

REVOLVING FUNDS

On February 1, 1947, the Department of Employment revolving fund contained \$1,275,000. The principal need for this large fund results from the department's practice of issuing payroll warrants from this fund and subsequently filing a revolving fund claim to clear the pay roll with the Personnel Board and the Controller. *The justification of such large revolving funds is now being investigated by the Legislative Auditor.*

Board of Control

Analysis of Proposed Expenditures for the 1947-48 Fiscal Year

For Support of the Board of Control

Item 123, page 24 of the Budget Bill and page 388 of the Budget. Amount requested, \$11,935 for support from the General Fund.

This represents an increase of \$1,740.49 or 17.1 percent over expenditures of \$10,195 for the 1945-46 Fiscal Year, and an increase of \$435 or 3.8 percent over the amount of \$11,500 allowed for expenditure in the 1946-47 Fiscal Year.

We recommend Item 123 be approved for \$11,935 as requested.

State Controller

Analysis of Proposed Expenditures for the 1947-48 Fiscal Year

For Support of State Controller

Item 124, page 24 of the Budget Bill, and pages 389 to 398, inclusive, of the Budget. Amount requested, \$832,633 for 1947-48 from the General Fund.

This represents an increase of \$105,023, or 14.4 percent over expenditures of \$727,610 for 1946-47.

The following tables analyze the proposed expenditures revealing which functions and objects of expenditure cause the increase:

Table I—Analysis of Expenditures for Support by Function—1946-47 Compared With 1947-48

| Function | Actual and estimated 1946-47 | Estimated and proposed 1947-48 | Increase or decrease from 1946-47 | |
|----------------------------------------|------------------------------|--------------------------------|-----------------------------------|---------|
| | | | Amount | Percent |
| Administration | \$55,785 | \$63,556 | \$7,771 | 13.9 |
| Accounting Division | 135,656 | 166,065 | 30,409 | 22.4 |
| Audits and Disbursements Division..... | 197,627 | 235,866 | 38,239 | 19.3 |
| Inheritance and Gift Tax Division..... | 254,493 | 278,644 | 24,151 | 9.5 |
| Tax Collection Division..... | 66,384 | 71,212 | 4,828 | 7.3 |
| County Budgets and Reports Division... | 17,665 | 17,290 | -375 | -2.1 |
| Totals, general activities..... | \$727,610 | \$832,633 | \$105,023 | 14.4 |

Table I discloses the proposed increases and decreases in expenditures for support for the 1947-48 Fiscal Year as compared with 1946-47.

The table shows an increase of \$7,771 or 13.9 percent for the Administration Division. *This increase results principally from plans to purchase three automobiles. We recommend allowance of two light weight automobiles, with a resultant saving of \$1,975.*

For the Accounting Division, Table I shows an increase of \$30,409, or 24.2 percent for the 1947-48 Fiscal Year over 1946-47. *This principally results from the addition of nine new positions. All of the proposed new positions are needed to adequately execute the responsibilities of this division.*

For the Audits and Disbursements Division, Table I shows an increase of \$38,239, or 19.3 percent for the 1947-48 Fiscal Year over 1946-47. *This reflects the addition of seven new positions, three in the audits section and four in the accounting section.* Also contributing heavily to this increase is \$19,339 for new accounting machines to replace the worn out equipment and antiquated system now used in issuing warrants and accounting for state moneys. We recommend that the funds for the new equipment be held in a reserve until a report is received from the committee which is now engaged in the study of the methods used in processing pay rolls through the Personnel Board and Controller's Office. The report and recommendations of this committee upon methods and equipment to be used in processing pay rolls and making state disbursements will determine how much should be spent.

For the Inheritance and Gift Tax Divisions, Table I does not show a large increase in percentage for the 1947-48 Fiscal Year over 1946-47, but the dollar amount of increase, \$24,151, is substantial. *This rise in costs results from four new positions added to meet an increasing work load plus the reclassification of several existing positions.*

For the Tax Collection Division, Table I does not show a significant increase for the 1947-48 Fiscal Year over 1946-47. *We recommend this.*

County Budgets and Reports Division, Table I shows a decrease due to the fact that substantial purchases of equipment occurred during the 1946-47 Fiscal Year while only a small amount of equipment is requested for the 1947-48 Fiscal Year. *We recommend this.*

The following Table II presents the proposed expenditures of the State Controller for the 1947-48 Fiscal Year by object:

Table II—Analysis of Expenditures by Object—1946-47 Compared With 1947-48

| Object | Estimated 1946-47 | Proposed 1947-48 | Increase or decrease from 1946-47 | |
|-------------------------|----------------------|---------------------|--------------------------------------|---------|
| | | | Amount | Percent |
| Salaries and wages----- | \$583,050 | \$653,785 | \$70,735 | 12.1 |
| Operating expenses----- | 115,650 | 126,282 | 10,632 | 9.2 |
| Equipment----- | 28,910 | 52,566 | 23,656 | 81.8 |
| Totals----- | \$727,610 | \$832,633 | \$105,023 | 14.4 |

Table II shows that the greatest contribution to increased costs for the 1947-48 Fiscal Year over 1946-47 is in the proposed expenditures for salaries and wages. *This results from the creation of 22 new positions, several reclassifications of existing positions, and from normal annual salary increases.* The increases in operating expenses and equipment costs reflect the addition of the new positions plus normal increases in such expenditures. The proposal that new accounting equipment be purchased for the Audits and Disbursements Division accounts for \$19,339 of the \$52,566 requested by the Controller's Office for equipment for the 1947-48 Fiscal Year.

Table III—New Positions Requested in 1947-48 Budget

| <i>Division</i> | <i>Number of positions</i> | | <i>Amount for 1947-48</i> |
|-----------------------------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Administration | 1 | Intermediate Clerk ----- | \$2,400 |
| Accounting | | Financial Analysis and Reports | |
| | 1 | Accountant-Auditor, Grade 1 ----- | 3,000 |
| | - | Senior Accountant (Reclassification of one Semi-Senior Accountant) ----- | 300 |
| | | Control Accounts | |
| | 1 | Bookkeeper, Grade 2 ----- | 2,760 |
| | 1 | Claim Auditor ----- | 2,640 |
| | 1 | Junior Clerk ----- | 1,680 |
| | - | Semi-Senior Accountant (Reclassification of one Supervising Account Clerk, Grade 1) -- | 120 |
| | - | Tabulating Machine Operator (Reclassification of one Key Punch Operator, Grade 2) -- | 120 |
| | | Revenue Certification | |
| | 1 | Accountant-Auditor, Grade 1 ----- | 3,000 |
| | - | Senior Account Clerk (Reclassification of one Intermediate Clerk) ----- | 120 |
| | | Unclaimed Property | |
| | 1 | Unclaimed Property Officer ----- | 4,140 |
| | 2 | Intermediate Typist-Clerk (intermittent) ---- | 2,500 |
| | | Departmental Accounting | |
| | 1 | Supervising Investigator (to December 31, 1947) ----- | 1,410 |
| | - | Senior Account Clerk (Reclassification of one Intermediate Clerk) ----- | 120 |
| Audits and Disbursements | | Audits | |
| | 1 | Claim Reviewer ----- | 3,000 |
| | 1 | Claim Auditor ----- | 2,640 |
| | 1 | Calculating Machine Operator ----- | 1,920 |
| | | Disbursements | |
| | 1 | Bookkeeping Machine Operator ----- | 2,040 |
| | 1 | Intermediate File Clerk ----- | 1,920 |
| | 1 | Intermediate Clerk ----- | 1,920 |
| | 1 | Intermediate Typist-Clerk ----- | 1,920 |
| Inheritance and Gift Tax | | Intermediate File Clerk ----- | 1,920 |
| | 3 | Intermediate Typist-Clerk ----- | 5,760 |
| | - | Office Manager (Reclassification of one Super- vising Account Clerk, Grade 1) ----- | 180 |
| | - | Senior Inheritance and Gift Tax Examiner (Reclassification of one Semi-Senior Accountant) ----- | 300 |
| | - | Inheritance and Gift Tax Examiner (Reclass- ification of two Auditors, Grade 2; one Accountant-Auditor, Grade 1; and four Senior Account Clerks) ----- | 2,860 |
| | - | Senior Account Clerk (Reclassification of one Intermediate Account Clerk) ----- | 120 |
| Tax Collection | | Junior Clerk ----- | 1,680 |
| | 22 | Total ----- | \$52,490 |

**Table IV—Analysis of Expenditures by Object and Function—1946-47
Compared With 1947-48**

| | <i>Estimated 1946-47</i> | <i>Proposed 1947-48</i> | <i>Increase or decrease from 1946-47</i> | |
|-----------------------------------------|------------------------------|-----------------------------|----------------------------------------------|----------------|
| | | | <i>Amount</i> | <i>Percent</i> |
| Salaries and wages | | | | |
| Administration ----- | \$46,555 | \$48,260 | \$1,705 | 3.7 |
| Accounting Division ----- | 113,540 | 140,970 | 27,430 | 24.2 |
| Audits and Disbursements Division-- | 172,045 | 187,435 | 15,390 | 8.9 |
| Inheritance and Gift Tax Division-- | 191,685 | 211,350 | 19,665 | 10.3 |
| Tax Collection Division----- | 49,125 | 54,030 | 4,905 | 10.0 |
| County Budgets and Reports Division | 10,100 | 11,740 | 1,640 | 16.2 |
| Totals, general activities ----- | \$583,050 | \$653,785 | \$70,735 | 12.1 |
| Operating expenses | | | | |
| Administration ----- | \$8,715 | \$9,610 | \$895 | 10.3 |
| Accounting Division ----- | 16,415 | 19,990 | 3,575 | 21.8 |
| Audits and Disbursements Division-- | 18,585 | 19,197 | 612 | 3.3 |
| Inheritance and Gift Tax Division-- | 53,935 | 58,480 | 4,545 | 8.4 |
| Tax Collection Division----- | 12,885 | 13,600 | 715 | 5.5 |
| County Budgets and Reports Division | 5,115 | 5,405 | 290 | 5.7 |
| Totals, general activities----- | \$115,650 | \$126,282 | \$10,632 | 9.2 |
| Equipment | | | | |
| Administration ----- | \$515 | \$5,686 | \$5,171 | 1004.1 |
| Accounting Division ----- | 5,701 | 5,105 | —596 | —10.4 |
| Audits and Disbursements Division-- | 6,997 | 29,234 | 22,237 | 317.8 |
| Inheritance and Gift Tax Division-- | 8,873 | 8,814 | —59 | —7 |
| Tax Collection Division----- | 4,374 | 3,582 | —792 | —18.1 |
| County Budgets and Reports Division | 2,450 | 145 | —2,305 | —94.1 |
| Totals, general activities----- | \$28,910 | \$52,566 | \$23,656 | 81.8 |

Table III above, provides a recapitulation of expenditures for the Controller's Office for the 1947-48 Fiscal Year by object and function. These expenditures are reviewed and explained in the following analysis of the proposed expenditures for each division.

ADMINISTRATION DIVISION

The following schedule analyzes the proposed expenditures of the Division of Administration, by object:

| <i>Object</i> | <i>Actual and estimated</i> | | <i>Increase or decrease</i> | |
|--------------------------|-----------------------------|-----------------|-----------------------------|----------------|
| | <i>1946-47</i> | <i>1947-48</i> | <i>Amount</i> | <i>Percent</i> |
| Salaries and wages ----- | \$46,555 | \$48,260 | \$1,705 | 3.7 |
| Operating expenses ----- | 8,715 | 9,610 | 895 | 10.3 |
| Equipment ----- | 515 | 5,686 | 5,171 | 1004.1 |
| Totals ----- | \$55,785 | \$63,556 | \$7,771 | 13.9 |

Salaries and Wages

Justified by work load.

Operating Expenses

Appear to be in line.

Equipment

Table V below shows that the Budget provides for the replacement of two automobiles at a total cost of \$1,750. We recommend allowance of one replacement automobile at \$875, a saving of \$875. The Budget also provides \$2,500 for an additional heavy automobile. We recommend that this additional automobile be disallowed, but that in lieu thereof an additional lightweight car for \$1,400 be allowed for use in the car pool, a net saving of \$1,100.

Table V—Analysis of Request for Automobiles as Shown in the 1947-48 Budget

| | <i>Proposed 1947-48</i> | <i>Recommended 1947-48</i> | <i>Reduction</i> |
|------------------------|-----------------------------|--------------------------------|------------------|
| Automobile—replacement | \$1,750 (2 light cars) | \$875 (1 light car) | \$875 |
| Automobile—additional | 2,500 (1 heavy car) | 1,400 (1 light car) | 1,100 |
| | <u>\$4,250</u> | <u>\$2,275</u> | <u>\$1,975</u> |

Table V shows that the net savings from the foregoing recommendations will be \$1,975.

The Controller's Office planned to transfer the 1944 Buick used exclusively by the Controller to the pool of cars used by the Controller's Office. This procedure, whereunder top executives are provided new heavy vehicles and their old cars are transferred to a pool, has been found unsatisfactory since it results in the subordinates within an organization driving high-priced, heavyweight cars which would ordinarily be approved for use by top executives only. Past experience has shown that the top executives then request even higher priced vehicles since they feel that their station justifies heavier, more expensive automobiles than those driven by their subordinates.

We recommend that the Controller continue to drive the 1944 Buick he now has through 1947-48 since this vehicle is in good condition, having traveled only 25,000 miles. The vehicle is expected to travel about 12,000 miles or less during 1947-48. Replacement, therefore, appears unwarranted for 1947-48. *In our opinion the Department of Finance, under the provisions of Section 15 on page 70 of the Budget Act of 1947, should not allow this automobile to be placed in the pool or an additional automobile to be purchased at a cost of \$2,500.*

We recommend that the 1942 Plymouth now in the car pool for the Controller's Office be driven for at least one more year in lieu of being replaced. This vehicle has traveled about 45,000 miles. It is estimated that this vehicle will travel approximately 18,000 miles during 1947-48; therefore, the total mileage will still be under the 100,000 miles at which replacement is usually deemed desirable.

ACCOUNTING DIVISION

The following schedule analyzes the proposed expenditures for this Division by object:

| Object | Actual and estimated | | Increase or decrease | |
|--------------------------|----------------------|-----------|----------------------|---------|
| | 1946-47 | 1947-48 | Amount | Percent |
| Salaries and wages----- | \$113,540 | \$140,970 | \$27,430 | 24.2 |
| Operating expenses ----- | 16,415 | 19,990 | 3,575 | 21.8 |
| Equipment ----- | 5,701 | 5,105 | -596 | -10.4 |
| Totals ----- | \$135,656 | \$166,065 | \$30,409 | 22.4 |

The requests reflected above appear reasonable and proper being justified by the increased number of executive orders, increased complexity of budgetary items, volume of special appropriations, etc.

AUDITS AND DISBURSEMENTS DIVISION

The following schedule shows the distribution of proposed expenditures by object of expenditure:

| Object | Actual and estimated | | Increase or decrease | |
|--------------------------|----------------------|-----------|----------------------|---------|
| | 1946-47 | 1947-48 | Amount | Percent |
| Salaries and wages----- | \$172,045 | \$187,435 | \$15,390 | 8.9 |
| Operating expenses ----- | 18,585 | 19,197 | 612 | 3.3 |
| Equipment ----- | 6,997 | 29,234 | 22,237 | 317.8 |
| Totals ----- | \$197,627 | \$235,866 | \$38,239 | 19.3 |

Salaries and Wages

In view of the volume of warrants now being written, increased claims to be audited due to postwar programs, etc., the salaries and wages requested appear reasonable.

Operating Expenses

Investigation discloses that the amounts requested are reasonable and necessary.

Equipment

The desirability of major changes in the accounting methods employed in this division has been under consideration for a considerable period of time. At the request of the Controller, a committee consisting of representatives of the Legislative Budget Committee, the Controller, the Director of Finance, and the Personnel Board are reviewing payroll processing and related activities. The report of this committee may have far reaching effect upon the methods used in the Personnel Board's roster of state employees, and upon the accounting and disbursement activities in the Controller's office. A report is expected from this committee prior to the adjournment of the current session of the Legislature. *In view of the foregoing, it is recommended that the \$19,339 budgeted in the equipment category for bookkeeping machines be withheld or not expended until a final decision is reached as to the type of accounting system to be employed by the Controller's office.*

INHERITANCE AND GIFT TAX DIVISION

The following schedule indicates the proposed expenditures for the 1947-48 Fiscal Year by object:

| Object | Actual and estimated | | Increase or decrease | |
|-------------------------|----------------------|------------------|----------------------|------------|
| | 1946-47 | 1947-48 | Amount | Percent |
| Salaries and wages----- | \$191,685 | \$211,350 | \$19,665 | 10.3 |
| Operating expenses----- | 53,935 | 58,480 | 4,545 | 8.4 |
| Equipment----- | 8,873 | 8,814 | —59 | —7 |
| Totals----- | <u>\$254,493</u> | <u>\$278,644</u> | <u>\$24,151</u> | <u>9.5</u> |

Salaries and Wages

Due to the growth of the State's population and the resultant rise in number of taxable estates coupled with the increased valuation of estates, it is necessary to add a unit of clerical help in the Los Angeles, San Francisco, and Sacramento offices, respectively. Also, an additional file clerk is required in Sacramento. These four positions account for \$7,680, or 39.0 percent, of the \$19,665 increase for salaries and wages. The remainder of the increase for this category results from normal annual salary increases and proposed reclassification of four existing positions. The proposed reclassifications account for \$3,400, or 17.3 percent, of the increase in salaries and wages.

We recommend approval of this budget, as submitted.

TAX COLLECTION DIVISION

The following schedule analyzes the expenditures of this division by object:

| Object | Actual and estimated | | Increase or decrease | |
|-------------------------|----------------------|-----------------|----------------------|------------|
| | 1946-47 | 1947-48 | Amount | Percent |
| Salaries and wages----- | \$49,125 | \$54,030 | \$4,905 | 10.0 |
| Operating expenses----- | 12,885 | 13,600 | 715 | 5.5 |
| Equipment----- | 4,374 | 3,582 | —792 | —18.1 |
| Totals----- | <u>\$66,384</u> | <u>\$71,212</u> | <u>\$4,828</u> | <u>7.3</u> |

We recommend discontinuance of this division's practice of maintaining files of registration cards issued for commercial vehicles with Board of Equalization (B-E) plates. Eighty thousand of these cards are sorted and filed annually. Only a few are actually used in effecting collection of the delinquent accounts referred to this division for collection from the Transportation Tax Division of the Board of Equalization, which also maintains files of copies of the same registration cards.

The descriptions of the vehicles operated by the delinquent taxpayer are required in the event the vehicles are to be seized for non-payment of taxes. These vehicle descriptions can be furnished as part of the collection case file by the Transportation Tax Division of the Board of Equalization when it refers a transportation tax delinquency to the Tax Collection Division for collection.

This change in procedure would also inure to the benefit of the Department of Motor Vehicles which, under present procedures, must prepare and route to the Tax Collection Division a copy of every vehicle

registration resulting in the issuance of a Board of Equalization (B-E) license plate.

We recommend that the Department of Finance ascertain the savings resulting from the foregoing suggestion and reflect them in the proper budgetary allotments.

We believe that proper coordination with the Transportation Tax Division of the Board of Equalization and the Department of Motor Vehicles would afford some relief from the clerical burden now borne by the Tax Collection Division.

COUNTY BUDGETS AND REPORTS DIVISION

The following schedule analyzes the expenditures of this division by object:

| Object | Actual and estimated | | Increase or decrease | |
|-------------------------|----------------------|----------|----------------------|---------|
| | 1946-47 | 1947-48 | Amount | Percent |
| Salaries and wages----- | \$10,100 | \$11,740 | \$1,640 | 16.2 |
| Operating expenses----- | 5,115 | 5,405 | 290 | 5.7 |
| Equipment----- | 2,450 | 145 | —2,305 | —94.1 |
| Totals----- | \$17,665 | \$17,290 | —\$375 | —2.1 |

Recommend approval of this budget as submitted.

To summarize we recommend that Item 124 be approved in the total amount of \$830,658, a reduction of \$1,975. The corrected schedule in the Budget Bill on page 24 will be as follows:

| | |
|-----------------------------|-----------|
| (a) Salaries and wages----- | \$653,785 |
| (b) Operating expenses----- | 126,282 |
| (c) Equipment----- | 50,591 |
| Total of schedule----- | \$830,658 |

For Audit of Veterans' Housing Program, State Controller

Item 125, page 24 of the Budget Bill and page 399 of the Budget. Amount requested \$21,763 for 1947-48, from the General Fund.

This represents an increase of \$3,818, or 21.3 percent, over expenditures of \$17,945 for 1946-47.

No additional positions are requested in this item and inquiry reveals that in view of the nature of this particular program the amounts requested for operating expenses and equipment are based on the best estimates which can be made at this time as this is a new project of a temporary nature.

However, in our opinion, the amount of \$4,070 for traveling should be reduced to \$3,000, a saving of \$1,070. Also, the amount of \$750 for automobile expenses should be reduced to \$500, a saving of \$250. We believe that these adjustments will leave an adequate allowance for travel by this staff even though a full crew is employed throughout the full 1947-48 Fiscal Year which appears unlikely in view of the difficulty being experienced in the effort to find competent employees to accept work of limited duration.

For Audit by State Controller of Special Appropriations for Aid to Local Government Relative to Postwar Public Works Plans and Sites and Postwar Construction Program.

Item 126 on page 25 of the Budget Bill and pages 399 through 401 of the Budget. Amount requested \$121,793 for 1947-48 from the Postwar Unemployment and Construction Fund.

This represents an increase of \$118,973, or 4,219 percent, over expenditures of \$2,820 for the 1946-47 Fiscal Year.

Since the major part of the Controller's activities relative to the audit of local postwar public works, plans and sites, and audit of the local postwar construction program has not yet begun, there is no past experience from which to judge this budgetary request. In view of the particular nature of the program the proposed expenditures appear to be in line.

We recommend approval of Item 126, in the amount of \$121,793, as requested.

For Support of Motor Vehicle Fuel Tax Refund Division, State Controller

Item 127, page 25 of the Budget Bill, and page 402 of the Budget. Amount requested, \$147,725 for 1947-48. *From Motor Vehicle Fuel Fund.*

This represents an increase of \$29,427, or 24.9 percent, over expenditures of \$118,298 for the 1946-47 Fiscal Year. The following schedule shows the expenditures by object indicating the source of the increased costs:

| Object | Actual and estimated | | Increase or decrease | |
|-------------------------|----------------------|-----------|----------------------|---------|
| | 1946-47 | 1947-48 | Amount | Percent |
| Salaries and wages----- | \$78,375 | \$96,860 | \$18,485 | 23.6 |
| Operating expenses----- | 34,033 | 39,105 | 5,072 | 14.9 |
| Equipment----- | 5,890 | 11,760 | 5,870 | 99.7 |
| Totals----- | \$118,298 | \$147,725 | \$29,427 | 24.9 |

Salaries and Wages

In our opinion, the State Controller has not adequately supported the request for one supervising investigator position, plus three investigator positions. It is recognized that having investigators in the field has a salutary effect but the number requested will not be likely to have any significant effect upon persons claiming refunds throughout the State. The six investigators employed in 1946-47 Fiscal Year have not produced results giving tangible evidence of the benefits to be derived from increasing their number. For example, in the months of July through October, 1947, their activities produced the following results:

| Month, 1946 | Downward adjustment of refund claims | Collection in restitution for refund in excess of amount due |
|-------------------------|--------------------------------------|--------------------------------------------------------------|
| July----- | \$114 | \$7,014 |
| August----- | 352 | 488 |
| September----- | 2,569 | 154 |
| October----- | 418 | 133 |
| Totals----- | \$3,453 | \$7,789 |
| Four month average----- | 863 | 1,947 |

It is true that one of the investigators was ill during much of the year. Therefore, if the above totals are divided by five to find the average for each of the five investigators who were actively engaged in field work, it will be found that the monthly averages per man for the two columns shown above were \$173 and \$390, respectively, or a *total of \$563 per man per month*. These averages are only for a short period of time but were furnished as representative and raised serious doubt as to whether the audit program is properly directed or executed, despite the fact that a considerable part of the field time is currently being spent with butane dealers and operators of small air fields.

We recommend that an administrative study of this matter be made immediately. Refunds paid during the 1944-45 Fiscal Year amounted to \$7,276,494, and during the 1945-46 Fiscal Year, to \$7,672,941. The size of the foregoing annual totals indicates that with proper administration substantial benefits probably can be realized from the activities of these investigators but until their effectiveness can be demonstrated we recommend that no additional investigator positions be allowed. If the effectiveness of the investigators' activities cannot be demonstrated, these six existing positions should be abolished.

We recommend disallowance of the request for three additional investigators and one supervising investigator, a saving of \$12,360.

Operating Expenses

In connection with the foregoing recommendation for positions, we also recommend the following reductions:

| | |
|-------------------------------------------------------------|----------------|
| Traveling expense from \$6,500 to \$3,500 a saving of..... | \$3,000 |
| Automobile expense from \$4,300 to \$2,581 a saving of..... | 1,719 |
| <i>Total Savings</i> | <u>\$4,719</u> |

Equipment

Also, in connection with the recommended disallowance of positions, we recommend the following reductions:

| | |
|------------------------------------------------------------|-----------------------|
| Office equipment—additional | |
| <i>From \$1,530 to \$1,238, a saving of.....</i> | <i>\$292</i> |
| Automobiles—additional, (Four automobiles at \$1,400 each) | |
| <i>From \$5,600 to \$0.00, a saving of.....</i> | <i>5,600</i> |
| <i>Total savings</i> | <u><i>\$5,892</i></u> |

Total savings recommended for all categories combined amount to \$22,779.

After adjustment, in accordance with the foregoing recommendations, the schedule of expenditures will be as follows:

| | |
|--------------------------------|------------------|
| (a) Salaries and wages..... | \$84,500 |
| (b) Operating expenses..... | 34,386 |
| (c) Equipment..... | 5,868 |
| <i>Total of schedule</i> | <u>\$124,754</u> |

For Support of Tax-Deeded Lands Division, State Controller

Items 128 and 129 on page 25 of the Budget Bill, and page 403 of the Budget. Amount requested \$85,651 from Redemption Tax Fund and \$112,335 from the General Fund, respectively, making a total of \$197,986 for 1947-48.

This represents an increase of \$7,583, or 4 percent over expenditures of \$190,403 for the 1946-47 Fiscal Year. The following schedule analyzes this increase by object of expenditures:

| Object | Actual and estimated | | Increase or decrease | |
|--------------------------|----------------------|-----------|----------------------|---------|
| | 1946-47 | 1947-48 | Amount | Percent |
| Salaries and wages ----- | \$145,885 | \$153,165 | \$7,280 | 5.0 |
| Operating expenses ----- | 40,995 | 41,481 | 486 | 1.2 |
| Equipment ----- | 3,523 | 3,340 | —183 | —5.2 |
| Totals ----- | \$190,403 | \$197,986 | \$7,583 | 4.0 |

Salaries and Wages

No new positions are requested. The increase is attributable to normal annual increases in salaries and wages.

Amounts provided for operating expenses and equipment appear reasonable and proper, in view of past experience.

The services of the Tax-Deeded Lands Division are not self-supporting. This is evidenced by the fact that the proposed expenditures exceed the anticipated revenues, exhaust the Redemption Tax Fund and create a deficit to be financed from the General Fund as shown in the following schedule:

| | | |
|-------------------------------------------------------------------------------------------|----------|-----------|
| Proposed expenditures, 1947-48 ----- | | \$197,986 |
| Estimated revenue for 1947-48 ----- | \$75,000 | |
| Estimated unbudgeted surplus, July 1, 1947 ----- | 21,676 | 96,676 |
| | | <hr/> |
| | | \$101,310 |
| Contributions to State Employees' Retirement System ----- | | 11,025 |
| | | <hr/> |
| Balance to be appropriated from the General Fund per Item 129 of the Budget Bill ----- | | \$112,335 |

We recommend approval of Item 128 in the amount of \$85,651 as requested.

We recommend that Item 129 of the Budget Bill be amended to provide that the appropriation for the support of the Tax-Deeded Land Division in the Controller's Office in the amount of \$112,335 be appropriated from such additional revenues as may be produced by adjustment in the Redemption Tax Fund rates not to exceed the sum of \$112,335.

A study by the Department of Finance reveals that a flat fee of \$2 for each transaction will produce adequate revenue in the foreseeable future. Therefore, we recommend that legislation be enacted providing for collection of a flat fee of \$2 by local agencies from the redeemer on each parcel of property redeemed, or from the purchaser of each piece of property sold at public auction, or by agreement, provided also that this fee be forwarded to the Redemption Tax Fund.

A flat fee, rather than a sliding scale fee, is recommended because it is (a) easier to administer and (b) more equitable in terms of paying for the work involved in a redemption, which is the same regardless of the amount of the redemption.

Continuation of this service as a state function is recommended for the following reasons:

Local agencies receive valuable service from the division. Discontinuance of this service would result in lack of uniformity in application of the law, development of political considerations, with exceptions permitted in enforcing the law, and an increase in errors with consequent deterioration in the quality of tax titles delivered. Cooperation between the local agencies would probably tend to decrease and progress made in recent years would be lost.

The service must be fully supported from the area in which it functions. There is no reason to draw from the General Fund for administration of a service arising out of the tax delinquencies of a minority of the tax-paying group.

State Board of Equalization

Analysis of Proposed Expenditures for the 1947-48 Fiscal Year

For Support of the State Board of Equalization

Items 130, 131, 132 and 133 of the Budget Bill, pages 407 to 433, inclusive, of the Budget.

Support of the Board of Equalization is requested in the amount of \$8,395,554 from the General Fund and \$306,285 from the Motor Vehicle Fuel Fund, a total of \$8,701,839 from both funds.

Increases

Total expenditures of \$8,716,605, including \$14,766 contributions to State Employees' Retirement Fund which were not included in the amount requested, is an increase of \$1,978,290, or 29.36 percent over the estimated cost of \$6,738,315 for 1946-47. It is an increase of \$4,069,526.56, or 87.57 percent over the prewar 1940-41 cost of \$4,647,078.44.

Recommendation

1. *That an immediate procedures and work load study of all divisions of the State Board of Equalization be made, and that the Annual Budget approved by the Department of Finance be formulated on the findings.*

2. *That steps be taken to improve the integration of the policing with other police agencies of the State and the tax assessing and collecting activities of the Board of Equalization with other agencies of the State which have similar or overlapping activities.*

3. *Reduction of the amount requested in the proposed Budget by*