

Recommendation

That Item 170 be reduced by \$5,072 or .95 percent. This reduction will affect the schedule on a revised basis as follows:

Salaries and wages -----	\$409,600
Operating expense -----	125,578
Equipment -----	14,660
 Total -----	 \$549,838
Less abatements -----	23,488
 Net appropriation -----	 \$526,350

The question is again raised as to the justifiability of carrying on the pay roll test audits in connection with workmen's compensation carriers out of the insurance fund. The function apparently requires 4 pay roll auditors with a salary cost of \$15,600, plus clerical assistance.

Department of Investment

Analysis of Proposed Expenditures for the 1947-48 Fiscal Year

For Support of the Division of Banking

Item 171, page 33, of the Budget Bill and pages 525 to 528, inclusive, of the Budget.

Amount requested \$224,816 for support, payable from the Banking Fund. This represents an increase of \$77,031.88 or 52.1 percent over the amount of \$147,784.12 expended in the 1945-46 Fiscal Year and \$25,066 or 12.5 per cent above the amount of \$199,750 allowed for expenditure in the 1946-47 Fiscal Year.

The distribution of expenditures by function is summarized in Table I following:

Table I—Distribution of Expenditures by Function

<i>Function</i>	<i>Estimated 1946-47</i>	<i>Proposed 1947-48</i>	<i>Increase or decrease 1947-48 over 1946-47</i>	
			<i>Amount</i>	<i>Percent</i>
Administration -----	\$58,455	\$65,891	\$7,436	12.7
Enforcement of banking laws -----	133,965	148,745	14,780	11.0
Certification of bond issues -----	7,330	10,180	2,850	38.8
 Totals, support -----	 \$199,750	 \$224,816	 \$25,066	 12.5
Contributions State Employee Retirement Fund -----	9,550	10,000	450	4.7
 Total expenditures -----	 \$209,300	 \$234,816	 \$25,516	 12.1
Revenues				
Assessments and fees -----	\$274,110	\$280,610	\$6,500	2.4

Administration costs are up by \$7,436 or 12.7 percent, while enforcement of banking laws advances in expenditures by 11 percent or \$14,780. Certification of bond issues expenses are scheduled to increase \$2,850 or 38.8 percent.

Proposed 1947-48 expenditures by object of expenditures are compared with related items in Table II following:

Table II—Proposed 1947-48 Expenditures by Object of Expenditures

Object	Estimated 1946-47	Proposed 1947-48	Increase or decrease 1947-48 over 1946-47	
			Amount	Percent
Salaries and wages -----	\$133,685	\$151,315	\$17,630	13.1
Operating expenses -----	65,065	69,844	4,779	7.3
Equipment -----	1,000	3,657	2,657	265.7
Totals -----	\$199,750	\$224,816	\$25,066	12.5

Salaries and Wages

Salaries and wages are scheduled to advance from \$133,685 to \$151,315, an increase of \$17,630 or 13.1 percent. *Two new positions are proposed which will cost \$7,440 or 42.2 percent of the total advance in salaries and wages.* This addition will bring the total number of positions to 36, an increase of 5.8 percent over 1946-47 and 50 percent over 1945-46 when only 24 positions were authorized for this division. The additional \$7,440 is proposed for the following positions:

2 Semi-senior Bank Examiners ----- 310(15)370 \$7,440

Based on the present number of 116 banks in the state system and the fact that by law each bank is required to be examined once each Fiscal Year, a force of 22 field men is required. The addition of the two requested positions will place the personnel complement at the required level. Due to inability to fill some positions in the past, the division is somewhat behind schedule.

Operating Expenses

Operating expenses can be reduced somewhat to effect savings on the following items:

Under administration operating expenses. Reduce printing from \$4,200 to \$3,750, a saving of \$450. This figure will permit a 25 percent increase over projected costs for 1946-47.

Reduce postage from \$900 to \$800, a saving of \$100. This is another stabilized item not subject to much fluctuation by virtue of no increase in operations. The reduced amount is the same as scheduled for 1946-47.

Reduce automobile operating expense from \$2,000 to \$1,800, a saving of \$200. This is the same amount as estimated for 1946-47 and is 6.3 percent above the actual expenditures for 1945-46.

Reduce freight cartage and express from \$75 to \$55, a saving of \$20. This permits a 5 percent increase in the face of no increase in rates or personnel.

Under operating expenses for enforcement of banking laws, reduce traveling from \$15,000 to \$14,850, a saving of \$150. This is 10 percent above the amount allowed for 1946-47 to cover the 10 percent increase in field staff.

The foregoing savings on operating expense total \$1,120 or 2.24 percent.

Equipment Expenses

Equipment expenditures, while substantial on a percentage basis follow the general trend indicated by necessity.

Revenues

This division is a self supporting function being supported from revenues derived from license fees and assessments on banks. The estimated unbudgeted surplus as of July 1, 1947, is \$390,671. Revenues for 1947-48 are estimated at \$280,671. Total proposed expenditures amount to \$234,816, or 83.7 percent of estimated revenues. The balance of revenues will increase the estimated unbudgeted surplus by \$45,794 or 11.7 percent to a total of \$436,465.

Recommendation

That Item 171 be reduced by \$1,120 or .7 percent. This reduction will affect the schedule on a revised basis as follows.

Salaries and wages -----	\$151,315
Operating expenses -----	68,724
Equipment -----	3,657
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	\$223,696

For Support of Division of Building and Loan

Item 172, page 33, of the Budget Bill and pages 529 to 531, inclusive, of the Budget. Amount requested \$115,287 for support from the Building and Loan Inspection Fund. This represents an increase of \$34,287.02 or 42.3 percent over the amount of \$80,999.98 expended in the 1945-46 Fiscal Year and \$7,562 or 7.01 percent above the amount of \$107,725 allowed for expenditure in the 1946-47 Fiscal Year.

The following Table III presents a statistical summary of proposed expenditures by function for 1947-48 compared with similar items for the Fiscal Years of 1945-46 and 1946-47 together with revenue.

Table III—Analysis of Proposed Expenditures by Function

Function	Estimated 1946-47	Proposed 1947-48	Increase or decrease 1947-48 over 1946-47	
			Amount	Percent
Administration -----	\$45,270	\$46,727	\$1,457	3.2
Examination -----	62,455	68,560	6,105	9.7
Total support -----	<hr/> \$107,725	<hr/> \$115,287	<hr/> \$7,562	<hr/> 7.01
Contribution State Employees'				
Retirement Fund -----	5,975	6,735	760	12.7
Total expenditures -----	<hr/> \$113,700	<hr/> \$122,022	<hr/> \$8,322	<hr/> 7.3
Revenues -----	\$105,043	\$126,043	\$21,000	19.9

It is indicated that the total support expenditures are up by \$7,562 or 7.01 percent. Revenues are scheduled to increase in the amount of \$21,000 or 19.9 percent. The increase in revenues substantially offsets

the increase in total expenditures, being \$13,438 or 177.7 percent in excess thereof. Total revenues exceed total expenditures by \$4,021 or 3.29 percent.

Administration expenses reflect an increase of \$1,457 or 3.2 percent.

Examination expenses indicate the largest increase both from a dollar and percentage standpoint, being up \$6,105 or 9.7 percent.

The following Table IV presents a summary of expenditures by object of expenditure for 1947-48 as compared with 1945-46 and 1946-47.

Table IV—Proposed Expenditures by Object of Expenditure

Object	Estimated 1946-47	Proposed 1947-48	Increase or decrease 1947-48 over 1946-47	
			Amount	Percent
Salaries and wages	\$85,223	\$91,540	\$6,217	7.3
Operating expense	21,882	22,897	1,015	4.6
Equipment	610	850	240	3.9
Totals	\$107,725	\$115,287	\$7,562	7.01

Salaries and Wages

Salaries and wages reflect an increase from \$85,233 to \$91,540 up \$6,217 or 7.3 percent.

One new position of semi-senior building and loan examiner at \$3,360 accounts for 54 percent of the total increase in salaries and wages. There has been a 5.5 percent increase in the number of building and loan associations in the past two years, with assets reflecting an increase of over 43 percent. The additional work load necessitates the added position.

Operating Expenses

Operating expenses show an advance of \$1,015 or 4.6 percent going from \$21,882 in 1946-47 to a proposed figure of \$22,897 for 1947-48. We believe that approximately \$1,000 can be saved in the travel expense allocated for 14 employees in the examination function. Past budget experience indicates an average of \$510 per employee for travel which totals \$7,200. *An allowance of \$7,700 for this item should be ample, thereby saving \$1,000. The budget figures as submitted reflect on the whole careful consideration and set an exemplary pattern that might well be a process to be emulated by other divisions within the state hierarchy.*

Equipment

Equipment totals appear acceptable as stated.

Surplus

Unbudgeted surplus funds indicate an advance from \$47,588 estimated as of July 1, 1947, to \$51,609 as of June 30, 1948, a net gain of \$4,021 or 8.4 percent.

Recommendation

That Item 172 be approved in the reduced amount of \$114,287, a reduction of \$1,000 or .87 percent. The schedule to be in conformity with this reduction will show revised amounts as follows:

Salaries and wages -----	\$91,540
Operating expenses -----	21,897
Equipment -----	850
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	\$114,287

For Support of Division of Corporations

Item 173, page 33, of the Budget Bill and pages 532-535, inclusive, of the Budget. Amount requested \$452,101 for support—from the General Fund. This represents an increase of \$164,929.75 or 57.4 percent over the amount of \$287,171.25 expended in the 1945-46 Fiscal Year and is \$73,718 or 19.5 percent above the amount of \$378,483 allowed for expenditure in the 1946-47 Fiscal Year.

Proposed expenditures for 1947-48 are summarized by function on a comparative basis with the preceding two fiscal years in Table V following:

Table V—Analysis of Proposed Expenditures by Function

<i>Function</i>	<i>Estimated 1946-47</i>	<i>Proposed 1947-48</i>	<i>Increase or decrease 1947-48 over 1946-47</i>	
			<i>Amount</i>	<i>Percent</i>
Administration -----	\$123,136	\$155,166	\$32,030	26.0
Applications, permits and orders -----	159,574	174,060	14,486	9.0
Audits and investigations -----	95,773	122,875	27,102	28.3
Total expenditures -----	\$378,483	\$452,101	\$73,618	19.5
Revenues -----	\$895,700	\$896,775	\$1,075	0.12

Total expenditures are indicated to increase by \$73,618 or 19 percent. Revenues will only advance by .12 of 1 percent.

Administration costs of \$155,166 show the largest dollar increase and the second largest increase in percentage, being up by \$32,030 or 26 percent.

Expenses for the applications, permits and orders function is scheduled at \$174,060, an increase of \$14,486 or 9 percent over 1946-47.

Audits and investigations are indicated to require a 28.3 percent larger allocation of funds totaling \$122,875, representing an advance of \$27,102 more than the amount of \$95,773 scheduled to be expended for 1946-47.

Proposed expenditures by object and the percentage of increase therein are set forth in Table VI following:

Table VI—Analysis of Proposed Expenditures by Object and Function

Object and function	Estimated 1946-47	Proposed 1947-48	Increase or decrease 1947-48 over 1946-47	
			Amount	Percent
Salaries and Wages				
Administration	\$94,111	\$107,245	\$13,134	13.9
Applications, permits and orders.....	158,824	173,060	14,236	8.9
Audits and investigations.....	90,573	116,875	26,302	29.0
Total salaries and wages expense...	\$343,508	\$397,180	\$53,672	15.6
Operating Expense				
Administration	22,675	26,450	3,775	16.6
Applications, permits and orders.....	750	1,000	250	33.3
Audits and investigations.....	5,200	6,000	800	15.3
Total operating expense.....	\$28,625	\$33,450	\$4,825	16.8
Equipment				
Administration	6,350	21,471	15,121	238.1
Applications, permits and orders.....	-----	-----	-----	---
Audits and investigations.....	-----	-----	-----	---
Total equipment expense.....	\$6,350	\$21,471	\$15,121	238.1

Salaries and Wages

Salaries and wages are scheduled to increase by \$53,672 or 15.6 percent. *The major portion or 55.7 percent of this increase is occasioned by 12 new proposed positions which will cost \$29,880.* This additional staffing will increase the total positions from 102 to 115, a gain of 11.7 percent. In 1945-46 there were 76 positions which were increased to 102 in 1946-47, a gain of 34.2 percent in personnel. Revenues, however, went up from \$678,620.06 to \$895,700 or \$217,079.94, representing a rise of 31.98 percent. Revenues are scheduled to advance by only .12 of 1 percent for 1947-48.

Table VII—Proposed New Positions

No. of positions			Classification	Salary range	Number	
45-46	46-47	47-48			Proposed	Cost
Administration						
-	-	-	Bookkeeper, Grade 1	200 (10) 240	1	\$2,400
-	-	-	Intermediate Clerk	160 (10) 200	1	1,920
Applications, permits and orders						
-	-	-	Junior Deputy Commissioner	240 (10) 280	2	5,760
3	1	1	Intermediate Steno.-Clerk	170 (10) 210	2	4,080
Audits and investigations						
4	8	8	Investigator	250 (15) 310	2	6,000
1	7	7	Accountant, Auditor Grade 1	240 (10) 280	2	5,760
-	-	-	Intermediate Steno.-Clerk	170 (10) 210	1	2,040
1	1	1	Intermediate Clerk	160 (10) 200	1	1,920
Total					12	\$29,880

The work load of this division has materially increased as is evidenced by the following comparison of the number of security applica-

tions filed in relation to the average number of employees set forth in Table VIII following:

Table VIII—Analysis of Security Applications Filed to Average Number of Employees

<i>Fiscal Year</i>	<i>Security applications per employee</i>	<i>Percent increase over preceding year</i>
1938-39	48.4	--
1939-40	47.8	-1.2
1940-41	42.3	-11.5
1941-42	36.6	-13.4
1942-43	29.2	-20.2
1943-44	33.9	16.0
1944-45	44.6	31.5
1945-46	94.6	112.1
* 1946-47	117.0	26.3

* Incomplete figures for six months projected for the full year.

The increases reflected in Table VIII preceding, apparently justify the majority of position increases, particularly those clerical in nature. However, this would not appear to be the case in respect to the investigator positions.

Work load data, in relation to average number of investigators per month per investigator, shows that in the calendar year of 1944, an average of 9.5 investigations per man per month were completed; 1945, an average of 8.4 investigations per man per month were completed; 1946, an average of 20.6 investigations per man per month were completed.

This apparent increased efficiency of the staff has resulted in the accomplishment of a 145.2 percent increase in completed work per investigator in 1946, compared to 1945. The average number of investigators employed per month in 1946 was 6.7, although nine investigative positions, including the chief investigator, were provided for in the 1945-47 Budget. It is, therefore, apparent that with the employment of the full staff presently provided for, it is possible to further increase the number of investigations completed by an additional 34.3 percent. Inquiry developed that this division does not have any system of docketing or scheduling cases for investigation nor any tabulation or method of ascertaining the backlog of matters scheduled for investigation. Therefore, there is no accurate basis for determining the need for additional investigative staff.

We therefore feel that in view of the additional capacity represented by rate of accomplishment of such work as has been accomplished, together with the lack of adequate and accurate criteria by which to evaluate needed additional requirements for additions to the Investigative Staff, that the *proposed new positions of two investigators and one intermediate stenographer-clerk be deleted, effecting a salary saving of \$8,040.*

It is further recommended that the investigation section set up an adequate docketing system whereby an accurate determination may be made of work load, backlogs, etc., in order that not only additional personnel requests may be supported, but that present staffing may be

justified. Further, this will provide for adequate screening and priority assignment of matters requiring preferred attention.

Operating Expenses

Operating expenses for administration are scheduled to advance by \$4,825 or 16.8 percent, in accordance with the following Table IX:

Table IX—Operating Expenses by Function

Item	Estimated 1946-47	Proposed 1947-48	Increase or decrease 1947-48 over 1946-47	
			Amount	Percent
<i>Administration:</i>				
Office	\$5,125	\$6,000	\$875	17.0
Printing	3,500	4,100	600	17.1
Traveling	4,000	4,500	500	12.5
Telephone and Telegraph	5,200	5,500	300	5.7
Postage	2,500	3,000	500	20.0
Automobile	2,000	2,850	850	42.5
Freight Cartage and Express	350	500	150	42.8
Totals, Administration	\$22,675	\$26,450	\$3,775	16.6
<i>Applications, Permits and Orders:</i>				
Traveling	750	1,000	250	33.3
<i>Audits and Investigations:</i>				
Traveling	5,200	6,000	800	15.3
Grand Totals	\$28,625	\$33,450	\$4,825	16.8

Expenditures for traveling and telephone and telegraph as estimated for 1946-47 appear excessive at increases of 33.9 percent and 35.8 percent, respectively, over 1945-46, and are scheduled to further advance for 1947-48 by 12.5 percent and 5.7 percent, respectively. *These items should be held to at least the same figures as estimated for 1946-47, thereby saving \$500 on traveling and \$300 on telephone and telegraph.* No new traveling positions are authorized, the increase in personnel being scheduled for two clerical positions.

Automobile expense also appears to be advancing excessively, having risen 18.9 percent for 1946-47 and scheduled for a further jump of 42.5 percent in 1947-48. *We believe a 25 percent allowance, in view of the replacement and additional automotive equipment to be equitable, thereby effecting a saving of \$350.*

Advances in traveling expense of 33.3 percent for the Section of Applications, Permits and Orders, as well as a 15.3 percent increase in that of Audits and Investigations are excessive in that these items are already scheduled for 1946-47 at an estimated advance of 88.1 percent and 111.8 percent, respectively, over 1945-46 levels. Total number of traveling positions in these sections have not increased in proportion to the contemplated increases in travel expenses. Applications, Permits and Orders Section has increased only 50 percent in the number of potential traveling positions since 1945-46. Audits and Investigations Section reflects a more substantial advance.

Travel expense for these sections should be held to the same amount as estimated for 1946-47, effecting a saving of \$1,050.

Equipment

Three additional cars are requested; two for the Los Angeles Office, and one for the San Francisco Office. At present there are two cars at Los Angeles and one at San Francisco. A 100 percent increase in automotive equipment does not appear justified on a percentage basis of either work load or employees. *Therefore, it is recommended that only two additional cars be purchased, effecting a saving of \$1,800.* Much of this division's work is accomplished within the corporate limits of areas served by public carriers.

Recommendations

That Item 173 be reduced from \$452,101 to \$440,061, a saving of \$12,040 or 2.66 percent. This will still permit this division to operate on the basis of a 16.2 percent increase over expenditures allowed for 1946-47. Such reduction will affect the schedule to read as follows, on the revised basis:

	<i>Recommended amount</i>	<i>Reduction</i>
Salaries and wages-----	\$389,140	\$8,040
Operating expense-----	31,250	2,200
Equipment-----	19,671	1,800
Recommended total of schedule:-----	\$440,061	\$12,040

For Support of Division of Real Estate

Item 174, page 33, of the Budget Bill, and pages 536 to 539, inclusive, of the Budget. *Amount requested \$449,407 for support, payable from the Real Estate Fund.*

This represents an increase of \$162,804.98 or 56.8 percent over the amount of \$286,608.02 expended in the 1945-46 Fiscal Year and is \$17,496 or 4.05 percent above the amount of \$431,911 allowed for expenditure in the 1946-47 Fiscal Year.

A statistical summary of proposed expenditures for 1947-48 by function, compared with 1946-47 is shown in the following Table X:

Table X

<i>Function</i>	<i>Estimated 1946-47</i>	<i>Proposed 1947-48</i>	<i>Increase or decrease 1947-48 over 1946-47</i>	
			<i>Amount</i>	<i>Percent</i>
Administration-----	\$315,601	\$314,347	—\$1,254	—.4
Inspection and hearings-----	98,010	115,060	17,050	17.4
Directory, Reference Book and Guide--	18,300	20,000	1,700	9.3
Total Support -----	\$431,911	\$449,407	\$17,496	4.05
Contributions to State Employees				
Retirement Fund-----	17,136	20,700	3,564	20.8
Total Expenditures -----	\$449,047	\$470,107	\$21,060	4.7
Revenues-----	\$796,624	\$856,866	\$60,242	7.6

The preceding table indicates a general advance in expenditures of 4.05 percent or \$17,496, while revenues are scheduled to increase by \$60,242 or 7.6 percent.

Revenues will exceed expenditures by \$386,759 or 82.3 percent. This compares very favorably with 1946-47 experience when revenues exceeded expenditures by \$347,577, or 77.4 percent.

The major increase by function is indicated for inspections and hearings with a scheduled advance of 17.4 percent or \$17,050.

Proposed expenditures for 1947-48 by object of expenditure are scheduled and compared with like expenditures for 1945-46 and 1946-47 in Table XI following:

**Table XI—Proposed Expenditures for 1947-48 Compared
With 1946-47 by Object of Expenditure**

Object	Estimated 1946-47	Proposed 1947-48	Increase or decrease 1947-48 over 1946-47	
			Amount	Percent
Salaries and wages	\$295,064	\$284,935	—\$10,129	—3.4
Operating expense	124,282	146,157	21,875	17.6
Equipment	12,565	18,315	5,750	45.7
Totals	\$431,911	\$449,407	\$17,496	4.05

Salaries and Wages

Salaries and wages are scheduled to decline from \$295,064 to \$284,935, a reduction of \$10,129 or 3.4 percent, although 11 new positions and two reclassifications are proposed at a cost of \$24,540. This seeming contradiction is accomplished by a reduction in the expenditure for temporary help, this item being reduced from \$53,339 to \$15,000, a net reduction of \$38,339 or 71.8 percent.

The 11 proposed new positions are reflected in the following Table XII:

Table XII—Proposed New Positions

Total No. of positions 45-46	46-47	47-48	Classification	Salary range	Number proposed	Cost
9	14	14	Intermediate Clerk	160(10)200	1	1,920
6	5	5	Junior Clerk	140(10)170	5	8,400
8	10	10	Intermediate Steno-Clerk	170(10)210	1	2,040
-	-	-	Assistant Commissioner	495(20)595	1	5,940
Total					11	\$24,060

Out of the 11 new proposed positions, 10 are of a clerical nature and one is for an exempt position of assistant commissioner. This latter position has been unfilled during the past three years. Present indications are that we are approaching a softening of the real estate market. With three supervising deputy real estate commissioners, and the approach or actual passing of the high peak in real estate activity at hand, it is recommended that this proposed additional administrative position be deleted, thereby saving \$5,940 in salaries and wages.

Our contention that in all probability there will be a softening of the realty market is supported by outward evidences in the present market, as well as the very figures submitted in this division's budget. Either

that or the figures are highly inflated. As a consequence, some reduction is in order in either case.

Attention is directed to the fact that \$53,339 is budgeted for temporary help for 1946-47.

The division has reduced this figure to \$15,000 for their 1947-48 request and to compensate for this reduction have requested that 10 additional clerical positions be established at a cost of \$18,120. It is, therefore, obvious that they contemplate the necessity of only expending (\$15,000 and \$18,120) or a total of \$33,120 for added clerical assistance in 1947-48, as against the \$53,339 budgeted for 1946-47. This is a reduced requirement of \$20,219 or 37.9 percent for extra labor.

Since less clerical labor is actually forecast, it follows that this is not the appropriate time to consider establishing more permanent positions in lieu of temporary help, particularly in a widely fluctuating activity such as encompassed by this division.

It is, therefore, recommended that no new additional positions be established. This will enable a saving of \$1,200 per year on automatic salary increases alone on the clerical positions. Such added work load should be continued to be handled by temporary clerical help, since by its nature it is susceptible of accomplishment through these media.

Another reason for recommending clerical help on a temporary rather than a permanent basis is found in the actual personnel trend in this division with respect to work load. During the period 1934-45, tests given by the division reached a peak in 1937 when employees numbered 48, which is the same number as at the low point in 1943. Similarly a comparison of subdivisions filed and total employees indicates that the number of subdivisions filed was 2,549 in 1934, up to 7,214 in 1937, and down again to 2,099 in 1943, although *in all three years the number of employees was approximately the same.*

An example of flagrant waste of funds in the division, as well as lack of management, is found in the following facts: Since January 1, 1946, this division secured credit reports on all applicants for salesman and broker licenses. These reports were ordered on an experimental basis to determine whether or not they would meet a very real need; i.e., for information indicative of the desirability of licensing the particular individual, since the division cannot personally investigate each applicant. These reports cost \$2 each.

This practice was continued until October 31, 1946, a period of 10 months, when it was determined that the reports did not furnish the desired information. *We are at an utter loss to comprehend why an experimental program of this nature was permitted to continue for 10 months before it was determined that the experiment was valueless.* In addition to the waste of manpower in reviewing these reports, the sum of \$15,894 was expended in payment for these reports in 1945-46, and the further sum of \$22,500 in 1946-47, a total of \$38,394. At the time of the termination of the service, the cost thereof was at the rate of over \$4,000 a month.

This item represented over 39 percent of the average monthly forecasted operating expense for the Administration Section for 1946-47. We see no justification for not having determined the merits of this item within 30 to 60 days after the inception of the service.

Traveling expenses for administration are scheduled at \$6,000 reflecting an increase of \$1,500 or 25 percent over 1946-47 and an increase of

\$2,800.81 or 87.5 percent over 1945-46. There has been no increase in the number of traveling positions in this section since 1945-46 and accordingly such increases appear unwarranted. *A reduction to bring this item in line would effect a saving of \$1,500.* This would permit an expenditure of \$4,500 which is 40.9 percent above the 1945-46 actual figure of \$3,199.19, the positions remaining status quo.

Automobile operating expenses are scheduled to advance to \$1,000, an increase of 53.8 percent over 1946-47 and 126.8 percent over 1945-46. With the same conditions holding as to travel expense, this item should be held to \$750, a saving of \$250 and will still represent advance of 11.5 percent over the 1946-47 figure.

Traveling expenses for inspections and hearings show an unusually large advance, being scheduled at \$8,000, an increase of \$3,000, or 60 percent over the \$5,000 allowed for 1946-47, and \$4,687.81 or 141.5 percent over the amount of \$3,312.19 actually expended for 1945-46.

While 17 deputy commissioner positions were scheduled for 1945-46, an average of 15 were filled. Thus with 20 positions presently scheduled and filled, travel expenses should be held to a 25 percent increase over the 1945-46 figure of \$3,312, or a total of \$4,140. *It appears that \$5,000 will provide ample funds for this item, effecting a saving of \$3,000.*

Total printing costs are scheduled at \$32,250, an increase of \$6,425 or 24.9 percent over 1946-47, and \$17,902.79 or 124.8 percent over 1945-46. \$20,000 of the total amount scheduled for printing is for the publication of the reference book and guide for the sale of which the department derives revenue estimated at \$30,000 for 1947-48. In this connection we note that the cost of *printing on this item is scheduled to advance from \$7,420.02 in 1945-46 to \$20,000 in 1947-48, an increase of \$12,579.98. However, the revenues from the sales of this item are scheduled to advance from \$25,653.22 to \$30,000, an increase of only \$4,346.78. Obviously some adjustment in either printing costs or the sales price of the book is necessary if revenues are to be commensurate with the increased costs.*

Equipment

Additional automotive equipment is requested in the amount of \$3,225 for Inspections and Hearings Section. However, estimated monthly average mileage is indicated to be only 935 miles per unit. With seven cars already in this unit, one additional unit will enable the eight cars to be used as pool cars with an average of one car to each 2.5 deputies. *Therefore, we recommend a reduction of \$1,600 in this item.*

Unbudgeted surplus as of July 1, 1947, is estimated at \$978,372. This is scheduled to increase by \$386,759 or 39.5 percent to \$1,365,131 as of June 30, 1948.

Recommendation:

That Item 174 be reduced from \$449,407 to \$437,117, a saving of \$12,290 or 2.7 percent. Such reductions will affect the schedule on a revised basis as follows:

Salaries and wages -----	\$278,995
Operating expense -----	141,407
Equipment -----	16,715
Total -----	\$437,117