the additional

travel of the Advisory Board. Additional clerical help for the purpose of issuing a monthly bulletin does not seem to be essential.

If the work load increases and eventualities develop, a deficiency can be allowed under the provisions of Section 661 of the Political Code.

**Analysis of Proposed Expenditures for California District Securities
Commission for the 1945-1947 Biennium**

Item 177 of the Budget Bill, page 517 of the Budget. Appropriation \$31,354 from the General Fund; an increase of \$932 or of 3 per cent over the estimated expenditure of \$30,421 for the 1943-45 Biennium.

There is one new item that does not appear in the current biennium 1943-45. This is \$827 for each fiscal year of the 1945-47 Biennium to cover rent.

If the function of this agency is to be continued, it will be necessary to grant this appropriation request as no material reduction is possible in view of its relatively small staff and scale of expenditures.

The Legislature might well consider transferring all of these functions to the office of the Corporation Commissioner at a material saving.

Department of Justice

Items 178 to 180 of the Budget Bill, pages 518 to 525, inclusive, of the Budget. Item 178 appropriates \$1,538,504 from the General Fund, an increase of \$186,995 over 1943-45 or 13.8 per cent. The allocations otherwise from the General Fund brings the total expenditures up to \$1,563,504 for 1945-47 or an increase of \$174,655 or 12.6 per cent. The total budget increase is 16.4 per cent.

There are only two special items for 1945-47. One is a continuation of \$20,000 for services rendered the Colorado River Board re Mexico Water Treaty in same amount as the current biennium. This is only a round estimate and as much should be saved as possible.

The other item is entirely new—\$5,000 for fees for special counsel employed pursuant to Section 472 of the Political Code providing for employment of special counsel for the counties where it is necessary.

Two special items in the Budget for 1943-45 do not again appear in 1945-47. These are \$15,915 for prosecution of Indian claims. This matter has happily been concluded. The other is emergency maintenance of \$1,425.

Item 178 appropriating for support of the Department of Justice calls for \$1,538,504 from the General Fund. This is an increase of \$186,995 or only 13.8 per cent as compared with a 16.4 per cent increase for the entire Budget.

This comparison is not valid without some explanation.

The Department of Justice was established by an act of the Special Session of the 1943 Legislature at the time the Department of Corrections was formed and the Department of Penology abolished. The Department of Justice was formed by taking the Division of Criminal Identification and Investigation and the Division of Narcotic Enforcement formerly in the Department of Penology and adding it to the Attorney General's Office and giving it the new name of Department of Justice. This department will not be found in the 1943-45 Budget. The comparisons of the 1945-47 Budget with the current biennium are made by adding these transferred activities to the Attorney General's office which existed in 1943-45.

It is significant to note that in the Budget for 1945-47 all of the divisions which previously existed before forming the Department of Justice show a material increase. The Division of Criminal Identification and Investigation alone shows a decrease. Narcotic Enforcement and the Bureau of Investigation likewise show an increase. The amounts allocated for each division, together with the increase or decrease from the current biennium, together with the respective percentages, are shown in the following table:

DEPARTMENT OF JUSTICE — SUMMARY

General Fund	Actual and estimated 1943-45 Bien. 95-96 Fisc. Yr.	Estimated and proposed 1945-47 Bien. 97-98 Fisc. Yr.	Inc. (+) or dec. (-) from 1943-45	Per cent Inc. (+) or dec. (-) 1943-45
Expenditures				
Support:				
Division of General Administration -----	\$560,419 44	\$613,032 00	+ \$52,612 56	+ 9.39
Division of Civil Law----	406,940 47	503,030 00	+ 96,089 53	+23.61
Division of Criminal Law	94,404 70	113,810 00	+ 19,405 30	+20.56
Division of Criminal Identification and Investigation : Bureau of Criminal Identification ----	297,932 67	259,712 00	— 38,220 67	—12.83
Division of Narcotic Enforcement -----	173,601 10	205,115 00	+ 31,513 90	+18.15
Bureau of Investigation----	174,382 16	199,195 00	+ 24,812 84	+14.23
 Totals, Division of Criminal Identification and Investigation -----	 <u>\$645,915 93</u>	 <u>\$664,022 00</u>	 <u>+ \$18,106 07</u>	 <u>+ 2.80</u>
Totals, Support-----	\$1,707,680 54	\$1,893,394 00	+\$186,213 46	+10.90
 Deduct:				
Reimbursements from special fund agencies for legal services ---	286,171 48	285,390 00	— 781 48	— .27
Appropriation from Motor Vehicle Fund for teletype service _	70,000 00	70,000 00	-----	-----
Total deductions -----	<u>\$356,171 48</u>	<u>\$355,390 00</u>	<u>— 781 48</u>	<u>— .22</u>
Net totals, support ---	\$1,351,509 06	\$1,538,504 00	+\$186,994 94	13.8

A large percentage of the net total increase for support of \$186,995 arises from the establishment of 15 new positions for 1945-46, continuing them into 1946-47, and adding six more in that year. It is estimated that these new positions and reclassifications will cost \$83,520 for the biennium. Estimated salary adjustments will require \$35,905 more. Equipment calls for \$9,811 additional. The remaining balance of the increase which should be calculated to include \$38,221 of decrease in the expenditure for Criminal Identification is made up in other costs for operation.

The 21 new positions are as follows:

		No. of positions		Proposed cost
		Fiscal Year		1945-46
		45-46	46-47	1946-47
<i>Division of General Administration</i>				
1	2			
			\$1,620	\$3,360
1	1		3,900	4,080
3	3		4,680	4,680
6	6		12,100	12,620
1	1		1,980	1,980
<i>Division of Civil Law</i>				
	1			1,980
	4			14,400
<i>Division of Criminal Law</i>				
1	1		3,600	3,780
1	1		1,980	2,100
<i>Division of Narcotic Enforcement</i>				
1	1		1,620	1,740
<u>15</u>	<u>21</u>		<u>\$31,480</u>	<u>\$50,720</u>

A careful examination and analysis of the Budget of the Department of Justice will show that unless expenditures for 1943-45 Biennium are out of line the additional request made for 1945-47 are not out of line, for on the whole the requests are in line with the added services that must be rendered and the increasing legal problems of the State. Since the actual expenditures made for the Fiscal Year 1943-44 are somewhat lower in most instances than for the estimated expenditures for the Fiscal Year 1944-45 and these are carried forward into the coming Biennium 1945-47, we believe that the over-all percentage reduction previously recommended for application to the entire Budget can be applied to this department.

The only place where a material savings can be accomplished is in the matter of salary savings for the 21 proposed new positions and positions now in existence continued into the coming biennium which may be vacant. To accomplish this saving, we recommend that the appropriation for salaries and wages to cover positions now vacant extended into the 1945-47 Biennium and the funds for all new positions be placed in the special salary savings fund for allocation back to the department on the terms therein provided.

We believe that an analysis of the Department of Justice will show that there are one or two positions that are not strictly of the nature required in the services expected to be rendered by the Department of Justice of the State of California and that moreover such services can be provided to the Attorney General by specialists already employed by the State on the same kind of basis as the Attorney General provides legal services for State departments. It is just as logical for certain of the departments to employ attorneys to render legal services as it is for the Attorney General to employ an economic consultant.

The Bureau of Criminal Identification, page 522 of the Budget, shows a material decrease in the staff from 104 in 1943-44 to 63 in each year of the 1945-47 Biennium. An examination of the tabulation of salaries on the above page cited will show that this primary decrease has been

in war emergency positions in two principal classifications—fingerprint technicians and intermediate typist-clerks. The decrease is based upon the belief that the flood of fingerprint identification and filing caused by the growth of the war industries in California has passed its peak and this staff will not be required. An examination of the situation leads us to concur in this estimate. We further recommend that the Department of Justice make a comprehensive study of the matter of coordinating fingerprinting and the maintenance of fingerprint files and the classification thereof with the Federal Bureau of Criminal Identification and to include the fingerprint service required by county and local law enforcement offices.

We have no other specific recommendations concerning the budget of this department. It is pleasing to note the improvement in the budget for this department and the evidence of careful consideration in formulating requests. While it is not strictly an economy budget, it is nearer to such than many other departments provided for in the Budget for 1945-47.

Item 178.5 of the Budget Bill, page 518 of Budget—Support of the Department of Justice from the Motor Vehicle Fund—\$70,000. This is for the support of the teletype system and is exactly the same amount as for the 1943-45. This is an equitable distribution of the costs, no comment re adjustments are needed.

Item 179 of the Budget Bill, pages 518 and 524 of the Budget. Appropriates \$5,000 from the General Fund at rate of \$2,500 for each year of the biennium pursuant to Section 472 of the Political Code.

This is a new item. It is for the purpose of hiring special prosecutors in counties where the district attorney can not act for reasons of disqualification or otherwise failing.

The money, we believe, is adequate. None of it may be used.

Item 180 of the Budget Bill, pages 518 and 524 of the Budget. Appropriates \$20,000 or \$10,000 each year from the General Fund to serve the Colorado River Board in litigation over Colorado River water with Mexico.

It may not be spent at all, or again it may not be enough.

Military and Veterans Affairs

Item 181 of the Budget Bill, pages 526 to 533, inclusive, of the Budget.

This item appropriates \$2,224,272 from the General Fund for the support of the Adjutant General, the State Guard and rental of armories and the maintenance of the High School Cadets.

This is an increase of \$783,807 or 54.25 per cent over 1943-45 expenditure.

The following schedule of expenditures by purposes shows the increases, their percentages and the several segregations:

DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS—ADJUTANT GENERAL
AND STATE GUARD—SUMMARY

General Fund	Actual and estimated 1943-45	Estimated and proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Expenditures				
Support:				
Adjutant General:				
Administration -----	\$47,854.24	\$55,373	+	\$7,518.76 + 15.71
Headquarters staff -----	174,160.25*	245,294	+	71,133.75 + 40.84
Armories and arsenals ----	150,422.24	186,380	+	35,957.76 + 23.90
Rifle ranges and target practice -----	11,202.79	17,900	+	6,697.21 + 59.77
National Guard -----	12,340.71	12,520	+	179.29 + 1.45
High School Cadets -----	99,029.69	175,744	+	76,714.31 + 77.46
Totals, Adjutant General	\$495,009.92	\$693,211	+	\$198,201.08 + 40.03
State Guard:				
Field duty -----	\$872,759.27	\$968,420	+	\$95,660.73 + 10.96
State Guard school -----	72,696.14	112,770	+	40,073.86 + 55.12
Training encampment ---	-----	449,871	+	449,871.00 new
Totals, State Guard -----	\$945,455.41	\$1,531,061	+	\$585,605.59 + 61.93
Total expenditures -----	\$1,440,465.33	\$2,224,272	+	\$783,806.67 + 54.25
Revenues:				
Miscellaneous -----	\$11,157	\$10,200	—	\$957 — 8.57

* Paid in 1943-1945 from appropriation for support of State Guard, Chapter 737, Statutes of 1943.

The largest single increase is caused by a new item for a training encampment at \$449,871. Allowance to organizations goes up \$50,000; \$14,000 more is found in normal salary adjustment. The remainder is scattered throughout the Budget.

The actual number of employees is decreased from 160 positions allowed in 1943-45 to 144 in each year of the biennium. Since the property records and accounts are not up to what they should be, possibly some additional employees will be necessary to bring these up to date and keep them current. For detail on this see earlier section of our report on the Budget.

Operating expense of the State Guard, page 531 of the Budget, increased from actual of \$161,223 in 1943-45 to \$307,708 for 1946 and it has been predicted at approximately this figure for 1945-46 and 1946-47. It includes several new items of large amounts. One, \$5,000 each year for a State Guard magazine,* reinforcing strong rooms at \$3,000 for each year and other items lead us to believe that \$30,000 can readily be cut from this category.

This is true of operating expense in other divisions of the department. It is therefore recommended that the percentage over-all saving be applied here and also the scheduled savings on automobiles, printing, and the salary savings plan for all departments. This will produce material savings.

We recommend Item 181 be specifically reduced by \$30,000 to \$2,194,272. The over-all reduction should bring down the total increase more in line with the average budget increase of 16.4 per cent.

* It was intended to reestablish the magazine published to promote the National Guard for the purpose of promoting the State Guard. This is not an ammunition magazine.

For Support of Veterans' Home of California

Item 182 Budget Bill, pages 534-541, inclusive, of the Budget, appropriation from the General Fund, \$1,299,171; increase of \$235,685 or 22.2 per cent over estimated expenditure of \$1,063,486 for the 1943-1945 Biennium. Our recommendation: Reduce Item 182 of the Appropriation Bill by \$15,603 or 1.2 per cent to \$1,283,568.

The Veterans' Home of California, under the management of a board of directors, is maintained for the care of disabled veterans of all wars in which the United States has participated, who have been bona fide residents of the State for 10 years immediately preceding their applications for membership in the home.

The member-population of the home is low now—933 members. It is expected to increase from an estimated average of 1,000 for the 1944-45 Fiscal Year to an average of 1,100 for the Fiscal Year 1945-46 and to 1,200 for the 1946-1947, as a result of the entry of returning World War II veterans into the home.

The increase of \$235,685 in the State's share of the budgeted expenditure for this institution is divided up as follows by class of expenditure:

Expenditures:	Estimated	Proposed	Change	
	1943-45	1945-47	Amount	Per cent
Support:				
Administration	\$141,403	\$149,779	+ \$8,376	+ 5.9
Support and subsistence.....	600,214	781,961	+ 181,747	+30.3
Care and welfare	524,847	674,420	149,573	+28.5
Maintenance and operation of plant	237,751	270,442	+ 32,691	+13.8
Farming and processing.....	78,238	82,569	4,331	+ 5.5
Totals, support.....	\$1,582,452	\$1,959,171	+ \$376,719	+23.8
Less estimated amounts payable from Federal contribution.....	—518,966	—660,000	+ 141,034	+27.1
Net totals, support.....	\$1,063,486	\$1,299,171	+ \$235,685	+22.2

The Budget calls for 28 proposed new positions for civilians for the first year and a cumulative total of 32 for the second year, including several positions designed to provide more extensive medical services for members of the home.

The proposed expenditure of \$1,299,171 of State funds and the expected amount of \$660,000 from the Federal Government will permit the following increases in expenditures per member:

	Fiscal Year	Average member population	Cost per member	
			Per year	Per month
Actual	1943-44	933	\$800.30	\$66.69
Actual and estimated.....	1944-45	1,000	835.77	69.64
Estimated	1945-46	1,100	860.00	71.66
Estimated	1946-47	1,200	844.31	70.35

The estimated per member yearly cost for the current biennium is \$818.73.

Findings and Recommendations

1. We recommend that Item 182 of the Appropriation Bill be reduced by \$15,603 or 1.2 per cent to \$1,283,568. This still will represent an increase of \$220,082 or 20.7 per cent over the estimated expenditure of \$1,063,486 for the 1943-1945 Biennium. This increase will permit the same per capita expenditures for support of the institution as prevails for the current biennium (1943-1945), and also will allow additional amounts to cover normal salary increases, new positions to apply

the uniform State holidays policy to this institution, and the budgeted increase for expenditures for equipment.

The following represents the statistical basis for our recommended amount of \$1,283,568:

- | | | | |
|------------------------------------------------------------------------------------------------------|-------|-----------|-------------|
| 1. <i>Per Capita Institutional Cost Factor</i> | | | |
| A. Average cost per capita per year, | | | |
| 1943-45 Biennium | ----- | \$818 73 | |
| B. Predicted average population, 1945-47 | ----- | 1,150 | |
| C. Total institutional cost—year | ----- | \$941,539 | |
| D. Total institutional cost—biennium | ----- | | \$1,883,078 |
| 2. Normal salary increases | ----- | | 39,716 |
| 3. Additional salary increases for uniform State holidays | ----- | | 10,320 |
| 4. Additional amount budgeted for equipment for 1945-1947 over the
estimated amount for 1943-1945 | ----- | | 10,454 |
| 5. Proposed total expenditure | ----- | | \$1,943,568 |
| 6. Less estimated amounts payable from Federal contributions | ----- | | 660,000 |
| 7. State support | ----- | | \$1,283,568 |
2. We recommend that the over-all savings to produce \$10,000,000 savings in the General Fund be applied to this institution; also the scheduled savings on automobiles and printing and the salary savings procedure all be applied.
 3. We also recommend that in the event that general additional salary increases are granted to State employees generally, that such increases *not* be granted to the 90-odd member employees at the home, as most of the increased cost of living already has been cared for in the form of increased cost of the food, lodging, and medical care that the State provides at this home for the member-residents.
 4. We further recommend that a study be made of the part that the State should play in the whole problem of aid to veterans; and that if such a study reveals that the Federal Government will be in a better position to extend better care, at relatively less expense, to veterans because of special facilities and experience, their efforts should be made to secure the transfer of the Veterans' Home of California to the Federal Government.

For Construction, Etc., Veterans' Home of California

Item 183 Budget Bill, page 542 of the Budget, appropriation from the Athletic Commission Fund, \$107,880.

Of this proposed expenditure of \$107,880, \$1,880 would be for the construction of a four-strand wire fence around the reservation, and \$106,000 would be for the construction and equipment of one unit of the recreation center.

We recommend that appropriation Item 183 in the amount of \$107,880 be approved without reduction.

We again urge that these special fund set-ups such as this be eliminated so better control and budgeting for the whole State need be secured.

For Support of Woman's Relief Corps Home

Item 184 of the Budget Bill, page 543 of the Budget, appropriates \$106,263 from the General Fund for the support of the Woman's Relief Corps Home. This home, located near San Jose, is for the care of widows and sisters of veterans of the Federal forces of the Civil War and for Civil War nurses. It has a very small population—actual for 1943-44 being 43—and it is estimated to be 50 for each of the following years of the current and succeeding bienniums. This budget shows an increase of \$11,372. Most of this, or \$8,114, is in support and subsistence. Care and welfare costs are increased by \$2,698. There are 19 employees and the same number is continued for the coming biennium.

There is no opportunity to reduce this item of expenditure if this institution is to be continued.

For Veterans' Claims and Rights Services

Item 185 of the Budget Bill, page 549 of the Budget, an appropriation of \$150,000 from the General Fund for veterans' claims and rights services, under the provisions of Chapter 1058, Statutes of 1943, to be expended under the supervision of the Veterans' Welfare Board.

This is the same amount as was previously appropriated in 1943. From this sum for the current biennium it is estimated that only \$89,915 will be expended. This is for the reason that operations have covered only approximately one year of the biennium. There is only one employee and the same number is continued through the coming biennium. The largest expenditures are made to veterans' organizations on contract payments. These organizations operate in behalf of the veterans. The proposed payments for each year of the 1945-47 Biennium are as follows:

	1945-46	1946-47
American Legion -----	\$41,413	\$41,304
Disabled American Veterans -----	10,655	10,641
Veterans of Foreign Wars -----	16,587	16,530

If this service is to be continued the appropriation will be required. Since this provides for the expenditure of State money by contract with organizations not controlled by the State, it is suggested that periodic audits be made and the report filed with the Legislature, copy to the Legislative Auditor, accounting for all of the expenditures and a verification of the Department of Finance that they are satisfied that they have been made for the purposes as provided for in the statutes establishing it.

For Support of Division of Athletics

Item 186 of the Budget Bill, page 551 of the Budget, appropriates \$141,260 from the Athletic Commission Fund for the support of the Division of Athletics in the Department of Military and Veterans Affairs. This is a special fund activity. This appropriation is \$3,537 greater than for the current biennium. The increase is almost entirely in salaries and wages. No new employees will be added. The present staff of nine is continued.

It is expected that revenues will be increased by \$6,424 or to a biennial figure of \$350,000. This organization licenses and polices the athletic events held under the Military and Veterans Code. It is not expected that their work will be decreased and, therefore, their budget should be maintained.

Memorandum: We have already in a previous part of this budget called attention to the fact that on page 548 of the Budget, Veterans Education Institute have expended \$158,794, which is not carried forward into 1946-47, although there is a remaining balance in the fund. This has been eliminated by the Governor from the Budget for 1945-47.

The Veterans Dependent Education Fund found on page 550 of the Budget is a fixed charge, which sets aside \$50,000 a year from the school and oil royalties under Section 898 of the Military and Veterans Code. Only \$76,000 was spent for 1943-45. The Budget shows a contemplated expenditure for 1945-47 of \$98,700 or an increase of \$22,700.

Department of Motor Vehicles

Analysis of Assembly Bill No. 500 (Budget Bill) as It
Applies to the Department of Motor Vehicles

Item 187—Budget Bill, page 15, pages 554-569 inclusive of the Budget—Appropriation \$15,861,793 for support of the Department of Motor Vehicles, up \$2,297,145.65 or 16.93 per cent.

Item 187.5 of the Budget Bill, pages 554-569 inclusive of the Budget, provides that the Director of Finance may authorize transfer of \$2,428,658 from the Motor Vehicle Fund to Motor Vehicle Support Fund when necessary to meet claims against the appropriation made by Item 187. (Anticipated revenues as provided by law are not enough to finance Item 187, therefore transfers provided in Item 187.5 will be necessary to meet a deficit if the amount shown in Item 187 is allowed. This transfer would reduce the amount of money going to the counties for highways.)

Item 188 of the Budget Bill, pages 554-569 of the Budget—Appropriation \$1,316,872, from the Motor Vehicle License Fee Fund to the License Fee Division—up \$112,514.19 or 9.34 per cent.

Recommendation: That Item 187 be allowed for \$14,860,660, up \$91,654.84 over 1943-45, or .62 per cent; a decrease in the total Budget appropriation request of \$2,318,005.

For detail see Exhibit A, Summary of Amounts shown in Printed Budget for the 1943-45 Biennium compared to Legislative Audit Estimate for the 1945-47 Biennium, and Exhibit B sheets 1 and 2, Estimate of Budget Required for the 1945-47 Biennium.

That Item 187.5 be changed to provide for a temporary loan of \$120,000, to be made only when and if revenues to the Motor Vehicle Support Fund as now allocated by law are not sufficient to meet current operating expenses.

Item 188—Appropriate \$1,316,872 from the Motor Vehicle License Fee Fund to be a *revenue* to the Motor Vehicle Support Fund and all to be budgeted from one source.

The way the Budget Bill as introduced reads, Item 188 no doubt would be handled as an abatement. By appropriating Item 188 as a revenue to the Motor Vehicle Support Fund, it will to some extent facilitate the bookkeeping of the department.

Basis of Recommendation: Estimates were prepared so as to provide ample funds to handle an estimated vehicle registration of 3,041,000 in each fiscal year of the 1945-47 Biennium.

Increases have been allowed in the estimates for salaries and wages ample to pay normal increases to all permanent employees now employed.

Additional funds have been allowed for the purchase of license plates for each fiscal year of the biennium at the rate of approximately 9½ cents per vehicle which when compared with 8.8 for 1940 plates, 9.2 cents for 1941 plates, when two plates per vehicle were purchased, and 8.48 for 1945 with only one plate per vehicle purchased, should provide ample for this expense.

The total cost of operating the Department of Motor Vehicles is definitely reflected by the number of vehicles registered each year. A study of Exhibit C, which shows the cost of operating the department for an eight-year period, brings out the importance of a unit cost analysis.

The following is a tabulation showing the increase in unit cost as shown in the printed Budget compared to actual figures for the 1943-44 Fiscal Year, the last year for which actual figures are available:

TABULATION I

	Registered vehicles	Expenditure	Unit cost	Increase in unit cost over 1943-44
Actual for 1943-44-----	3,041,925	\$7,133,552	\$2,345	-----
Estimated for 1944-45-----	3,041,000	7,572,787	2,490	+ \$.155
Proposed for 1945-46-----	3,041,000	8,354,620	2,747	+ .402
Proposed for 1946-47-----	3,041,000	8,824,045	2,902	+ .557

The following is a tabulation showing Legislative Auditor's estimated increases for the Fiscal Years 1945-46 and 1946-47 compared to the actual figures for 1943-44 Fiscal Year and estimated amount for the 1944-45 Fiscal Year:

TABULATION II

	Registered vehicles	Expenditure	Unit cost	Increase in unit cost over 1943-44
Actual for 1943-44-----	3,041,925	\$7,133,552	\$2,345	-----
Estimated for 1944-45-----	3,041,000	7,572,787	2,490	+ \$.155
Legislative Auditor's estimate for 1945-46-----	3,041,000	7,370,947	2,424	+ .079
Legislative Auditor's estimate for 1946-47-----	3,041,000	7,489,713	2,463	+ .118

A study of Exhibit C shows an average unit cost per vehicle registered of \$2.262 for the five years 1939-44 where actual figures are available. Add to the five-year average unit cost of \$2.262 an increase of \$.152, the unit increase in cost of salaries made necessary by the war, makes a total unit cost of \$2.414, which compares favorably with a unit cost of \$2.424 as shown in Tabulation II for the year 1945-46.

**Bases Used for Computing Budget Estimate for the Department of
Motor Vehicles**

(Estimates are computed on the basis of 3,041,000 registered vehicles in each fiscal year of the 1945-47 Biennium. Recent information indicates that no new vehicles will be available until after the end of the war.)

Salaries and Wages

The February, 1945, pay roll of permanent employees was used as the basis for computing salaries and wages. No provision was made for permanent positions that were vacant in February. To this was added amounts necessary for normal salary increases for the balance of the current fiscal year ending June 30, 1945, and for each fiscal year of the 1945-47 Biennium.

The amount requested in the Budget was allowed for temporary help, as there were no better figures available.

Added to the above are provisions for 19 radio telephone operators as requested in the printed Budget. This will release 19 patrolmen to actually work on the highways. An allowance is also made of \$5,000 for a departmental accountant. This amount was included in the operating expense in making payment to the Department of Finance for Mr. Larabee's services during the last two fiscal years and including February of the current fiscal year.

For salary savings, the percentages allowed in the printed Budget were used, this being a departmental percentage of 3.94 per cent. This figure was conservative for the Budget, but inasmuch as the computations used for permanent employees is much closer than the figure appearing in the Budget, it is nearer actual experience. However, if too strict, it is possible the excess amount included for temporary employees may offset the extra amount computed for salary savings of permanent employees.

A study of the salary savings of permanent employees was made for the period beginning July 1, 1944, and ending February 28, 1945, and it was found that the difference between the total amount which might have been paid and the amount that was actually paid produced a savings of \$71,181.81. This represents 2.07 per cent of the maximum possible earnings of permanent employees for this period. Inasmuch as we have a savings of 2.07 per cent on permanent employees' salaries which is caused by employees being docked, a total savings for the department of 3.94 per cent appears to be conservative.

Operating Expense

The expenditures shown in the Budget for the 1943-44 Fiscal Year were used as the basis in estimating operating expenses for each of the fiscal years of the 1945-47 Biennium. The total amount shown in the Budget is \$1,330,061. To this amount has been added \$190,000 which represents the difference in the cost of stickers which were used by the Division of Registration in 1944 and the cost of license plates for 1945. Also, an additional \$6,000 was added to the Budget of the California Highway Patrol to bring it up to a more comparable figure as shown for past years. There was a deduction of \$5,000 which was transferred to salaries and wages to cover the salary of a departmental accounting officer. The accounting officer's salary was on contract during the past fiscal year and was charged to operating expense. This leaves a grand total of \$1,521,061 for operating expense—which, according to past experience, should be ample.

Equipment

Equipment expenditures for the Fiscal Year 1943-44 shown in the Budget for the department is \$252,308. Inasmuch as the California Highway Patrol spent considerably more money for automotive equipment than a normal year, a deduction of \$125,000 has been made to bring the estimate for equipment down to \$127,308 for the department. Consideration was given to allowing an additional amount for equipment for the men who are now working in offices who should be on the road when 19 radio men are employed.

Upon inquiry, it was found that men in the field generally already have equipment which they use to go back and forth to work and additional equipment would have to be supplied only to those who are working in headquarters.

The amount of \$127,308 is ample for equipment providing it is properly used.

Total Budget

After making the above adjustments, the estimates are:

For the Fiscal Year 1945-46-----	\$7,370,947
For the Fiscal Year 1946-47-----	7,489,713

Total estimate for 1945-47 Biennium----- \$14,860,660

On the basis of present estimates for income for the Biennium 1945-47, this will leave a deficit of approximately \$220,000. Therefore, in the memo on "Changes in the Budget Bill" there is included under "Recommendations" that provisions be made for \$120,000 to be transferred as a loan to the Motor Vehicle Support Fund.

Additional Savings Possible

An additional savings can be made in the Division of Administration, Bureau of Accounting, Apportionment Section, by having most of the work of this apportionment section done in the field at the various certificate issuing offices.

This has been discussed quite thoroughly both with Dr. Davis, Deputy Director of the Department, and Mr. Marceron, the Traveling Auditor, besides making our own independent survey in the Sacramento office. The following conclusion has been reached:

There are at the present time approximately 23 permanent employees in the apportionment section. Also, there was a sizeable allocation for temporary help, which makes the expenditure for the section in the neighborhood of \$70,000 for each fiscal year or \$140,000 for the biennium. After various consultations with staff of the department, we have come to the agreement that a *minimum of 12 additional permanent employees in the field and four permanent employees at headquarters* (a total of 16 permanent employees altogether) should handle the work of the 23 employees mentioned above, with the addition of approximately 10 temporary employees during the renewal period. This would make a total of approximately 26 employees at the peak and possibly would involve an expenditure of \$35,000 each fiscal year or \$70,000 each biennium. This would produce a savings of \$70,000 for the biennium if the change is made.

Another thing to consider, is that when the survey is definitely made in the field, it might be determined that several less permanent employees would be needed, thereby making an additional savings.

Employees

The records of the department show the following as being the number of permanent employees:

July 1944 pay roll-----	2225 paid
February 1945 pay roll-----	2255 paid
Budget shows -----	2433 positions—some vacant

The above shows there were 30 more permanent employees employed in February, 1945, than in July, 1944. The Budget shows 2,433 employees, or 178 more employees than were employed in February, and 208 more employees than were employed in July, 1944.

On the following page is a schedule of the personnel of the California Highway Patrol on the various dates shown. The following shows a

comparison of the personnel allowed in the Budget for 1943-45 with the personnel on the February, 1945, pay roll.

	Allowed by Budget	Personnel on February, 1945, pay roll	Increase or decrease
Chief -----	1	1	
Assistant chief -----	1	1	
Supervising inspectors -----	4	7	+ 3
Assistant supervising inspectors -----	2	1	- 1
District inspectors -----	14	11	- 3
Sergeants -----	80	78	- 2
Captains -----	50	49	- 1
Traffic officers -----	624	604	- 20
	776	752 actual	- 24
			Vacancies

CALIFORNIA HIGHWAY PATROL
RECAPITULATION OF POSITIONS FILLED AS OF DATES INDICATED BELOW

	Supervising Inspector	Asst. Sup. Inspector	District Inspector	Captains	Sergeants	Traffic Officers	Total
4- 1-39 -----	5	3	17	57	63	575	720
1- 1-40 -----	6	3	16	57	65	572	719
7-17-40 -----	6	3	16	56	65	575	721
4-11-41 -----	6	3	16	55	63	600	743
9- 8-41 -----	6	3	15	56	69	596	745
2-16-42 -----	6	3	15	53	71	633	766
6-21-42 -----	6	3	17	50	67	907	1050
1- 5-43 -----	4	2	14	48	78	754	900
6-14-43 -----	3	3	14	47	77	639	783
12-31-43 -----	7	1	11	49	77	610	755
6-30-44 -----	8	1	11	50	78	609	757
12-31-44 -----	7	1	11	50	77	606	752
2-28-44 -----	7	1	11	49	78	604	750

Cooperation with Sheriffs

In order to place as many traffic officers on the highways as possible, the Patrol should be required to cooperate more closely with the sheriffs' offices in receiving messages after the regular hours for the Highway Patrol office.

It has come to our attention during our survey that many of the counties maintain a swing shift in the local Highway Patrol office, and in a few instances they are open on a 24-hour basis. Some of these offices use highway patrolmen in order to keep the office open. This means that on Saturday afternoons, Sundays and holidays, able-bodied patrolmen are sitting in the Highway Patrol office awaiting messages, instead of being out on the road regulating traffic and doing the job for which they were hired. By having proper cooperation with the sheriffs' offices, it will be possible to close most of these Highway Patrol offices at 5 o'clock when the clerical help goes off duty, and for the patrolmen on patrol duty to receive their messages through the sheriffs' facilities.

This cooperative program will make it possible to place an undetermined amount of men on the road which will be no doubt somewhere between 20 and 35 men. This will give the added service which the Chief of the Patrol thinks should be rendered.

There are many other places where better management will yield values to the public equivalent to a large increase in manpower—larger in fact than is provided in the Governor's Budget.

We recommend this internal improvement be made before more personnel is added.

EXHIBIT "A"—DEPARTMENT OF MOTOR VEHICLES
SUMMARY OF AMOUNT SHOWN IN PRINTED BUDGET FOR THE 1943-45 BIENNIUM COMPARED
WITH LEGISLATIVE AUDIT ESTIMATED FOR THE 1945-47 BIENNIUM

Expenditures	Per printed budget			Legislative audit, estimated, 1945-47	Increase (+) or decrease (-) 1943-45
	Actual and estimated, 1943-45	Estimated and proposed, 1945-47	Increase (+) or decrease (-) 1943-45		
Support ■ ■ ■ Motor Vehicle Support Fund					
Division of Administration.....	\$1,231,615 83	\$1,407,599	+ \$175,983 17	\$1,189,610	—\$42,005 83
Division of Registration.....	4,900,529 82	5,927,318	+ 1,026,788 18	5,023,465	+ 122,935 18
Division of Enforcement.....	6,856,832 22	7,805,328	+ 948,495 78	6,891,529	+ 34,696 78
Division of Driver's License.....	1,575,814 60	1,842,650	+ 266,935 40	1,557,630	— 18,184 60
Land and buildings.....	204,212 69	195,770	—8,442 69	198,426	— 5,786 69
Totals—Support.....	\$14,769,005 16	\$17,178,665	+\$2,409,659 842	\$14,860,660	\$91,654 84
Less Expenditures Payable from Motor Vehicle License Fee Fund.....	1,204,357 81	1,316,872	+ 112,514 19	1,316,872	+\$112,514.19
Net total—Support.....	\$13,564,647 35	\$15,861,793	+\$2,297,145 65	\$13,543,788	— \$20,859 35
Contributions to State Employees' Retirement Fund.....	874,637 36	956,997	+ 82,359 64	876,256	1,618 64
Total expenditures.....	\$14,439,284 71	\$16,818,790	+\$2,379,505 29	\$14,400,044	—\$19,240.71

EXHIBIT "B"—DEPARTMENT OF MOTOR VEHICLES
 ESTIMATE OF BUDGET REQUIRED FOR THE NINETY-SEVENTH AND NINETY-EIGHTH FISCAL YEARS
 (1945-1947 BIENNIUM)

Based On 3,041,000 Registered Vehicles Each Fiscal Year
 Sheet I—Ninety-seventh Fiscal Year—1945-46

	Total	Administration	Registration	Highway patrol	Driver's license	Land and buildings
Salaries and Wages—						
February, 1945, permanent salaries adjusted to the period 7/1/45 to 6/30/46	\$5,269,129	\$385,010	\$1,434,747	\$2,735,927	\$713,445	-----
Personnel Board increase effective 3/1/45 for intermediate stenographer clerks	14,520	720	3,240	9,720	840	-----
Personnel Board increase for district inspectors, assistant supervising inspectors and captains, effective 7/1/45	22,320	-----	-----	22,320	-----	-----
Amount required for permanent employees on February, 1945, pay roll for period 7/1/45 to 6/30/46	\$5,305,969	\$385,730	\$1,437,987	\$2,767,967	\$714,285	-----
Normal salary increase, ninety-seventh fiscal year	101,215	8,635	40,995	34,415	17,170	-----
Temporary help request per printed budget	506,800	54,800	450,000	-----	2,000	-----
Positions needed not on February, 1945, pay roll:						
1 Radiotelephone Engineer	2,820	-----	-----	2,820	-----	-----
18 Radiotelephone dispatchers	34,560	-----	-----	34,560	-----	-----
1 Departmental Accountant (Cost for 1943-44 included in Operating Expenses due to contract for services with Dept. of Finance)	5,000	5,000	-----	-----	-----	-----
Maximum required for Salaries	\$5,956,364	\$454,165	\$1,928,982	\$2,839,762	\$733,455	-----
Deduct: Salary savings per Budget net estimated for salaries and wages (Forward Sheet 2, Exhibit 'B')	—233,786	—26,950	—96,450	—61,906	—48,480	-----
Deduct: salary savings per Budget	—233,786	—26,950	—96,450	—61,906	—48,480	-----
Net estimate for salaries and wages (Forward Sheet 2, Exhibit 'B')	\$5,722,578	\$427,215	\$1,832,532	\$2,777,856	\$684,975	-----

Sheet II—Exhibit "B"

	Total	Administration	Registration	Highway patrol	Driver's licenses	Land and buildings
Net estimate for salaries and wages.....	\$5,722,578	\$427,215	\$1,832,532	\$2,777,856	\$684,975	-----
Operating Expenditures for 1943-44 (ninety-fifth fiscal year) per Budget.....	1,336,061	160,953	453,577	553,768	82,950	\$84,813
Add: Difference in cost of license plates and cost of stickers, etc., used in 1943-44 so as to provide license plates for 1945-46.....	190,000	-----	190,000	-----	-----	-----
Deduct: Cost of departmental accountant service contract included in operating expenses in 1943-44.....	—5,000	—5,000	-----	-----	-----	-----
Total operating expense estimate.....	<u>\$1,521,061</u>	<u>\$155,953</u>	<u>\$643,577</u>	<u>\$553,768</u>	<u>\$82,950</u>	<u>\$84,813</u>
Equipment expenditure for 1943-44 (ninety-fifth fiscal year), per Budget.....	252,308	4,242	11,136	221,345	1,185	14,400
Deduct: Excess purchases of automobiles and motorcycles made in 1943-44.....	—125,000	-----	-----	—125,000	-----	-----
Total equipment estimate.....	<u>\$127,308</u>	<u>\$4,242</u>	<u>\$11,136</u>	<u>\$96,345</u>	<u>\$1,185</u>	<u>\$14,400</u>
Total, 1945-46 (ninety-seventh fiscal year) Estimate.....	<u>\$7,370,947</u>	<u>\$587,410</u>	<u>\$2,487,245</u>	<u>\$3,427,969</u>	<u>\$769,110</u>	<u>\$99,213</u>

EXHIBIT "B"—DEPARTMENT OF MOTOR VEHICLES
 ESTIMATE OF BUDGET REQUIRED FOR THE NINETY-SEVENTH AND NINETY-EIGHTH FISCAL YEARS
 (1945-1947 BIENNIUM)
 BASED ON 3,041,000 REGISTERED VEHICLES EACH FISCAL YEAR
 SHEET III—NINETY-EIGHTH FISCAL YEAR—1946-47

	Total	Administration	Registration	Highway patrol	Driver's licenses	Land and buildings
Salaries and Wages—						
February, 1945, permanent salaries adjusted to the period 7/1/45 to 6/30/46	\$5,269,129	\$385,010	\$1,434,747	\$2,735,927	\$713,445	-----
Personnel Board increase effective 3/1/45 for intermediate stenographer clerks	14,520	720	3,240	9,720	840	-----
Personnel Board increase effective 7/1/45 for district inspectors, assistant supervising inspectors and captains	22,320	-----	-----	22,320	-----	-----
Amount required for permanent employees on February, 1945, pay roll for period 7/1/46 to 6/30/47	\$5,305,969	\$385,730	\$1,437,987	\$2,767,967	\$714,285	-----
Normal salary increase ninety-seventh and ninety-eighth fiscal years	218,880	19,865	92,545	68,520	37,950	-----
Temporary help request per printed budget	511,300	59,300	450,000	-----	2,000	-----
Positions needed not on February, 1945, pay roll:						
1 Radiotelephone engineer	2,940	-----	-----	2,940	-----	-----
18 Radiotelephone dispatcher	36,720	-----	-----	36,720	-----	-----
1 Departmental accountant (cost for 1943-44 included in operating expense due to contract for services with Dept. of Finance)	5,000	5,000	-----	-----	-----	-----
Maximum required for salaries	\$6,080,809	\$469,895	\$1,980,532	\$2,876,147	\$754,235	-----
Deduct: salary savings per Budget	—239,465	—27,890	—99,025	—62,700	—49,850	-----
Net estimate for salaries and wages	\$5,841,344	\$442,005	\$1,881,507	\$2,813,447	\$704,385	-----

SHEET IV—EXHIBIT "B"

	Total	Administration	Registration	Highway patrol	Driver's licenses	Land and buildings
Net estimate for salaries and wages.....	\$5,841,344	\$442,005	\$1,881,507	\$2,813,447	\$704,385	-----
Operating expenditures for 1943-44 (ninety-fifth fiscal year), per Budget.....	1,336,061	160,953	453,577	553,768	82,950	\$84,813
Add: Difference in cost of license plates for 1944-45 and cost of stickers, etc., used in 1943-44, so as to provide license plates for 1946-47.....	190,000	-----	190,000	-----	-----	-----
Deduct: Cost of departmental accountant service contract included in operating expense in 1943-44.....	—5,000	—5,000	-----	-----	-----	-----
Total operating expense estimate.....	\$1,521,061	\$155,953	\$643,577	\$553,768	\$82,950	\$84,813
Equipment Expenditure for 1943-44 (ninety-fifth fiscal year), per Budget.....	252,308	4,242	11,136	221,345	1,185	14,400
Deduct: Excess purchases of automobiles and motorcycles made in 1943-44.....	—125,000	-----	-----	—125,000	-----	-----
Total Equipment Estimate.....	\$127,308	\$4,242	\$11,136	\$96,345	\$1,185	\$14,400
Total 1946-47 (ninety-eighth fiscal year) estimate.....	\$7,489,713	\$602,200	\$2,536,220	\$3,463,560	\$788,520	\$99,213
Total Estimate for 1945-47 Biennium.....	\$14,860,660	\$1,189,610	\$5,023,465	\$6,891,529	\$1,557,630	\$198,426

EXHIBIT "C"—DEPARTMENT OF MOTOR VEHICLES

TABULATION SHOWING TREND OF EXPENDITURES AND UNIT COST PER REGISTERED VEHICLE FOR EIGHT FISCAL YEARS BEGINNING WITH 1939-1940 AND ENDING WITH PROPOSED EXPENDITURES FOR 1946-1947

	Expenditures taken from Bureau of Accounting Statements					As per printed Budget			Legislative auditor's estimate	
	91st F. Y., 1939-40	92nd F. Y., 1940-41	93rd F. Y., 1941-42	94th F. Y., 1942-43	95th F. Y., 1943-44	96th F. Y., 1944-45	97th F. Y., 1945-46	98th F. Y., 1946-47	97th F. Y., 1945-46	98th F. Y., 1946-47
Administration, Accounting Personnel and Registration—										
Salaries and wages.....	\$1,689,982	\$1,737,723	\$1,911,594	\$2,175,904	\$2,220,836	\$2,400,752	\$2,513,682	\$2,695,333	\$2,259,747	\$2,323,512
Unit cost per registered vehicle..	(.56516)	(.54326)	(.62056)	(.72375)	(.73008)	(.78946)	(.82660)	(.88633)	(.74309)	(.76406)
Operating expenses.....	735,363	776,313	723,669	538,909	557,678	844,844	1,024,295	1,030,952	799,530	799,530
Unit cost per registered vehicle..	(.24592)	(.24270)	(.23492)	(.18049)	(.18333)	(.27782)	(.33683)	(.33902)	(.26292)	(.26292)
Equipment.....	10,568	25,204	24,044	16,277	15,252	9,472	37,640	33,015	15,378	15,378
Unit cost per registered vehicle..	(.00353)	(.00788)	(.00781)	(.00545)	(.00501)	(.00311)	(.01238)	(.01086)	(.00506)	(.00506)
Total.....	\$2,435,914	\$2,539,241	\$2,659,308	\$2,731,092	\$2,793,768	\$3,265,068	\$3,575,617	\$3,759,300	\$3,074,655	\$3,138,420
Unit cost per registered vehicle..	(.81462)	(.79384)	(.86329)	(.91469)	(.91842)	(1.07368)	(1.17580)	(1.23621)	(1.01107)	(1.03204)
Drivers Licenses—										
Salaries and wages.....	\$576,613	\$604,834	\$616,223	\$640,222	\$668,433	\$715,835	\$773,990	\$830,505	\$684,975	\$704,385
Unit cost per registered vehicle..	(.19283)	(.18909)	(.20004)	(.21442)	(.21974)	(.23539)	(.25452)	(.27310)	(.22525)	(.23163)
Operating expenses.....	99,514	95,344	97,155	96,157	83,158	104,700	105,755	106,255	82,950	82,950
Unit cost per registered vehicle..	(.03328)	(.02981)	(.03154)	(.03220)	(.02734)	(.03443)	(.03478)	(.03494)	(.02728)	(.02728)
Equipment.....	5,640	123,114	6,692	460	1,232	1,800	15,600	10,545	1,185	1,185
Unit cost per registered vehicle..	(.00189)	(.03849)	(.00217)	(.00015)	(.00041)	(.00059)	(.00513)	(.00347)	(.00039)	(.00039)
Totals.....	\$681,767	\$823,292	\$720,072	\$736,839	\$752,823	\$822,335	\$895,345	\$947,305	\$769,110	\$788,520
Unit cost per registered vehicle..	(.22800)	(.25738)	(.23376)	(.24678)	(.24748)	(.27041)	(.29443)	(.31151)	(.25292)	(.25930)
Highway Patrol—										
Salaries and wages.....	\$2,217,497	\$2,308,377	\$2,687,795	\$3,052,206	\$2,724,412	\$2,701,096	\$2,852,015	\$3,016,972	\$2,777,856	\$2,813,447
Unit cost per registered vehicle..	(.74157)	(.72166)	(.87254)	(1.02224)	(.89562)	(.88823)	(.93785)	(.99210)	(.91347)	(.92517)
Operating expenses.....	555,954	586,575	710,954	657,623	553,411	603,775	741,450	765,450	553,768	553,768
Unit cost per registered vehicle..	(.18592)	(.18338)	(.23080)	(.22025)	(.18193)	(.19854)	(.24382)	(.25171)	(.18213)	(.18213)

EXHIBIT "C"—DEPARTMENT OF MOTOR VEHICLES

TABULATION SHOWING TREND OF EXPENDITURES AND UNIT COST PER REGISTERED VEHICLE FOR EIGHT FISCAL YEARS BEGINNING WITH 1939-1940 AND ENDING WITH PROPOSED EXPENDITURES FOR 1946-1947—Continued

	Expenditures taken from Bureau of Accounting Statements					As per printed Budget			Legislative auditor's estimate	
	91st F. Y., 1939-40	92nd F. Y., 1940-41	93rd F. Y., 1941-42	94th F. Y., 1942-43	95th F. Y., 1943-44	96th F. Y., 1944-45	97th F. Y., 1945-46	98th F. Y., 1946-47	97th F. Y., 1945-46	98th F. Y., 1946-47
Equipment.....	80,838	286,279	583,663	36,395	210,183	75,513	191,173	238,268	96,345	96,345
Unit cost per registered vehicle..	(.02703)	(.08950)	(.18947)	(.01219)	(.06910)	(.02483)	(.06287)	(.07835)	(.03168)	(.03168)
Totals.....	\$2,854,290	\$3,181,232	\$3,982,414	\$3,746,225	\$3,488,006	\$3,380,384	\$3,784,638	\$4,020,690	\$3,427,969	\$3,463,560
Unit cost per registered vehicle.....	(.95453)	(.99454)	(1.29281)	(1.25468)	(1.14664)	(1.11160)	(1.24454)	(1.32216)	(1.12728)	(1.13898)
Land and Buildings—										
Operating expenses.....	63,968	67,327	73,551	80,896	84,584	90,000	94,745	95,750	84,813	84,813
Unit cost per registered vehicle..	(.02139)	(.02105)	(.02388)	(.02709)	(.02781)	(.02960)	(.03115)	(.03149)	(.02789)	(.02789)
Equipment.....	8,214	56,804	10,468	1,521	14,369	15,000	4,275	1,000	14,400	14,400
Unit cost per registered vehicle..	(.00275)	(.01776)	(.00340)	(.00051)	(.00472)	(.00493)	(.00141)	(.00033)	(.00474)	(.00474)
Totals.....	\$72,183	\$124,131	\$84,020	\$82,417	\$98,953	\$105,000	\$99,020	\$96,750	\$99,213	\$99,213
Unit cost per registered vehicle..	(.02414)	(.03881)	(.02728)	(.02760)	(.03253)	(.03453)	(.03256)	(.03182)	(.03263)	(.03263)
Departmental Total—										
Salaries and wages.....	\$4,484,093	\$4,650,935	\$5,215,613	\$5,868,333	\$5,613,682	\$5,817,683	\$6,139,687	\$6,542,810	\$5,722,578	\$5,841,344
Unit cost per registered vehicle..	(1.49957)	(1.45401)	(1.69314)	(1.96542)	(1.84544)	(1.91308)	(2.01897)	(2.15153)	(1.88181)	(1.92086)
Operating expenses.....	\$1,454,800	\$1,525,560	\$1,605,331	\$1,373,586	\$1,278,832	\$1,643,319	\$1,966,245	\$1,998,407	\$1,515,061	\$1,515,061
Unit cost per registered vehicle..	(.48651)	(.47693)	(.52114)	(.46004)	(.42040)	(.54038)	(.64658)	(.65715)	(.49821)	(.49821)
Equipment.....	105,261	491,402	624,869	54,654	241,037	111,785	248,688	282,828	127,308	127,308
Unit cost per registered vehicle..	(.23520)	(.15363)	(.20285)	(.01830)	(.07924)	(.03676)	(.08178)	(.09300)	(.04186)	(.04186)
Totals.....	\$6,044,156	\$6,667,898	\$7,445,815	\$7,296,574	\$7,133,552	\$7,572,787	\$8,354,620	\$8,824,045	\$7,370,947	\$7,489,713
Unit cost per registered vehicle..	(2.02128)	(2.08457)	(2.41712)	(2.44376)	(2.34508)	(2.49023)	(2.74733)	(2.90169)	(2.42388)	(2.46294)
Number of registered vehicles.....	2,990,262	3,198,699	3,080,444	2,985,796	3,041,925	3,041,000	3,041,000	3,041,000	3,041,000	3,041,000

Department of Natural Resources

For Support of Departmental Administration

Item 189 Budget Bill, pages 572-573, inclusive, of the Budget ; appropriation from the General Fund, \$163,975 ; increase of \$33,668 or 25.8 per cent over the estimated expenditure of \$130,307 for the 1943-1945 Biennium.

Recommendation: Approval of Item 189 in the amount of \$163,975 without reduction.

General Fund proposed expenditures for 1945-1947 are up by \$33,668 or 25.8 per cent as is shown by the table below. However, \$18,080 is in effect a transfer of positions from another division in the department. The net increase is only \$15,588.

	Estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45 Amount	Per cent
Support -----	\$223,394	\$268,175	+\$44,781	+20.0
Less: Prorate costs of Departmental administration included in Budget of special fund divisions:				
Division of Beaches and Parks -	26,225	27,200	+ 975	+ 3.7
Division of Fish and Game ---	58,357	69,000	+ 10,642	+18.2
Division of Oil and Gas -----	8,505	8,000	- 505	- 5.9
Totals, special funds' pro rata cost -----	\$93,087	\$104,200	+\$11,112	+11.9
Net total expenditure— General Fund -----	\$130,306	\$163,975	+\$33,668	+25.8

The table below summarizes proposed expenditures for administration allocated to different divisions and charged to the General Fund, by object of expenditure:

Object	Budget page No.	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45 Amount	Per cent
Salaries and wages -----	572	\$199,550	\$242,360	+\$42,810	+21.5
Operating expense -----	572	21,038	23,100	+ 2,062	+ 9.8
Equipment -----	572	2,805	2,715	- 90	+ 3.2
Totals -----		\$223,393	\$268,175	+\$44,782	+20.0
Less: pro rata cost to divisions -----	572	93,087	104,200	+ 11,112	+11.9
Net total expenditures— General Fund -----	572	\$130,306	\$163,975	+\$33,668	+25.8

The foregoing table shows that operating expenses are up by 9.8 per cent and equipment expenditures are down by 3.2 per cent. Proposed salary expense is up by \$42,810 or 21.5 per cent. Of this increased salary expense, \$18,080 is for five positions classified as new positions but which are in effect transfers from the Division of Forestry. These transferred positions are as follows:

No. positions Fiscal Year		Classification	Total amount	
1945-46	1946-47		1945-46	1946-47
3	3	Intermediate typist-clerk -----	\$5,030	\$5,390
1	1	Intermediate account clerk -----	2,100	2,100
1	1	Clerk-typist -----	1,670	1,790
<u>5</u>	<u>5</u>	Total new position—Fiscal years -----	8,800	9,280
		Total—For biennium -----	\$18,080	

These five transferred positions would bring the number of authorized positions for Departmental Administration to 52.

The Budget subitems for departmental administration are in line and we recommend that Item 189 in the amount of \$163,975 be approved without change.

For Support of Division of Beaches and Parks, Department of Natural Resources

Item 190 Budget Bill, pages 574-578, inclusive, of the Budget, appropriation from the State Park Maintenance Fund, \$852,286; increase of \$297,756 or 53.6 per cent over estimated expenditure of \$554,530 for the 1943-45 Biennium.

This is technically a special fund item but not self-supporting. The money comes from oil royalties.

The proposed increase of \$297,756 or 53.6 per cent by object and type of expenditure follows:

	- Estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45 Amount	Per cent
Salaries and Wages:				
Administration -----	\$50,973	\$68,360	+ \$17,387	+ 34.1
Maintenance -----	328,760	441,016	+ 112,256	+ 34.1
Beach and erosion control ----- (1944-1945 only) -----	6,280	32,610	+ 26,330	+ 419.2
Total—Salaries and wages	\$386,013	\$541,986	+\$155,973	+ 40.4
Operating Expense				
Administration -----	\$69,094	\$92,090	+ \$22,996	+ 33.2
Maintenance -----	107,444	161,000	+ 53,556	+ 49.8
Beach and erosion control ----- (1944-1945 only) -----	4,650	13,150	+ 8,500	+ 182.7
Total—Operating expense	\$181,188	\$266,240	+\$85,052	+ 46.9
Equipment				
Administration -----	\$272	\$5,380	+ \$5,108	+1877.0
Maintenance -----	4,943	60,320	+ 55,377	+1120.0
Beach and erosion control ----- (1944-1945 only) -----	2,150	3,360	+ 1,210	+ 56.2
Total—Equipment	\$7,365	\$69,060	+\$61,695	+ 837.6
Totals	\$574,566	\$877,286	+\$302,720	+ 52.7
Less: Reimbursement for maintenance	16,536	18,000		
Abatement from Santa Barbara City for La Purissima mission maintenance	3,500	7,000		
Total deductions	\$20,036	\$25,000	— \$4,964	— 24.7
Total net expenditure	\$554,530	\$852,286	+\$297,756	+ 53.6

It will be noticed that operating expenses are up by \$85,052 or 46.9 per cent; that equipment expenses are scheduled to advance from some \$7,000 for 1943-45 to almost \$70,000 for 1945-47. Salaries and wages are up by \$155,973, or 40.4 per cent.

Concerning the scheduled increase for Item 190 of \$297,756 or 53.6 per cent, the Division of Parks and Beaches reports as follows:

“The major items in this increase are brought about by the following conditions:

- (1) During the present biennium, we have acquired six new properties involving an area of 4,234 acres and valued at \$824,000. These new properties must be manned, operated, and maintained.
- (2) We are requesting replacement of such of our automotive equipment which has traveled more than 100,000 miles.
- (3) (There is provision for) normal increase in salary adjustments predicated upon rules and regulations of the State Personnel Board.
- (4) Throughout the duration, we have not been able to properly maintain the 1,500 or more structures that are located throughout the system because of shortage in materials and manpower.
- (5) During this coming biennium, we will hire an erosion control engineer and a staff of four people in order to comply with a legislative mandate.
- (6) The Budget reveals an increase in the operating personnel of 32 positions above the erosion control engineer and his staff; however, 19 of these positions were called war emergency positions which have now been made a part of our permanent organization in order to take care of the former services rendered this Division by such agencies as the Civilian Conservation Corps, Works Progress Administration, and State Emergency Relief Administration, from which organizations we derived a considerable volume of manpower toward maintenance of our parks from 1934 to 1942. The above-referred to agencies contributed \$7,000,000 toward the development of our State Park System in that they built many of our present structures, financing even the material costs of same plus the labor. The structures erected by them vary in age from four to ten years and are now beginning to require an extensive amount of maintenance and repair, which, if not provided, will cause a very considerable loss in the way of capital investment.
- (7) This division must also, in this Budget, make allowance for the fact that the moment the restrictions are removed from travel, our facilities will be taxed to the utmost. All park and recreation authorities agree that recreational activities will be greatly expanded immediately after V-Day due to two main causes:
 - (a) That people have been denied their normal recreational desires due to wartime restrictions, and
 - (b) That at the beginning of the war the normal work week was considered to be 44 hours; now, the general normal work week has been reduced to 40 hours, thus permitting people two full days per week for recreational purposes.
- (8) During the past biennium, we, on several occasions, have had to ask for deficiency appropriations to take care of major emergencies in order to protect our utilities and structures from disintegrating beyond the point of usefulness.

Despite some validity that attaches to the above explanations for the very substantial increase in proposed expenditures, we believe that the amount requested is considerably above the amount needed and, in fact, substantially above the amount that will be spent. In this connection, we wish to point out that the Division of Parks and Beaches is not a self-supporting enterprise. The money from the State Park Maintenance Fund is from State oil lands royalties. These funds in our opinion should be allocated to the General Fund for general State uses and should be budgeted and appropriated where needed. There are special inducements for the exercise of less economy in connection with the acquisition and administration of State Parks and Beaches on the general assumption that this is a special fund agency.

While we recommend that this item be approved without specific reduction, we further recommend that the Legislature specifically declare its intent that the Department of Finance shall exercise particularly strict and complete application of the general over-all salary savings, and over-all recommended reductions for the operating expense items of printing, automobile, and traveling.

In the interest of desirable simplification of the State's accounting and auditing procedures and the elimination of unnecessary duplication of record-keeping, we recommend that the three special funds of the State Park Maintenance Fund, the State Park Fund, and the State Beach Fund be abolished, and that the receipts go to the General Fund and appropriations be made for these facilities on the basis of need.

Items 191 and 192 omitted in Appropriation Bill.

**For Acquisition of Additional Redwood Park Areas by
Division of Beaches and Parks**

Item 193 Budget Bill, page 578 of the Budget, appropriation from the State Park Fund, \$104,445.

Recommendation: Approval without change.

This proposed appropriation item would provide \$104,445 for the acquisition of additional redwood park areas in Humboldt and Del Norte Counties by the Division of Beaches and Parks to implement Chapter 62, Statutes of 1943. Purchases would be subject to the approval of the Department of Finance. There is the further proviso that any amount withdrawn from this appropriation item must be matched by like amounts in money, property or lands from private or other sources.

As this proposed expenditure would be for a good investment in the recreational and scenic resources of the State, and is hedged in by appropriate fiscal control safeguards, we recommend approval of Item 193 of the Appropriation Bill in the amount of \$104,445 without reduction.

**For Construction, Etc., of State Parks, Division of Beaches
and Parks, Department of Natural Resources**

Item 194 Budget Bill, pages 578-581 inclusive of the Budget; appropriation from the State Park Fund, \$155,950.

This appropriation item covers a number of construction, repair, and maintenance projects for the several State parks as detailed on pages 578-581 of the Budget. Practically all of these proposed projects are for the second year of the biennium. These projects appear to be in line insofar as amounts are concerned. We accordingly recommend

that Item 194 of the Budget Bill in the amount of \$155,950 be approved without reduction but that a new provision be inserted into Item 194 stating that in the event that the war is not over by the end of the first fiscal year of the biennium and wartime Federal controls over manpower and materials have not been lifted by that time, none of the budgeted construction, maintenance, and improvement items shall be undertaken except upon specific approval of the Department of Finance on the grounds that serious property loss to the State would occur through further postponement.

**For Construction, Etc., of State Beaches, Division of Beaches
and Parks, Department of Natural Resources**

Item 195 Budget Bill, pages 581-582 of the Budget; appropriation from State Beach Fund, \$26,500.

This appropriation item covers a number of construction, repair, and maintenance projects at State beaches as detailed on pages 581 and 582 of the Budget. Insofar as amounts proposed are concerned these projects are in line. Accordingly, we recommend that Item 195 of the Budget Bill be approved without reduction, but that a new provision be inserted into Item 195 of the Appropriation Bill to the effect that in the event that the war is not over by the end of the first fiscal year of the biennium and wartime Federal controls over manpower and materials have not been lifted by that time, none of the budgeted construction, maintenance, and improvement items shall be undertaken except upon specific approval of the Department of Finance on the grounds that serious property loss to the State would accrue through further postponement.

**For Support of Division of Fish and Game,
Department of Natural Resources**

Item 196 Budget Bill, pages 584-595, inclusive, of the Budget, appropriation from the Fish and Game Preservation Fund, \$4,728,569; increase of \$1,506,644 or 46.7 per cent over the estimated expenditure of \$3,221,925 for the 1943-45 Biennium.

This is a special fund entirely self-supporting agency.

The proposed increase of \$1,506,643 is divided among the following nine activities covered by this appropriation item:

Expenditures Support	FISH AND GAME PRESERVATION FUND		Increase or decrease	
	Actual and estimated 1943-45	Estimated and proposed 1945-47	Amount	Per cent
Administration -----	\$284,981	\$359,320	+	\$74,338 +26.0
Patrol and law enforcement -----	1,068,501	1,591,479	+	522,977 +48.9
Marine fisheries -----	237,402	453,449	+	216,046 +91.0
Fish conservation -----	809,325	1,044,041	+	234,715 +29.0
Engineering -----	54,857	76,909	+	22,051 +40.1
Game conservation -----	321,953	525,692	+	203,738 +63.2
Game farms -----	159,163	195,654	+	36,490 +22.9
Licenses -----	285,175	332,595	+	47,419 +16.6
Construction of fish screens and stream improve. -----	565	149,430	+	148,865
Totals, support -----	\$3,221,925	\$4,728,569	+	\$1,506,643 +46.7

The proposed expenditure of \$4,728,569 is almost as much as the estimated revenue for the Fish and Game Preservation Fund for the 1945-47 Biennium. This proposed expenditure for support, plus other budgeted

expenditures for other items, bring the total proposed expenditures from the Fish and Game Preservation Fund to \$5,798,109, which is over a million dollars in excess of estimated revenue for this fund. The following statement summarizes the predicted status of this unbudgeted surplus.

STATEMENT OF UNBUDGETED SURPLUS—FISH AND GAME PRESERVATION FUND	
Estimated unbudgeted surplus, July 1, 1945-----	\$3,868,043
Estimated revenue for Biennium 1945-1947-----	4,751,710
Total -----	\$8,619,753
Less proposed expenditures for Biennium 1945-47:	
Support-----	\$4,728,569
Contributions to State Employees Retirement Fund-----	99,540
Other current expenses-----	50,000
Capital outlay-----	920,000
Total proposed expenditures -----	5,798,109
Estimated unbudgeted surplus, June 30, 1947 (a decrease of \$1,046,399)	\$2,821,644

The proposed increase of \$1,506,644 or 46.7 per cent is summarized by object of expenditure as follows:

Object	Estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salary and wages:				
Positions now authorized-----	\$1,943,117	\$2,231,100	+	\$287,983 +14.8
Estimated salary savings-----	—36,305	—60,000	—	23,695 —65.2
1945-47 normal salary adjustments-----		24,315	+	24,315
Proposed new positions-----		459,020	+	459,020
Total—Salaries and wages -----	\$1,906,812	\$2,654,435	+	747,623 +39.2
Operating expense-----	1,308,825	1,853,735	+	544,910 +41.6
Equipment-----	27,078	271,885	+	244,807 +904.0
Totals -----	\$3,242,715	\$4,780,055	+	\$1,537,340 +47.4
Less:				
Reimbursement for maintenance...	—20,790	—20,790		
Abatements for expenditure chargeable to Pittman-Robertson Act projects-----		—30,696	—	—30,696
Net totals for support -----	\$3,221,925	\$4,728,569	+	\$1,506,644 +46.7

Operating expenses are budgeted at an increase of over half a million dollars or 41 per cent; while the budgeted amount for equipment is up by almost a quarter of a million dollars. The total increase for salaries and wages exceeds \$740,000 or 39.2 per cent. Of this increase for salaries, almost \$460,000 is for the salaries of 66 new positions for the first year of the biennium and a cumulative total of 116 for the second year.

We are convinced that this Budget is out of line with even the expanded needs of a postwar period. We propose reduction of \$400,000 or 8.5 per cent to \$4,380,055. This proposed reduction would be divided up among objects of expenditure as follows:

Proposed new positions-----	\$200,000
Operating expenses-----	150,000
Equipment-----	50,000

We would leave the specific allocation to the division.

We do not believe that conditions will be such that the increase asked for can be economically spent. If they are and more money is needed it can be secured through deficiency allotments or in January,

1947, at the next regular session of the Legislature for the last six months of the biennium.

In addition, there would be the over-all reductions recommended earlier in this report for salary savings, and the operating expenses of printing, automobile, and traveling. In this connection, it is recommended that the Legislature declare its intent that the Department of Finance shall exercise particularly strict and complete application of these general savings items in connection with its administration of the appropriation for the Division of Fish and Game.

For Cooperation with the Federal Government

Item 197 Budget Bill, pages 584 and 594 of the Budget, appropriation from the Fish and Game Preservation Fund, \$50,000; increase of \$37,252 or 292.2 per cent over estimated expenditure of \$12,748 for the 1943-1945 Biennium.

Recommendation: Acceptance without reduction.

This proposed expenditure represents the State's cooperation with the Federal Government in the purchase of land for game protection, improvement of waterfowl areas and research in game management under provisions of the Pittman-Robertson Act. It represents an increase of almost three times the State's expenditure for the current biennium because more Federal Funds are available.

We recommend that this Item 197 in the sum of \$50,000 be approved without reduction.

For Public Shooting Grounds

Item 198 Budget Bill, page 594 of the Budget, appropriation from the Fish and Game Preservation Fund, \$674,000; increase of \$667,500 over estimated expenditure of \$6,500 for the 1943-45 Biennium.

Recommendation: Approval of Item 198 in the sum of \$674,000 without reduction.

This proposed expenditure of \$674,000 is for the purchase of land for public shooting grounds, subject to the approval of the Department of Finance. Of the \$674,000, \$174,000 is for public shooting grounds in the San Joaquin Valley for expenditure during the first fiscal year; and the remaining \$500,000 is for public shooting grounds, unallocated, divided equally between the two years of the biennium.

We recommend approval of Item 198 in the amount of \$674,000 without reduction, as the expenditure will represent an investment for the State and for the use of its citizens, the money is available in the Fish and Game Preservation Fund, and all purchases must have the prior approval of the Department of Finance.

It is expected that fees from this new activity will support it. We do not concur in this in its entirety. It is true fees should go a long way toward paying expense, but we doubt if they will be sufficient.

The purchase of property for public shooting ground is a matter of policy for the Legislature to decide.

**For Construction, Etc., Division of Fish and Game,
Department of Natural Resources**

Item 199 Budget Bill, page 594 of the Budget; appropriation from Fish and Game Preservation Fund, \$246,000; increase of \$133,500 over the estimated expenditure of \$112,500 for the 1943-1945 Biennium.

This proposed expenditure of \$246,000 is for construction, improvements, and equipment in connection with a number of projects as detailed on page 594 of the Budget. We recommend approval of appropriation Item 199 in the amount of \$246,000 without reduction; with, however, a specific reservation being added to the appropriation item to the effect that none of these projects shall be undertaken until the end of the war and until Federal controls over manpower and materials are lifted except upon the written approval of the Department of Finance which shall grant such approval only on the grounds that serious property loss would accrue to the State through further postponement of given projects.

For Division of Forestry, Department of Natural Resources

There are five appropriation items relating to the Division of Forestry as follows:

Item 200.	For support of Division of Forestry-----	\$5,958,687
Item 201.	For direct allotment to cooperating counties for prevention and suppression of forest fires on timber and watershed lands, Division of Forestry -----	\$434,000
Item 202.	For direct allotment to the United States Department of Agriculture, for prevention and suppression of forest fires on private and State owned lands located inside the boundaries of United States Forest Reserves within this State, Division of Forestry-----	\$500,000
Item 203.	For white pine blister rust control protection, Division of Forestry—provided that any amount withdrawn from this item must be matched by an expenditure of a like amount by the Federal Government in this State for the same purpose.	
Item 204.	For emergency fire suppression, Division of Forestry, to be transferred to Item 200 upon executive order of the Director of Finance--	\$250,000
Item 205.	For the purchase of real property, Division of Forestry, subject to the approval of the Department of Finance-----	\$55,200

For Support of Division of Forestry

Item 200 Budget Bill, pages 596, 604, inclusive, of the Budget, appropriation from the General Fund, \$5,958,678, increase of \$903,652 or 17.9 per cent over estimated expenditure of \$5,055,035 for the 1943-1945 Biennium.

Our recommendation: Reduce Item 200 by \$607,502 or 10.2 per cent to \$5,351,176.

Also apply the over-all General Fund saving to produce an over-all \$10,000,000 for General Fund and the salary saving previously described.

Also adjust expenditures so as to include the operation of the mobile pool units assigned to local agencies for the Fiscal Year 1945-46 at an estimated cost of \$79,023.50.

We believe that by proper allocation of forces, use of radio, better and more equipment, and better organization, better results should be secured for less cost per acre than in the past.

I. Statistical Summary

The increase of \$903,653 or 17.9 per cent in State expenditure for 1945-1947 proposed by Item 200 over the estimated expenditure for 1943-1945 is given by the table following by object of expenditure:

DIVISION OF FORESTRY
EXPENDITURES FOR SUPPORT—1945-1947
(Assembly Bill No. 500—Item 200)

Recapitulation by object	Budget Page No.	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease from 1943-45	
				Amount	Per cent
Salaries and Wages:					
Positions now authorized	597	\$4,617,927	\$4,897,399 +	\$279,472	6.0
Estimated salary savings	597	—54,359	—280,389 +	226,030	415.8
1945-47 normal salary adjustments			27,030 +	27,030	
Proposed new positions			636,446 +	636,446	
Totals, salaries and wages	597	\$4,563,568	\$5,280,486 +	\$716,918	15.7
Operating expenses	597	1,337,520	1,495,050 +	157,530	11.8
Equipment	597	185,726	563,787 +	378,061	203.5
Totals	597	\$6,086,814	\$7,339,323 +	\$1,252,509	20.6
Rent and utility deductions	597	— 13,000	— 13,000		
Subsistence deductions	597	—328,980	—572,396 —	243,416	74.0
Reimbursements from United States Government: For protection of public domain lands in timber and watershed area	597	—178,000	—204,000 —	36,000	21.4
For protection of public domain lands for range development service	597	— 27,035	— 54,072 —	27,037	100.0
For protection of Indian lands	597	— 1,776	— 7,040 —	5,264	296.3
Reimbursements from county cooperative agreements:					
Agricultural fire protection	597	—462,889	—500,128 —	37,239	8.0
Administrative overhead	597	— 30,098	— 30,000 +	98	
Totals for biennium for support	597	\$5,055,034	\$5,958,687	\$903,653	17.9

The Budget provides for a net increase in the number of regular year-round positions from 310 for 1944-1945 to 352 for 1945-1946 and to 355 for 1946-1947. Included in this increase is allowance for the extension of 90 wartime positions to permanent jobs. The Budget also provides that the labor reported on a seasonal basis shall increase from 10,554 man months in 1943-1944 and 11,113 in 1944-1945 to 10,656 for each year of the coming biennium.

II. Findings and Recommendations

1. The increase of \$903,653 or 17.9 per cent in proposed expenditures for 1945-1947 over the 1943-1945 level is out of line as *expenditures for the current Biennium (1943-1945) are high by virtue of special wartime activities* and general expansion of activities. A substantial beginning should be made during the 1945-1947 Biennium to return to a more moderate peacetime expenditure program for this division.

2. To this end and to effect necessary and desirable economy, we recommend that Item 200 be reduced by \$607,502 or 10.2 per cent to \$5,351,176, which would still permit an increase of \$296,141 or 5.9 per cent over the estimated amount for 1943-1945. We propose that this recommended reduction of \$607,502 would be divided among different activities as follows:

- (a) Eliminate 90 war emergency positions from the Budget for the second year of the biennium. This results in a saving of \$200,250. This procedure has been followed in connection with other sectors of the Governor's Budget and is clearly needed for the Forestry Division because of mushroom expansion during the war period. The need for extra precautions against fires being set by enemy aliens will have diminished very materially by the beginning of the second year of the biennium.
- (b) Reduce the Budget by \$232,500 to \$150,000 for the salaries of certain standby employees during the winter months. The Budget provides 10,406 man months work or salary expenditures of \$382,500 for the employment of foremen, bulldozer operators, and cooks throughout the winter months for work on the maintenance of roads, trails, fire breaks, telephone lines, and other improvements. Before the war the Division of Forestry had no authorization to employ such key fire fighting personnel on a year-round basis. We believe that the Budget allows the Division of Forestry to expand in this particular sector much more than is necessary and desirable. The sum of \$150,000, a reduction of \$232,500, represents a more realistic and reasonable amount for such winter employment.
- (c) Reduce operating expenses by about 5 per cent or \$75,000. This reduction approximately reflects the decreased need for operating expenditures as a result of the recommended reductions in the budgeted allowances for full time and winter standby personnel discussed above.
- (d) Reduce the budgeted amount of expenditures for equipment by \$100,000 or 17.7 per cent to \$463,787. The Budget provides \$563,787 for equipment during the 1945-1947 Biennium,

an increase of \$378,061 or 203.5 per cent over the estimated amount for 1943-1945. Of this increase, \$131,052 is the expanded expense for automobile and truck equipment. From information available to us we are convinced that a cut of \$100,000 in automobile equipment is clearly indicated and we recommend such a reduction.

Item 201 Budget Bill, pages 596-597. Appropriates \$434,000 out of the General Fund to the Division of Forestry for direct allotment to cooperating counties for prevention and suppression of fires on timber and watershed lands.

This allocation is made to five counties to reimburse them for fire protection and suppression wherein the State would otherwise carry on this work.

The State also proposes to allocate from the receipts from the Federal Government from Clarke-McNary Funds, the sum of \$170,000 for 1945-47. This is shown on page 597 of the Budget but it is not shown in the Appropriation Bill. So in effect the allocation to these five counties by the State for 1945-47 will be \$604,000, an increase of \$416,356 or 222 per cent over 1943-45 total allocation.

While Los Angeles County in particular has not previously received adequate assistance in this matter, the pendulum now swings to the other end of the arc. Moreover the continuing of the practice of allowing the Division of Forestry to allocate money for expenditures without legislative approval should be stopped.

Likewise we have recommended that the Budget of the Division of Forestry be curtailed materially which has the effect of reducing Item 201 or what the State would spend in these five counties with a reduced Budget.

We, therefore, recommend that the amount of Item 201 be reduced and it be combined to include all Clarke-McNary Funds and be amended accordingly. The combined amount to be \$523,000 or still an increase of \$335,356 or 178.7 per cent to be allocated under the following conditions. Item 201 to be amended as follows:

“Which shall not be augmented by funds received from the Federal Government as grants under the Clarke-McNary Act” (June 7, 1924, Chapter 348—43 Statutes 653).

Out of this sum \$353,000 shall be allocated to the several counties concerned as follows:

	Fiscal Year	
	1945-46	1946-47
1. Los Angeles County -----	\$83,777	\$83,777
2. Ventura County -----	25,214	25,214
3. Santa Barbara County -----	25,214	25,214
4. San Mateo County -----	25,214	25,214
5. Marin County -----	17,081	17,081
Total -----	\$176,500	\$176,500

The remaining \$170,000 shall be allocated to these counties in direct proportion one-half annually as they qualify in the State qualifications for Clarke-McNary Funds, any amount not qualified for shall revert to the General Fund of the State.

The result would be to actually increase Item 201 by \$89,000,000 but to eliminate the \$170,000 Clarke-McNary item of appropriation

made by the Division of Forestry and the cause of so much friction in past years.

This would eliminate another special fund and simplify accounting, all around and give the Legislature definite control by specific appropriation and limits on expenditures.

All Clarke-McNary receipts would go at once into the General Fund and no special account for this one item would have to be preserved as will be required under the procedure proposed on page 597 of the Budget.

Item 202 Budget Bill, page 596 of the Budget. Appropriates \$500,000 to the Division of Forestry for direct allocation to the United States Department of Agriculture for prevention and suppression of forest fires on private and State owned lands located inside boundaries of United States Forest Reserves within the State.

This is an increase of \$281,676.63 or 129 per cent over the appropriation of \$218,323.27 for 1943-45. This sum does not yet equal the per acre expenditure of the Federal Forest Service in protecting such forest lands but it approximates the per acre expenditure of the State. Since it is proposed to reduce the appropriation request of the division it is recommended this item also be reduced accordingly to \$418,000 thus allowing approximately \$200,000 increase for the biennium.

Item 203 of the Budget Bill, page 596 of the Budget. Appropriates \$100,000 to the Division of Forestry to be matched by expenditure of like sum by the Federal Government for the same purpose.

This expenditure is for the purpose of controlling the blister rust hosts and thus the fungi which threatens destruction to our most valuable pine species. We recommend this appropriation and if the Federal Government will spend more we should match it.

Item 204 of the Budget Bill, page 596 of the Budget. Appropriates \$250,000 to the Division of Forestry for emergency fire suppression, to be transferred to item 200 upon executive order of the Director of Finance.

This can be spent only under above conditions when other funds are not available. If the regular fire prevention and suppression crews are highly effective little of this need be spent.

In 1943-45 there was spent and estimated to June 30, 1945 the sum of \$221,553. This is an increase of \$28,447. We recommend the full appropriation.

Item 205 of the Budget Bill, pages 596, 607 and 608 of the Budget. Appropriates \$55,200 from the General Fund for purchase of Real Property for the Division of Forestry on approval of the Director of Finance.

The detail is shown on pages 607 and 608 of the Budget. There are some 21 objects and all for land where there is a considerable investment in buildings and other improvements.

Recommend appropriation be approved for \$55,200 as requested.

Division of Mines

For support of the Division of Mines, Department of Natural Resources.

Item 206 Budget Bill, pages 610 to 613 inclusive of the Budget, appropriation from the General Fund, \$304,899; increase of \$122,429 or 67.1 per cent over the estimated expenditure of \$182,470 for the 1943-1945 Biennium.

Recommendation:

Reduce Item 206 by \$16,380 or 5.3 per cent to \$288,519.

Bookkeeping transactions bring the proposed increase for support for 1945-1947 up to \$124,199, an increase of 65.1 per cent over the estimated expenditures for the 1943-1945 Biennium. Of this increase, \$55,526 or 44.7 per cent is for operating expenses and \$8,466 or 6.8 per cent is for equipment expenditures. Salaries and wages account for \$40,207 or 32.3 per cent of the total increase. The table below presents further details of the proposed increase by objects of expenditure.

Object	Actual and estimated 1943-45	Proposed 1945-47	Increase		Per cent of net total increase
			Amount	Per cent	
Salaries and Wages					
Positions now authorized-----	\$144,723	\$150,340	\$5,617	3.9	4.5
Estimated salary savings-----	—1,500	—1,500			
1945-47 normal salary adjustments--		2,685	2,685		2.1
Proposed new positions-----		31,905	31,905		25.6
Total—Salaries and Wages-----	\$143,223	\$183,430	\$40,207	28.0	32.3
Operating Expense -----	65,744	121,370	55,526	84.4	44.7
Equipment -----	1,733	10,199	8,466	488.5	6.8
Totals -----	\$210,700	\$314,899	\$104,199	49.4	83.8
Less Abatements from Reconstruction and Reemployment Commission for Survey of Mineral Resources-----	—20,000		20,000		16.1
Net total for Support-----	\$190,700	\$314,899	\$124,199	65.0	99.9

In addition to application of the overall deductions for salary savings, and traveling automobile, and printing operating expense items, we recommend the following:

I. *Operating expenses: A reduction of \$13,500 or 11.1 per cent in budgeted expenditures for this purpose is recommended.* We further recommend that this reduction be divided among individual operating expense items as follows:

Operating Expense items	Estimated 1943-45	Proposed 1945-47	Reductions recommended for 1945-47	Amounts resulting for 1945-47
Office -----	\$3,095	\$3,400	\$-----	\$3,400
Printing, forms, and stationery-----	1,573	3,000	500	2,500
Printing, bulletins and maps-----	14,762	70,000	10,000	60,000
Traveling -----	6,517	10,000	1,000	9,000
Telephone and telegraph -----	1,394	1,500	-----	1,500
Postage -----	3,491	3,600	-----	3,600
Automobile -----	3,646	10,000	2,000	8,000
Freight, cartage and express -----	701	900	-----	900
Light, heat and power -----	1,202	1,200	-----	1,200
Rent -----	9,560	12,120	-----	12,120
Assays -----	315	2,000	-----	2,000
Blue printing -----	141	300	-----	300
Laboratory -----	419	400	-----	400
Economic survey in cooperation with R. R. Commission-----	18,315	-----	-----	-----
Library -----	145	200	-----	200
Photography -----	117	150	-----	150
Technical reports -----	350	2,500	-----	2,500
Totals, Operating Equipment -----	\$65,774	\$121,270	\$13,500	\$107,770

2. *Salaries and Wages*: We also recommend a reduction of \$2,880 which represents the first year budgeted salary expense for the proposed new position of Assistant Mining Engineer which we recommend not to be established until the second year of the biennium as the other proposed new positions will be sufficient to bring this division's staff up to the needed level under existing conditions.

3. *Total Recommended Reduction*: The foregoing recommendations would reduce appropriation Item 206 by \$16,380 or 5.4 per cent to \$288,519.

For Geological Exploration

Item 207 Budget Bill, pages 610 and 612 of the Budget, appropriation from the General Fund, \$100,000.

This proposed appropriation of \$100,000 for geological explorations in cooperation with the United States Geological Survey for development of additional mineral resources; to be matched by like amounts contributed or expended by the Federal Government. This proposed expenditure may be expected to yield sufficient values to the State to justify it. We recommend that Item 207 in the amount of \$100,000 be approved without reduction.

Division of Oil and Gas

For Support of Division of Oil and Gas, Department of Natural Resources.

Item 208 Budget Bill, pages 614-616, inclusive, of the Budget; appropriation from the Petroleum and Gas Fund, \$449,838; increase of \$20,837 or 4.8 per cent over the estimated expenditure of \$429,001 for the 1943-1945 Biennium.

Recommendation: Approve Item 208 without reduction.

This is an entirely self-supporting agency. The relatively small proposed increase of \$20,837 results from the expectation that existing positions will be kept pretty well occupied during the coming biennium, from normal salary increases, and from minor and desirable upward adjustments in operating expenditure items. This division is closely budgeted. We recommend that Item 208 in the amount of \$449,838 be approved without reduction.

Department of Professional and Vocational Standards

Items 209-227, inclusive, of the Budget Bill, pages 617-659 of the Budget amounts to \$1,699,155. This is an over-all increase of \$288,820 or 20.47 per cent over estimated expenditures of \$1,410,695 for the 1943-45 Biennium. These are all special fund self-supporting agencies and should appropriations not be sufficient and an emergency exist, a deficiency can be allowed by the Director of Finance under the provisions of Political Code Section 661.

An item by item analysis of the respective appropriations for the Department follows.

Table I gives a comparative analysis of Expenditures and Revenues by administrative division 1943-45 compared with the 1945-47 Biennium.

DEPARTMENT OF PROFESSIONAL AND VOCATIONAL STANDARDS—OVER-ALL ANALYSIS OF PROPOSED EXPENDITURES, APPROPRIATION AND REVENUES, 1945-47 BIENNIUM COMPARED WITH ACTUAL AND ESTIMATED FIGURES FOR THE 1943-45 BIENNIUM

	Item No.	Expenditures				Revenues					
		Actual and estimated, 1943-45	Proposed 1945-47 (AB 500)	Increase or decrease		Actual and Estimated 1943-45	Proposed 1945-47	Increased or decrease			
				Amount	Per cent			Amount	Per cent		
Board of Accountancy.....	209	\$26,507	\$28,996	+	\$2,489	+ 9.38	\$33,983	\$33,225	-	\$758	- 2.2
Board of Architectural Examiners.....	210	19,811	24,958	+	5,147	+25.98	19,749	21,800	+	2,051	+10.38
Board Barber Examiners.....	211	98,363	107,614	+	9,251	+ 9.40	94,413	98,500	+	4,087	4.32
Board of Registered Civil Engineers.....	212	63,329	66,057	+	2,728	+ 4.30	69,319	71,820	+	2,501	3.60
Contractors Licenses.....	213	301,450	406,954	+	105,504	+34.99	340,806	423,500	+	82,693	+24.26
Board of Cosmetology.....	214	162,334	181,694	+	19,360	+11.92	182,454	176,100	-	6,354	- 3.48
Board of Dental Examiners.....	215	65,042	72,152	+	7,110	+10.93	62,730	62,225	-	505	- 8.05
Detective License Bureau.....	216	30,780	15,352	-	15,428	-49.87	43,150	44,000	+	850	+ 1.96
Board of Funeral Directors.....	217	37,989	41,835	+	3,846	+10.12	40,228	39,000	-	1,228	- 3.05
Bureau of Furniture and Bedding.....	218	152,846	208,808	+	55,962	+36.61	207,616	207,776	+	160	+ 8.7
Board of Medical Examiners.....	219	147,351	161,009	+	13,658	+ 9.26	181,033	156,260	-	24,773	-13.69
Board of Nurse Examiners.....	220	92,261	126,392	+	34,131	+36.99	133,846	125,100	-	8,746	- 6.53
Board of Optometry.....	221	17,769	19,308	+	1,539	+ 8.66	14,154	14,200	+	46	-----
Board of Pharmacy.....	222	94,785	121,071	+	26,286	+27.73	107,048	107,500	+	452	.004
Structural Pest Control Board.....	223	20,394	28,868	+	8,474	+41.55	18,614	18,000	-	614	- 3.29
Examiner, Veterinary Medicine.....	224	11,541	13,010	+	1,470	+12.73	13,190	12,400	-	790	- 5.98
Yacht Brokers Commission.....	225	9,971	10,939	+	968	+ 9.70	9,275	10,500	+	1,225	+13.20
Board of Chiropractic Examiners.....	226	31,579	33,703	+	2,124	+ 6.72	30,177	35,330	+	5,153	+17.07
Board of Osteopathic Examiners.....	227	26,593	30,795	+	4,202	+15.80	22,986	23,200	+	214	+ 3.10
Totals.....		\$1,410,695	\$1,699,515		\$288,820	+20.47	\$1,624,771	\$1,680,936	+	\$56,164	+34.53

For Support of Board of Accountancy

Item 209 Budget Bill, pages 619-620 inclusive of the Budget, appropriation from the Accountancy Fund, \$28,996; increase of \$2,489 or 9.38 per cent over estimated expenditures of \$26,507 for the 1943-45 Biennium.

Increased operating expenses contribute largely to the proposed increased expenditures. Very substantial increases are requested for both printing and travel. Revenues are expected to decline from \$33,983 in the 1943-45 Biennium to \$33,225 in the 1945-47 Biennium, a decrease of \$758.

We recommend that travel and printing expense be reduced \$500 and \$200 respectively, thus effecting a saving for the biennium of \$750.

For Support of Architectural Examiners

Item 210 Budget Bill, pages 621-622 inclusive of the Budget, appropriation from the Board of Architectural Examiners Fund, \$25,958; increase of \$5,147 or 25.98 per cent over estimated expenditures of \$19,811 for the 1943-45 Biennium.

Our examination of the proposed expenditures for this board reveals normal increased costs only. Automobile equipment accounts for \$1,300 of the proposed expense; and automobile operating expense amounts to \$700 for the biennium. Increased traveling expense from \$4,518 in the 1943-45 Biennium to \$5,400 in the ensuing biennium requires an additional \$800.

We recommend acceptance of the Board of Architectural Examiners Budget as submitted.

For Support of Barber Examiners

Item 211 Budget Bill, pages 263-264 inclusive of the Budget, appropriation from the Barber Examiner Fund, \$107,614; increase of \$9,251 or 9.40 per cent over estimated expenditure of \$98,363 for the 1943-45 Biennium. While proposed expenditures are up \$9,251 or 9.40 per cent over the current biennium; estimated revenues in the 1945-1947 Biennium are expected to increase by \$4,087 or 4.32 per cent. No new positions are requested and the bulk of the increase arises from increased miscellaneous operating expenses, none of which are unduly out of line.

We recommend the requested appropriation be granted.

For Support of Board of Registration for Civil Engineers

Item 212 Budget Bill, pages 625-626 inclusive of the Budget, appropriation from the Civil Engineers Fund, \$66,057; increase of \$2,728 or 4.3 per cent estimated expenditure of \$63,329 for the 1943-1945 Biennium.

It is estimated the cost of support will increase by 4 per cent with a comparable increase in revenues. The principal increase in expenses for the 1945-47 Biennium results from the proposed purchase of a new car, plus a \$700 allowance for its operation. We believe this budget is in line and recommend that expenditures be approved.

For Support of Contractors' License Board

Item 213 Budget Bill, pages 627-629 inclusive of the Budget, appropriation from the Contractors' License Fund, \$406,954; increase of \$105,504 or 34.99 per cent over estimated expenditure of \$301,450 for the 1943-45 Biennium.

1. We believe that the Contractors' License Board has overestimated its requirements, particularly during the first year of the ensuing biennium.

2. We recommend that proposed new positions be reduced by 50 per cent to a total cost of \$13,290 in the first fiscal year of the biennium thus effecting a saving of \$13,295. We further recommend that expense for automobile equipment be reduced in the first fiscal year of the biennium from \$6,300 to \$3,600, making possible a saving of \$2,700.

3. Travel expense should also be reduced. We recommend this item be cut from \$24,300 for the biennium to \$18,225, a saving of \$6,075.

4. These recommended reductions will result in total savings for the biennium amounting to \$22,065. The revenues are estimated to increase only 24 per cent.

For Support of Board of Cosmetology

Item 214 Budget Bill, pages 630-631 inclusive of the Budget, appropriation from the Board of Cosmetology Contingent Fund, \$181,694; increase of \$162,334 or 11.92 per cent over estimated expenditure of \$162,334 for the 1943-45 Biennium.

Total for support shows a 12 per cent increase while anticipated revenues are expected to decline from \$182,454 in the 1943-45 Biennium to \$176,100 in the 1945-1947 period, a decrease of 3.48 per cent.

Request for one new position appears to be in order.

Operating expenses show a substantial increase—\$63,282 in the 1943-45 Biennium to \$69,464 in the 1945-47 Biennium, an increase of \$6,182.

Our analysis does not indicate unduly out-of-line proposed expenditures. We recommend the budget be accepted as submitted.

For Support of Board of Dental Examiners

Item 215 Budget Bill, pages 632-633 inclusive of the Budget, appropriation from the Dentistry Fund, \$72,152; increase of \$7,110 or 10.93 per cent over estimated expenditure of \$65,042 for the 1943-45 Biennium.

Expenditures for support are scheduled to increase by 10.93 per cent while anticipated revenues are estimated to decline from \$62,730, \$62,225, a decrease of \$505 or 8.05 per cent.

The \$7,110 increase in expenditures for the biennium is due to the proposed employment of an additional inspector. This position already exists but has been vacant due to a resignation and inability of the board to find another qualified employee. We recommend this budget be approved.

For Support of Detective License Bureau

Item 216 Budget Bill, pages 634-635 inclusive of the Budget, appropriation from the Detective Agency Contingent Fund, \$15,352; decrease of \$15,428 or 49.87 per cent over estimated expenditure of \$30,780 for the 1943-45 Biennium.

The bureau was originally under the Board of Prison Directors in the former Department of Penology setup. When the new Department of Corrections was established the functions of the bureau were transferred to the Department of Professional and Vocational Standards and costs of administration have been reduced materially.

We recommend the Budget be approved.

For Support of Board of Funeral Directors and Embalmers

Item 217 Budget Bill, pages 636-637 inclusive of the Budget, appropriation from the Funeral Directors and Embalmers Fund, \$41,835; increase of \$3,846 or 10.12 per cent over estimated expenditure of \$37,989 for the 1943-45 Biennium.

Support will increase by \$3,846 or 10 per cent compared with an estimated decline in revenue from \$40,228 in the 1943-45 Biennium to \$39,000 in the 1945-47 Biennium, a decrease of \$1,228 or 3.05 per cent.

Our examination of this Budget indicates that proposed expenditures for this bureau are not excessive and we recommend the requested appropriation be approved.

For Support of Bureau of Furniture and Bedding Inspection

Item 218 Budget Bill, pages 638-640 inclusive of the Budget, appropriation from the Bureau of Bedding and Inspection Fund, \$208,808; increase of \$55,962 or 36.61 per cent over estimated expenditures of \$152,846 for the 1943-45 Biennium.

In spite of the fact that estimated expenditures are to increase by 36.61 per cent and estimated revenues are to increase from \$207,616 to \$207,776 or 7.7 per cent, we believe this bureau's total appropriation request is justifiable. Our conclusions are based on the following information.

1. California is the second largest furniture and bedding manufacturing center in the Nation and the industry is expanding rapidly.
2. The present complement of 12 inspectors is inadequate to effectively cover California's large area.
3. Problems of the field force will increase in the ensuing biennium when an ever increasing amount of Government second-hand and surplus materials arrive on the market.
4. New and additional equipment appears necessary if the Bureau's program is to be effective. We believe the requested sum of \$6,450 for the biennium is not out of line.

We recommend the requested appropriation be granted without reduction.

For Support of Board of Medical Examiners

Item 219 Budget Bill, pages 641-642 inclusive of the Budget, appropriation from the Medical Examiners Contingent Fund, \$161,009; increase of \$13,658 or 9.26 per cent over estimated expenditure of \$147,351 for the 1943-45 Biennium.

While estimated expenditures are up 9.26 per cent and anticipated revenues are expected to decline from \$181,033 in the 1943-45 to \$156,260 a decrease of \$24,773 or 13.69 per cent, we believe this Budget is not out of line and should be approved.

For Support of Board of Nurses Examiners

Item 220 Budget Bill, pages 643-644, inclusive, of the Budget, appropriation from the Board of Nurses Examiners Fund, \$126,392; increase of \$34,131 or 36.99 per cent over estimated expenditures of \$92,261 for the 1943-45 Biennium.

Revenues for this board are estimated to decline from \$133,846 to \$125,100 in the ensuing biennium, a reduction of \$8,746 or 6.53 per cent. We believe the requested appropriation for this board is excessive. This is particularly true in view of the fact that many of the board's present wartime activities can be expected to diminish appreciably in the ensuing biennium or be curtailed entirely.

We recommend that the proposed new portion for "Educational Consultant" be eliminated, thus effecting a saving of \$5,500 for the biennium. Printing and traveling expenses are out of line. We recommend a combined reduction for these two items of \$10,500. We recommend that the Budget for this board be reduced from the proposed \$126,392 to \$110,392, a reduction of \$15,000. This still permits an increase of \$18,131 over the current biennium expenditure of \$92,261.

For Support of Board of Optometry

Item 221 Budget Bill, pages 645-646, inclusive, of the Budget, appropriation from the Optometry Fund, \$19,308; increase of \$1,539 or 8.66 per cent over estimated expenditure of \$17,769 for the 1943-45 Biennium.

As the board's appropriation request now stands there will be a deficiency in the unbudgeted surplus on June 30, 1947, amounting to \$2,383. The deficit has arisen principally as the result of fewer examination fees and the large number of optometrists in the military service who do not pay fees while so engaged.

The board proposes to eliminate this deficit by increasing fees. This, however, will require legislative action.

We recommend the proposed Budget be approved as presented.

For Support of Board of Pharmacy

Item 222 Budget Bill, pages 647-648 inclusive of the Budget, appropriation from the Pharmacy Board Contingent Fund, \$121,071 increase of \$26,286 or 27.73 per cent over estimated expenditure of \$94,785 for the 1943-45 Biennium.

Revenues are estimated to increase from \$107,048 to \$107,500 an increase of \$452, while proposed expenditures are to increase by 27.73. The estimated unbudgeted surplus, June 30, 1947 is \$43,472.

The proposed increased expenditures for new positions and resultant traveling expense are reasonable requests. We recommend the budget be approved without reduction.

For Support of Structural Pest Control Board

Item 223 Budget Bill, pages 649-650 inclusive of the Budget, appropriation from the Structural Pest Control Fund, \$28,868 increase of \$8,474 or 41.55 per cent over estimated expenditure of \$20,394 for the 1943-45 Biennium.

The principal items comprising the additional proposed expenditures for the ensuing biennium are: proposed new inspector positions (\$4,800 for the biennium) and increased traveling and automobile expense connected therewith.

It is estimated that the unbudgeted surplus as of June 30, 1947 will be \$259. We believe, however, the estimate for revenues accruing during the biennium is conservative and that the unbudgeted surplus as of June 30, 1947 will be larger than anticipated. We recommend approval of this Budget.

For Support of Board of Examiners in Veterinarian Medicine

Item 224 Budget Bill, pages 651-652, inclusive, of the Budget, appropriation from the Veterinary Medicine Examiners Contingent Fund, \$13,010; increase of \$1,470 or 12.73 per cent over estimated expenditure of \$11,541 for the 1943-45 Biennium.

No new positions are requested. Other items of expense appear to be in line. We recommend this budget be approved.

For Support of Yacht and Ship Brokers Commission

Item 225 Budget Bill, pages 653-654, inclusive, of the Budget, appropriation from the Yacht and Ship Brokers Fund, \$10,939; increase of \$968 or 9.70 per cent over estimated expenditures of \$9,971 for the 1943-45 Biennium.

We recommend that this commission, which serves no useful purpose, be abolished.

For Support of Board of Chiropractic Examiners

Item 226 Budget Bill, pages 655-656, inclusive, of the Budget, appropriation from the Chiropractic Examiners Fund, \$33,703; increase of \$2,124 or 6.72 per cent over estimated expenditure of \$31,579 for the 1943-45 Biennium.

Revenues for this board are estimated to increase from \$30,177 in the 1943-45 Biennium to \$35,330 in the 1945-47 Biennium, an increase of \$5,153.

Our analysis indicates that the budget request for this board is in line and should be approved.

For Support of Board of Osteopathic Examiners

Item 227 Budget Bill, pages 657-658, inclusive, of the Budget, appropriation from the Osteopathic Examiners Contingent Fund, \$30,795; increase of \$4,202 or 15.80 per cent over estimated expenditure of \$26,593 for the 1943-45 Biennium.

Proposed expenditures of \$30,795 for the 1945-47 Biennium exceed estimated revenues of \$23,700 for the biennium by \$7,095. The estimated unbudgeted surplus, July 1, 1945 is \$9,070. The estimated unbudgeted surplus June 30, 1947 is expected to be \$1,411. We believe, however, estimated revenue figures are conservative and that the unbudgeted surplus at the end of the biennium will be larger.

We recommend that the appropriation request be approved.

Department of Public Health

There are four appropriation items relating to Public Health as follows:

Item 228. For support of Department of Public Health, exclusive of the Bureau of Cannery Inspection -----	\$2,016,186
Item 229. For subsidies, Bureau of Tuberculosis, Department of Public Health -----	\$1,533,917
Item 230. For additional support of Department of Public Health, payable from the Public Health Fund -----	\$498,417
Item 231. For medical and physical care, hospitalization, appliances, and convalescent care for physically handicapped children, Department of Public Health -----	\$200,000

**For Support of Department of Public Health,
Exclusive of Bureau of Cannery Inspection**

Item 228 of the Budget Bill, pages 660-683 inclusive of the Budget, appropriation from the General Fund, \$2,016,186; increase of \$537,716 or 36.7 per cent over estimated expenditure of \$1,478,470 for the 1943-45 Biennium.

Our recommendation: Reduce Item 228 by \$159,373 or 7.9 per cent to \$1,856,813.

I. Statistical Summary

The increase of \$537,716 or 36.4 per cent for the 1945-47 Biennium over the estimated expenditures for 1943-45 Biennium from the General Fund is distributed among the different administrative divisions, bureaus, and services as follows:

DEPARTMENT OF PUBLIC HEALTH				
COMPARISON OF BUDGETED EXPENDITURES FOR 1945-47 WITH ESTIMATED EXPENDITURES FOR 1943-45, GENERAL FUND				
	Proposed 1945-47	Estimated 1943-45	Increase Amount	Per cent
Executive -----	\$33,137	\$46,095	—\$12,958	—28.1
Division of Administration:				
Divisional Administration -----	11,760	-----	11,760	-----
Bureau of Business Management -----	215,153	118,369	96,784	81.8
Bureau of Records and Statistics:				
Bureau Administration -----	9,360	-----	9,360	-----
Central Tabulating Unit -----	47,980	2,977	45,003	1511.00
Vital Statistics -----	273,351	234,295	39,056	16.7
Bureau of Health Education -----	29,387	16,861	12,526	74.2
Totals, Division of Administration -----	\$620,128	\$418,597	\$201,531	48.1
Division of Preventive Medical Services:				
Divisional Administration -----	\$12,960	-----	\$12,960	-----
Bureau of Maternal and Child Health:				
Maternal and Child Health Services -----	101,954	\$70,809	31,145	43.9
Crippled Children Services -----	69,342	57,495	11,847	20.6
Bureau of Tuberculosis -----	39,096	21,679	17,417	80.3
Bureau of Venereal Diseases -----	210,970	157,784	53,186	33.7
Bureau of Acute Communicable Diseases -----	76,844	70,889	5,955	8.4
Bureau of Public Health Nursing -----	25,116	20,869	4,247	20.3
Bureau of Adult Health -----	41,683	25,882	15,801	61.0
Totals, Division of Preventive Medical Services -----	\$577,965	\$425,407	\$152,558	35.8
Division of Laboratories -----	\$298,058	\$235,650	\$62,408	26.5
Division of Environmental Sanitation:				
Divisional Administration -----	11,760	-----	-----	-----
Bureau of Sanitary Engineering:				
Sanitary Engineering -----	154,088	112,074	42,014	37.4
Sanitary Inspections -----	170,505	141,954	28,551	20.1
Bureau of Foods and Drugs:				
Food and drug inspections -----	153,283	127,197	26,086	20.5
Totals, Division of Environmental Sanitation -----	\$489,636	\$381,225	\$108,411	28.4
Division of Local Health Services -----	\$30,399	\$17,589	\$12,810	42.1
Expenditures for support -----	\$2,016,186	\$1,478,469	\$537,716	36.4
(Retirement excluded)				

The foregoing table reveals that proposed expenditures are up by 48.1 per cent for the Division of Administration; up by 35.8 per cent for the Division of Preventive Medical Services; up by more than 25 per cent

for the Division of Laboratories; up by almost 30 per cent for the Division of Environmental Sanitation; and up by 42.1 per cent for the Division of Local Health Services.

II. Findings and Recommendations

The proposed increase of over half a million dollars and 36 per cent over the estimated expenditure for the 1943-45 Biennium provided by Item 228 is substantially out of line with the Department of Public Health's expenditure pattern for the 1943-45 period, as well as considerably above the average increase of 16.4 per cent for the Budget at large.

We recommend that Item 228 for support of the Department of Public Health be reduced by \$159,373 or to \$1,856,813 which would still represent an increase of \$335,501 or 25.5 per cent over the estimated expenditures for the current biennium.

Our recommended total reduction of \$159,373 is based on the following sub-item proposed cuts:

(a) Deny request for new position of office manager in Bureau of Business Management; saving in direct salary expense.....	\$7,920
(Reason: There already is a Business Manager)	
(b) Reduce budgeted amount for public health education from State funds from \$29,387 to \$24,387, saving.....	5,000
(Reason: The proposed expenditure is up by 74.2 per cent, which is out of line with economic reality)	
(c) Deny request for new position of Chief of Division of Preventive Medical Services; saving in direct salary expense.....	12,960
This is a policy decision for the Legislature to make. It is pertinent to point out the probability that if this position is established during the 1945-47 Biennium the next regular session of the Legislature will be added for a staff to complement the new Chief.	
(d) Deny request for new position of Assistant Chief of the Division of Tuberculosis; saving in direct salary expense.....	9,360
(Reason: The Bureau of Tuberculosis is an old established unit of the Department administering a well formulated and established function of distributing State aid to T. B. Sanitaria. The work of this Bureau is through its pioneering stage and can continue to be handled effectively with its staff of four)	
(e) Deny request for new position of Assistant Industrial Hygiene Engineer; saving.....	5,940
(Reason: There already is a position of Senior Hygiene Engineer)	
(f) Deny request for new position of Chief of Division of Environmental Sanitation; saving in salary expense.....	11,760
(This is to head up a new divisional administration sector of the organization)	
(g) Reduce by \$20,000 the budgeted expense of \$33,240 for five new positions for Sanitary Engineers with the Department of Health and Finance working out the details of the saving. Saving in salary expenses.....	20,000
(h) Deny request for proposed new position of Assistant Chief of the Division of Local Health Service; saving in salary expense.....	8,800
(Reason: There already is a Chief of this Division, which is small with four positions)	
(i) Move the Department of Public Health from San Francisco to Sacramento; to rent free quarters in State buildings in Sacramento by the beginning of the second year of the biennium; saving in rent for second year of the biennium, after deducting \$5,000 as the estimated cost of moving.....	39,843

Reasons for this recommendation:

- (a) In Sacramento, the department would be near other State agencies with which it must maintain frequent contact, particularly the Governor's Office, the Controller, the Personnel Board, etc.
- (b) Rent expense would be nominal or nil in Sacramento as against necessarily expensive rent in San Francisco for office quarters distributed uneconomically on several floors of a building which necessarily results in loss of the staff's time riding the elevators.

- (c) The disadvantage of this move would be the prospective loss of trained employees who might quit jobs rather than move from their homes. It is believed, however, that this objection will have less weight than otherwise would be the case by delaying the proposed move until the middle of the biennium when the labor market may be expected to be considerably tighter.
- (j) Eliminate for the second year of the biennium 23 war emergency positions that the Governor's budget proposes be extended to a permanent basis. This would effect a saving in salary expense of... **\$37,790**

These 23 positions, and the proposed salaries for the second year of the biennium, are as follows:

Vital Statistics		
1	Intermediate Stenographer-Clerk -----	\$1,860
6	Junior Clerk -----	8,040
2	Intermediate Clerk -----	3,360
1	Junior Clerk -----	1,320
Division of Laboratories		
3	Bacteriologist -----	7,670
2	Laboratory Assistant -----	3,900
2	Laboratory Helper -----	2,745
1	Building Maintenance Man -----	1,960
Food and Drug Inspections		
2	Food and Drug Inspector -----	5,640
3	Sanitary Inspector (part time) -----	1,295
23	Totals -----	\$37,790

Item 229 of the Budget Bill, page 789 of the Budget. Appropriates to the Department of Public Health \$1,533,917 for subsidies to cities and counties maintaining public hospitals and preventoria for treatment of tuberculosis at the rate of \$3 per patient per week in accordance with Sections 3100 and 3300 of the Health and Safety Code.

This is a fixed charge but requires a specific appropriation.

There was actually expended \$627,795.34 for the 1943-44 Fiscal Year, and it is estimated that \$631,613 will be expended for 1944-45 or a total of \$1,259,408.34 for the current biennium.

The request of \$1,533,917 for 1945-47 is an increase of \$274,508.66 or 21.8 per cent. We do not believe that such increase will materialize under the economic conditions assumed in making the Governor's Budget.

Approximately 6,000 beds are made available by county governments, on which State tuberculosis subsidy may be paid. The Budget on page 789 lists 5,784 beds as actually qualifying now. These have not been used to full capacity during the current biennium and some may not continue to qualify. No new bed capacity is in prospect. We believe that the same expenditure allowed for the current biennium will be sufficient for this purpose. If it is not, the Legislature will be in session in January, 1947, and it can appropriate any additional amount needed to finish out the biennium to June 30, 1947.

We, therefore, recommend that Item 229 be reduced to \$1,260,000, a reduction of \$273,919.

For Additional Support of Department of Public Health

Item 230 of the Budget Bill, pages 660-661 and 679-680 inclusive of the Budget, appropriation from the Public Health Fund, \$498,417; increase of \$40,308 or 8.8 per cent over estimated expenditure of \$358,109 for the 1943-45 Biennium.

Recommendation: Approve without change as this Item covers self-supporting activities, notably cannery inspection, that are well established.

Item 231 of the Budget Bill, page 682 of the Budget. Appropriates to the Department of Public Health \$200,000 from the General Fund for medical and physical care, hospitalization, appliances, etc., for physically handicapped children.

This is a new Item and is in addition to expenditures, shown on pages 660 and 670 of the Budget, for this class of children. Expenditures are also made by the several counties for this purpose.

There is a carry over load not yet cared for in this group. This expenditure will help restore children who otherwise might remain permanently disabled and require support.

It appears to us as a far better expenditure than those made on delinquents where per year costs per inmate exceed \$1,200 per year.

We recommend the appropriation of \$200,000 as requested.

Railroad Commission

Items 232 and 233, inclusive, of the Budget Bill, and pages 684 to 695, inclusive, of the Budget.

The Railroad Commission, established by the Constitution and the Public Utilities Act, is the State body charged with the regulation of public utilities. The commission must make examinations, establish rates, conduct hearings, and promulgate regulations for public utilities such as railroads and other public carriers, gas and electric companies, telephone and telegraph companies, etc.

In addition, this commission administers the Food Warehouse Act; Act for Regulation of Water Companies; Motor Carrier Transportation Act; For-Hire Vessel Act; The Highway Carriers' Act; City Carriers' Act; Transportation Rate Fund Act; and Motor Transportation Broker Act.

The two appropriation items are as follows:

Item 232—Support of Railroad Commission of the State of California (General Fund).....	\$1,543,348
Item 233—Support of Transportation Rate Division, Railroad Commission, payable from the Transportation Rate Fund.....	\$901,411

Item 232—For support of the Railroad Commission; pages 684 to 688, inclusive of the Budget; appropriation from the General Fund—\$1,543,348; increase of \$204,765 or 15.3 per cent over estimated expenditure of \$1,338,583 for the 1943-45 Biennium.

Our Recommendation: A reduction of \$50,000 in this item; also the application of the over-all percentage saving to produce the over-all General Fund saving previously recommended and the savings in use of automobiles and in printing and the salary saving as previously described.

We also recommend a complete administrative reorganization to secure more effective and efficient control.

I. Statistical Summary

The proposed increase from the General Fund of \$204,764 or 15.3 per cent is divided among the several types of activities as follows:

	Actual and estimated 1943-1945	Estimated and proposed 1945-1947	Increase or decrease from 1943-1945	Per cent
Administration	\$309,648	\$342,557	+ \$32,908	10.6
Control and regulation.....	955,428	1,130,066	+ 174,637	18.3
Hearings and formal investigations	65,385	63,725	— 1,660	2.5
Publications and reports.....	8,121	7,000	— 1,121	13.8
Total expenditures	\$1,338,583	\$1,543,348	+ \$204,764	15.3

The proposed increase of \$204,764 is divided as follows by object of expenditure:

Object	Actual and estimated 1943-1945	Proposed 1945-47	Increase	
			Amount	Per cent
Salaries and Wages:				
Positions now authorized.....	\$1,188,034	\$1,283,232	\$95,198	8.01
Estimated salary savings.....	— 23,000	— 28,500	— 5,500	23.9
1945-47 normal salary adjust- ments	-----	42,516	42,516	---
Proposed new positions.....	-----	56,940	56,940	---
Totals, salaries and wages..	\$1,165,034	\$1,354,188	\$189,154	16.2
Operating expense.....	162,216	176,480	14,264	8.8
Equipment	11,333	12,680	1,347	11.8
Totals for biennium, support	\$1,338,583	\$1,543,348	\$204,764	15.3

II. Findings and Recommendations

1. Previous Cut in Budget

The budget for the Railroad Commission for the General Fund support item as submitted by that commission to the Department of Finance was for \$1,683,875 which represented an increase of \$345,292 or 25.7 per cent over the estimated expenditure for the 1943-45 biennium. This request was extremely expansive, and the Governor's Budget has cut it by \$141,562 or 8.4 per cent. This reduction of \$141,561 imposed by the Governor's Budget is divided as follows, by object of expenditure:

	Increase requested by Railroad Com.	Reduction made in Governor's Budget	Net increase allowed by Governor's Budget
Salaries and wages.....	\$254,133	\$64,979	\$189,154
Operating expenses	58,494	44,230	14,264
Equipment	33,699	32,352	1,347
	\$346,326	\$141,561	\$204,764

The foregoing cut of almost \$65,000 for salaries and wages covers a reduction in the number of proposed new positions from the 24 requested by the Railroad Commission to 8 for the first year of the biennium, and a cumulative total of 15 for the second year.

2. New Positions

The Governor's Budget allows six new positions for the second year of the biennium for the Finance and Accounts Division of the commission; and also several other positions for the Transportation Division.

The requested positions for the Finance and Accounts Division are needed to carry on work in connection with rate structure computation

activities. The proposed positions for the Transportation Department are requested to give more intensive safety inspection of stages and railroads. It, therefore, appears that these new positions proposed by the Budget (page 687) are desirable.

3. However, we are convinced that the Railroad Commission can operate satisfactorily on at least \$50,000 less from the General Fund than is provided by the Governor's Budget, and that it could still add the new positions described above. *We, therefore, recommend that Item 232 be reduced by \$50,000 to \$1,493,348.*

4. Approximately \$9,200 of the recommended saving of \$50,000 could be secured through elimination of the established position of Public Relations Officer. Other savings in such operating expense items as travel would ensue from the elimination of this position. The work of this position could be performed by some other member or members of the administrative staff which totals 43.

5. At least the remaining amount of the recommended reduction of \$50,000, as well as the recommended reduction from Item 233 from the Transportation Rate Fund which is described below in connection with our comments on Item 233, could and should be realized by application by the Railroad Commission of the following practices:

1. *A general and thorough-going reorganization of the administrative and operating organization and practices of the Commission, with there being established a direct line of control from the commissioners on down through the staff. There is need for the commissioners to exercise better control and coordination over the staff than has been the case in recent years, and also to keep better apprised of the work that the staff is doing. While some of the divisions and units of the Railroad Commission work very effectively and efficiently and coordinate their work with the purposes of the Railroad Commission, others have been operating semi-independently as separate little kingdoms. A general tightening up in over-all control is needed and will effect substantial direct and indirect economies as well as improved service.*
2. *Consolidation of research activities now scattered throughout the organization (for both General Fund and Transportation Rate Fund activities) as well as their better coordination and direction. At present there is a separate research division that is financed from the General Fund and also a research division that is financed by money from the Transportation Rate Fund. In addition, there are research activities and parts of activities scattered throughout other sectors of the organization. Consolidation and better coordination of these dispersed activities should and could be effected with substantial direct and indirect savings with improved work.*
3. *Re-appraise the work being done by the staff in the light of the new conditions resulting from the transition from a war-time to a peace-time basis. This re-appraisal should include examination of functions to determine if the directions specified by law are being exceeded.*
4. *Perform as much as possible of this regulatory work by negotiation rather than by formal hearings, with the view of saving*

money and time for both the State and the parties concerned whenever this can be done in the public interest.

For Support of Railroad Commission

Item 233 Budget Bill, pages 690-693, inclusive, of the Budget, appropriation from the Transportation Rate Fund, \$901,411; increase of \$94,300 or 11.7 per cent over estimated expenditure of \$807,111 for the 1943-1945 Biennium. *Our recommendation:* Reduce appropriation Item 233 by \$25,000 to \$876,411. We also recommend the salary savings procedure previously described be applied to this agency.

This appropriation item covers the Railroad Commission's activities chargeable to, and financed by, the Transportation Rate Fund. All moneys deposited in this fund are fees and penalties collected in accordance with the provisions of the Transportation Rate Fund Act of 1935. There are three functional operations for activities covered by this Fund, as follows:

- Administration
- Control and Regulation
- Hearings and Formal Investigations

The proposed increase from the Transportation Rate Fund of \$94,300 or 11.7 per cent, is divided among activities as follows:

Activities	Actual and estimated 1943-1945	Proposed 1945-1947 Biennium	Increase or decrease	
			Amount	Per cent
Administration	\$79,301	\$83,959	+ \$4,657	5.8
Control and regulation.....	663,553	750,508	+ 86,954	13.1
Hearings and formal investigations....	59,457	66,944	+ 7,486	12.6
Pool purchase of automobiles.....	2,505	---	- 2,505	
Special investigation, uniform system of accounts	2,293	---	- 2,293	
Totals, support	\$807,111	\$901,411	\$94,300	11.7

This increase of \$94,300 is divided as follows, by object of expenditure:

Object	Estimated 1943-1945 Biennium	Proposed 1945-1947 Biennium	Increase	
			Amount	Per cent
<i>Salaries and Wages:</i>				
Positions now authorized.....	\$656,418	\$701,500	\$45,082	6.9
Estimated salary savings.....	-20,000	-20,000	---	---
1945-1947 normal salary adjustments....	---	24,076	24,076	---
Proposed new positions.....	---	7,740	7,740	---
Totals—Salaries and wages.....	\$636,418	\$713,316	\$76,898	12.1
Operating expense	\$165,756	\$175,914	\$10,158	6.1
Equipment	4,937	12,181	7,244	146.7
Totals for biennium for support...	\$807,111	\$901,411	\$94,300	11.7

II. Findings and Recommendations

1. *Previous Cut in Budget.* The Transportation Rate Fund Budget as submitted by the Railroad Commission to the Department of Finance was for \$1,242,917 which represented an increase of about \$401,000 or almost 50 per cent over the estimated expenditure for 1943-1945. This request was over expansive, and the Governor's Budget has cut it by

\$307,249. This reduction of \$307,249 is divided as follows, by object of expenditure:

	Increase for 1945-1947 over 1943-1945 requested by Railroad Commission	Reduction made by Governor's Budget	Net increase allowed by Governor's Budget
Salaries and wages-----	\$247,817	\$170,919	\$76,898
Operating expenses-----	116,101	105,943	10,158
Equipment-----	37,631	30,387	7,244
Totals-----	\$401,549	\$307,249	\$94,300

2. *New Positions:* The Governor's Budget approves three new positions for the Engineering Division for the second year of the Biennium of which the aggregate salary expense is \$7,740. These positions are required to put into effect the uniform system of accounts for Grade 2 Carriers that has been prescribed by the Railroad Commission as a necessary aid in the fair and equitable establishment of rates. *We, therefore, recommend that these positions be established.*

3. *Reduction Proposed:* However, we are convinced that this activity of the Railroad Commission can operate satisfactorily on at least \$25,000 less from the *Transportation Rate Fund* than is provided by Item 233, and that it could still add the three new positions described above. *We, therefore, recommend that Item 233 be reduced by \$25,000 or only 2.7 to \$876,411.* At least this reduction of \$25,000 in expenditures from the Transportation Fund, if not more, and the \$50,000 reduction from the General Fund expenditures described above in connection with or discussion of Item 232, could be effected through application by the Railroad Commission of the practices discussed above at length under Item 232 and which we repeat in briefer form as follows:

- a. Tighter direction and control by the commissioners over the staff and its work.
- b. Consolidation of research activities now dispersed throughout the organization.
- c. Reappraisal of the objectives and work of the commission in the light of changing conditions.
- d. Where possible, more regulatory work by negotiation rather than by formal hearing and investigation.

4. *Abolish the Transportation Rate Fund:* In addition, a significant saving of money and time would be realized by abolishing the Transportation Rate Fund and transferring balances, receipts, and activities covered by this fund to the General Fund. Certain accounting and administrative savings would result from this action. Under this arrangement, the accounting details could be worked out administratively to provide that the regulated industry would contribute neither more nor less to the General Fund than the cost of regulatory activity now covered by the Transportation Rate Fund. Thus, all the advantages with none of the disadvantages of the special fund could be realized through this arrangement. *We, therefore, recommend that appropriate legislation be passed to abolish the Transportation Rate Fund and to transfer the activities and balance of revenues of this Fund to the General Fund.*

A statement of the estimated unbudgeted surplus of the Transportation Rate Fund as of June 30, 1947 is as follows:

UNBUDGETED SURPLUS

Estimated unbudgeted surplus, July 1, 1945	-----	\$687,589
Estimated revenue for biennium 1945-1947	-----	1,375,000
Total	-----	\$2,062,589
Less proposed expenditures for Biennium 1945-47:		
Support	\$901,411	
Contributions to State Employees' Retirement Fund	26,750	
Total proposed expenditures	-----	928,161
Estimated unbudgeted surplus, June 30, 1947	-----	\$1,134,428

Conclusion

Departmental Administration and Division of Ports
Department of Public Works

EXPENDITURES FOR SUPPORT FROM GENERAL FUND FOR SUPPORT

Item 234 for	-----	\$66,303
Item 235 for	-----	4,255
Item 236 for	-----	1,500
Total appropriations	-----	\$72,058

As shown on pages 696 to 698 inclusive of the Budget, appropriations from the General Fund \$72,058—an increase of \$14,228 or 24.6 per cent over estimated net expenditure of \$57,829 for the 1943-45 Biennium.

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown in the following tables:

TABLE I—Fund and Agency

TABLE II—Agency and Object of Expenditure

TABLE III—Object of Expenditure for All Agencies

TABLE I—DEPARTMENT OF PUBLIC WORKS
Departmental Administration and Division of Ports

Expenditures for Support	Actual and estimated 1943-45	Proposed 1945-47	Fund and Agency Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
From: General Fund				
Administration	\$194,706	\$218,430	+\$23,723	+12.2
Mileage rationing	-----	8,510	+ 8,510	-----
Division of ports	2,000	1,500	- 500	-25.0
Totals, support	\$196,706	\$228,440	+\$31,733	+16.1
Less pro rata of departmental administration chargeable to State Highway Fund	138,876	156,382	+ 17,505	+12.6
Net totals, support	\$57,829	\$72,058	+\$14,228	+24.6
From: State Highway Fund				
Departmental administration	\$138,876	\$152,127	+\$13,250	+ 9.5
Mileage rationing	-----	4,255	+ 4,255	-----
Contributions to State Employees Retirement Fund	3,265	4,469	+ 1,203	+36.8
Total expenditures	\$142,141	\$160,851	+\$18,709	+13.1
Grand totals, all funds—				
Expenditures	\$199,971	\$232,909	+\$32,937	+16.4
<i>Summary</i>				
State Highway Fund credited General Fund activity as shown above:				
State Highway Fund expenditures	\$142,141	\$160,851		
Less: Contributions State Employees Retirement Fund	3,265	4,469		
Balance: Credited General Fund expenditures as shown above	\$138,876	\$156,382		

TABLE II
DEPARTMENT OF PUBLIC WORKS
DEPARTMENTAL ADMINISTRATION AND DIVISION OF PORTS
Expenditures for Support From General Fund by Agency and Object

	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and Wages				
Administration -----	\$157,836	\$177,140	+\$19,304	+ 12.2
Mileage rationing -----	-----	7,270	+ 7,270	new
Total—Salaries and Wages-----	\$157,836	\$184,410	+\$26,574	+ 16.8
Operating Expense				
Administration -----	\$36,842	\$40,815	+ \$4,001	+ 11.0
Mileage rationing -----	-----	1,240	+ 1,240	new
Division of Ports -----	2,000	1,500	— 500	— 25.0
Total—Operating Expense -----	\$38,842	\$43,555	+\$4,713	+ 12.1
Equipment				
Administration -----	28	475	+ 447	+1596.4
Total—support -----	\$196,706	\$228,440	+\$31,734	+ 16.1
Less: Pro rate of departmental administra- tion chargeable to State Highway Fund	\$138,877	\$156,382	+\$17,506	+ 12.6
Net Totals for Support-----	\$57,829	\$72,058	+\$14,228	+ 24.6

TABLE III
DEPARTMENT OF PUBLIC WORKS
DEPARTMENTAL ADMINISTRATION AND DIVISION OF PORTS
Expenditures for Support From General Fund by Object

	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and Wages				
Positions now authorized -----	\$158,336	\$170,520	+\$12,184	+ 7.7
Estimated salary saving -----	—500	-----	— 500	-----
1945-47 normal salary adjustments-----	-----	4,130	+ 4,130	-----
Proposed new positions-----	-----	9,760	+ 9,760	-----
Totals—Salaries and wages-----	\$157,836	\$184,410	+\$26,574	+ 16.8
Operating expense -----	38,842	43,555	+ 4,713	+ 12.1
Equipment -----	28	475	+ 447	+1596.4
Totals for support for biennium----	\$196,706	\$228,440	+\$31,734	+ 16.1
Less pro rata of department administra- tion chargeable to State Highway Fund	138,877	156,382	17,506	12.6
Net totals for support for biennium	\$57,829	\$72,058	+\$14,228	+ 24.6

Table IV is added in order to show the increase in personnel over a ten-year period.

TABLE IV
DEPARTMENT OF PUBLIC WORKS
DEPARTMENTAL ADMINISTRATION AND DIVISION OF PORTS
Schedule of Positions

1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47
8	11	10	10	24	25	20	25	30	26

Recommend that the proposed percentage reduction applied to General Fund agencies to produce an overall savings of \$10,000,000 in the General Fund be applied to this Budget.

Division of Architecture
For Support of Department of Public Works

Item 237 Budget Bill, pages 699-701 inclusive of the Budget, appropriation from the General Fund, \$408,900; increase of \$184,893 or 82.5 per cent over estimated expenditure of \$224,006 for the 1943-1945 Biennium.

Proposed expenditures for the 1945-47 Biennium compared with estimated expenditures for the 1943-45 Biennium are shown in the following tables:

- TABLE I—Fund and Agency
 TABLE II—Agency and Object of Expenditure
 TABLE III—Object of Expenditure All Agencies
 TABLE IV—Schedule of Positions

TABLE I
DEPARTMENT OF PUBLIC WORKS—DIVISION OF ARCHITECTURE

Expenditures for Support from:	Actual and estimated 1943-45	Estimated and proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
GENERAL FUND				
Agency				
Supervision of State building construction and technical services-----	\$174,902	\$278,998	+\$104,095	+ 58.1
Field construction and maintenance supervision -----	49,104	129,902	+ 80,797	+164.5
Total expenditures -----	\$224,006	\$408,900	+\$184,893	+ 82.5

TABLE II
DEPARTMENT OF PUBLIC WORKS—DIVISION OF ARCHITECTURE
Expenditure for Support From General Fund by Object and Agency

Object and Agency	Actual and estimated 1943-45	Estimated and proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Salaries and Wages				
Supervision of State building construction and technical services-----	\$143,618	\$215,080	+ \$71,462	+ 49.8
Field construction and maintenance supervision -----	42,467	95,100	+ 52,633	+123.9
Total—Salaries and wages-----	\$186,085	\$310,180	+\$124,095	+ 66.7
Operating Expense				
Supervision of State building construction and technical services-----	\$32,129	\$55,120	+ \$22,991	+ 71.6
Field construction and maintenance supervision -----	6,638	17,156	+ 10,518	+158.5
Totals—Operating expense-----	\$38,767	\$72,276	+ \$33,509	+ 86.4
Less: Reimbursement from Special Funds	-1,168	-1,000	168	14.3
Net Total—Operating expense-----	\$37,599	\$71,276	+ \$33,341	+ 88.6
Equipment				
Supervision of State building construction and technical services-----	\$322	\$9,798	+ \$9,476	
Field construction and maintenance supervision -----	-----	17,646	+ 17,646	
Totals—Equipment -----	\$322	\$27,444	+ \$27,122	+842.3
Totals for support for biennium	\$224,006	\$408,900	+ 184,894	+ 82.5

TABLE III
DEPARTMENT OF PUBLIC WORKS—DIVISION OF ARCHITECTURE
Expenditure for Support From General Fund by Object

Object:	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease		
			1945-47 over Amount	1943-45 Per cent	
Salaries and Wages					
Positions now authorized	\$186,085	\$196,080	+	\$9,995	+ 5.4
1945-47 normal salary adjustments		320	+	320	
Proposed new positions		113,780	+	113,780	
Totals, Salaries and Wages	\$186,085	\$310,180	+	\$124,095	+ 66.7
Operating Expense	38,767	72,276	+	33,509	+ 86.4
Equipment	322	27,444	+	27,122	+842.3
Totals	\$225,174	\$409,900	+	\$184,726	+ 82.0
Less: Estimated reimbursement from special funds for services rendered	-1,168	-1,000		168	14.3
Net totals for support for biennium	\$224,006	\$408,900	+	\$184,894	+ 82.5

TABLE IV
DEPARTMENT OF PUBLIC WORKS—DIVISION OF ARCHITECTURE
Schedule of Positions

1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47
20	22	21	21	21	13	20	20	40	40

The total proposed increase is \$184,893 or 82.5 per cent, principally due to increase in employees to do the work it is anticipated will be required by the postwar maintenance program.

Table II which shows proposed expenditures by agency and object of expenditure discloses the following:

Salaries and wages are to be increased by \$124,095 or 66.7 per cent represented by \$113,780 for proposed new positions, which will increase the personnel from 20 to 40 employees or 100 per cent. The remainder, \$10,315, of the increase is for salary increases and salaries to persons not employed the full 24 months of the 1943-45 Biennium.

Operating expenses are to be increased by \$33,509 or 86.4 per cent accounted for by increases in all classifications, automobile and traveling showing the largest increase.

Equipment to be increased \$27,122 or 842.3 per cent accounted for principally by \$22,600 for automobiles and \$3,405 for office.

The printed budget shows this division operates from two budgets, a General Fund Budget and Division of Architecture Public Building Fund Budget.

The Division of Architecture being a service agency should have their accounting in such order that a very small part of their support should be required by General Fund appropriation. Time spent in designing and engineering projects should be charged as a cost of each project similar to procedure used by large architecture firms in private practice.

We recommend that the proposed percentage reduction applied to General Fund agencies to produce an overall savings of \$10,000 in the General Fund be applied to this Budget, and the salary savings procedure previously described be applied.

**For Support of Department of Public Works,
Division of Architecture**

Item 238 Budget Bill, pages 702-703 inclusive of the Budget, appropriation from the Architecture Public Building Fund, \$174,894; increase of \$117,909 or 206.9 per cent over estimated expenditure of \$56,984 for the 1943-1945 Biennium.

A self-supporting activity.

This is the fund from which expenditures are paid for services rendered to school districts.

The Division of Architecture is required to approve plans and specifications, and supervise construction of new school buildings. A fee of one-half of 1 per cent of the estimated cost of the structure should be charged. Said funds are deposited in the Division of Architecture Public Building Fund.

The following tables show:

Statement of unbudgeted surplus, Division of Architecture Public Building Fund

Expenditures by Object of Expenditure

Schedule of Positions

TABLE I

TABLE II

TABLE III

The amount of expenditure is controlled by the amount of schoolhouse building being done, therefore it is recommended that Item 238 be approved for \$174,894 as requested.

TABLE I STATEMENT OF UNBUDGETED SURPLUS Division of Architecture Public Building Fund		
Estimated unbudgeted surplus July 1, 1945-----		\$15,536
Estimated revenue for Biennium 1945-1947-----		175,634
		<hr/> \$191,170
Less proposed expenditures for Biennium 1945-47		
Support-----	\$174,894	
Contributions to State Employment Retirement Fund-----	5,496	
		<hr/> \$180,390
Total unbudgeted surplus June 30, 1947-----		\$10,780

DIVISION OF ARCHITECTURE DEPARTMENT OF PUBLIC WORKS				
From: Division of Architecture Public Building Fund				
Expenditures for support:	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
<i>Agency</i>			Amount	Per cent
Supervision of public school building construction-----	\$56,984	\$174,894	+\$117,909	+206.9
Contributions to State Employees Retirement Fund-----	1,753	5,496	+ 3,742	+213.5
Total expenditures-----	\$58,738	\$180,390	+\$121,652	+207.1
Revenues				
Fees and sale of publications-----	40,136	175,634	+ 135,497	+337.6

TABLE II DIVISION OF ARCHITECTURE—DEPARTMENT OF PUBLIC WORKS EXPENDITURES FOR SUPPORT FROM DIVISION OF ARCHITECTURE PUBLIC BUILDING FUNDS BY OBJECT AND AGENCY				
Object and agency	Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease 1945-47 over 1943-45	
			Amount	Per cent
Supervision of public school building construction				
Salaries and wages—				
Positions now authorized-----	\$47,350	\$57,320	+ \$9,970	+ 21.0
Proposed new positions-----		89,240	89,240	-----
Totals—Salaries and wages-----	\$47,350	\$146,560	+ \$99,210	+209.5
Operating expense-----	10,233	24,466	+ 14,233	+139.1
Equipment-----	9	3,868	+ 3,859	-----
Totals-----	\$57,592	\$174,894	+\$117,302	+203.6

Less:

Estimated reimbursement from other funds for services rendered-----	— \$608	-----	— \$608	+100.0
Net totals for support for biennium	\$56,984	\$174,894	+\$117,910	+206.9

TABLE III
DIVISION OF ARCHITECTURE—DEPARTMENT OF PUBLIC WORKS
Schedule of Positions

	Specification Fund									
1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	
25	26	23	21	17	5	5	5	17	17	

Supervision of Outdoor Advertising

For Support of Department of Public Works

Item 239 Budget Bill, page 705 of the Budget, appropriation from the Supervision of Outdoor Advertising Fund, \$70,535; increase of \$12,268 or 21.1 per cent over estimated expenditure of \$58,267 for the 1943-1945 Biennium.

A self-supporting activity.

The expenditures for the above are included in "Expenditures for Administration," pages 705 to 711 of the Budget, therefore no analysis can be made. The income from outdoor advertising should be revenue to the State Highway Fund.

Recommend Item 239 be approved for amount requested.

Division of Water Resources

For Support of Department of Public Works

Item 240 Budget Bill, pages 714-722 inclusive of the Budget, appropriation from the General Fund, \$1,043,270; increase of \$295,639 or 39.5 per cent over estimated expenditure of \$747,630 for the 1943-1945 Biennium.

Analysis of this division's General Fund expenditures by administrative units, detailed in Table I following, clearly indicates that the largest increase in expense for support is allocated to "General Administration."

During the 1943-45 Biennium actual and estimated expenditures for "General Administration" amounted to \$170,227. Proposed expenditures for the 1945-47 Biennium total \$285,725, an increase of \$115,447 or 67.8 per cent. Salaries and wages account for \$78,057 of the proposed increase; operating expense is scheduled to increase by \$23,291; and equipment expenditures increase by \$13,849.

"Reclamation and Flood Control" expenditures, the second largest item of expense for this division, increase from \$228,250 in the current biennium to \$313,700 in the 1945-47 Biennium, an increase of \$85,450 or 37.4 per cent. Salaries and wages increase by \$32,014, up 19.9 per cent; operating expense increase by \$42,351, up 65.4 per cent and equipment increases from \$5,993 in the current biennium to \$14,000 in the 1945-47 Biennium, up \$8,007 or 133.6 per cent.

Refer to Table I below for a complete schedule of General Fund expenditures.

Since the General Fund contributes only partially to the total outlay for this division, we have listed in Table II following total expenditures from all funds by object of expenditure and administrative units. Table I and Table II follow:

TABLE I
DIVISION OF WATER RESOURCES—DEPARTMENT OF PUBLIC WORKS
Expenditures for Support from General Fund

By administrative units	Budget page No.	Actual and estimated 1943-1945	Proposed 1945-47	Increase	
				Amount	Per cent
General administration -----	714	\$170,277	\$285,725	\$115,447	67.8
Federal cooperation -----	714	77,160	85,000	7,840	10.2
Sacramento-San Joaquin water supervision -----	714	22,781	44,520	21,738	95.4
Water rights and resources -----	714	161,649	192,545	30,896	19.1
Watermaster service -----	714	27,598	31,700	4,102	14.9
Regulation of safety of dams -----	714	59,915	90,080	30,165	50.3
Reclamation and flood control -----	714	228,250	313,700	85,450	37.4
Totals for support for biennium ----	714	\$747,630	\$1,043,270	\$295,639	39.5

TABLE II
DIVISION OF WATER RESOURCES—DEPARTMENT OF PUBLIC WORKS
Expenditures for Support from General Fund—Watermaster Service Fund and Trust Fund by Object, and Administrative Units

Object of expenditure	Budget page No.	Actual and estimated 1943-45	Proposed 1945-47	Increase	
				Amount	Per cent
Salaries and wages—					
General administration -----	717	\$112,688	\$190,745	\$78,057	---
Sacramento-San Joaquin water supervision -----	718	19,920	38,280	18,360	69.3
Water rights and resources -----	719	158,272	175,385	17,113	10.8
Watermaster service -----	720	37,173	37,245	72	0.0
Regulation of safety of dams -----	721	53,040	79,680	26,640	50.2
Reclamation and flood control -----	722	160,626	192,640	32,014	19.9
Totals, salary and wages -----	716	\$541,719	\$713,975	\$172,256	31.8
Net operating expense—					
General administration -----	717	\$57,590	\$80,881	\$23,291	40.4
Federal cooperation -----	718	77,160	85,000	7,840	10.2
Sacramento-San Joaquin water supervision -----	718	2,860	6,240	3,380	118.2
Water rights and resources -----	719	14,132	18,610	4,478	31.7
Watermaster service -----	720	16,475	24,775	8,300	50.4
Regulation of safety of dams -----	721	6,806	10,200	3,394	49.9
Reclamation and flood control -----	722	64,709	107,060	42,351	65.4
Total, net operating expense -----	716	\$239,732	\$332,766	\$93,034	28.8
Equipment—					
General administration -----	717	\$250	\$14,099	\$13,849	554.0
Water rights and resources -----	719	100	1,086	986	986.0
Watermaster service -----	720	250	---	--- 250	---
Regulation of safety of dams -----	721	68	200	132	193.5
Reclamation and flood control -----	722	5,993	14,000	8,007	133.6
Totals—Equipment -----		\$6,661	\$29,385	\$22,724	341.1
Totals -----		\$788,112	---	\$288,014	36.5
Less—Abatements -----		435	---	435	---
Net totals for support for biennium ----		\$787,677	\$1,076,126	\$288,449	36.6

Table III indicates the amount of money proposed to be spent, from all funds, for salaries and wages, operating expense and equipment.

TABLE III
DIVISION OF WATER RESOURCES—DEPARTMENT OF PUBLIC WORKS
Expenditure for Support from General Fund—Watermaster Service Fund
and Trust Fund by Object

Object	Budget page No.	Actual and estimated 1943-45	Proposed 1945-47	Increase Amount	Per cent
Salaries and wages					
Positions now authorized -----	716	\$550,383	\$604,660	\$53,277	9.7
Estimated salary savings-----	716	8,664	-----	8,664	
1945-47 normal salary adjustments -----	716	-----	3,830	3,830	
Proposed new positions-----			106,485	106,485	
Totals, salary and wages -----	716	\$541,719	\$713,975	\$172,256	31.8
Operating expense -----	716	239,732	332,766	93,034	28.8
Equipment -----	716	6,661	29,385	22,724	341.1
Totals -----		\$788,112	\$1,076,126	\$288,014	36.5
Less: Abatements for services rendered to Reclamation Board-----	716	435	-----	435	100.0
Net totals for support for biennium -----		\$787,677	\$1,076,126	\$288,449	36.6
Funds					
General Fund -----		\$747,630	\$1,043,270	+ \$295,640	
Watermaster service funds-----		26,800	30,320	+ 4,020	
Trust funds -----		13,747	2,536	- 11,211	
Total—Funds -----		\$787,677	\$1,076,126	\$288,449	

New positions and increased costs therefor are listed in Table IV.

TABLE IV
DIVISION OF WATER RESOURCES—SCHEDULE OF PROPOSED NEW POSITIONS
1945-47 BIENNIUM

Total for year	Number of positions		Classification	Total 1945-46	Amount ¹ 1946-47
	1945-46	1946-47			
			General Administration		
1	1	1	Junior Hydraulic Engineer-----	\$2,340	\$2,460
1	1	1	Assistant Counsel -----	2,880	3,060
x	x	x	Coordinator of informational activities (ML) -----	1,260	2,520
x	x	x	Accountant-Auditor, Grade 1 (ML) -----	450	
1	1	1	Junior Hydraulic Research Technician-----	2,340	2,460
1	1	1	Junior Clerk (ML)-----	780	1,605
2	3	3	Intermediate Stenographer-Clerks -----	3,240	5,100
			<i>Sacramento-San Joaquin</i>		
			Water Supervision		
1	1	1	Assistant Hydraulic Engineer (ML) -----	1,800	3,600
			<i>Water Rights and Resources</i>		
1	1	1	Associate Hydraulic Engineer-----	3,420	3,600
4	4	4	Assistant Hydraulic Engineer-----	8,640	9,180
			<i>Water Masters Service</i>		
x	x	x	Assistant Hydraulic Engineer-----	1,440	1,530
x	x	x	Assistant Hydraulic Engineer-----	1,440	1,530
			<i>Regulation and Safety of Dams</i>		
1	3	3	Assistant Hydraulic Engineer-----	2,880	8,820
1	2	2	Junior Hydraulic Engineer-----	2,340	4,800
			<i>Reclamation and Flood Control</i>		
1	1	1	Assistant Hydraulic Engineer (ML) -----	1,800	3,600
2	2	2	Flood Control Construction and Maintenance Man (ML) -----	2,220	4,440
3	3	3	Laborer (ML) -----	2,970	5,940
20	24			\$4,240	\$64,245

¹ Wartime bonus included in totals

x Salary divided between two or more functions. Position counted under the function which pays the largest part.

\$68,485

Recommendations: Reference to page 716 of the Budget clearly indicates that salary expense is already over-budgeted for the year 1944-45. We, therefore, recommend that new positions in the first fiscal year of the biennium be eliminated. We recommend that \$32,000 be granted for new positions in the second year of the biennium, thus effecting a saving of \$74,485.

We recommend that proposed operating expense for the Ninety-seventh Fiscal Year (1945-46) be reduced from \$169,518 to \$143,000, a saving of \$26,518. For the Ninety-eighth Fiscal Year (1946-47) operating expense should be reduced from the proposed expenditure of \$163,248 to \$153,000, a saving of \$10,248.

No allowance is made by the Budget for salary savings. We recommend that the salary savings formula previously suggested be applied to the Budget.

The foregoing specific amount of recommended reductions total \$111,251. Item 240 should, therefore, be reduced from \$1,043,270 by \$111,251 or 10.6 per cent to \$932,019.

Item 241 of the Budget Bill, pages 715 and 726 of the Budget. Appropriates \$7,000 to the Division of Water Resources to be matched from other than State sources to make a study of water resources of the Salinas Valley. This is a special item started in 1943-45 with an allotment of \$6,000 from the Emergency Fund. Only \$4,500 is to be expended. This was matched from local sources. It is now proposed to complete the study with \$7,000 from the State and \$7,000 from local sources. *Appropriation recommended.*

Item 242 of the Budget Bill, pages 714 to 720 of the Budget. Appropriates \$30,320 from the Watermaster Service Fund to the Division of Water.

This represents an increase of \$4,020, or 15.2 per cent. We recommend this appropriation.

Item 243, Budget Bill, pages 729 to 732 of the Budget, appropriates \$138,296 from the General Fund to the Water Project Authority for furtherance of the Central Valley Project. This is an increase of \$35,736.46 over 1943-45 expenditures of \$102,559.54 or up 34.8 per cent.

There is a reduction in administration of \$14,263.54. However, the addition of the sum of \$50,000 for the making of a survey of all phases of the Central Valley Project results in the total increase of some \$35,000.

If this is an exhaustive survey it probably will justify the expenditure of such a sum. We doubt, however, if such values will be secured.

Water Project Authority

We gravely question the necessity of a regular staff of 11 to 13 persons for this agency. In particular we do not believe the employment of an attorney at Washington on a part time basis at \$6,000 per year is justified when we note the many trips of regular State Officials and employees, including the Governor, the Attorney General and assistants, the Chief of the Division of Water Resources, Members and Secretary of the Colorado River Board and others who have gone to Washington in the current biennium at State expense on these same matters. Not to mention the fact that California is entitled to two United States Senators and has an increased House Representation over what it had a

few years past. We believe the necessity of this item should be reviewed.

The whole budget of the Water Resources is so cut up and man time allocated on part time basis in such a way as to lead to confusion and gives the general impression of concealing rather than revealing the actual budgetary needs.

We recommend it be overhauled in the next budget and that the annual budgets approved by the Department of Finance for this agency be placed on a definite basis subject to full budgetary control.

Since the Director of Finance is a member of this Authority, we leave the problem of expenditure control on this item to him and *recommend approval of the appropriation.*

Item 244 of the Budget Bill, page 733 of the Budget. Appropriates \$49,262 from the General Fund for the support of the Colorado River Board.

This is a decrease of \$30,762.61 from the actual and estimated expenditure of \$80,024.61 for 1943-45. However, the Budget Bill of 1943-45 appropriated only \$24,712 for this purpose, which was considered a normal allotment. This was supplemented by a special appropriation of \$50,000 by the fourth Special Session of the 1943 Legislature because of the Mexico Treaty re the Colorado-Rio Grande Rivers. An additional \$10,310 was allocated out of the Emergency Fund (page 774 of the Budget 1945-47) to supplement appropriations on account of the Mexico Treaty. The Attorney General received \$20,000 of these moneys (page 518 of the Budget).

There are a number of matters concerning the Colorado River waters remaining unsettled. Therefore, the Budget item as requested is approved, but with the conclusion that this agency should be abolished at the earliest practicable date and its function of protecting the State's interest in the Colorado River should be a function of the ordinary agencies of the State.

Item 245 of the Budget Bill, pages 734 to 739 inclusive of the Budget. Appropriates \$245,290 from the General Fund for the support of the State Reclamation Board.

This is an increase of \$110,926.85 over the actual and estimated expenditures of State Funds of \$134,363.75 for 1943-45, or an increase of 82.6 per cent.

The increase of the budget item is from \$189,805.94 for 1943-45 to \$245,290 for 1945-47 or up \$55,484 or 29.7 per cent. *The State, however, takes on the added obligation where other funds are not available.*

Examination of the actual expenditure for 1943-45 and the Actual and Estimated for 1944-45 shows that the current year is materially over-budgeted. A reduction is in order here.

The largest item of increase is for new positions. This requires \$62,280. The number of positions is increased from 19 in 1943-44 to 31 in 1945-46 and 30 in 1946-47. This will be by far the largest staff the Board has had for many years. This appears to be over-staffing for the work to be done. First, because the war will hold back work for at least one year and, second, when rights-of-way are once secured it is a one time job. Some of the work of this Board has been completed for all time and more should be completed with each biennium.

We recommend that Item 245 be reduced by \$41,000, which will be distributed by employing smaller additional staff or for a shorter time, with consequent reductions in the amounts needed for travel and operations, less consulting service which is at least \$8,000 too high, and a reduction in added equipment.

This will still leave an increase in the Budget item of \$14,484 over 1943-45, which is already over-budgeted.

In addition, we recommend the application of the salary saving plan as previously described be applied to this agency.

Item 246 of the Budget Bill, page 734 and 737 of the Budget. Appropriates \$750,000 to the State Reclamation Board from the General Fund for lands, rights-of-way, easements, payment to United States for incidental construction, flowage rights, etc., for purposes of forwarding construction of levees and flood control works by the United States within the Sacramento River Flood Control Project.

This appropriation is protected by the provision it can not be transferred to any other State Fund, so that if it can not be or is not expended for the purposes set forth it will remain as an unexpended balance.

The works contemplated are shown on page 737 of the Budget. We have checked with the United States Army Engineers having charge of the United States construction work and we find all of these items are in the proposed schedule. It is possible they may not all be reached within the biennium.

For these reasons, appropriation recommended for sum of \$750,000 as requested.

Department of Social Welfare

For support, Item 247 of the Budget Bill, pages 740 to 756 inclusive of the Budget; appropriation from the General Fund to the Social Welfare Fund, \$1,149,105; increase of \$335,882 or 41.3 per cent over the estimated expenditure of \$813,223 for the 1943-45 Biennium; and of \$272,809 or 31.1 per cent over the \$876,296 appropriated by Item 217 of (Assembly Bill No. 1600) of the last regular session for the 1943-45 Biennium.

Analysis of expenditures for support, by funds, reveals that in the 1943-45 Biennium the Federal Government's share in actual and estimated expenditures for support was \$1,556,540, and the amount expended by the State from the General Fund was \$813,223, making a total from both funds of \$2,369,673.

It is estimated for the 1945-47 Biennium that Federal Funds will contribute \$1,668,791, an increase over the 1943-45 Biennium of \$112,340 or 7.2 per cent. Proposed expenditures from the General Fund, however, amount to \$1,199,105 (includes \$50,000 for blind aid, Item 248) an increase of \$385,881 or 47.4 per cent.

Total proposed expenditures for the 1945-47 Biennium from both State and Federal Funds, for support, amount to \$2,867,896, an increase over the 1943-45 Biennium of \$498,221 or 21 per cent.

A comparison of expenditures by object of expenditure and source of fund is shown in Table I following. Expenditures for support by agency are summarized in Table II which follows Table I.

TABLE I

COMPARISON OF 1943-45 BIENNIUM ACTUAL AND ESTIMATED EXPENDITURES BY OBJECT AND SOURCE OF FUND WITH PROPOSED EXPENDITURES FOR 1945-1947

Number of positions, fiscal years				Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease	
43-44	44-45	45-46	46-47			Amount	Per cent
449	472	460	460	Object of Expenditures, Salaries and Wages:			
				\$1,912,123	\$2,050,696	+\$138,572	7.2
				1945-47 Normal salary adjustment of existing positions-----			
					65,660	+ 65,660	-----
		39	39	Proposed new positions-----			
					199,830	+ 199,830	-----
				Estimated salary savings-----			
				114,124	133,889	19,765	17.3
449	472	499	499	Totals, salaries and wages-----			
				\$1,797,999	\$2,182,297	+\$384,297	21.4
				Operating expenses-----			
				491,493	541,192	+ 49,698	10.1
				Equipment-----			
				12,755	12,571	184	1.4
				Totals, Support-----			
				\$2,302,248	\$2,736,060	+\$433,811	18.8
Page 734 of 1945-47 Budget				Retirement-----			
				67,425	81,836	+ 14,411	21.4
				Sub-Totals-----			
				\$2,369,673	\$2,817,896	+\$448,222	18.9
				Other current expenses, eye treatment or operations-----			
					\$50,000	+ \$50,000	100.0
Budget page 743				Totals-----			
				\$2,369,673	*\$2,867,896	**+\$498,222	21.0

TABLE I

COMPARISON OF 1943-45 BIENNIUM ACTUAL AND ESTIMATED EXPENDITURES BY OBJECT AND SOURCE OF FUND WITH PROPOSED EXPENDITURES FOR 1945-1947—Continued

Number of positions, fiscal years				Actual and estimated 1943-45	Proposed 1945-47	Increase or decrease	
43-44	44-45	45-46	46-47			Amount	Per cent
B. Expenditures by source of funds:							
Federal aged state administration.....				\$1,121,397	\$1,189,901	+\$68,503	6.1
Federal blind state administration.....				113,566	124,680	+ 11,113	9.8
Federal children's aid state administration.....				202,434	222,668	+ 20,223	10.0
Federal child welfare ser. state administration.....				106,097	120,413	+ 14,315	13.5
Federal civilian war assistant state adminis- tration.....				7,965	6,242	— 1,723	21.6
Federal enemy alien assistant state adminis- tration.....				4,988	4,887	— 101	2.0
Totals, Federal Funds.....				\$1,556,450	\$1,668,791	+\$112,340	7.2
State General Fund.....				813,223	1,199,105***	+ 385,881	47.4
Totals.....				\$2,369,673	\$2,867,896	**+\$498,222	21.0

Page 742 of 1945-47 Budget.....

* Of the total Budget request, \$2,867,896, for the 97th and 98th Fiscal Years, for every \$1 State General Fund money expended approximately \$1.39 of Federal Funds will be expended or a ratio of approximately 41.81 per cent State General Fund to 58.19 per cent Federal Funds.

** Of the increase of \$498,222.58 for the 1945-47 Biennium over the actual and estimated expenditures for the 1943-45 Biennium, the ratio is approximately \$1 State Funds to \$0.29 Federal Funds.

*** This figure includes \$50,000 "Other Current Expenses" for blind eye treatment or operations under Section 3051 of the Welfare and Institutions Code. See Item 248 of the Appropriation Bill.

TABLE II
DEPARTMENT OF SOCIAL WELFARE

Expenditures for support from Social Welfare Fund by agency	Budget page No.	Actual and estimated 1943-1945	Estimated and proposed 1945-1947	Increase or decrease Amount	Per cent
Executive -----	744	\$130,547	\$154,994	+ \$24,446	18.0
General Administration:					
General office -----	745	656,907	760,133	+ 103,225	15.7
Personnel and training-----	746	77,366	99,395	+ 22,028	28.5
Research and statistics-----	747	68,318	82,371	+ 14,052	20.6
Totals, General Administration -----	747	\$802,593	\$941,899	+ \$139,305	17.4
Division of Finance-----	748	536,684	602,813	+ 66,128	12.3
Division of Field Service-----	749	428,892	572,951	+ 144,058	33.6
Division of Public Assistance:					
Divisional Administration --	749	51,005	75,793	+ 24,787	48.6
Bureau of Eligibility-----	750	48,311	51,289	+ 2,977	6.2
Bureau of Aid to Needy Aged--	750	30,542	42,872	+ 12,329	40.4
Bureau of Aid to Needy Blind--	751	42,368	48,742	+ 6,373	15.0
Bureau of Aid to Needy Children -----	751	25,027	24,455	— 572	2.3
Totals, Division of Public Assistance -----	751	\$197,255	\$243,151	+ \$45,895	23.3
Division of Child Welfare:					
Divisional Administration---	751	12,745	23,078	+ 10,332	81.1
Bureau of Child Welfare Service—Federal -----	752	104,759	117,571	+ 12,811	12.2
Bureau of Adoptions-----	752	51,237	30,688	— 20,549	40.1
Bureau of Boarding Homes and Institutions-----	753	25,275	35,000	+ 9,724	38.5
Transportation of Needy Children -----	753	1,204	2,000	+ 795	66.0
Totals, Division of Child Welfare -----	753	\$195,221	\$208,337	+ \$13,115	6.7
Division of Adult and Family Welfare:					
Bureau of County Aid to Indigent Sick -----	754	10,370	11,915	+ 1,544	14.9
Bureau of Probation-----	754	683	—	— 683	100.0
Totals, Division of Adult and Family Welfare -----	754	\$11,054	\$11,915	+ \$860	7.8
Totals, Support -----	742	\$2,302,248	\$2,736,060	+ \$433,811	18.8
Contributions to State Employees' Retirement Fund---	742	67,425	81,836	+ 14,411	21.4
Total Expenditures * -----	742	\$2,369,673	\$2,817,896	+ \$448,222	18.9
Less amounts transferred from General Fund Appropriation for Support-----	742	813,223	1,149,105	+ 335,881	41.3
Net Totals, Expenditures from Federal Funds ** -----		\$1,556,450	\$1,668,791	+ \$112,340	7.2

* For payments to counties for aid to needy aged, blind and children and local administration thereof, see "Payments and Grants to Local Government," Table VI.

** Grants from the Federal Government and expenditures therefrom are not included in the over-all Budget totals. See Table VII for summary of Federal aid revenues and expenditures.

Thirty-nine proposed new positions and additional temporary help, accounts for \$185,790 or 42.8 per cent of the total increase of \$433,881 for support.

If all of the proposed new positions are granted, the Department of Social Welfare will then have 57 Social Welfare Agents, 20 Supervising Welfare Agents, Grade 1, and 7 Supervising Welfare Agents, Grade 2.

Table III lists the number of proposed new positions and the cost thereof.

TABLE III
SCHEDULE OF NEW POSITIONS

Number	Position	Amount for Biennium ¹
17	Social Welfare Agent.....	\$77,520
5	Supervising Social Welfare Agent, Grade 1.....	27,900
1	Supervising Social Welfare Agent, Grade 2.....	6,300
5	Intermediate Typist Clerk.....	15,600
4	Intermediate Stenographer-Clerk.....	13,440
4	Field Worker, Grade 2, (CWS).....	22,320
1	Child Welfare Service Consultant.....	6,780
1	Administrative Assistant (ML).....	9,600
1	Senior Stenographer-Clerk.....	5,160
	Total.....	\$184,620
	Additional temporary help.....	1,170
	Grand Total.....	\$185,790

¹ Totals include State employees' wartime salary bonus.

Note in Table IV following that the number of positions in the Department of Social Welfare has increased from 214 in 1937 to proposed 499 in 1947, an increase of 113 per cent.

TABLE IV
SCHEDULE OF POSITIONS
1937-47 Inclusive

1937-38	1938-39	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47
214	436	407	502	502	531	439	472	499	499

Proposed operating expense for the ensuing biennium is \$541,192, an increase of \$49,648 or 10.11 per cent over 1943-45 expenditures of \$491,493. The items contributing to this increase and the per cent change over the 1943-45 Biennium are listed in Table V. following:

TABLE V
ANALYSIS OF OPERATING EXPENSES
1943-1945 Compared With 1945-1947

	1943-45 Biennium	1945-47 Biennium	Increase or decrease	Per cent
Traveling.....	\$114,007	\$149,380	\$35,372	+31.02
Automobile.....	21,552	25,000	3,447	+15.99
Telephone and telegraph.....	45,286	41,656	— 3,630	— 8.01
Postage.....	15,833	16,304	470	+ .029
Office.....	35,973	41,856	5,882	+16.35
Printing.....	21,993	23,170	1,176	+ 5.34
Rent.....	103,032	113,690	10,657	+10.34
Light, heat, water and power.....	10,786	11,160	373	+ .034
Janitor services.....	17,210	20,332	3,121	+18.13
Pro rata Personnel Board charges.....	12,011	14,185	2,174	+18.10
Pro rata general fiscal administration.....	17,796	20,367	2,571	+12.68
Pro rata Attorney General's fees.....	6,539	10,000	3,460	+52.92
Freight and express.....	1,200	1,200	—	—
Merit system examination and certification.....	20,636	22,320	1,683	+ 8.15
Federal Child Welfare Services:				
County administration.....	44,951	26,904	—18,047	+40.14
Library services.....	354	—	— 354	+75.85
Merit system examination.....	1,049	1,668	618	+58.85
Printing.....	75	—	— 75	—
Transportation of needy children.....	1,204	2,000	795	+66.11
Totals.....	\$491,493	\$541,192	\$49,698	+10.11

Of the \$35,372 budgeted increase for traveling expense, \$22,780 is requested for the proposed new positions and \$12,592 is an increased travel allotment for existing positions when a return to normal traveling schedules is possible.

In connection with *total* expenditures for social welfare in the State of California, Table VI brings to light the following important facts:

During the 1943-45 Biennium State Funds contributed \$96,966,428 to the total cost; Federal Funds contributed \$84,439,703 or a grand total of \$181,406,131 for the biennium.

Proposed expenditures for the 1945-47 Biennium are: State Funds, \$119,340,332, an increase of \$22,373,904 or 23.1 per cent over the 1943-45 Biennium; Federal funds, \$102,386,925, an increase of \$17,947,222 or 21.2 per cent. Grand total for the Biennium 1945-1947—\$221,727,257, an increase of \$40,321,126 or 22.2 per cent.

A comparative statement of Federal Aid to the State of California for Social Welfare, by object of expenditure, is given in Table VII.

TABLE VI
SOCIAL WELFARE—DEPARTMENT OF SOCIAL WELFARE
Summary of Expenditures from State and Federal Funds for Social Welfare

	Budget page Nos.	1943-1945 Biennium			1945-1947 Biennium			Increase or decrease of the total over 1943-1945 Biennium	
		State funds	Federal funds	Total	State funds	Federal funds	Total	Amount	Per cent
Payments and grants to local government:									
Assistance payments:									
Aid to Needy Aged.....		\$88,154,166	\$74,032,855	\$162,187,021	\$105,539,250	\$88,867,920	\$194,407,170	+\$32,220,149	19.8
Aid to Needy Blind.....		2,072,667	2,715,765	4,788,432	2,296,381	2,991,379	5,287,760	+499,328	10.4
Aid to Needy Children.....		5,926,372	2,868,932	8,795,304	10,305,596	4,663,340	14,968,936	+6,173,632	70.2
Totals, Assistance.....	740-								
	741	\$96,153,205	\$79,617,552	\$175,770,757	\$118,141,227	\$96,522,639	\$214,663,866	+\$38,893,109	22.1
Local administration:									
Aid to Needy Aged.....			2,580,244	2,580,244		3,253,495	3,253,495	+673,251	26.1
Aid to Needy Blind.....			173,518	173,518		210,000	210,000	+36,482	21.0
Aid to Needy Children.....			511,938	511,938		732,000	732,600	220,062	43.0
Totals, Local Administration.....			\$3,265,700	\$3,265,700		\$4,195,495	\$4,195,495	+\$929,795	28.5
Totals, Payments and Grants to Local Government.....	740-								
	741	\$96,153,205	\$82,883,252	\$179,036,457	\$118,141,227	\$100,718,134	\$218,859,361	+39,822,904	22.2
Expenditures of the State Government:									
Department of Social Welfare:									
Support:									
Administration of Public Assistance:									
Aid to Needy Aged.....			\$1,121,397	\$1,121,397		\$1,189,901	\$1,189,901	+\$68,504	6.1
Aid to Needy Blind.....		\$113,566	113,566	227,132	\$124,680	124,680	249,360	+ 22,228	9.8
Aid to Needy Children.....		202,434	202,434	404,868	222,669	222,668	445,337	+ 40,469	10.0
Totals, Administration of Public Assistance.....		\$316,000	\$1,437,398	\$1,753,398	\$347,349	\$1,537,249	\$1,884,598	+\$131,200	7.5

Child Welfare Services-----	45,420	106,097	151,517	62,189	120,413	182,602	+	31,085	20.5	
Transportation of Needy Children-----	1,226		1,226	2,000		2,000		774	63.1	
Adoptions-----	253,238		253,238	436,673		436,673	+	183,435	72.4	
Boarding Homes and Institutions— Children-----	172,696		172,696	280,362		280,362	+	107,666	62.3	
Supervision of County Aid to Indi- gent Sick-----	19,212		19,212	20,532		20,532	+	1,320	6.8	
Probation-----	1,276		1,276					1,276	100.0	
Enemy Alien Assistance-----		4,988	4,988		4,887	4,887	—	101	2.0	
Civilian War Assistance-----		7,965	7,965		6,242	6,242	—	1,723	24.7	
Administrative service in connection with closing affairs of Federal Stamp and Surplus Commission District programs-----	4,151		4,151					4,151	100.0	
Totals, Support-----	\$813,223	\$1,556,450	\$2,369,673	\$1,149,105	\$1,668,791	\$2,817,896	+	\$448,223	18.9	
Other Current Expenses: Treatment or operations to prevent blindness-----				50,000		50,000	+	50,000	100.0	
Totals, expenditures of the State Government-----	\$813,223	\$1,556,450	\$2,369,673	\$1,199,105	\$1,668,791	\$2,867,896	+	\$498,223	21.0	
Totals, Expenditures for Social Welfare-----	740-41	\$96,966,428	\$84,439,703	\$181,406,131	\$119,340,332	\$102,386,925	\$221,727,257	+	\$40,321,126	22.2

TABLE VII
COMPARATIVE STATEMENT OF
FEDERAL AID TO THE STATE OF CALIFORNIA FOR SOCIAL WELFARE
For the Three Bienniums 1945-1947, 1943-1945, and 1941-1943
Expenditures

	Budget page No.	Estimated 1945-1947	Actual and Estimated 1943-1945	Actual 1941-1943
Department of Social Welfare				
Aid to Needy Children:				
Grants for assistance -----		\$4,663,340	\$2,868,932	\$4,896,407
Grants for county administration -----		732,000	511,938	719,110
Grants for State administration -----		222,668	202,434	217,663
Totals, Aid to Needy Children -----		\$5,618,008	\$3,583,304	\$5,833,181
Aid to Needy Aged:				
Grants for assistance -----	740	\$88,867,920	\$74,032,855	\$68,005,361
Grants for county administration -----	740	3,253,495	2,580,244	2,193,168
Grants for State administration -----	740	1,189,901	1,121,397	1,032,232
Totals, Aid to Needy Aged -----		\$93,311,316	\$77,734,497	\$71,230,762
Aid to Needy Blind:				
Grants for assistance -----	740	\$2,991,379	\$2,715,765	\$3,162,371
Grants for county administration -----	740	210,000	173,518	173,866
Grants for State administration -----	740	124,680	113,566	96,750
Totals, Aid to Needy Blind -----		\$3,326,059	\$3,002,849	\$3,432,988
Child Welfare Services -----		120,413	106,097	86,070
Enemy Alien Assistance -----		4,887	4,988	-----
Civilian War Assistance -----		6,242	7,965	-----
Grand totals, Federal Aid -----	743	\$102,386,925	\$84,439,703	\$80,583,001
Increase 1943-1945 Biennium over 1941-1943 Biennium		+ \$3,856,699	or 4.78 per cent	
Increase 1945-1947 Biennium over 1943-1945 Biennium		+ \$17,947,225	or 21.25 per cent	

Recommendations

Department of Social Welfare

1. That the Budget be adjusted for positions to comply with the recent administrative reorganization made by the department. This calls for the abolition of 12 positions and represents a saving of \$18,378 of General Fund money.
2. The accumulated load of adoptions and the inspection and regulation of boarding homes should be covered and Budget allowance is necessary.
3. With the termination of the war anticipated in the ensuing biennium, we may reasonably expect substantially increased social problems. This will be particularly true among thousands of presently employed marginal workers who, upon finding themselves out of employment, will look to the State for aid. This situation will become more acute in the years ahead as the result of our greatly expanded population. As a result of these factors the work load of the Department of Social Welfare can be expected to increase materially. In

view of this we believe the proposed appropriation for the Department of Social Welfare is not unduly out of line. We recommend that Item 247 of the Appropriation Bill be approved, only subject to reductions for the General Fund reductions to produce \$10,000,000 overall for the general fund. The salary saving procedure is also to be applied to this agency.

We believe the improved administration of this department made effective in recent months will make it possible to produce larger results with the reduced staff.

Item 248 Budget Bill, pages 741 and 754, appropriates \$50,000 from the General Fund to the Department of Social Welfare for treatment or operation to prevent blindness or restore vision to applicants for or recipients of blind aid in accordance with Section 3051, Welfare and Institutions Code, Chap. 916, Statutes 1939.

This is a new service provided for the first time by an appropriation. It should result in holding down blind aid cases.

We recommend the appropriation in the sum requested.

Miscellaneous

Item 249 of the Budget Bill, page 757 of the Budget, appropriates \$300,000 to pay compensation benefits as required by the Workmen's Compensation Act for State employees injured in line of duty whose salaries are paid from the General Fund.

This is the usual appropriation. \$148,075.36 was actually expended in 1943-44, and \$150,000 estimated for the current year.

The \$300,000 request is recommended.

Item 250 of the Budget Bill, page 757 of the Budget, appropriates \$200,000 from the General Fund for the support of General Fund agencies to be expended only on order of the Department of Finance for the purchase and operation of motor vehicles.

We recommend this appropriation be increased by \$100,000, but with following amendment to the item:

"No allotment shall be made from this item of appropriation to any department or agency of the State until the Department of Finance is satisfied that no motor vehicles operated by the agency requesting is used for other than State business under rules established by the Board of Control for the use and care of State-owned automobiles.

The Department of Finance shall be empowered to supply automobile transportation service and/or the use of automobiles in lieu of allocation of funds from this item.

In order to make this effective the Department of Finance may expend \$100,000 from this item for this purpose."

Postwar Construction

Items 251 to 274 inclusive, of the Budget Bill, pages 764-766 inclusive of the Budget, cover Postwar Construction. These items have been fully covered in pages 48 to 54 inclusive of this section of the report.

A specific recommendation is made there for each item.

Reserves for Contingencies

Items 275 and 276 of the Budget Bill, page 770 of the Budget.

These two items constitute the reserves for contingencies which may develop in the General Fund expenditures.

Item 275 appropriates \$1,750,000 from the General Fund to be expended only on written authorization of the Department of Finance for emergencies of General Fund agencies and for loans to other agencies of temporary nature and to be repaid.

This can be used either where appropriations were not made but where authority to spend exists or where appropriations were insufficient in the opinion of the Director of Finance. This is often mistakenly called the Governor's Emergency Fund; in fact it is controlled directly and completely by the Director of Finance, who of course holds office at the pleasure of the Governor.

The appropriation of \$1,750,000 for the Emergency Fund for 1945-47 is the same amount appropriated for 1943-45. \$1,121,113.08 was granted to Nov. 29, 1944, leaving \$628,886.92 to cover the rest of the biennium to July 1, 1945.

Although the expenditures of the State have increased, this appropriation should be sufficient.

Item 276 sets up a new kind of an emergency fund to meet the cost of an unknown amount caused by the increase in salary ranges approved by the Personnel Board during the biennium.

This appropriates \$500,000 to the Department of Finance to be allocated to the several General Fund agencies. The need of the Special Fund agencies can be met by using Section 661 of the Political Code allowing deficiencies.

This sum may not be sufficient. The need exists. The Personnel Board should also reduce ranges where they are too high. In such cases we suggest that this item be amended so as to provide that any savings from this source should also go into this fund and be a saving. The following amendment is suggested.

Item 276—"This item shall also be supplemented by any sums from all General Fund items of appropriations in this Budget Act for salaries and wages in such amounts as may be unnecessary to cover the positions at the ranges provided for in the Budget Document because of decreases in salary ranges approved by the State Personnel Board for the biennium 1945-47. The Department of Finance shall report to the Secretary of the Senate and the Chief Clerk of the Assembly and to the Legislative Auditor monthly the allotments and receipts into this item and the reasons therefor."

Analysis of Proposed Expenditures for the Board of State Harbor Commissioners, San Francisco

Items 277-280 of the Budget Bill and pages 813-820 of the Budget; a special fund agency. Appropriates \$10,583,805 from the San Francisco Harbor Improvement Fund.

This expenditure has some unusual items for in this expenditure there is a bond interest and redemption item of \$2,208,082—which is a decrease of \$1,093 below 1943-45; and that capital outlay amounted to \$3,227,000—so that the actual current expense for 1945-47 is placed at \$7,458,817 as compared with an expenditure in 1943-45 of \$7,267,651. The increase is only \$191,166 or 2.6 per cent.

The proposed expenditures are divided into four items:

Item 277—is for support in the sum of \$7,086,805. This is an increase of only \$168,777. Most of this is caused through normal salary adjustments and proposed new positions. It is proposed to

put on 19 employees in the first year of the biennium and nine more in the second.

Considering that the Port of San Francisco will be one of the principal ports to handle returning military personnel and material and that already the military are demanding expanding services, we do not believe that the approved Budget should be materially changed.

Item 278—of the Budget Bill appropriates \$220,000 out of the Harbor Improvement Fund for the maintenance of fire boats for the biennium. This is the same amount as was appropriated for the current biennium and is to meet the agreement with the City and County of San Francisco. It provides for the cooperative use of the fire boats provided by the harbor.

Item 279—appropriates \$50,000 to pay for the services of San Francisco city firemen. For 1943-45 the actual expenditure for this item was \$42,056. The increase appears to be justified.

Item 280—appropriates \$3,227,000 from the San Francisco Harbor Improvement Fund for the construction and improvement fund for the construction and improvement of wharves, piers, sheds, bridges, etc., as needed by the State Harbor Commissioners.

This is a material increase—in fact, a net increase of \$2,804,833. Part of this is to satisfy the requirements of the Navy for additional construction, a part of the remainder is for the construction of facilities on Mission Rock and is for general harbor expansion. In light of war conditions and the problems of returning personnel and material from the Pacific, this capital outlay appears to be necessary. We recommend it be approved.

Revenues

We do call attention specifically to the fact that there is a relatively smaller increase in revenue than increase in expenditure. The total revenues which it is estimated will accrue will amount to \$11,344,000, or an increase over the prior biennium of only \$375,950, or 3.4 per cent. The net result will be that the unbudgeted surplus, which it is estimated July 1, 1945 will be \$4,789,150, will be reduced on June 30, 1947 to \$3,239,251—a reduction of \$1,549,899. It is evident that such a reduction of surplus can not be continued indefinitely. However, the capital assets at the biennium should be increased as represented by new capital outlay of \$2,674,833—while bonded indebtedness will be reduced in excess of a million dollars.

It is apparent that the expenditure program in excess of revenues can not be continued by San Francisco Harbor indefinitely and it appears that in the postwar period the same serious condition which threatened the financial soundness of the Harbor's operation in 1933 may again be apparent. The Harbor Commissioners should be looking forward now so as to plan their operations and their activities so that the port may be conducted in a way to attract business if it is available, so that this function of the State government may continue to support itself. There appears to be financial difficulties ahead when competition between ports develops after the war.

New Item Suggested for the Appropriation Bill

A new item, to be numbered 281, is suggested for the Appropriation Bill as explained in a previous part of this report for the purpose of

making salary savings where positions remain vacant, or where new positions provided for in the Budget are not actually filled.

Alternate Method of Controlling Both Salaries and Wages and Personnel

An examination of the Budget for 1945-47 shows an increase of personnel, particularly for the second year, 1946-47, of the Biennium. However, there is some material increase for the first year, 1945-46. It must be understood that in considering personnel both for the current biennium and the budgeted Biennium, 1945-47, we are actually considering positions. Many of them may be vacant and, in fact, in the Department of Institutions they have currently 502 vacant positions. In budgeting when these positions are continued, it is expected that they will be filled. When new positions are established there is also the expectation that they will be filled. In addition, we now have a complicated situation due to the possible return of State employees on military leave. They are entitled to their old positions, and will replace other employees who are occupying these positions. There is a disposition to keep present employees as well as the returning military leave personnel.

Since it appears that the war will continue for a longer period of time than was anticipated when the Budget was drawn up, there are a number of definite uncertainties as respects personnel. The following conditions probably will prevail: There will be more vacant positions than has been estimated; it will be impossible to secure competent personnel to fill new positions; persons on military leave may not return in the numbers anticipated and it may not be necessary to fill all of the positions anticipated if there is not a return to peacetime conditions in the second year of the biennium.

These many unknowns cause us to suggest another procedure both for the control of personnel and the control of salaries and wages so as to save that which is not spent under these conditions. We believe that this can be accomplished by amending the Appropriation Bill to accomplish the following purpose.

Purpose of Amendment

The purpose of this amendment is definitely to sequester or set aside in a special fund all of the money required to continue through the Biennium 1945-47 the following three classes of personnel designated below, and to provide that none of this sequestered money may be spent until each individual position is filled. Such positions shall not be filled except with the express approval of the Department of Finance, or some other qualifying agency, for each position, and the Department of Finance or other qualifying agency, when it approves the necessity of filling such position, shall report to the members of the Legislature and to the Legislative Auditor the reasons supporting the granting of the necessary funds for paying the salary of said position.

Should any of these positions so established again become vacant, the money previously allocated therefor shall be returned to the special fund established and the same procedure followed in again refilling such vacant position. The fund set up shall be similar to the Salary Restoration Fund provided in Item 229 of (Assembly Bill No. 1600) Chapter 62, Statutes of 1943.

There should also be an expression of the Legislature establishing legislative intent to the effect that the same procedure shall be followed

in respect to all special funds where budgetary control is exercised by the Department of Finance. In fact, such instructions should be given so that there will be a uniform policy throughout the State service.

The classes of employees for which salaries and wages shall be deducted to make up the above mentioned special fund are as follows:

1. Those positions that are now vacant in the several departments and agencies of the State for the 1944-45 Fiscal Year and which positions are carried forward into the 1945-47 Budget.
2. All new positions which are established for the 1945-47 Biennium and so designated in the Governor's Budget, and for which an appropriation is approved by the Legislature.
3. All positions that are to be filled by State employees now on military leave for which funds are appropriated and which positions are temporarily vacant or are being now created.

Suggested Amendment to the Budget Bill

The Budget Bill, Assembly Bill No. 500 or Senate Bill No. 294, can be amended to make the above suggestions effective. It will probably be wise to set up the entire Budget Bill designating the three categories of expenditures as mentioned in the Governor's Budget Message, and as previously provided in Assembly Bill No. 1800, Chapter 600, Statutes of 1941. These schedules are: (a) Salaries and Wages; (b) Operating Expense; (c) Equipment.

Amendment to Assembly Bill No. 500 and Senate Bill No. 294

Assembly Bill No. 500 or Senate Bill No. 294 is to be amended by adding a new item, numbered 281, as follows: Item 281—For Salary Restoration Fund for the payment of salaries and wages to be allocated on the authorization of the Department of Finance (or some other agency)¹ to each State officer, department, board, bureau and other State agency, including The Regents of the University of California, in augmentation of the respective appropriations for the support of each for the Ninety-seventh and Ninety-eighth Fiscal Years in an amount for each thereof not in excess of the amount shown in the schedule for each item of appropriation under subdivision "Salaries and Wages" and entitled "Salary Restoration Fund"—which total sum has been arrived at by calculating the cost of filling positions now vacant and the salary adjustment credited thereto for the biennial period 1945-47 and also the sum necessary for new positions and for the filling of all positions by persons now on military leave, as provided in that certain document entitled "State of California Budget for the Biennium July 1, 1945 to June 30, 1947, Ninety-seventh and Ninety-eighth Fiscal Years, submitted by Earl Warren, Governor, to the California Legislature, Fifty-sixth Session and as amended by the Budget Act of 1945—\$-----."

To receive an allocation from the Salary Restoration Fund, an officer, department, board, bureau, commission or other State agency, including the Regents of the University of California, shall prove to the Department of Finance that it has personnel in number and class provided in such document sufficient to require the allocation authorized to be made by this item and it shall demonstrate to the satisfaction of the Depart-

¹ We use Department of Finance but some other allocating agency may be established.

ment of Finance that it is necessary and desirable to fill said positions; and it shall substantiate by presentation of such information as the Department of Finance may require. The Department of Finance shall certify that this condition exists as respects any officer, department, board, bureau, commission or other State agency, and the authorization of the Department of Finance allocating funds to any department from the Salary Restoration Fund shall be sufficient evidence for the Controller to transfer said funds.

Should such position or positions become vacant and remain so for a period of ninety days, the unused portion of said funds shall revert to the Salary Restoration Fund.

The Department of Finance shall submit to each member of the Legislature and to the Legislative Auditor not later than the fifteenth day of each month a report on all authorizations given pursuant to this section during the preceding month. The report shall contain such information regarding such authorization as shall be sufficient to apprise the members of the Legislature and the Legislative Auditor as to the reasons and necessities therefor.

It is suggested that the Legislature express its intent to apply the same control to special funds and to expenditures from continuing legislation—which are not, of course, in the Budget Bill. We suggest this should be done by resolution expressing in general the following:

WHEREAS, The Governor's Budget for the biennium 1945-47 recognizes that this period will be one of transition from war to peace and it is, therefore, impossible to estimate the personnel that will be available for the several departments of the State or the number of State employees who may return from military leave, and

WHEREAS, An amendment has been placed in the Budget Bill—Assembly Bill No. 500—as Item 281—setting up a Salary Restoration Fund, which applies to all appropriations for salaries and wages appropriated by this act, and

WHEREAS, This only represents a fraction of the entire Budget as presented by the Governor to the Legislature for the Biennium 1945-47, and, therefore, there is a large expenditure of the State for other purposes where personnel is employed where similar conditions will prevail; be it, therefore,

Resolved by the Assembly, That it is the legislative intent that such controls be applied by the Department of Finance to the expenditure of all such funds for salaries and wages for the Biennium 1945-47 and it is the expectation of the Legislature that identical budgetary controls be applied by the Department of Finance in the expenditure of all funds—general, special and fixed charges, for the employment of personnel in exactly the same terms as provided in said Item 281 of the Budget Bill for 1945-47.

Other Savings Resulting from Personnel Reduction

It is the intention of the Legislature that when salary savings are made effective that comparable savings which result when personnel is not employed should accrue in the other categories of the schedules as provided in the Budget Bill, i.e., operating expenses and equipment, wherever such appear in the Budget Bill and for each and every department and agency where appreciable savings have been made on the basis of personnel and in conformity with the provisions of Item 281.