

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*

\$393,531, or 4.52 percent to \$8,256,349. We recommend this decrease be applied as shown in Table I, following:

Table I—Reduction Recommended by Item and Function

<i>Function</i>	<i>Budget Item</i>	<i>Requested</i>	<i>Reduction Recommended</i>	<i>Amount Recommended</i>
General activities -----	130	\$1,081,614	-----	-----
General administration -----	---	-----	\$7,180	-----
Research and statistics -----	---	-----	1,500	-----
Motor transportation				
License Tax Division				

			\$8,680	\$1,072,934
Sales Tax Division -----	131	5,411,446	-----	-----
Headquarters -----	---	-----	53,020	-----
District offices -----	---	-----	327,030	-----

			\$380,050	5,081,396
Alcoholic Beverage				
Control Division -----	132	1,902,494	-----	-----
Headquarters -----	---	-----	4,801	-----
District offices -----	---	-----		1,897,693

			\$4,801	-----
Motor Vehicle Fuel				
Tax Division -----	133	306,285	-----	306,285
Totals -----	---	\$8,701,839	\$393,531	\$8,308,308

The operations of the Board of Equalization are conducted by three General Fund divisions; the General Activities, Retail Sales Tax, and Alcoholic Beverage Control Division and a Special Fund Division, the Motor Vehicle Fuel Tax Division. These divisions show the following increase over 1946-47 actual and estimated costs:

<i>General Fund</i>	<i>1946-47</i>	<i>1947-48</i>	<i>Increase</i>	<i>Percent of increase</i>
General activities -----	\$907,869	\$1,081,614	\$173,745	19.14
Retail sales tax -----	3,955,490	5,411,446	1,455,956	36.81
Alcoholic beverage control	1,630,853	1,902,494	271,641	16.58
Totals -----	\$6,494,212	\$8,395,554	\$1,901,342	29.28

The Motor Vehicle Fuel Tax Division derives its support from the Motor Vehicle Fuel Fund. It shows the following increase:

<i>Special Fund</i>	<i>1946-47</i>	<i>1947-48</i>	<i>Increase</i>	<i>Percent of increase</i>
Motor Vehicle Fuel Tax --	\$244,103	\$321,051	\$76,948	31.52

GENERAL ACTIVITY

The General Activity of the Board of Equalization includes the operation of General Administration, the Division of Research and Statistics, Division of Assessment Standards, Valuation Division, and the Motor Transportation License Tax Division.

The proposed increase for the Board in its entirety is 29.36 percent more than the 1946-47 actual and estimated costs. The amount requested for support of the general activities of the Board is \$1,081,614, an

increase of \$173,745 over the \$907,869 actual and estimated 1946-47 amount, or 19.14 percent.

Table II, following, shows that the largest increase proposed for the General Activity of the Board is for salaries and wages:

Table II—Summary of the General Activities of the Board of Equalization

<i>Salaries and Wages</i>	<i>1946-47 actual and estimated</i>	<i>1947-48 Proposed</i>	<i>Increase</i>	<i>Percent of increase</i>
Positions now authorized.....	\$722,582	\$727,078	\$4,496	.62
Estimated salary savings.....	—28,700	—17,550	11,150	38.85
Merit salary adjustments.....		6,265	6,265	
Proposed new positions.....		86,040	86,040	
Total, salaries and wages.....	\$693,882	\$801,833	\$107,951	15.56
Operating expense	205,409	238,883	33,474	16.30
Equipment	13,918	46,688	32,770	235.45
Totals	\$913,209	\$1,087,404	\$174,195	19.07
Credits for pro rata charges to Motor Vehicle Fuel Tax Division..	5,340	5,790	—450	
Net Totals	\$907,869	\$1,081,614	\$173,745	19.14

Examination of the component parts of the general activities follows:

GENERAL ADMINISTRATION

We recommend the reduction of allocation for general administration of \$7,180, or 3.50 percent.

The \$251,028 requested is an increase of \$44,122, or 21.32 percent, more than the actual and estimated cost of \$206,906 in 1946-47. The reduction recommended would decrease the amount requested to \$243,848, an increase of \$35,942, or 17.37 percent, over 1946-47 estimated costs.

Salaries and Wages

It is recommended that the proposed position of departmental personnel officer be eliminated. The saving would be \$5,100. The addition of such a position adds overhead to the department. It duplicates some of the functions which are performed by the Personnel Board and the supervisors and administrators of the Board of Equalization. There are some 200 chiefs, administrators, and supervisors whose duties necessarily involve personnel work in their divisions. The type of personnel employed by the Board is such that the administrators, chiefs, and the supervisors should perform these duties and be responsible for them.

It is recommended that the position of Administrative Aid in the Retail Sales Tax Unit be abolished and an Associate Administrative Analyst position be established in the General Administration Unit. The over-all additional cost would be \$300. The cost to the General Administration would be \$3,660, with a corresponding decrease of \$3,360 in the Sales Tax Division. The proposed Budget has requested reclassification of the Administrative Aid to the Analyst position within the Retail Sales

Tax Division. *The Analyst should be subordinate only to the Board and should include the activities other than the Sales Tax Division in his scope as well as the Sales Tax Division.*

We recommend the position of Supervising Auditor Grade I be reclassified to Auditor Grade 2. This Auditor inspects the accounting procedure and practices of the District Offices and does no supervisory work. The saving would be \$1,740.

Operating Expenses

We recommend that the printing of Revenue Laws, for which \$12,000 has been requested, and from which an estimated \$8,000 abatement is to be derived, be made self-sustaining. At present more than one-third of the published volumes are given to state and local officials, the balance sold at \$5 a copy. The complete Revenue Laws are published every four years; supplements two years later.

The legal research and preparation of material is performed as a routine work of the Board's Legal Section. The additional expense of the publication is approximately \$1,100 in salaries of one attorney and a stenographer, and the printing, estimated at \$12,000. This would amount to a total cost of \$13,100, or \$4.36 per copy. Price increases or reduction of the complimentary and free list would equalize this expense so that the total cost of the publication could be recovered. *The saving would be \$4,000.* The Department of Finance should approve procedure of this to insure that it will be self-supporting.

DIVISION OF RESEARCH AND STATISTICS

We recommend a reduction of the allocation for Research and Statistics by \$1,500, or 4.64 percent.

The \$32,315 requested is an increase of \$4,360, or 15.60 percent over the \$27,955 actual and estimated amount required in the 1946-47 Fiscal Year. The reduction will allocate \$30,815 to the Division, a \$2,860, or 10.23 percent increase over 1946-47 costs.

Operating Expenses

It is recommended that the amount proposed for printing be reduced by \$1,500 from \$4,000 to \$2,500. The amount proposed was intended to place the biennial report on an annual basis. 1942-43 printing costs for the division were \$1,800. In 1944-45 this cost was \$2,000. The current biennial report and other printing costs are estimated at \$3,150. We do not believe the 1947-48 report will cost as much to print as the biennial report.

DIVISION OF ASSESSMENT STANDARDS

The \$107,132 requested is an increase of \$11,958, or 12.56 percent more than the estimated 1946-47 cost of \$95,174.

We recommend that the staff of this division be transferred to the Valuation Division, the time of the staff to be spent on the constitutional duties of equalization, and that the Department of Finance make the

necessary adjustments in the amounts requested to accomplish this purpose.

The division as now set up has extended its scope to subjects outside its prescribed duties, to the neglect of its constitutional function. The efficiency and effective use of its staff would be improved by consolidation with the Valuation Division of the Board.

VALUATION DIVISION

We recommend that the amount requested be approved as submitted.

Proposed expenditures for 1947-48 are \$210,746, an increase of \$26,245, or 14.22 percent over the \$184,501 estimated expenditure for 1946-47. This division appears to be the best administered of any under the control of the Board of Equalization. Its requested increase in operating expenses provides a measure of the relative efficiency of the other divisions of the board.

MOTOR TRANSPORTATION LICENSE DIVISION

Approve as proposed.

The proposed expenditures for 1947-48 are \$413,986, an increase of \$96,112, or 30.24 percent, over the \$317,874 estimated expenditures in 1946-47.

The increase is justified by the anticipated revenues of approximately twice the amount received in 1941-42 and by an increase of at least 3,000 new truck operators in the State.

In 1941-42, the cost of this division was \$232,277. The 1947-48 proposed cost is an increase of \$181,709, or 78.23 percent, of the 1941-42 costs. *Part of this increase is in the amount of auditing and investigating formerly done by the Sales Tax Division for the Motor Transportation License Division*, which is proposed to be done by the Motor Transportation License Tax Division in 1947-48. The average number of active licenses has risen from 19,600 on June 30, 1940, to an estimated 26,000 on June 30, 1947, an increase of 6,400, or 32.65 percent.

It is recommended that this division assume the tax collecting functions with regard to the Motor Transportation License Tax which are now performed by the Controller. In addition, it is recommended that this division take over the collecting of the assessment levied by the Public Utilities Commission and the auditing which duplicates or parallels the efforts of the Motor Transportation License Tax Division of the Board.

SALES TAX DIVISION

The amount requested for administration of the sales and use taxes for 1947-48 is \$5,411,466. This is an increase of \$1,455,956, or 36.81 percent over the \$3,955,490 actual and estimated costs in 1946-47. It is an increase of \$2,684,819, or 98.47 percent over the actual and estimated costs of \$2,726,627 for this division for the Fiscal Year 1940-41.

Table III shows a comparison of costs for 1946-47 with proposed expenditures for 1947-48.

Table III—Comparison of Expenditures by Object
(Sales Tax Division—entire unit)

	<i>Estimated 1946-47</i>	<i>Proposed 1947-48</i>	<i>Increase or decrease Amount</i>	<i>Percent</i>
Salaries and wages				
Positions now authorized.....	\$4,019,985	\$4,055,520	\$35,535	.88
Estimated salary savings.....	—414,800	—226,400	188,400	45.42
1947-48 merit salary adjustment.....	-----	53,630	53,630	-----
Proposed new positions.....	-----	924,025	924,025	-----
Totals, salaries and wages.....	\$3,605,185	\$4,806,775	\$1,221,595	33.88
Operating expenses	\$480,527	\$595,495	\$114,968	23.93
Equipment	33,454	178,194	144,740	432.65
Totals	\$4,119,166	\$5,580,464	\$1,461,298	35.48
Less reimbursement for services rendered other departments.....	*1,134	*1,134	-----	-----
Less reimbursements for services to other divisions of the board.....	*162,542	*167,884	*5,342	3.29
Net totals	\$3,955,490	\$5,411,446	\$1,455,956	36.81

* Deduct.

The same information for the headquarters and district offices follows:

Table IV—Headquarters Office Comparison of Expenditures by Object

<i>Headquarters</i>	<i>1946-47 Actual and estimated</i>	<i>1947-48 Proposed</i>	<i>Increase</i>	<i>Percent increase</i>
Salaries and wages				
Positions now authorized.....	\$978,445	\$992,200	\$13,755	1.41
Estimated salary savings.....	—64,800	—35,400	29,400	45.37
1947-48 merit salary adjustments.....	-----	16,130	16,130	-----
Proposed new positions.....	-----	134,675	134,675	-----
Total salaries and wages.....	\$913,645	\$1,107,605	\$193,960	21.23
Operating expenses	\$206,487	\$228,528	\$22,041	10.67
Equipment	12,217	51,817	39,600	324.14
Total	\$1,132,349	\$1,387,950	\$255,601	22.57
Reimbursement for services rendered other departments.....	1,134	1,134	-----	-----
Net total	\$1,131,215	\$1,386,816	\$255,601	22.60

Table V—District Offices Comparison of Expenditures by Object

<i>District offices</i>	<i>1946-47 Actual and estimated</i>	<i>1947-48 Proposed</i>	<i>Increase</i>	<i>Percent increase</i>
Salaries and wages				
Positions now authorized.....	\$3,041,540	\$3,063,320	\$21,780	.72
Estimated salary savings.....	—350,000	—191,000	159,000	45.43
1947-48 merit salary adjustments..		37,500	37,500	-----
Proposed new positions.....		789,350	789,350	-----
Total salaries and wages.....	\$2,691,540	\$3,699,170	\$1,007,630	37.44
Operating expenses	274,040	366,967	92,927	33.91
Equipment	21,237	126,377	105,140	495.08
Net total	\$2,986,817	\$4,192,514	\$1,205,697	40.37

The above summaries show that the proposed expenditures for the entire Sales Tax Division are 36.81 percent more than the estimated and actual expenditures during the 1946-47 Fiscal Year. The increase for the Headquarters Office is 22.60 percent and for the District Offices is 40.37 percent over the 1946-47 Fiscal Year.

HEADQUARTERS

Recommendations

We recommend a reduction of allocation for headquarters of \$53,020, or 2.52 percent.

The \$1,386,816 requested is an increase of \$255,601, or 22.60 percent, over the \$1,131,215 estimated 1946-47 costs. The reduction recommended would allot \$1,333,796, an increase of \$202,581, or 17.91 percent, over the 1946-47 amount.

The work of the headquarters office is controlled by two factors. The first is the number of active permits outstanding and the rate of issuance of new permits and close out of old permits. The second is the volume of field audit work performed.

The volume of active permits will have increased 22.54 percent by July, 1947 over July, 1946. The rate of changes in businesses is high at present but should be about constant at about 450 new permits and 450 close outs a day by July of 1947. It is expected that there will be 250,000 active permits outstanding by July 1, 1947.

Salaries and Wages

We recommend that the position of Associate Sales Tax Administrator be eliminated. The saving would be \$7,860. The Sales Tax Division is topheavy with executive and supervisory personnel. This officer administers legal policy of the division, duties that formerly rested on the Administrator with the assistance of the Legal Section. The position was set up in 1941 without being included as a new position in any budget. In 1942 the holder of the position left for military service and the position has been vacant since then.

It is recommended that the position of Associate Administrative Analyst requested as a reclassification of the position of Administrative

Aid be transferred from the Retail Sales Tax Division to the General Administration Division. This will result in the reduction to the Retail Sales Tax Division of \$3,360. A corresponding amount has been added to the General Administration Division.

It is recommended that the two proposed new positions of Senior Assistant Tax Counsel at \$7,080 be reduced to one Senior Assistant Tax Counsel at \$3,540.

We recommend a decrease in Headquarters Office proposed new positions comparable to the reduction we are recommending in district office proposed new positions. Since we are recommending a reduction of proposed new positions for district office audit staffs, from 228 to 85, a proportionate decrease is recommended in the new positions set up to handle the added work load in the Headquarters audit staff. The decrease recommended is shown in Table VI.

Table VI—Recommended Reduction in Personnel of Headquarters Sales Tax Division as a Result of Reduction in District Personnel

<i>Position title auditing</i>	<i>Requested</i>	<i>Rate of pay</i>	<i>Total cost</i>	<i>Recom- mended</i>	<i>Cost rec- ommended</i>
Auditor Grade 3-----	1	\$335 to 395	\$4,020	0	
Auditor Grade 2-----	5	280 to 340	11,760	2	\$6,720
Accountant-Auditor Gr. 1	10	240 to 280	20,160	4	11,520
Jr. Accountant Auditor--	14	180 to 220	22,680	5	10,800
Calculating Machine operator -----	3	160 to 200	5,760	1	1,920
Intermediate Typist Clerk	3	160 to 200	5,760	1	1,920
	36		\$70,140	13	\$32,880

Operating Expenses

The proposed budget includes an increase of \$1,000 for additional contribution to the Federation of Tax Administrators. In view of the request contained in the Budget for the Franchise Tax Commissioner for a new membership in this organization, with a contribution of \$1,000, it is recommended that this item be reduced from \$2,000 to \$1,000. While it is recognized that this organization renders a valuable service to the State, the increased contribution by the Board of Equalization does not appear warranted.

Reduction Recommended \$37,260

The total reduction in headquarters salaries and wages recommended is \$52,020.

DISTRICT OFFICES

The amount requested in support of the district offices is \$4,192,514, an increase of \$1,205,697, or 40.37 percent, over the \$2,986,817, actual and estimated cost in 1946-47.

Recommendation

We recommend that the amount requested be reduced by \$344,430, or 8.22 percent. It is suggested that 143 of the requested 360 new positions not be established, which permits establishment of 217 new positions. This will result in the reduction of the amount requested for salaries and wages of \$282,030; operating expenses for traveling by \$17,400; and additional equipment for audit and additional automobiles by \$45,000.

It was intended, in establishing the 360 new positions, to expand the audit program to cover businesses which are closing, large businesses, and a sampling of other businesses. The recommended reduction of new personnel requested is based upon several factors:

1. The Board has been reluctant to prosecute persons who are found to have wilfully violated the Sales Tax Act. In fact, there is no evidence that anyone has ever paid a criminal penalty under Section 7151 or 7152 of the Revenue and Taxation Code. Under this condition, evasion of the tax is encouraged, since penalties imposed are only the 25 percent assessed on the taxes disclosed. The taxes actually due may exceed the amount discovered plus the penalty, and then only those which the Board can prove are owed. No deterrent to understatement of tax is applied. *A large part of the audit load is a result of the failure of the Board to apply criminal penalties in flagrant cases.*
2. The present audit personnel is able to devote little more than half its time to the production of audits. With the addition of investigative and clerical personnel which is recommended, the auditors will be able to increase their production of audits.
3. A more effective selection of accounts to be audited can be achieved by a better use of statistical and other information available to the division.
4. The additional personnel proposed and recommended for the other divisions of the Board of Equalization will release certain Sales Tax Personnel which now spend much of their time on work for the other divisions.

It is expected that the revenue to the State from the addition of new auditors will be increased. The intensification of the audit program has a good effect upon the voluntary declaration and payment of sales taxes by retailers other than those audited. This is an intangible but very important effect. The presence in California of many new businesses whose owners have recently come from other states, makes the inevitability of an audit as important now as it was when the sales tax first went into effect. Retail sales in California, in the past three years, reached an all-time high. The production of revenue by audit of retailers accounts covering these three years should be proportionate. It is estimated that the audit program will not reach a point of diminishing returns until somewhere between six and ten million dollars a year is recovered in additional assessments.

The Board of Equalization has neglected a very important part of its responsibility in administering and enforcing the sales tax. Instead of prosecuting violations of the act and giving the prosecutions publicity with the attendant effect on others who are contemplating evading the tax, the Board has not only failed to prosecute obvious frauds but has frequently ignored the auditor's recommendations with regard to penalties.

We recommend that in lieu of the relatively complete audit coverage, for which the large number of new positions are requested, the Board depend somewhat on criminal prosecution of violators rather than audits to deter evasion of the sales tax.

We believe that the large amount recovered by the field auditors is a direct result of the failure of the Board to prosecute violators. The policy now being pursued by the Board makes evasion of the tax profitable. The worst penalty to which an offender is subject is a 25 percent penalty based on the tax recovered. If the auditor overlooks any tax, the offender profits by that much money. Occasionally when fraud is detected, the retailer is required to increase his bond. The dishonest retailer has more to gain than to lose under the present system. No deterrent to evasion is enforced.

Sections 7151 and 7152 of the Revenue and Taxation Code provide penalties not exceeding \$5,000, or one year in jail. Retailers should have these penalties brought to their attention and be aware that such penalties are enforced.

Table VII shows the changes recommended in the proposed new positions.

**Table VII—Recommended Reduction in Requested Personnel
for District Office Audit Staffs**

<i>Position title</i>	<i>Number requested</i>	<i>Rate of pay</i>	<i>Total cost</i>	<i>Number recom- mended</i>	<i>Total cost recom- mended</i>
Auditor, Grade 3..... (6 full yr., 8-6 months)	14	\$335 to 395	\$40,200	6 (3 full yr., 3-6 mos.)	\$18,090
Auditor, Grade 2..... (30 full yr., 33-6 months)	63	280 to 340	156,240	23 (10 full yr., 13-6 mos.)	77,280
Auditor, Grade 1 (54 full yr., 75-6 mos.)	129	240 to 280	263,520	48	138,240
Jr. Accountant Auditor (10 full yr., 12-6 mos.)	22	180 to 220	34,560	8	17,280
Totals	228		\$494,520	85	\$250,890
Intermediate Typist Clerk	39	160 to 200	74,880	19	36,480
Totals	267		\$569,400	104	\$287,370

Reduction in Salaries and Wages Recommended \$282,030

A corresponding reduction in operating expenses and equipment is recommended. The reduction in proposed new positions would make the increase in field personnel 142, instead of 285. Since this is a reduction of approximately 50 percent, we recommend the increase in operating expenses and additional equipment be reduced 50 percent. Table VIII shows the changes recommended.

**Table VIII—Recommended Reduction in Items of Operating Expense
and Equipment for District Offices**

<i>Object of expenditure</i>	<i>Requested amount</i>	<i>Increase</i>	<i>Recommended amount</i>	<i>Saving</i>
Operating Expenses				
Travel	\$101,000	\$34,800	\$83,600	\$17,400
Equipment				
Office additional	\$39,055	\$27,513	\$19,528	\$19,527
Auditing additional	29,146	28,046	14,573	14,573
Automobile additional	21,800	20,365	10,900	10,900
Total	\$90,001	\$75,924	\$45,001	\$45,000

ALCOHOLIC BEVERAGE CONTROL DIVISION

We recommend a reduction of allocation for Alcoholic Beverage Control Division of \$8,141, or .43 percent.

The total requested for the support of the division is \$1,902,494. This is an increase of \$271,641, or 16.58 percent, more than the actual and estimated expenditures of \$1,630,853 for 1946-47.

The items contained in the budget for support of the Alcoholic Beverage Control Division are divided into four sections; the Headquarters Administration Bureau, Tax Assessments, District Liquor Control Offices, and pro rata charges for services rendered by the Retail Sales Tax Division.

Table IX, below, tabulates the objects of expenditures and shows the increases over 1946-47 figures for the entire unit.

**Table IX—Proposed Expenditures of the Alcoholic Beverage Division
by Object of Expenditure**

	1946-47	1947-48	Increase	Percent of increase
Salaries and wages				
Positions now authorized-----	\$1,371,590	\$1,379,980	\$8,390	.61
Estimated salary savings-----	—65,000	—42,000	23,000	35.38
1947-48 merit salary adjustment--	-----	11,330	-----	--
Proposed new positions-----	-----	150,600	-----	--
Totals, salary and wages-----	\$1,306,590	\$1,499,910	\$193,320	14.80
Operating expenses-----	293,248	334,609	41,361	14.10
Equipment-----	31,015	67,975	39,960	119.17
Totals-----	\$1,630,853	\$1,902,494	\$271,641	16.66

Of the amount requested for the support of the division, the four sections show the following increases:

Table X—Increases by Function

	1946-47	1947-48	Increase	Percent of increase
Headquarters Administration-----	\$178,205	\$203,363	\$25,158	14.12
Bureau of Tax Assessment-----	261,471	289,516	28,045	10.73
District Liquor Control Offices-----	1,116,789	1,322,355	205,557	18.41
Pro rata to Sales Tax Division-----	74,379	87,260	12,881	17.31
Totals-----	\$1,630,853	\$1,902,494	\$271,641	16.66

HEADQUARTERS ADMINISTRATION

It is recommended that the amount requested for support of the Headquarters Administration, \$203,363, be reduced by \$4,801, or 2.36 percent. This represents a reduction of the allocation for printing from \$12,401 to \$8,600 which is twice the 1941-42 cost.

BUREAU OF TAX ASSESSMENTS

We recommend approval of the \$289,516 requested.

DISTRICT LIQUOR CONTROL OFFICES

Approve as proposed.

The \$1,322,355 requested is an increase of \$205,557, or 18.41 percent, over the \$1,116,798 actual and estimated expenditures of 1946-47.

It is \$479,603, or 56.91 percent, over the \$842,752 actual and estimated expenditures in the Fiscal Year 1940-41. This increase is only slightly more than the increase in salaries and cost of goods and services. A much larger increase than this would be justified by the increased workload of the division.

The increased workload of the division, particularly the District Liquor Control Offices, is a result of an increase in the number of premises to be supervised, increases in the population of California, increased consumption of alcoholic beverages by the residents of the State, the changing concentration of population in the State, and the accelerated rate at which licenses are transferred.

The number of premises to be supervised has increased from approximately 25,109 in 1941 to 28,646 in 1946, an increase of 3,539, or 14.9 percent. The proposed increase in the number of liquor control officers, including supervising personnel, is from 245 in 1940-41 to 286 in 1947-48, an increase of 41 persons, or 16.73 percent.

Revenues from license fees collected by the division have increased from \$5,734,842 to \$8,979,942. This is an increase of \$3,245,100, or 56.59 percent.

The increased consumption of alcoholic beverages in the State is indicated by the excise taxes collected. Excise taxes collected in the year 1940-41 were \$10,982,760. In 1945-46 they were \$21,893,420. This is an increase of \$10,910,660, or 99.34 percent.

The population in California increased from 6,907,387 on April 1, 1940, to an estimated 9,200,000 as of January 1, 1947, an increase of 2,292,613, or 33.19 percent.

New liquor control officers are budgeted for three supervisors and 39 officers. The growth in the liquor business justifies more supervision and enforcement. However, the effectiveness of the staff of liquor control officers is greatly diminished by outside influences and considerations. It is recognized that the addition of new personnel which will be unaffected by such considerations in the enforcement of liquor laws is desirable. However, if they are subject to the same restrictions and duress that inhibit some of the present staff, the addition of this personnel will be wasted. *We have previously recommended that liquor law enforcement be separated from the Board of Equalization, a tax body.*

It is also recommended that after the appointment of the new personnel, the new liquor control officers should be impressed with the fact that any attempts to restrain their enforcement of the law should be communicated to the Attorney General.

MOTOR VEHICLE FUEL TAX DIVISION

Item 133 of the Budget Bill, pages 429 to 431 of the Budget.

Appropriation from the Motor Vehicle Fuel Fund of \$306,285 for support of the Motor Vehicle Fuel Tax Division. This is an increase of \$74,958, or 32.40 percent, over the \$231,327 estimated amount necessary for 1946-47. An increase of 100 percent in the use fuel tax is the controlling reason for the larger appropriation requested.

We recommend approval of the amount requested.

Department of Finance

Analysis of Proposed Expenditures for the 1947-48 Fiscal Year

For Support of the Department of Finance, Exclusive of Buildings and Grounds Division

Item 134, pages 26 and 27, of the Budget Bill and pages 434 to 446, inclusive, of the Budget. Amount requested, \$1,346,052, for support from the General Fund. This represents an increase of \$605,509.57, or 81.8 percent over the amount of \$740,542.43 expended in the 1945-46 Fiscal Year and is \$291,214, or 27.6 percent above the amount of \$1,054,838 allowed for expenditure in the 1946-47 Fiscal Year.

Proposed expenditures for 1947-48 are summarized by division on a comparative basis with 1946-47 in Table I, following :

Table I—Analysis of Proposed Expenditures by Division

Division	Estimated 1946-47	Proposed 1947-48	Increase or Decrease 1947-48 over 1946-47	
			Amount	Percent
Administration	\$112,332	\$163,849	\$51,517	45.9
Accounts and Disbursements.....	88,850	131,958	43,108	48.5
Budgets and Accounts.....	162,620	237,527	74,907	46.1
Audits	352,121	396,322	44,201	12.5
Purchases	211,784	249,226	37,442	17.7
War Surplus Property Procurement....	117,886	152,125	34,239	29.
Bureau of Liquidation.....	21,630	44,770	23,140	106.9
Public Works and Acquisition.....	10,960	10,275	—685	—6.2
Service and Supply.....	20,959	—	—20,959	—100.
Totals, Support	\$1,099,142	\$1,386,052	\$286,910	26.1
Less amounts payable from other funds:				
Postwar Employment Reserve.....	10,960	—	—10,960	—100.
Fair and Exposition Fund.....	33,344	40,000	6,656	1.99
Net Totals, Support.....	\$1,054,838	\$1,346,052	\$291,214	27.6

The foregoing table reflects increases in all divisions except two. The Divisions of Public Works and Acquisition, and Service and Supply are shown to be down by \$685 and \$20,959, respectively. *However, the expenditures for the latter division for 1947-48 are provided for in the Budget of Buildings and Grounds Division so the amount is a deduction only for purposes of comparison at this point in the Budget.*

The other seven divisions register gains totaling \$308,554 which is 28.9 percent above the amount of \$1,067,223 allowed for expenditure by these same seven divisions for 1946-47 and \$641,343, or 87.3 percent above actual expenditures for 1945-46.