

exceed \$500,000. If, to the extent permitted by available funds, State buildings are constructed to replace leased premises, the agency will secure more adequate facilities and substantial savings will also be possible.

Amounts expended from the Contingent Fund would eventually be restored through the means of rental payments from the Unemployment Administration and the United States Employment Service.

The total amount of unbudgeted surplus in the Department of Employment Contingent Fund as of June 30, 1949, after the proposed deduction of \$1,000,000 for capital outlay, is expected to be \$1,280,527. The Department of Employment estimates that a balance of \$500,000 in this fund will be adequate to take care of any emergencies that may arise.

As pointed out in the Legislative Auditor's Report to the Joint Legislative Budget Committee in 1945 and again 1947, the moneys in this fund are continuously appropriated under the provisions of Section 24 of the California Unemployment Insurance Act and can be expended by the California Employment Stabilization Commission under authorization of the Director of Finance in the manner prescribed in Section 11006 of the Government Code, which is the section provided for the allowance of deficiencies. *We still believe that it is a bad fiscal policy for the Legislature to relinquish control over any fund. We believe that moneys in the contingent fund should be subjected to the same budgetary and fiscal controls as the Legislature has provided for other administrative funds.*

We believe this recommendation is even more significant today than when originally made as the accumulated reserve in the Department of Employment Contingent Fund is expected to be \$2,280,527 as of June 30, 1949, an increase of \$1,277,279 over the balance of \$903,248 in January 31, 1947, when this matter was last brought to the attention of the Legislature.

It is recommended that legislation be enacted transferring the balance in the Department of Employment Contingent Fund to the General Fund and that any appropriation for buildings to house the operations of the Department of Employment be subject to the normal budgetary and fiscal controls.

DEPARTMENT OF FINANCE—BOARD OF CONTROL

For Support of the Board of Control from the General Fund

Item 143 of the Budget Bill and page 293 of the Budget. The amount requested is \$17,333 from the General Fund. This is an increase of \$114 or 0.7 percent over actual and estimated expenditures of \$17,219 for the Fiscal Year 1947-48.

This is a modest budget for this extremely important function. Approximately \$11,000 is for services of accountants in auditing refund and other claims.

Recommendation

We recommend that Item 143 be approved in the amount of \$17,333 as budgeted.

STATE CONTROLLER

For Support of the State Controller, from the General Fund

Item 144 of the Budget Bill and pages 294 to 308, inclusive, of the Budget. The amount requested in Item 144 is \$1,057,624 for support from the General Fund. The Budget Bill and Budget should be adjusted due to errors in the printed Budget to show the amount requested as \$1,054,636. This is an increase of 123,624, or 13.3 percent over the actual and estimated expenditures of \$931,012 in the 1947-48 Fiscal Year.

The following shows the proposed expenditures by function after adjustment:

TABLE I

Analysis of Expenditures for Support by Function—1947-48 Compared with 1948-49

Function	Actual and	Estimated	Increase or decrease	
	Estimated 1947-48	and proposed 1948-49	Amount	Percent
Administration Division -----	\$74,310	\$60,152	—\$14,158	—19.1
Accounting Division -----	180,237 ^a	287,712 ^a	107,475 ^a	59.6 ^a
Inheritance and Gift Tax Division -----	325,010 ^b	343,228	18,218	5.6
Audits and Disbursements Division ----	274,679	321,418	46,769	17.0
County Budgets and Reports Division -----	20,180	20,835	655	3.2
Field Audits Division -----	11,982	13,684	1,702	14.2
Tax Collection Division -----	81,177	110,630	29,453	36.3
Totals, General Activities	\$967,545	\$1,157,659	\$190,114	13.6
Accounts payable from Motor Transportation Tax Fund ---	—36,900	—100,035	—63,135	171.1
Net Totals, General Activities..	\$930,645 +367 ^c	\$1,057,624 —2,988	\$126,979 +3,355 [*]	13.6
Corrected Totals, General Activities -----	\$931,012	\$1,054,636	\$123,624	13.3

^a Administration Division. Amounts should be: 1947-48, \$178,779; 1948-49, \$284,724; and Increase, \$105,945, or 59.3 percent. These corrections result from adjustments of the data relative to claim auditor positions shown on page 296 of the Budget, line 77, due to an error in the printed Budget.

^b Should be \$326,835, error of \$1,825 was made in compiling the Budget. (Page 298, line 78, Amount for additional office equipment during 1947-48 shown as \$5,974 in the Budget.)

^c Inheritance and Gift Tax Division Adjustment, \$1,825 increase; less downward adjustment of \$1,458 for Accounting Division; equals net increase of \$367.

^{*} Deduct.

The decrease in the expenditures for the support of the Administration Division in 1948-49 as compared with 1947-48 is caused chiefly by the transfer of six units service personnel, whose salaries and wages total \$15,540 to the Accounting Division to relieve the Deputy Controller who has supervised these people heretofore.

The increase in the amount requested for support of the Accounting Division for the 1948-49 Fiscal Year reflects the aforementioned transfer of service personnel, whose salaries and wages total \$15,550, from the Administration Division and the proposed addition of 19 new positions at a cost of \$57,490. These new positions are requested for the improvement of the Fund Accounting Operations, for the test auditing

of banks and other financial institutions to determine the correctness of reports submitted pursuant to the Abandoned Property Act, and for the prompt processing of increased workloads.

The increase of \$18,218 in the amount requested for support of the Inheritance and Gift Tax Division for the 1948-49 Fiscal Year as compared with 1947-48 reflects the full time employment of senior inheritance and gift tax examiners employed only part time in 1947-48 and the addition of one position at a cost of \$3,720 to free a senior inheritance and gift tax examiner from routine duties thus permitting him to concentrate on the improvement of the auditing procedures employed.

The increase of \$46,769 in the amount requested for support of Audits and Disbursements Division for 1948-49 as compared with 1947-48 reflects an addition of five positions transferred from the Motor Vehicle Fuel Tax Refund Division pursuant to the general policy of charging the cost of auditing and paying claims to the General Fund. The cost of services performed for the Motor Vehicle Fuel Tax Refund Division will be recovered hereafter by a charge against the Motor Vehicle Fuel Fund for general fiscal administration. The increase also reflects a request for five new positions in the amount of \$14,160 to establish a new program in the office of the State Controller for the auditing of claims filed pursuant to state contracts. The increase also reflects the addition of 10 new positions in the amount of \$30,300 to expedite the clearance of vendors' claims which have heretofore been subject to unconscionable delays.

The increase of \$655 in the amount requested for support of the County Budgets and Reports Division for the 1948-49 Fiscal Year as compared with 1947-48 reflects normal salary adjustments and the increased cost of services and materials.

The Field Audits Division is presented for the first time in the proposed budget of the State Controller for the 1948-49 Fiscal Year. *This separate division has been created to perform the pay roll revolving fund audits and internal audits made continuously by the State Controller, together with audits of postwar public works programs, resulting from recent legislation.*

The increase of \$1,702 in the amount requested for the support of the Field Audits Division for 1948-49 as compared with 1947-48 is the net difference between the total increase in the amount requested for support of the Field Audits Division for the 1948-49 Fiscal Year as compared with 1947-48 and the reimbursements to that division for audit services rendered special programs for aid to local government. The increase in the amount of reimbursement for audit services results chiefly from audits of completed Veterans' Housing projects and the anticipated increase in the auditing payments of School Building Aid for Impoverished School Districts.

The increase in the amount of \$29,453 requested for the support of the Tax Collection Division during 1948-49, as compared with 1947-48, results from the proposed addition of five new positions in the amount of \$14,652 justified by increased workload addition to the recent changes in the Transportation Tax laws and the provision for additional office space in the annex of the Business and Professional Building which is now under construction.

Recommendation

We recommend that Item 144 be approved in the corrected amount of \$1,264,748, a reduction of \$6,251, or 0.5 percent from the amount of \$1,270,999 requested.

Below is a schedule showing the categorical amounts as stated in Item 144 of the Budget Bill, our recommended reductions, and the resultant allowances for each category:

1948-49 FISCAL YEAR				
<i>Object</i>	<i>Amount Per Budget Bill</i>	<i>Amount Recommended</i>	<i>Saving Amount</i>	<i>Percent</i>
a. Salaries and wages-----	\$978,964*	\$973,588	\$5,376	0.1
b. Operating expenses-----	227,263	227,263	—	—
c. Equipment-----	64,772	63,897	875	1.4
d. Total of schedule-----	\$1,270,999	\$1,264,748	\$6,251	1.5
* Amount per printed Budget Bill-----			\$981,952	
Downward adjustment of line 77, on page 296 of the Budget from \$12,996 to \$10,008, a reduction of-----			2,988	
Corrected amount of salaries and wages for Budget Bill-----			\$978,964	

Analysis

An analysis of the budgetary request of each division within the office of the State Controller follows:

DIVISION OF ADMINISTRATION

The following schedule presents the proposed expenditures of the Division of Administration by object.

<i>Object</i>	<i>Actual and estimated</i>		<i>Increase or decrease</i>	
	<i>1947-48</i>	<i>1948-49</i>	<i>Amount</i>	<i>Percent</i>
Salaries and wages-----	\$59,221	\$47,865	—\$11,356	—19.2
Operating expenses-----	9,904	10,969	+1,065	+10.8
Equipment-----	5,185	1,318	—3,867	—74.6
Totals-----	\$74,310	\$60,152	—\$14,158	—19.1

The foregoing schedule shows a decrease of \$14,158, or 19.1 percent for the Administration Division during the 1948-49 Fiscal Year. This decrease is caused chiefly by the transfer of the following service personnel to the Accounting Division:

<i>No.</i>	<i>Explanation</i>	<i>Salary range</i>	<i>Salaries and wages</i>
			<i>1947-48</i>
1	Intermediate clerk-----	\$180-220	\$2,640
1	Senior file clerk-----	210-225	3,060
1	Junior clerk-----	160-190	2,280
3	Janitor-janitress-----	170-210	7,560
6	Totals-----		\$15,540

The positions transferred were those for janitorial service, maintenance of central files, and mail operations. This transfer relieved the Deputy State Controller of direct supervision of the personnel involved, leaving him free to perform more important duties.

If the actual and estimated salaries and wages for these service positions are deleted from the figures for the Administration Division for 1947-48, the remaining expenditures of \$58,770 for salaries and

wages are comparable with the 1948-49 estimates. The amount of \$60,152 is requested for support of the Administration Division during 1948-49. This is an increase of \$1,382, or 2.3 percent over the expenditures for 1947-48 in the adjusted amount of \$58,770 (\$74,310 — \$15,540 = \$58,770). The increase for this division is caused chiefly by the anticipated full year's employment of an administrative advisor who was only employed for nine months during 1947-48, the addition of one new intermediate stenographer position at a cost of \$2,280 to relieve the secretary of the Deputy State Controller of the burden of work now given her by several people in the office, and the rise in cost of services and materials.

The rise in cost of the Administrative Division for 1948-49 includes the provision of \$575 shown on page 296 (line 52) of the Budget for a pad and carpet for the Controller's office. *In view of the anticipated moving of the Controller's office to new quarters in Sacramento in the immediate future, it is recommended that this item be deleted from the Budget.*

Recommendation

We recommend that the amount of \$59,577 be provided for the support of the Administration Division in the office of the State Controller during the 1948-49 Fiscal Year. This is a reduction of \$575 from the \$60,152 requested.

ACCOUNTING DIVISION

The following schedule presents the proposed expenditures of the Accounting Division by object:

Object	Actual and estimated		Increase or decrease	
	1947-48	1948-49	Amount	Percent
Salaries and wages *-----	\$151,221	\$229,194	\$77,973	51.6
Operating expenses -----	20,560	29,409	8,849	43.0
Equipment -----	6,998	26,121	19,123	273.3
Totals * -----	\$178,779	\$284,724	\$105,945	59.3

* Reflecting the following adjustments of errors in the amount of salaries and wages shown in the printed budget on page 296, line 77:

	No. of Positions		Estimated 47-48	Proposed 48-49
	47-48	48-49		
Printed Budget shows-----	3.5	4	\$11,124	\$12,996
Budget should show-----	3.0	3	9,666	10,008
Adjustment-----	-.5	-1	-\$1,458	-\$2,988

The above schedule shows that \$284,724 is requested for support of the Accounting Division during the 1948-49 Fiscal Year. This is an increase of \$105,945 or 59.3 percent over the \$178,779 actual and estimated expenditures for 1947-48.

The amount requested for support of the Accounting Division for the 1948-49 Fiscal Year includes the \$15,550 for service personnel transferred from the Administration Division. The downward adjustment of the amount requested for the Accounting Division during the 1948-49 Fiscal Year from \$284,724 to \$269,184 to eliminate the \$15,540 for service personnel, provides an estimate of expenditures for the 1948-49 Fiscal Year which is more valid for comparisons. The adjusted estimated expenditures of \$269,184 for the 1948-49 Fiscal Year provides an

increase of \$90,405 or 50.5 percent during 1948-49 over actual and estimated expenditures of \$178,779 for 1947-48.

The increase in the amount requested for support of the Accounting Division is principally attributable to salaries and wages due to the proposed addition of 19 new positions in the total amount of \$57,490 as shown below:

<i>Explanation</i>	<i>Number</i>	<i>Salary range</i>	<i>Amount</i>
Administration:			
Senior stenographer-clerk	1	\$220-268	\$2,640
Associate statistician	1	376-458	4,626
Financial Analysis and Reports:			
Senior accountant	1	376-458	4,512
Semi-senior accountant	1	310-376	3,720
Intermediate stenographer-clerk	1	190-231	2,280
Chief, bureau of financial analysis and reports (reclassification of one senior accountant)	-	458-556	264
Control Accounts:			
Semi-senior accountant	1	310-376	3,720
Claim auditor	1	243-295	2,916
Senior account clerk	3	220-268	7,920
Bookkeeping machine operator	2	190-231	4,560
Chief, Bureau of Control Accounts (reclassification of one supervisor of control accounts)	-	458-556	516
Unclaimed Property:			
Auditor, grade 2	2	310-376	7,440
Senior account clerk	1	220-268	2,640
Intermediate file clerk	1	180-220	2,160
Departmental Accounting:			
Accounting officer, grade 1	1	268-325	3,216
Intermediate account clerk	1	180-220	2,160
Intermediate clerk	1	180-220	2,200
Totals	19		\$57,490

With the exception of the last position shown in that schedule, the new positions requested by the Accounting Division for the 1948-49 Fiscal Year as shown above appear adequately justified by the general increase in volume of work together with action to improve the fund accounting operations in this Division.

The position to which exception is taken above is shown on page 297 of the Budget, line 57. It is an Intermediate Clerk position requested to assist the one unit of personnel now employed in the central files of the Controller's office.

The provision for overtime or seasonal help for this division as shown on line 27 of page 297 of the Budget shows that for both the 1947-48 and 1948-49 Fiscal Years less than one full-man year is required for overtime work for the entire division. The heavy volume of pulling of claims from the central files and the refiling of these claims comes at spasmodic intervals. *We recommend that the intermediate clerk position in the amount of \$2,200 be disallowed. This will reduce the amount provided for salaries and wages during the 1948-49 Fiscal Year from \$229,194 to \$226,994, a reduction of \$2,200 or 1.0 percent.*

The amount of \$29,409 is requested for operating expenses for the Accounting Division during the 1948-49 Fiscal Year. This is an increase of \$8,849 or 43 percent over actual and estimated expenditures of \$20,560 for 1947-48. This increase may be attributed to the additional

positions requested, the addition of \$1,600 to cover the printing of an annual Controller's report for the first time during this Fiscal Year, and for the increased rental of tabulating equipment made necessary by the recent improvement in fund accounting procedures.

We recommend that the operating expenses in the amount of \$29,409 be approved as requested.

The amount of \$26,121 is requested for equipment for the 1948-49 Fiscal Year. This is an increase of \$19,123, or 273.3 percent over the \$6,998 actual and estimated expenditures for 1947-48. The amount requested includes office equipment for the new positions requested in the Budget, replacement of some worn-out equipment and additional equipment required by the improved accounting procedures adopted by the Controller's office, and one light automobile for use by the two auditors, grade 2, in the Unclaimed Property Section.

We recommend the approval of the amount of \$26,121 for equipment for this division as requested since the request appears adequately supported.

Recommendation

We recommend that the amount of \$282,524 be allowed for support of the Accounting Division during the 1948-49 Fiscal Year, a reduction of \$2,200 or .8 percent from the corrected amount of \$284,724 requested.

INHERITANCE AND GIFT TAX DIVISION

The following schedule presents the proposed expenditure of the Inheritance and Gift Tax Division by object:

Object	Actual and estimated		Increase or decrease	
	1947-48	1948-49	Amount	Percent
Salaries and wages -----	\$251,648	\$259,891	+\$8,243	3.3
Operating expenses -----	64,270	71,561	+7,291	11.3
Equipment -----	10,917 ^a	11,776	+859	.08
Totals -----	\$326,835 ^b	\$343,228	+\$16,393	.05

^a Total for equipment for 1947-48 per printed Budget, page 298, line 82, \$9,092 plus \$1,825 adjustment for error in compilation of the Budget on page 298, line 78. Amount for additional office equipment shown as \$5,974. The correct amount is \$7,799, an increase of \$1,825.

^b Amount per printed budget, \$325,010 plus adjustment of \$1,825 per footnote "a" shown above.

The schedule shown above reveals an increase of \$8,243 for salaries and wages for the 1948-49 Fiscal Year over the preceding year. This increase is due to normal salary increases plus the full-time employment of Senior Inheritance and Gift Tax Examiners employed only part-time during 1947-48, and the proposed addition of one new Auditor, Grade 2 position at a cost of \$3,720. The request for this additional position appears justified. There is some anticipated increase in workload and this employee will relieve the Senior Inheritance and Gift Tax Examiner from routine duties permitting him to concentrate on a program for standardizing the audit procedures, thereby increasing the efficiency of the auditing program. *We recommend approval of the amount of \$259,891 for salaries and wages for this Division during the 1948-49 Fiscal Year as requested.*

The request for operating expenses in the amount of \$71,561 at an increase of \$7,291 or 11.3 percent over the amount of \$64,270 expended

for that purpose during 1947-48, reflects the addition of the auditor, grade 2 position, the full-time employment of inheritance and gift tax examiners, and increases in the cost of services and materials.

The amount requested includes \$4,500 for a conference to be attended by all inheritance tax appraisers and the inheritance and gift tax examiners of this division. *Whether or not this amount should be allowed is a matter of legislative policy as this item does readily lend itself to budgetary analysis.* A provision for such conferences appeared for the first time in the 1947-48 Fiscal Year Budget. The amount shown for this purpose in that year on page 298, line 72, of the Budget is \$3,700, but the Controller's office reports that the costs were actually \$4,238. The total costs were not known until after the final deadline for printing of the Budget.

With exception of the reservation relative to the amount of \$4,500 provided for a conference during the 1948-49 Fiscal Year, we recommend approval of the amount of \$71,561 for operating expenses.

The amount of \$11,776 is requested for the purchase of equipment for the Inheritance and Gift Tax Division during the 1948-49 Fiscal Year. This is an increase of \$859 or .08 percent over the actual and estimated expenditures in the corrected amount of \$10,917 for 1947-48. This increase is caused principally by the contemplated purchase of additional office equipment to equip much needed additional space when this division moves into the new annex of the Professional and Vocational Standards building. The new annex will be ready for occupation during the 1948-49 Fiscal Year. We recommend approval of the amount requested.

Recommendation

With the exception of our reservation relative to the \$4,500 provided in operating expenses for a conference of inheritance tax appraisers and inheritance and gift tax personnel during the 1948-49 Fiscal Year, we recommend that the amount of \$343,228 for support of the Inheritance and Gift Tax Division be approved as requested.

AUDITS AND DISBURSEMENTS DIVISION

The following schedule presents the proposed expenditures of the Audits and Disbursements Division by object:

Object	Actual and estimated		Increase or decrease	
	1947-48	1948-49	Amount	Percent
Salaries and wages-----	\$202,242	\$267,134	\$64,892	+32.1
Operating expenses ----	34,757	37,586	2,829	+ 8.1
Equipment -----	37,650	16,698	-20,952	-55.6
Totals -----	\$274,649	\$321,418	+\$46,769	+17.0

The schedule shown above indicates that increases in the cost of salaries and wages for the Audits and Disbursements Division account for almost the entire increase of \$46,769 or 17 percent in the amount of expenditures proposed for 1948-49 over 1947-48.

The amount of \$267,134 is requested for salaries and wages for the 1948-49 Fiscal Year. This is an increase of \$64,892, or 32.1 percent over

the actual and estimated expenditures in the amount of \$202,242 for 1947-48.

Included in the amount requested for 1948-49 and reflected in the increase are five positions transferred from the Motor Vehicle Fuel Tax Refund Division effective July 1, 1948, in accordance with the general policy of defraying from the General Fund the cost of both auditing and paying all claims from the General Fund and recovering from special funds their share of these costs by means of charges for general fiscal administration. The salaries and wages from these five employees amount to \$13,210.

The amount requested for salaries and wages for the Audit and Disbursements Division for the 1948-49 Fiscal Year is \$267,134. This is an increase of \$64,892 or 32.1 percent more than the actual and estimated expenditure of \$202,242 for 1947-48. This increase is far greater than the increase of approximately 20 percent in anticipated number of claims to be audited and warrants to be issued. This increase reflects requests for the following 15 new positions and one reclassification :

<i>Explanation</i>	<i>Number</i>	<i>Salary Range</i>	<i>Amount</i>
Audits:			
Supervising claims auditor.....	1	\$310-376	\$3,720
Auditor, grade 2.....	3	310-376	11,160
Accountant auditor, grade 1.....	6	255-310	18,180
Intermediate typist clerk.....	2	180-220	4,320
Supervising calculating machine operator	1	210-255	2,520
Intermediate stenographer clerk.....	2	190-231	4,560
Subtotals	15		\$44,460
Disbursements:			
Senior file clerk (Reclassification of one intermediate file clerk)	-	210-255	132
Totals	15		\$44,592

The new positions are requested for the purpose of expediting the processing of claims and for the establishment of a new Auditing Unit to analyze claims pertaining to state contracts to ascertain their conformity with the contracts.

For the contract auditing activities the following positions are requested:

1 Auditor, grade 2.....	\$3,720
2 Accountant-auditors, grade 2.....	6,120
2 Intermediate typist clerks.....	4,320
5 Totals	\$14,160

To expedite the claims auditing activities the following positions are requested:

1 Supervising claims auditor.....	\$3,720
2 Auditors, grade 2.....	7,440
4 Accountant-auditors, grade 1.....	12,060
1 Supervising calculating machine operator.....	2,520
2 Intermediate stenographer-clerks	4,560
10 Totals	\$30,300

At present there is an unconscionable delay in the processing of vendors' claims and the issuance of their warrants. For that reason and on the distinct understanding and condition that this division shall hereafter process vendors' claims and warrants promptly, we recommend that the 15 new positions requested in this Budget and the one reclassification be approved.

In view of the fact that the foregoing additions to this staff are far in excess with the increase in workload, we recommend that the amount provided for seasonal help for the division (page 299 of the Budget, line 35) be reduced from \$5,700 to \$3,400, a reduction of \$2,300 or 40.4 percent. This will still allow an increase of \$1,215 or 55.6 percent over actual and estimated expenditures of \$2,185 for seasonal help during 1947-48.

The increased amount requested for operating expenses are justified by the increased staff and by the rise in cost of materials and services.

We recommend that the amount requested for equipment be reduced from \$16,698 to \$16,389, a reduction of \$300. This action will delete the provision of \$300 budgeted for the purchase of a set of codes and other legal information for use by the Claims Auditing Personnel under new administrative policies whereunder legal references shall hereafter be made and action taken upon the responsibility of claims auditors. Previously such decisions were made in the office of the Deputy State Controller who heads this division. In view of the change in policy and in the location of the need for the codes and legal information, we recommend that the set of codes be moved from the office of the Deputy Controller in charge of the division to the Claims Auditing Unit where they will be used hereafter. The Controller already has five sets of codes.

We also recommend that the Department of Finance and the Controller reconsider the intent to purchase Kardex equipment to house the abstracts of contracts for use by the new contract auditing unit. The additional office equipment shown on page 299, line 72 of the Budget includes \$6,190 for this purpose and \$225 for the cards for this system are included under operating expenses. The use of a supervisible or index visible type of record would provide the necessary facilities for the functioning of the contract auditing unit at a considerably lower cost than Kardex equipment and would require less space. We recommend that the amount of savings which can be realized by use of the supervisible type of equipment system be sequestered by the Department of Finance and returned to the General Fund.

We recommend that the amount of \$321,418 requested for support of the Audits and Disbursements Division during the 1948-49 Fiscal Year be reduced to \$318,818, a reduction of \$2,600 or .8 percent.

COUNTY BUDGETS AND REPORTS DIVISION

The following schedule presents the proposed expenditures of the County Budgets and Reports Division by object:

Object	Actual and estimated		Increase or decrease	
	1947-48	1948-49	Amount	Percent
Salaries and wages-----	\$13,602	\$13,980	+\$378	+2.8
Operating expenses -----	6,433	6,755	+322	+5.0
Equipment -----	145	100	-45	-31.0
Totals -----	\$20,180	\$20,835	+\$655	+3.2

This division receives reports from cities and counties relative to their financial transactions and publishes an annual report of such transactions. The amount requested for support of the division is \$20,835 for the 1948-49 Fiscal Year. This is an increase of \$655 or 3.2 percent over the amount of \$20,180 actual and estimated expenditures for 1947-48.

No additional positions are requested and the increases in this Budget are accounted for by normal salary increases and the increased cost of services and materials.

Recommendation

We recommend the approval of the amount requested.

FIELD AUDITS DIVISION

The following schedule presents the proposed expenditures of the Field Audits Division by object:

<i>Object</i>	<i>Actual and estimated</i>		<i>Increase or decrease</i>	
	<i>1947-48</i>	<i>1948-49</i>	<i>Amount</i>	<i>Percent</i>
Salaries and wages-----	\$68,816	\$86,659	+ \$13,843	+20.1
Operating expenses -----	24,356	47,353	+22,997	+94.4
Totals -----	\$93,172	\$130,012	+ \$36,840	+39.5
Reimbursements				
Audit services rendered special programs for aid to local government-----	\$1,190	—116,328	+35,138	+43.3
Net totals, Field Audit Division -----	\$11,982	\$13,684	+ \$1,702	+14.2

During the latter part of the 1946-47 Fiscal Year auditors were first employed for the purpose of auditing the various veterans housing and postwar public works programs. In the early part of 1947-48 Fiscal Year it became necessary to employ additional auditors. The 1947 Legislative Session resulted in new laws requiring even more auditors.

To use the services of the auditors to the best advantage it was deemed desirable to hold them available for assignment to audit the records maintained by local government units under any one of the four programs which are operating rather than having each auditor assigned to a single program. To accomplish this a field audit unit has been organized and appears for the first time in the 1948-49 Budget document. This was accomplished by combining the auditing staff already employed by the Accounting Division for internal audit purposes and payroll revolving fund audits with the auditors employed specifically for the audit of new programs.

It is apparent that these postwar public works programs will require auditing activities during the next several years. The field audit division has been set up as a support activity since the internal audit and pay roll revolving fund audits will continue as one of its functions, and special appropriations have been made for audit of the various special programs. The cost of salaries and wages and operating expenses which are incurred by the field audits division in connection with these respective programs will be charged to such programs under a plan of financial adjustment.

By using this procedure each program will be charged its share of auditors' services, operating expense and supervision. Equipment purchases will be charged directly against the particular programs on the basis of estimated activity and personnel requirements.

The increases in this budget are attributed to the intent to fill the 20 positions now authorized during the entire year of 1948-49 and to add five new positions at a total cost of \$19,716, together with the additional amounts required for travel and automobile operation expenses for these positions. The proposed new positions are as follows:

<i>Explanation</i>	<i>Number</i>	<i>Salary Range</i>	<i>Amount</i>
Principal accountant -----	1	\$458-556	\$5,496
Semi-senior accountant -----	3	310-376	11,160
Accountant-auditor, grade 1 -----	1	255-310	3,060
Totals -----	5		\$19,716

While page 300, line 42, of the Budget indicates that there are 20 man-years of employment during the 1947-48 Fiscal Year for the field audits division, representatives of the Controller's office have indicated that there have never been at any time more than nine employees of this division and that these employees have only been employed part of the 1947-48 Fiscal Year. Furthermore due to the difficulties in recruiting it is anticipated that difficulty will be experienced in filling the 20 positions indicated in the Budget. *Since the addition of employees from nine now employed to the 20 provided in the Budget as now authorized is an increase of over 100 percent, we recommend that the five additional positions in the amount of \$19,716 be disallowed.*

This recommended reduction will not affect the net totals requested for support of the field audit division from the General Fund as the \$13,684 thus requested is the net balance after the deduction of \$116,328 for reimbursement for audit services rendered special programs for aid to local government. The recommended reduction of \$19,716 will reduce this \$116,328 reimbursement figure downward to \$96,612.

If this recommendation is adopted the Department of Finance should be requested to follow the adjustment through with respect to the budgets of special programs for aid to local government effected by the reduction.

TAX COLLECTION DIVISION

The following schedule presents the proposed expenditures of the Tax Collection Division:

<i>Object</i>	<i>Actual and estimated</i>		<i>Increase or decrease</i>	
	<i>1947-48</i>	<i>1948-49</i>	<i>Amount</i>	<i>Percent</i>
Salaries and wages -----	\$60,928	\$78,241	+\$17,313	+28.4
Operating expenses -----	16,544	23,630	+7,086	+42.8
Equipment -----	3,705	8,759	+5,054	+136.4
Totals -----	\$81,177	\$110,630	+\$29,453	+36.3

The schedule shown above discloses that the increase in the amount requested for support of this division may be attributed largely to

increases in the salary and wages category. Five new positions are requested in the amount of \$14,652 as shown below.

<i>Explanation</i>	<i>Number</i>	<i>Salary Range</i>	<i>Amount</i>
Assistant chief of division -----	1	\$341-415	\$4,092
Investigator -----	2	255-310	6,120
Bookkeeping machine operator -----	1	190-231	2,280
Intermediate clerk -----	1	180-220	2,160
Totals -----	5		\$14,652

It is the responsibility of this division to collect delinquent motor vehicle transportation tax accounts.

This agency has had some difficulty with its accounting operations. In view of this weakness we recommend that the accounting officer grade 1, position which was in the Budget during the 1946-47 and 1947-48 Fiscal Years be reestablished during the 1948-49 Fiscal Year in lieu of the proposed assistant chief of the division position. Such action will place emphasis upon the addition to this staff of an administrative officer who is qualified from an accounting standpoint and would provide a desirable augmentation of the supervisory staff of this agency. There is at present a supervising account clerk grade 1, position which provides the necessary supervision for the clerical operations. In view of the already existing supervision provision for clerical functions and in view of the small size of the professional staff we believe that our recommendation will provide adequate supervision.

Discussion reveals that there is a considerable question as to the validity of the item for rent shown on page 301 of the Budget line 41, in the amount of \$5,066 for the 1948-49 Fiscal Year. Information available indicates that it is not yet known when the annex of the Business and Professions Building may be occupied. It is not yet known what the rental rate per square foot will be, and it is indicated that this item for rent includes rent at an approximate rate for the entire year 1948-49, where as it appears that it will be an impossibility for this agency to occupy quarters in the new annex prior to January 1, 1949. In all probability such occupancy will not occur until after the first quarter of 1949. In view of the foregoing, it is recommended that this item be reviewed by the Department of Finance and the Controller's office and any possible reductions be reflected in this budget.

Recommendation

We recommend that the amount of \$110,630 for support of the Tax Collection Division be reduced to \$109,754, a reduction of \$876 or .8 per cent. This reduction is the difference between the annual salary for an assistant chief of the division at \$4,092 and the annual salary of an accounting officer, grade 1, in the amount of \$3,216, a difference of \$876.

For Additional Support of the State Controller, from the Motor Vehicle Transportation Tax Fund

Item 145, of the Budget Bill and page 294, line 14, of the Budget. The amount requested is \$100,045 for additional support of the State Controller payable from the Motor Vehicle Transportation Tax Fund.

The 1948-49 Fiscal Year will be the first in which an appropriation charges the Tax Collection Division activities related to the Motor Vehicle Transportation Tax to the Motor Vehicle Transportation Tax Fund. This is being done under the provisions of Section 10542 of the Streets and Highways Code, effective January 1, 1948.

Prior to January 1, 1948, the Tax Collection Division was financed from the Controller's support appropriation because the major portion of the State's share of taxes collected by that division was eventually placed in the General Fund. After the effective date of the Collier-Burns Highway Act of 1947, this was no longer true; the major part of the State's share of the taxes now goes into the Highway User's Tax Fund eventually. Since the motor vehicle transportation license tax activities account for over 90 percent of the work of the Tax Collection Division, it is deemed proper to support this division to that extent from the Motor Vehicle Transportation Fund rather than from the General Fund. The General Fund's portion of the estimated cost of operating this division in 1948-49 will be \$10,595 while the Motor Transportation Tax Fund will be charged with the balance of \$100,035.

Recommendation

We recommend approval of Item 145 in the amount of \$100,045 as requested.

For Audit of Special Appropriations for Aid to Local Government, State Controller, from the General Fund

Item 146 of the Budget Bill and pages 302 and 303 of the Budget. The amount requested is \$75,937 from the General Fund consisting of \$53,324 for audit of special appropriations for aid to local government, veterans housing, and \$22,613 for audit of special appropriations for school building aid to impoverished school districts (Section 5031, Education Code). The amount requested reflects the result of a decrease in the expenditures for 1948-49 for the audit of appropriations for veterans housing and an increase in the cost of auditing school building aid to impoverished school districts.

"VETERANS' HOUSING"

The amount requested for audit of veterans' housing appropriations during the 1948-49 Fiscal Year is \$53,324, a decrease of \$10,466 or 16.4 percent from the actual and estimated expenditures of \$63,790 during the 1947-48 Fiscal Year. The amount requested for support of this program is to cover the cost of auditing the records of the local housing authorities and of reviewing the claims filed by them.

Due to the volume of completion of these projects, this program reached its peak during the 1947-48 Fiscal Year and is expected to decline during the 1948-49 Fiscal Year as reflected by the decrease in the amount requested for support.

In view of the decrease in the activities in this function, particularly with respect to field audit services rendered by the Division of Field Audits, it is recommended that two of the additional automobiles requested, as shown on page 302, line 47, in the amount of \$3,150 be disallowed.

We recommend that the budgetary request for support of the audit of veterans' housing appropriations be approved in the amount of \$50,174, a reduction of \$3,150 from the \$53,324 requested.

SCHOOL BUILDING AID TO IMPOVERISHED SCHOOL DISTRICTS

The amount requested for audit of special appropriations for school building aid to impoverished school districts for the 1948-49 Fiscal Year is \$22,613. This is an increase of \$21,113 over the \$1,500 actual and estimated expenditures for 1947-48. This increase reflects the fact that there was little activity in this program during the 1947-48 Fiscal Year, but considerably more activity is anticipated during the 1948-49 Fiscal Year and a peak in the program is anticipated during the 1949-50 Fiscal Year since any funds not allocated by December 31, 1951, revert to the General Fund.

The budget presented for the audits of the two foregoing programs contemplates a program with great emphasis on field auditing. It is proposed to have all field audits performed by the Field Audits Division under a plan of financial adjustment. Therefore, no provision is made in this budget on page 303 for salaries and wages. All such costs are included under "Operating Expense" in the allotment for field audit services. The \$20,538 requested for reimbursement of field audit services is composed of \$13,059 for salaries and supervision and \$7,479 for operating expenses. The operating expenses are composed chiefly of travel expense cost and car operation costs.

The additional automobile is requested for use of three auditors who will be working on this program and appears justified.

We recommend approval of the amount of \$22,613 as requested for support of the audit of special appropriations for school building aid to impoverished school districts.

Recommendation

We recommend that Item 146 be approved in the amount of \$72,787, a reduction of \$3,150 or 4.1 percent from the amount of \$75,937 requested.

For Audit of Special Appropriations for Aid to Local Government, State Controller, from the Postwar Unemployment and Construction Fund

Item 147 of the Budget Bill and page 302 of the Budget. The amount requested is \$84,634 from the Postwar Unemployment and Construction Fund.

This appropriation will be in lieu of the appropriation for support of the Controller made by Section 9 of Chapter 20, Statutes of 1946 (First Extra Session). This is an increase of \$18,743 or 28.4 percent over the actual and estimated expenditures of \$65,891 during the 1947-48 Fiscal Year.

The Postwar Public Works program was authorized by Chapter 20 (First Extra Session), 1946, and Chapter 47 (Fourth Extra Session), 1944. The latter provided for an appropriation of \$10,000,000 from the General Fund, to be allocated to cities and counties for the preparation of plans and the acquisition of sites for public works and facilities.

Chapter 20 of the First Extra Session of 1946 appropriated \$90,400,000 from the Postwar Unemployment and Construction Fund for allocation to cities and counties for the construction of public works.

During the 1947-48 Fiscal Year the appropriations for support of the Controller's office as contained in the original laws were suspended, and a General Fund appropriation covering both programs was included in the 1947 Budget Act. In keeping with this consolidation of the programs, all records for both programs on the books of account of the Controller's office have been consolidated for the 1947-48 Fiscal Year and for the 1948-49 Fiscal Year.

The Postwar Public Works program consists of an audit by the Audits and Disbursements Division of the claims filed by local agencies against their allocations with respect to the development of plans, acquisition of sites, and finally consists of a field audit upon completion of each project. The field audits are made by the Field Audits Division under a plan of financial adjustment.

The preparation of plans and acquisition of sites portion (Chapter 47) of the program appears to be well under way, and many field audits of these have now been completed.

The construction portion of the program (Chapter 20) which is the next principal step is beginning to show signs of increased activity as building materials are becoming more available. During the 1948-49 Fiscal Year many of the construction projects should be completed. The Budget for local postwar public works plans, sites and construction audits has been planned accordingly.

Continuation of all established positions has been requested for no new positions have been requested.

The increase in operating expenses is due chiefly to the anticipated increase in field audit activities. The allotment for field audit services of \$54,740 represents an increase of \$26,492, or 93.8 percent, over actual and estimated expenditures for that purpose during 1947-48. This is due to the anticipation of a full year of auditing activity with a full crew as against a part-year of operation with a smaller crew during 1947-48.

The 1948-49 request provides eight auditors plus supervision and clerical costs totaling \$34,800 and travel and overhead costs of \$19,940. In addition, an allowance of \$500 has been provided for miscellaneous costs to be incurred in connection with the audits and disbursements phases of the program.

Recommendation

We recommend approval of Item 147 in the amount of \$84,634 as requested.

For Support of Bureau of Highway Accounts and Reports, State Controller, from the Highway Users Tax Fund

Item 148 of the Budget Bill and page 304 of the Budget. The amount requested is \$102,267 for support of the Bureau of Highway Accounts and Reports, State Controller, payable from the Highway Users Tax Fund in lieu of the appropriation made by Section 2103.1 of the Streets and Highways Code.

This is an increase of \$37,677, or 58.3 percent, over the actual and estimated expenditures of \$64,590 for 1947-48. Proposed expenditures for 1947-48 and 1948-49 Fiscal Years have no value for comparative purposes since 1947-48 operations do not represent a full year of normal operations.

The Bureau of Highway Accounts and Reports in the Accounting Division of the State Controller's office has been created to effectuate the provisions of the Collier-Burns Highway Act of 1947 which makes the Controller responsible for the apportionment of the Highway Users Tax Fund to the cities and counties and for the audit of local government accounts covering the receipts and expenditures of such funds received from the State. This program is new, and there is no past experience to be used as a guide in formulating budget estimates for the 1948-49 Fiscal Year. The budget is based on an estimate of the cost which will be entailed in carrying out the duties prescribed in the act.

Please note a recurring appropriation of \$100,000 per year is provided for support of this activity in the Collier-Burns Act. The amount required for support of this bureau for the 1948-49 Fiscal Year budget as presented is \$102,267 or \$2,267 more than the amount provided in the recurring appropriation. The excess is caused primarily by the salary increases granted by the Legislature at its 1947 Session. The increase in salary costs over the old salary ranges is \$7,566. Since no provision was made in Item 326 of the 1947 Budget Act for augmenting recurring appropriations because of salary increases, it is proposed to suspend the recurring appropriation for the 1948-49 Fiscal Year, and in lieu thereof appropriate \$102,267 from the Highway Users Tax Fund. WHETHER THIS SHALL BE DONE OR NOT IS A MATTER OF LEGISLATIVE POLICY.

Recommendation

We recommend approval of Item 148 in the amount of \$102,267 as requested.

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

Item 149 of the Budget Bill and page 305 of the Budget. The amount requested is \$149,522 for support from the Motor Vehicle Fuel Fund. This is a decrease of \$16,752, or 10.1 percent from actual and estimated expenditures of \$166,274 for 1947-48. This decrease results from the fact that no new positions are requested for the 1948-49 Fiscal Year and from the transfer of five employees to the Audits and Disbursements Division (supported from the General Fund) effective July 1, 1948. This transfer is contemplated in accordance with a general policy of defraying from the General Fund the cost of auditing and paying all claims from the General Fund and recovering from special funds their proper portion by means of the charges for general fiscal administration.

This division has the responsibility of auditing claims for refunds of Motor Vehicle Fuel Tax paid on gasoline which was not used on highways.

In the comments of the Legislative Auditor relative to the budget for the 1947-48 Fiscal Year, the field audit investigation program received

comments. At that time it was pointed out that in view of the small number of investigators employed in this program and the large total of refund claims involved, the results obtained did not indicate that the investigators' efforts were well directed.

As a result of these comments the Controller made efforts to improve the nature of the field investigations conducted by this agency during the 1947-48 Fiscal Year. For example, emphasis is now placed upon accounts involving refunds of \$100 or more. This policy had the effect of increasing the benefits derived by the State from the investigation activities of this agency and has resulted in directing the field investigations to the areas where greatest effectiveness could be achieved.

The Motor Vehicle Fuel Tax Division has indicated that it will continue its efforts to improve its field investigation program during the 1948-49 Fiscal Year also.

Recommendation

We recommend approval of Item 149 in the amount of \$149,522 as requested.

For Support of Tax-deeded Lands Division, State Controller, from the Redemption Tax Fund

Item 150 of the Budget Bill and page 306 of the Budget. The amount requested is \$220,913 from the Redemption Tax Fund. This is an increase of \$15,007 or 7.3 percent over actual and estimated expenditures of \$205,906 for 1947-48. This increase may be attributed chiefly to the proposed addition of eight new positions and a reduction in estimated salary savings of 2.5 man-years.

The new positions requested are as follows:

<i>Explanation</i>	<i>Number</i>	<i>Salary Range</i>	<i>Salaries and wages 1948-49</i>
District manager of tax deeded lands -----	1	\$325-395	\$3,900
Senior account clerk -----	6	220-268	15,840
Intermediate typist-clerk -----	1	180-220	2,160
Totals -----	8		\$21,900

The amount of \$183,122 is requested for salaries and wages during the 1948-49 Fiscal Year. This is an increase of \$24,348 or 15.3 percent over the \$158,774 for 1947-48. Please note, however, that it is anticipated that \$11,340 of this increase will be recovered in the form of reimbursements for services to political subdivisions and districts, leaving a net increase of \$13,008. This reimbursement of \$11,340 will be for the services of the district manager of tax-deeded lands, two senior account clerks and one intermediate typist-clerk shown under "new positions." The reimbursements will be made under Section 12424 of the Government Code which provides that the Controller may render service pertinent to financial budgetary and taxation problems and procedures for any county, city, city and county and any other political subdivision or any district of the State upon such terms and conditions as may be agreed upon by the Controller and the governing body of such county, city, city and county and other political subdivision or district. This section of the code provides that the money received for such service shall

be paid into the State Treasury to the credit and in augmentation of the current appropriation for the support of the division of the Controller's office furnishing this service.

It is proposed that the new position of district manager will provide supervision of the two senior account clerks and one intermediate typist-clerk in checking county tax rolls and preparing an adequate index and abstract of tax delinquencies on real property. The records will contain the descriptions of each piece of property and the amount of the lien against the property to be used by redemption offices in computing the amount necessary to redeem property tax-deeded or sold to the State as well as setting up of a control account so county auditors will know the amount of taxes outstanding.

Four of the new senior account clerk positions are requested for the purpose of checking the property deeded to the State with the records of the United States Land Office and the State Lands Office to ascertain whether or not patents have been issued by either office. A check made of seven counties in the past two years has revealed that approximately 200,000 acres were deeded to the State under tax liens for which taxes were not assessable due to the fact that patents had not been issued. This check was discontinued due to lack of funds. The new positions are requested for the foregoing purpose because no existing positions are available for performance of this work.

Increases in the operating expense and equipment categories are justified principally by the proposed eight new positions and by normal salary increases and by the rise in cost of supplies and materials.

The request for four senior account clerks has been justified by a program which it has been stated will be completed by the end of the 1948-49 Fiscal Year. It is recommended that the Department of Finance be specifically charged with the duty of seeing that these positions are deleted from the Budget for the 1949-50 Fiscal Year.

The work performed by these four senior account clerks will help prevent the state selling tax-deeded property and then finding that it didn't own the property as patents had not been issued at the time of delinquency. The counties will also be relieved of the cost entailed in carrying these properties on delinquent tax rolls.

Recommendation

We recommend that Item 150 in the amount of \$220,913 be approved as requested.

BOARD OF EQUALIZATION—GENERAL FUND ACTIVITIES

For Support of the Board of Equalization from the General Fund

Item 151 of the Budget Bill and pages 309 to 322 of the Budget. The amount requested is \$10,013,104 for support of the General Administration, Division of Research and Statistics, Division of Assessment Standards, Valuation Division, Retail Sales Tax Division, and Alcoholic Beverage Control Division. *This is an increase of \$1,140,118, or 12.85 percent, over support expenditures of \$8,872,986 in 1947-48.*

The amount budgeted for support of these activities last year was \$8,497,606. This was supplemented by \$30,000 in Chapter 1523 of the Statutes of 1947, for a survey of the assessing procedures and practices

of county assessors in the evaluation of property for the purpose of taxation. An additional \$814,025 has been requested to provide for salary increases. Deficiency requests for operating expenses and equipment total \$160,716, making total authorized expenditures of \$9,502,347.

On January 1, 1948, the support of the Motor Transportation License Tax Division was transferred to the Motor Vehicle Transportation Fund. This reduced authorized expenditures some \$274,208 to \$9,228,139. Total actual and estimated expenditures for the 1947-48 Fiscal Year are \$8,872,986.

The increase proposed for 1948-49 *represents the addition of 126 new positions* and reclassifications costing \$350,512, increase of \$191,730 in operating expenses, \$118,365 for replacement of equipment, and \$222,660 for additional equipment.

Recommendation

We recommend that Item 151 of the Budget Bill be reduced in the amount of \$75,614. The reduction we recommend would reduce the cost of new positions and reclassifications by \$8,868, operating expenses by \$11,796, and additional equipment by \$54,950. This reduction would leave an increase of \$1,064,504 or 12 percent over 1947-48 expenditures.

We are recommending that 29 new cars not be purchased, saving \$45,675, and that 6 not be replaced, saving \$7,325. To make this recommendation effective, it will be necessary for the board to reassign cars which are now assigned to individuals who do not drive them 1,000 miles a month on state business. We are allowing one-third of the new cars requested, recognizing that conditions may not permit the reallocation of cars in all cases.

The details of the reductions recommended are described below, in the order in which they appear in the Budget.

GENERAL ADMINISTRATION

Salaries and wages----- \$3,720

We recommend that the amount provided for salaries and wages for General Administration be reduced by \$3,720.

We do not recommend the addition of an Auditor Grade 2, costing \$3,720, in what is shown as the Internal Audit Section. *This section is an example of the unauthorized mushrooming of functions assumed by the board.* The internal audit of district and branch offices has been performed by a supervising auditor grade 1 in the Accounting Section. No additional positions to assist this man were included in the 1947-48 Budget. However, the board presented to the Ways and Means Committee in 1947 a request for additional staff for the internal auditing function. This request was rejected and no additional staff was authorized. We now find in the budget for 1948-49 a position of auditor grade 2 added during the 1947-48 Fiscal Year augmenting the internal audit staff. This budget contains a request for another such auditor grade 2 for the internal audit staff. Improved internal controls over the district and branch offices will make this additional position unnecessary. The internal audit staff is an unproductive auditing function and is a substitute for proper administrative knowledge and control.

We recommend the semi-senior accountant at \$3,720 shown in the Budget on page 310, line 44 under Executive, be transferred to be a part of the accounting section. *This position is requested to assist the accounting officer in the compilation of the departmental budget. We note that the position of assistant to the secretary which was added to the Executive Section in 1947 without legislative authorization was intended to be the budget officer of the Board of Equalization.* We recommend that if this position of Assistant to the Secretary is not found to be necessary that it be dropped.

We are recommending the addition of five positions in the Accounting Section as follows:

1 Semi-senior accountant	\$3,720
1 Senior account clerk	2,640
2 Intermediate account clerks	4,800
1 Intermediate typist clerk	2,260

We are recommending the addition of these positions upon the condition that the Department of Finance make a complete study of the accounts, organization, and procedures, of the Accounting Section of the Board of Equalization, and that the budget request for the 1949-50 Fiscal Year be based upon this study.

We are recommending the proposed intermediate stenographer-clerk, costing \$2,280, to provide stenographic assistance to a Deputy member and the assistant to member attached to a board member. This is the first of such positions requested by a board member and recognizes the fact that deputies and assistants require stenographic service and if not provided by specific assignment, it is secured from existing staff.

Operating Expenses—\$6,000

We recommend that travel allowance for the General Administration Division of the Board of Equalization be reduced from \$26,000 to \$20,000. The 1947-48 expenditures for travel amounted to \$23,400. In previous years they have not exceeded \$10,000. While the requested amount of \$26,000 is intended to cover travel of the board members, the deputies and assistants to the board members, the board secretary and the legal staff, added travel by the deputy and assistants should relieve the board members of some of the necessity for traveling.

The board has greatly increased the amount of travel of its members, and its employees in the past year. It is planning more travel for the next fiscal year. Much of the travel is unnecessary junketing to conferences, meetings and conventions both within and without the State. *We recommend the board confine its travel to essential state business, and restrict the travel of its employees to such business as is necessary to the performance of their duties.*

Equipment—\$4,025

We do not recommend the replacement of the car assigned to the Secretary of the Board at a cost of \$2,075. The secretary drives this car an average of less than 850 miles a month. Its mileage on August 31, 1947, was 74,976. This car should be made available to other executives of the board in order that it may receive heavier use before being replaced.

We do not recommend the proposed additional automobile, costing \$1,575 for the auditor to be added to the internal audit staff. We are not recommending that the position be established and consequently do not recommend this automobile. Furthermore, we recommend that the internal audit staff travel by common carrier wherever feasible, and that the car now assigned to the Auditors be returned to the headquarters pool.

We do not recommend the purchase of a medium weight car for the assistant to the board member at \$1,950. We recommend a reduction of \$375 and that the car used by this employee be a light weight car at a cost of \$1,575.

DIVISION OF RESEARCH AND STATISTICS

Operating Expenses—\$1,750

We recommend that the \$1,750 set up for fair exhibits by the Board of Equalization be taken out of this appropriation and set up in a separate appropriation for fair exhibits by state departments, to be charged against the Fair and Exposition Fund.

RETAIL SALES TAX DIVISION

The workload of the Sales Tax Division is described on page 6 of the explanation of the Budget printed by the Department of Finance. It indicates that the volume of work handled by the Board of Equalization will continue to increase during 1948-49.

We have obtained an estimate that the number of active permits as of June 30, 1948, will be approximately 282,000. This is not included in the Department of Finance calculations of workload.

The estimate of active permits made at the Budget hearings for the 1947-48 Budget was that there would be 265,000 permits as of June 30, 1948. Therefore, the increase in active permits will be 6 percent.

The estimated number of permits to be issued in 1948-49 is some 72,000 or 32.7 percent less than the 217,231 estimated for the 1947-48 budget.

The number of permits estimated to be closed out in 1948-49 is approximately the same as the number estimated to be closed in 1947-48.

The number of returns filed will be some 269,000 more in 1948-49 than were estimated to be filed in 1947-48. This would be an increase of 16.3 percent.

Other cash transactions are estimated to increase some 148,000 or 33.4 percent over estimates for 1947-48.

Delinquent accounts are estimated to be some 56,000 or 32.2 percent less than estimated in 1947-48.

The conclusion reached from examination of the estimated workload of the Board is that field auditing and investigating will be increased by about 6 percent, and the office auditing and clerical work will be increased by approximately 15 percent.

In estimating the number of auditors which would be needed to handle the estimated workload of the Board of Equalization for the Fiscal Year 1947-48, it was stated that the average number of audits which could be completed by an experienced auditor was 77.34 per year. This figure was used to support the request for a total of 606 field audi-

tors. *The records of the Board of Equalization show that in the 1946-47 Fiscal Year the auditors averaged 80 regular audits apiece per year, or 579.42 special audits per year. This would give an average audit production per man of 125.19 audits per year. There should be a considerable reduction in the backlog of audits to be performed by the Board of Equalization by July 1, 1948, if this rate is maintained.*

RETAIL SALES TAX DIVISION—HEADQUARTERS OFFICE

Salaries and Wages—\$360

We do not recommend the proposed reclassification of one addressograph machine operator to supervising addressograph machine operator at a cost of \$120. At present there is one Supervisor for nine operators. The promotion of one position would make one Supervisor to four operators, a ratio which is too low.

While we make no recommendations concerning the proposed addition of eight out-of-state auditors for New York and Chicago, *we note that the average deficiency assessment which was formerly \$54.80 per audit hour by the out-of-state auditors has declined to \$31.30 per audit hour during the fiscal year June 30, 1947.* Any further decline will make expansion of this activity uneconomical.

We do not recommend the reclassification of two of the three junior clerks to intermediate clerks requested at a cost of \$240. The duties of pulling and filing addressograph plates do not call for the intermediate clerk classification.

Operating Expense—\$1,000

We recommend the membership in the Federation of Tax Administrators be reduced by \$1,000 for the 1948-49 Fiscal Year. The \$2,000 proposed to be budgeted for this membership is an excessive cost. The membership of the Franchise Tax Commissioner costs \$1,000 and we see no reason why the Board of Equalization should be charged \$2,000 for its membership. We believe the whole subject of memberships in professional and interstate organizations by state administrative departments should be reviewed for the purpose of securing the membership in the name of the State rather than of the administrative departments, and to obtain the maximum benefit to the State as a whole from such membership.

RETAIL SALES TAX DIVISION—DISTRICT OFFICES

Salaries and Wages—\$4,092

We do not recommend the proposed addition of the Supervising Investigator Grade 2 at a cost of \$4,092. Three new supervising investigators grade 2 were added by the 1947-48 Budget. While it has been stated that the Personnel Board recommends closer supervision of investigators than the present one to nine ratio, we do not believe that this type of work requires closer supervision.

Equipment—\$32,025

We do not recommend the replacement of two cars costing \$2,100. These cars do not show sufficient mileage to warrant their replacement.

We are recommending replacement of two of the cars requested on the condition that the replacement be with one medium weight and one light weight car.

We do not recommend the acquisition of 19 new cars at a cost of \$29,925. There should be substituted for these 29 cars the 45 or more cars now assigned to the Board of Equalization which are not receiving sufficient use to warrant their present assignment to Board of Equalization employees.

ALCOHOLIC BEVERAGE CONTROL DIVISION

The justification for the addition of 39 more liquor control officers in 1947-48 budget estimated that there would be 73,000 licenses issued and transferred in 1946-47 and 1947-48. At that time it was requested that the ratio of liquor control officers to licenses issued be brought up to 3.15 per 1,000 licenses, which gave the division 230 officers. We now find that the actual number of licenses issued and transferred in 1946-47 was 61,170, and up until December 31, 1947, there had been only 58,931 in the previous year. This makes the ratio of officers to licenses 3.74 per 1,000 licenses for 1946-47, and higher for 1947-48.

In addition to the 229 liquor control officers currently employed by the Division, there are eight special liquor investigators and 37 supervising liquor control officers.

Chapter 712 of the Statutes of 1947 provided for the payment of all moneys collected as license fees to the cities and counties. This will make available to the cities and counties some \$8,000,000. Heretofore, they had been receiving one-half of the fees, or \$4,489,971.30 in the fiscal year ending June 30, 1946. The new chapter will remove this revenue to the General Fund from alcoholic beverage license fees.

The return of the liquor license money to the cities and counties will enable them to undertake a larger part of the cost of enforcing the laws regarding liquor. Section 66.5 of the Alcoholic Beverage Control Act makes the enforcement of the act the duty of every peace officer and district attorney in the State.

We have recommended in previous reports to the Legislature that liquor control be removed from jurisdiction of the Board of Equalization. Until that is done, any improvement in the effectiveness of policing the liquor business must be looked for on the part of the local authorities.

ALCOHOLIC BEVERAGE CONTROL—HEADQUARTERS OFFICE

Operating Expenses—\$3,046

We recommend the allotment for printing be reduced by \$1,250. This would eliminate the binding of the Alcoholic Beverage Control Bulletin, paper and backs at a cost of \$615, and the printing of a manual for liquor control officers at a cost of \$700. We recommend the Alcoholic Beverage Control Bulletin be discontinued as a state activity, and that the 1,000 copies of the manual for liquor control officers be put out in mimeographed form.

We recommend the allotment for travel be reduced by \$1,796 to the amount required for 1947-48 plus 20 percent or \$8,204.

BUREAU OF TAX ASSESSMENT

Salaries and Wages—\$276

We do not recommend the reclassification of one auditor grade 3 to supervising auditor grade 1, at a cost of \$276. There are at present four supervising auditors supervising seven auditors grade 3 who in turn supervise the work of some 46 other auditors. We believe this ratio is appropriate and recommend its continuance.

Equipment—\$4,725

We do not recommend the purchase of three cars at a cost of \$4,725. We recommend that other cars assigned to the Board of Equalization which are not driven 1,000 miles a month be reassigned to this division if they are urgently needed.

DISTRICT LIQUOR CONTROL OFFICES

Salaries and Wages—\$420

We do not recommend the reclassification of two intermediate stenographer-clerks to senior stenographer-clerks at a cost of \$240. The technical requirements of the division do not require the services of two more senior stenographer-clerks. At present the districts have four senior stenographer-clerks located in Los Angeles, San Francisco, Oakland and San Diego.

We do not recommend the reclassification of one liquor control officer to supervising liquor control officer at a cost of \$180. The position to be reclassified is in the San Bernardino district. There are already two supervising liquor control officers supervising the work of 11 liquor control officers in this district. The proposed addition will make the ratio of three to ten. The average in the state is one supervising liquor control officer to six liquor control officers.

Equipment—\$14,175

We do not recommend the replacement of three cars at a cost of \$3,150. The present mileage on these cars and the mileage driven monthly on state business does not warrant their replacement at this time.

We do not recommend the proposed purchase of seven additional cars at a cost of \$11,025. We recommend reassignment of cars assigned to other personnel in the Board of Equalization which are not driven 1,000 miles a month.

MOTOR TRANSPORTATION LICENSE TAX DIVISION

Item 152 of the Budget Bill and pages 323 and 324 of the Budget. The amount requested is \$587,688 for support from the Motor Vehicle Transportation Tax Fund. This is an increase of \$33,562 or 6.06 percent over 1947-48 expenditures of \$554,126. The transfer of this function from the General Fund to a special fund which occurred on January 1, 1948, accounts for \$15,800 of the increase, resulting from pro rata charges for services received from General Fund agencies.

The work of the division leveled off in November, 1947. However, the tax credit for license fees paid which is allowed against the 3 percent Transportation Tax, under the provisions of the Collier-Burns Highway Act of 1947, is increasing the work of the headquarter's staff.

Recommendation

We recommend a reduction of \$2,166 in the amount requested. This would reduce salaries and wages by \$216, and equipment by \$1,950.

The detail of the recommended reduction is given below in the order in which the costs are entered in the Budget.

Headquarters Office

We are recommending the proposed reclassification of an auditor, grade 3, to supervising auditor, grade 1, at a cost of \$276 on the condition that the reclassified position be in effect the assistant chief of the division. Furthermore we recommend that the on-the-job supervision by the chief be stepped up.

We do not recommend the proposed reclassification of one supervising investigator, grade 1, to supervising investigator, grade 2, at a cost of \$216. This supervising investigator, grade 1, is being transferred from district office to headquarters and will not supervise any investigators working out of the headquarters office.

We recommend the amount budgeted for equipment, auditing—additional, be reduced by \$1,950. This amount was set up for the purchase of a medium weight car for the chief of the division. *The chief has had a 1941 Chrysler Sedan assigned to him which has traveled only 48,300 miles.* The car is driven to the chief's home and to work, and all indications are that the chief would seldom drive 1,000 miles a month in any car assigned to him. We do not recommend the purchase of a new car for the chief of the division, and recommend that his present car be reassigned to a pool or to someone who would use it 1,000 or more miles a month.

MOTOR VEHICLE FUEL TAX DIVISION

Item 153 of the Budget Bill and pages 325 and 326 of the Budget. The amount requested is \$395,381 for support from the Motor Vehicle Fuel Fund. This is an increase of \$19,322 or 4.88 percent over support expenditures of \$336,073 for 1947-48.

The amount budgeted for 1947-48 was \$307,204. Salary increases added \$26,405 and a further deficiency authorization of \$2,646 has been requested. Total authorized expenditures are \$336,255. Actual and estimated expenditures for 1947-48 are \$336,073.

Recommendation

We recommend that Item 153 of the Budget be reduced by \$19,531. This would reduce the proposed cost of new positions and reclassifications \$6,300, replacement of equipment \$1,050 and additional equipment \$12,181.

The details of the reductions we recommend are described below, in the order in which they appear in the Budget.

Headquarters Office

We do not recommend the addition of two accountant auditors, grade 1, costing \$6,120, to the audit staff.

These accountant auditors, grade 1, are requested to revive the audit program on motor vehicle fuel brokers in the northern part of the State. This audit program produces little or no direct revenue. *In the absence of specific information concerning indirect revenue, or number of cases of fraud disclosed by these audits, the addition of these auditors is not recommended.*

We recommend the amount budgeted for equipment, office—additional, be reduced \$604. This represents the difference in price between the purchase of six new desks and the cost of surplus desks which have been obtained by the Department of Finance for distribution to the state departments.

We do not recommend the proposed purchase of four additional light sedans at a cost of \$6,300. We recommend that automobiles assigned to other personnel in the Board of Equalization which are not driven 1,000 miles a month be reassigned to this division.

District Offices

We do not recommend the reclassification of one accountant-auditor, grade 1, position to supervising investigator, grade 1, at a cost of \$180. There is already a supervising investigator, grade 2, and there will be only nine investigators being supervised.

We recommend the amount budgeted for equipment, office—additional, be reduced \$552. This represents the difference in price between 11 new desks and the cost of surplus desks obtained by the Department of Finance for distribution to the various State departments.

We do not recommend the replacement of one automobile costing \$1,050. The car to be replaced will have been driven 100,000 miles by the latter part of the 1948-49 Fiscal Year. We recommend replacement of this car be postponed until the next fiscal year.

We do not recommend the proposed acquisition of three light sedans costing \$4,725. We recommend that automobiles assigned to other Board of Equalization personnel which are not being driven 1,000 miles a month be reassigned to this division.

DEPARTMENT OF FINANCE

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

Item 154 of the Budget Bill and pages 329 to 349, inclusive, of the Budget. The amount requested is \$1,667,980 from the General Fund. This is an increase of \$254,340 or 15.25 percent over estimated expenditures of \$1,413,640 for 1947-48. This increase is primarily attributable to commensurate increases in various general activities comprising the overall function of the Department of Finance. The budgets for each of these respective activities will be considered in the order in which they appear in the Budget.

ADMINISTRATION DIVISION

The amount requested as shown on page 331 of the Budget for the support of the Administration Division is \$218,040. This represents an increase of \$50,567 or 23.19 percent over the estimated amount for 1947-48. The percentage increase herein is considerably in excess of the overall increase in the Budget. This increase is primarily attributable to an increase of \$13,199 in salary and wages to cover normal salary increases plus the further sum of \$26,940 to cover nine proposed new positions.

The proposed new positions are shown by classification and salary costs in the following schedule:

	<i>Position classification</i>	<i>Salary costs</i>
4	Student administrative analyst-----	\$10,560
2	Assistant administrative analyst-----	7,080
2	Intermediate stenographer-clerk-----	4,560
1	Senior claims examiner-----	4,740
9	Totals-----	\$26,940

Operating expenses are scheduled to advance from \$27,586 to \$37,238, an increase of \$9,942 or 36 percent. A major item of increase in operating expense is travel which is scheduled to go to \$15,200 from \$6,000, a gain of \$9,200. This increase while sizeable, is related to the additional new positions requiring travel plus an increased tempo in the field activity of the administration division generally. This should result in savings through better procedures to more than compensate for the added expense.

Equipment expenses are scheduled to advance from \$2,721 to \$4,763, a gain of \$2,042, or 75.05 percent. The major item attributable to this advance is the acquisition of a new automobile to provide a pool car for employees of this division.

Recommendation

We recommend approval of the Budget of the Division of Administration as submitted.

ACCOUNTS AND DISBURSEMENTS DIVISION

The total support request for this division as shown on page 332 of the Budget is \$212,030 for 1948-49. This represents an increase of \$57,528 or 37.23 percent over the amount of \$154,502 estimated for 1947-48.

The indicated increase is primarily attributable to an increase of \$19,979 for normal salary increases plus \$20,160 to cover nine proposed new positions. The proposed new positions are all in the clerical category as a result of an increased workload due to the expansion of State activities. They are shown as follows:

	<i>Position classification</i>	<i>Salary costs</i>
1	Senior account-clerk-----	\$2,640
1	Senior typist-clerk-----	2,520
3	Intermediate account-clerk-----	6,480
1	Intermediate stenographer-clerk-----	2,280
2	Intermediate typist-clerk-----	4,320
1	Junior clerk-----	1,920
9	Totals-----	\$20,160

Operating expenses are scheduled to advance from \$21,800 to \$25,700, an increase of \$3,900 or 17.89 percent.

The equipment outlay is scheduled to advance from \$2,758 to \$6,197. The major portion of this increase results from the expenditure of \$5,693 as a total amount for new office equipment pursuant to the requested new positions.

Recommendation

We recommend approval of this divisional budget as submitted.

AUDITS DIVISION

The total amount requested for the support of this division as shown on pages 332 and 333 of the Budget is \$431,580. This represents an increase of \$20,366 or 4.95 percent over the amount of \$411,214 estimated for 1947-48.

Salaries and wages are scheduled to advance from \$386,012 for 1947-48 to \$398,530 for 1948-49, an increase of \$12,518 or 3.24 percent. No new positions are requested for the division.

Operating expenses are scheduled to advance from \$40,235 estimated for 1947-48 to a proposed figure of \$44,650. This reflects an increase of \$4,415 or 10.97 percent. This is largely due to an increase in rent of \$3,565.

The equipment expenditures are scheduled to advance from \$1,967 for 1947-48 to \$5,400 for 1948-49. The largest amount contributing to this advance arises from the expenditure of \$3,150 for replacement automotive equipment.

This division, in addition to following a regular audit program, provides auditing and accounting services to other agencies where the size of the agency is generally insufficient to warrant its own personnel complement for this function. Reimbursements for this activity are scheduled to remain status quo at the same figure estimated for 1947-48, namely \$17,000.

Recommendation

We recommend approval of the divisional budget as submitted.

DIVISION OF BUDGETS AND ACCOUNTS

The amount requested as shown on page 333 of the Budget, is \$331,796, an increase of \$80,885 or 32.2 percent over actual and estimated expenditures of \$250,911 for the 1947-48 Fiscal Year.

The proposed increase is principally for a substantial strengthening of staff combined with tripling of travel expenses in order to permit the staff to spend more time in the field. This step is a recognition of the fact that the fiscal operations of the State have grown more rapidly than there has been augmentation of the Budget and Accounts staff, and also that it is impossible to exercise proper budget analysis and control unless greater field work is done.

Recommendation

We recommend that the amount requested for the Division of Budgets and Accounts be approved in the amount of \$331,796, as requested, with the understanding that the staff will actually get into the field and make closer examination of the detailed operations of state agencies. *The amount requested last year was based on this assumption but largely due to the increase in work entailed by annual budgets, adequate field work has not been carried out.*

Statistical Summary and Analysis

Of the total increase of \$80,885 proposed for 1948-49, \$64,223 is for salaries and wages. \$42,840 of this is for proposed new positions. These positions are listed as follows:

	Assistant principal budget analyst.....	\$7,008
	Senior engineering budget analyst.....	5,496
3	Senior accountant	13,536
	Intermediate account-clerk	2,160
5	Junior accountant-auditor	13,200
2	Senior accountant (reclassification)	1,224
1	Assistant financial research technician (reclassification)	216
	Senior accountant (reclassification).....	1,224
	Total	\$42,840

The proposed assistant principal budget analyst at \$7,008 is to permit the principal budget analyst to spend more time on policy matters and to secure more frequent contact with operating agencies.

The three positions of senior engineer budget analyst, senior accountant and intermediate account-clerk are to take care of the increased workload arising from the Collier-Burns Highway Act, which required an augmented budget from the Division of Highways, the reorganization of the Department of Motor Vehicles and increased Public Works activities.

The five junior accountant-auditors and reclassifications requested constitute a general strengthening of the staff to take care of increased state activities.

DIVISION OF COMMUNICATIONS

The amount requested for support for this division as shown on page 334 of the Budget is \$42,263 for 1948-49. This reflects an increase of \$16,761 or 65.7 percent over the amount of \$25,502 estimated for 1948-49.

This division was created as of September 19, 1947, and therefore its activities for the 1947-48 Fiscal Year do not reflect a full year's operation. As a matter of fact, it was not until late in the current fiscal year that the division achieved a full personnel complement. Under these conditions a comprehensive analysis of the amounts expended for 1947-48 as compared with requests for 1948-49 Budget are not valid because of the differential in time during which the agency was in operation.

Total salaries and wages for the purposed Budget reflect the sum of \$20,410 to cover the presently authorized positions. Two proposed

new positions are requested at a salary cost of \$7,776. These positions are one senior communications engineer and one stenographer-clerk.

The functions of this particular division can, if properly executed, save the state sums for larger than now required for its support. The proper coordination of all communication facilities throughout the State will effectively increase the use of these facilities and eliminate overlapping functions and duplication of equipment.

Operating expenses are scheduled to increase \$5,575 or 68.2 percent, while equipment shows a decrease of \$7,660 or 91.3 percent.

Recommendation

We recommend approval of this divisional Budget as submitted.

DIVISION OF PURCHASES

The amount requested for the support of the Division of Purchases, as shown on pages 334 and 335 of the Budget, is \$358,731 from the General Fund. *This is \$47,817 or 15.1 percent more than the \$310,914 expended in 1947-48.*

The increase requested in the 1948-49 Budget is made up of normal salary increases, amounting to \$13,165, and 14 proposed new positions costing \$26,776, an increase of \$6,740 in operating expenses and an increase of \$1,136 in equipment.

This is the central purchasing agency for the State. Through this division are channeled all requests for purchases of equipment and supplies from the state departments. In this division requests for purchase of equipment are broken down, and invitations to bid sent to recognized vendors of the equipment needed. If three reasonable bids are received, the purchase is made from the low bidder. If less than three are received, the invitations are recirculated, or if it is known that no other vendors will offer the item of equipment, the purchase is made from the low bidder or sole bidder. If no bids are received, the department making the request is advised to buy the equipment locally, and request a confirming purchase order.

Frequently, departments have made purchases locally, and then requested confirming purchase orders without first going through the Division of Purchases. This was the result of conditions during the war years when many items were in short supply, and local purchases could be made, whereas no bids from recognized vendors would be received by the Purchases Division. As materials and equipment become more readily obtainable the practice of confirming purchase orders should be discontinued.

In 1946 there were 113,487 purchase orders written. In 1947 there were 128,795 purchase orders, an increase of 13.5 percent. The trend of purchase orders during the last half of 1947 indicates that there will be approximately 121,598 in the fiscal year of 1947-48.

The proposed Governor's Budget shows proposed purchases of equipment for the State as a whole totaling \$10,557,529. The actual and estimated value of purchases of equipment as shown for 1947-48 is \$10,965,779. *This would indicate a decrease in the dollar value of purchases to be made in 1948-49. It may also indicate a decrease in the number of purchase orders to be written in 1948-49.*

Recommendation

1. We recommend at this time that only the following positions be allowed:

1 Junior buyer -----	\$3,216
1 Intermediate office appliance operator (reclassification) -----	120
1 Intermediate account clerk -----	2,160
1 Intermediate stenographer-clerk -----	2,280
Total -----	\$7,776

2. We do not recommend the filling of the following positions except under the conditions outlined below. The positions referred to are:

2 Intermediate stenographer-clerk -----	\$4,560
6 Intermediate typist-clerk -----	12,960
Total -----	\$27,520

We recommend that the appointment of two of the three intermediate stenographer-clerks requested and six of the nine intermediate typists-clerks requested *be deferred until a workload analysis and time study has been completed by the Department of Finance and such study has been found to justify the requested additions.*

Analysis

The 1947-48 Budget added two intermediate stenographer-clerks making a total of 16 such positions. *The proposed Budget shows only 12 of the positions being used.*

There were 22 intermediate-typist clerk positions provided in the 1947-48 Budget. There are 23 positions shown as authorized in the proposed Budget. The division not only added the three positions they asked for in the 1947-48 Budget, *but have added another position since then without legislative approval.* Workload data does not support this request for additional typing positions. Postage expense does not indicate that current purchasing conditions require more correspondence than formerly. Present indications are that the typing load may be decreased by less need for splitting of invitations to bid, and fewer purchase orders.

We are recommending the proposed addition of a junior buyer at a cost of \$3,216. The division states it has been unable to make personal contacts with vendors and manufacturers with its present staff. The addition of another buyer should permit the division to explore the possibility of having state institutions produce some of the furniture and equipment which are now being purchased at high prices, and to obtain surplus war materials as substitutes for some of the equipment being requested. This latter is particularly applicable to the equipment requested by the Division of Forestry.

We recommend that the methods and procedures of the Division be examined by the Administrative Procedures Division of the Department of Finance for the purpose of modernizing its operations.

WAR SURPLUS PROPERTY PROCUREMENT

The amount requested for support as shown on page 335 of the Budget is \$80,327. *This reflects a decline of \$7,002 under the amount of \$87,329 estimated expenditures for 1947-48.*

This decline is evidenced in all three categories of expenditure. The largest amount is under the heading of equipment, which is scheduled to go from \$5,230 in 1947-48 down to \$704 in 1948-49. A small decline is reflected in salaries and wages due to the elimination of one intermediate stock clerk and one senior account clerk position.

The largest single item of advance in the Budget is that of travel. This is primarily attributable to the fact that *acquisition of war surplus property is becoming more difficult*, the sales are more scattered, and thus increased travel is required to reach the points, as well as supplementary travel in order to locate particular items of needed equipment.

The division has estimated a savings in excess of \$15,000,000 as of November 1, 1947, in connection with the acquisition of surplus property, this figure being taken on the actual discount involved and not on the actual market price.

It is contemplated that the War Assets Administration will be liquidated by June 30th of the present year. However, this will not necessarily mean the elimination of the possibility of securing war surplus property since it is understood this activity will be taken over by the United States Department of Commerce. Current estimates place the value of surplus property still left to be disposed of by the Government at between five and eight billion dollars.

There thus appears ample opportunity for beneficial results to flow from the continuation of this agency for another fiscal year. *The agency is to be commended for exercising administrative discretion in eliminating presently established positions due to a decline in the general activity of the agency* and the continuation of this policy will undoubtedly result in further savings being made for the 1948-49 fiscal period commensurate with any further declines in the activity of the division.

Recommendation

We recommend approval of the divisional budget as requested in the sum of \$80,327.

BUREAU OF LIQUIDATION

The amount requested for the support of the bureau as indicated on pages 335 and 336 of the Budget is \$19,088. *This sum reflects a decline of \$14,231 under the estimated expenditures for 1947-48 of \$33,319.*

The activity of the bureau is primarily concerned with the liquidation of the Farm Production Council which should occur during the 1948-49 fiscal period. This will necessarily reflect a curtailment of the work in the bureau which is indicated by its request for a reduced budget. The amount requested appears nominal and the possibility for additional savings appears to be imminent as the workload declines.

Recommendation

We recommend approval of the Budget for the Bureau of Liquidation as requested for \$19,088.

PUBLIC WORKS AND ACQUISITION DIVISION

The amount requested for support of this division as shown on page 336 of the Budget is \$19,125 for 1948-49. This reflects an increase of \$6,649 over the amount of \$12,476 estimated for 1947-48 expenditures.

The major portion of the increase in connection with this division results from one proposed new position of Public Works and Acquisition Agent at a salary cost of \$4,296.

The position request has resulted in nominal increases in operating expenses primarily in the matter of travel, as a necessary incident to the new position. A similar comment holds true in connection with the small increase in the matter of equipment. A sizeable expansion in the building program is contemplated by the State. This necessarily entails the acquisition of appropriate sites upon which to build.

Additional factors are now being considered in the securing of appropriate sites for certain state activities, which were not stressed to the same degree in former years. These additional factors necessarily narrow the potential field from which such sites may be selected. For example, in locating many of our institutional sites, careful consideration should be given to the possibility of developing a financially sound agricultural program in connection with certain such institutions.

Recommendation

We recommend approval of this divisional budget as submitted for \$19,125.

For Support of the Audits Division, Department of Finance, Payable from the Fair and Exposition Fund

Item 155 of the Budget and pages 329 and 330 of the Budget. The amount requested is \$45,000. *This is an increase of \$5,000 over the amount requested for 1947-48.* This entire appropriation is supplemental to the amount of \$386,580, which is incorporated as a part of the amount provided by Item 154.

Recommendation

We recommend approval of Item 155 as submitted, for \$45,000 and further recommend that the numerous irregularities in handling of state appropriations by the several fairs be corrected by withholding further allocations until they are cleared up. The Controller should take note of these audits.

For Payment of Liability Claims and Necessary Expenses Incident to Investigation, from the General Fund

Item 156 of the Budget Bill and page 329 of the Budget. The amount requested is \$65,000 from the General Fund. This represents an increase of \$10,000 over estimated expenditures for 1947-48 in the amount of \$55,000.

Recommendation

We recommend approval of Item 156 as submitted, for \$65,000.

For Official Advertising, Department of Finance, from the General Fund

Item 157 of the Budget Bill and page 329 of the Budget. The amount requested is \$2,500 from the General Fund. This represents an increase of \$1,000 over the estimated expenditures for 1947-48 of \$1,500.

Recommendation

We recommend approval of the Item as requested for \$2,500.

**For Premiums on Official Bonds Required by Officials and Employees,
Department of Finance, from the General Fund**

Item 158 of the Budget Bill and page 329 of the Budget. The amount requested is \$5,000. This represents an increase of \$1,000 over estimated expenditures of \$4,000 for 1947-48.

Recommendation

We recommend approval of the amount as submitted for \$5,000.

**For Reclamation Assessments on State-owned Property, Department of Finance,
from the General Fund**

Item 159 of the Budget Bill and page 329 of the Budget. The amount requested is \$30, which is the same amount requested for 1947-48.

Recommendation

We recommend approval of the amount as submitted, for \$30.

**For Distribution of State Documents to Libraries, Department of Finance,
from the General Fund**

Item 160 of the Budget Bill and page 329 of the Budget. The amount requested is \$25,000. This represents an increase of \$3,500 over estimated expenditures of \$21,500 for 1947-48.

Recommendation

1. We recommend approval as submitted.
2. We believe that a careful review should be made in connection with the distribution of these various documents in order that such distribution is in direct balance with need and is supported by usage of the documents by the facilities requesting them.

BUILDINGS AND GROUNDS DIVISION

**For Support of the Buildings and Grounds Division, Department of Finance,
from the General Fund**

Item 161 of the Budget Bill and pages 338 to 343 of the Budget. The amount requested is \$1,504,743 and represents an increase of \$211,251 or 14.0 percent over actual and estimated expenditures of \$1,293,492 for 1947-48.

The amount budgeted for 1947-48 was \$1,122,556. Supplemental funds in the amount of \$167,499 were made available to the division through the media of budget revisions and executive orders. These added funds represent 14.9 percent of the total expenditures originally scheduled for 1947-48.

The division operates on the basis of a service revolving fund. This fund is made up from collections from special funds, and after the cost of the services rendered is paid, *any further sum required is made up by an appropriation from the General Fund.* Thus a fluctuation in the net amount required as reflected in the Budget Act is not a true reflection in the trend of expenditures for the over-all operation.

The increase of \$291,882 in the present budget results from an increase of 13.4 percent in salaries and wages amounting to \$190,214 plus increases in operating expenses and equipment of \$73,920 or 12.2 percent and \$10,817 or 128.3 percent respectively. An increase of \$16,931 or 15.2 percent for contributions to State Employees Retirement Fund rounds out the total advance. Amounts payable from the Service Revolving Fund collections are scheduled to increase \$80,631 over the 1947-48 figure of \$847,964 bringing the 1948-49 total to \$928,595 from this source.

A substantial amount of the foregoing increases is occasioned by the inclusion in this budget for the first time, of the expenses in *connection with the operation of state garages.* These expenses formerly appeared in the budget of the Purchases Division. This expense totals \$61,931 and represents 21.2 percent of the total increase in budget for the division.

The increase of \$190,214 in salaries and wages is primarily due to \$104,359 or 7.4 percent for normal salary increases and \$91,355 for salaries and wages for 34 proposed new positions and one reclassification. These new positions are scheduled by function showing the classification and salary cost, as follows:

<i>Position classification</i>	<i>Salary cost</i>
Administration	
1 Assistant chief building engineer -----	\$4,092
1 Assistant inspector of automotive equipment -----	3,900
1 Intermediate clerk -----	2,160
1 Supervising account clerk -----	3,216
Sacramento Buildings	
1 Spray painter -----	4,536
1 Stationary engineman -----	3,060
5 Janitor-janitress (transfer from State Library) -----	11,900
6 Janitor-janitress -----	12,240
5 Elevator operator -----	10,200
1 Building maintenance man -----	2,772
San Francisco Buildings	
1 Assistant district building manager -----	3,720
1 Carpenter -----	4,032
2 Painters -----	8,064
1 Stationary engineman -----	3,060
Los Angeles Buildings	
1 Assistant building manager -----	3,720
1 Intermediate information clerk -----	2,160
2 Janitors -----	4,080
1 Elevator operator -----	2,040
1 Telephone operator -----	2,160
34 Total -----	\$91,112

These positions appear generally justified on the basis of preparing to replace men about to retire, expanded duties and facilities requiring supervision and maintenance.

Recommendations

1. We recommend approval of Item 161 in the amount of \$1,504,743 as requested.

2. We raise one question, however, in connection with the two painters requested for San Francisco Buildings. The budget justification submitted by the division listed, among the items of equipment necessary as a complement for these two positions, a total of 100 gallons of paint to cost \$500.

Attention is directed to the fact that this quantity of paint to be used means that an average of less than two gallons per week for the two painters or less than one gallon per week for each one of the painters, will be applied. *If this is correct we recommend that both of these painting positions be disallowed to effect a salary saving of \$8,064.*

3. The foregoing brings up the matter of maintaining proper and adequate records in connection with building maintenance costs in order that reasonable standards may be developed and excessive expenses for this function be materially reduced or eliminated.

With respect to such items as janitorial service for example, an initial comparison of floor areas and personnel with similar standards followed by commercial building maintenance operators leads to the conclusion, that a detailed study would be productive of substantial savings and support an effective reduction in the quantity of staff now considered necessary for the function. The agency should give careful consideration to a study of such factors as will permit indicated economies to be practiced. The compiling of such cost data is the premise for requesting the new position of supervising account clerk under administration. The application of this position to the function indicated and the proper evaluation of the data thus recorded should result in material savings being effected through the division.

4. The inefficiency in connection with the management of the gardeners and groundsmen is so apparent as to now be the subject of public criticism to a point where it becomes practically a public joke. As an example, we point to the present inefficiency in the transplanting of trees from the area which will be the potential Twelfth-street cut-through, to other points of the grounds. It was noted that in order to move a small fir tree and replant it, on a recent case, that it required the entire efforts of 11 men including the head gardener. This operation could have been performed by one man and a Ford tractor with a front-lift bucket to raise and transport the tree and possibly one, and certainly not more than two gardeners to replant it.

The tree-removal job on this potential street is of sufficient size that the operation should have been worked out and approved by the Superintendent of Buildings and Grounds before the project was undertaken.

5. The operations covered by this budget are so spread that it is relatively impossible to measure accurately the operation of the function as a whole to determine whether or not it actually is a satisfactorily

operating unit. Our general conclusions are, however, that it is *not* being operated effectively.

In support of this general conclusion, we cite a few examples that have come to our attention.

(a) The generally unsatisfactory conditions surrounding the operation of elevators in the State Capitol over a period of years is certainly a condition that should have been corrected long ago and warrants the immediate attention of the division in order that the deficiencies of this service may be corrected. This criticism applies to both the equipment, the condition of its maintenance, and some of the personnel who undertake to operate it.

(b) We point to the general failure to provide proper maintenance service in connection with the lavatory facilities over a considerable period of time, and the final improvement of the condition only at the insistence of and complaints by members of the Legislature.

Even when these conditions were improved, we now find that excessive lighting has been provided in these facilities at least in comparison with the quality and quantity of lighting available in some of the offices.

(c) In connection with the matter of lighting, we point to recurring examples in which there has been excessive use of lights by janitors and policemen.

(d) In connection with the patrol function assigned to the Capitol Grounds, we find practically an absolute lack of traffic control through the grounds in spite of an excess of police power to perform the functions were it properly directed. Time and again, we have noted and experienced the situation wherein cars authorized to park on the ground surrounding the main Capitol Building have had to sit and wait in these diagonal parking places for periods of from five to 15 minutes while an unrestrained procession of general city traffic is permitted to stream between L and N Streets through the grounds without interruption. This stream of traffic occurs both in the morning period between 7 and 9 a.m. and from 4.30 to 6 p.m. in the evening. We note that two policemen are stationed on each side of the building to regulate parking, whereas one officer at each entrance could maintain a traffic control and permit entrance to the grounds for parking of only authorized vehicles having permits between the above indicated rush hours. We see no reason for this excessive use of state property by vehicular traffic to the detriment, delay and inconvenience of authorized personnel for whom these facilities are basically provided. *A plan for handling the traffic after the extensions of the Capitol are built should be laid out now for the most efficient operation of the expanded Capitol facilities.*

6. In order to constitute proper and accurate budgeting, there should be a definite charge made by the Division of Buildings and Grounds to *all* agencies irrespective of the fund from which such agency is supported. The current practice of making such charges only to special fund agencies and not to General Fund agencies is discriminatory and eliminates the fundamental of proper budgetary control in that it provides no test of the efficiency of the service rendered by the division nor of the value of such services and/or space to the particular agency receiving such benefits. A schedule should be maintained for the cost of services and space and also for the charges made to the agency receiving

the benefit. This schedule should show, among other things, the size or area occupied by the agency. Upon the same premise, the budget of each individual agency should include, the matter of the rent in order to provide a proper evaluation in connection with its particular budget. It is quite obvious that the present basis of operation permits unfavorable comparisons of total budgetary support, especially where a particular agency may now be paying rent for quarters in a private building. The charge made by the Division of Buildings and Grounds should include the cost for full maintenance of the premises rented.

We will not be in a sound position to evaluate the entire operation of the Buildings and Grounds Division from a practical business standpoint as a service agency for State Government as a whole until at least the elementary requirements indicated in the preceding paragraphs are complied with and a proper allocation of charges and credits made in behalf of the service actually rendered and received.

For Alterations, Repairs and Equipment to State Capitol and Rented Office Buildings, Department of Finance, from the General Fund

Item 162 of the Budget Bill and page 329 of the Budget. The amount requested from the General Fund is \$480,500. This represents a decline of \$104,500 under the figure of \$585,000 estimated for 1947-48.

Recommendation

We recommend approval of the amount requested.

For Maintenance of the State Burying Ground in San Mateo Known as the Union Cemetery, Department of Finance, from the General Fund

Item 163 of the Budget Bill and page 329 of the Budget. The amount requested is \$1,500 which is the identical sum requested for 1947-48 expenditures.

Recommendation

We recommend approval of the amount as requested in the amount of \$1,500.

For Temporary Housing of Agencies in Sacramento, Including Alterations and Repairs of Office Buildings, Rental Space in Private Buildings and the Expense of Moving State Agencies, Department of Finance, from the General Fund

Item 164 of the Budget Bill and page 329 of the Budget. The amount requested is \$265,000. This appears as a new item under the heading of "other current expenses" and is primarily to provide for the function indicated in connection with the construction and reconstruction program revolving around the enlargement of the State Capitol.

Recommendation

We recommend approval of the amount as submitted.

**Acquisition of Real Property for Site of Office Building in Sacramento,
Department of Finance, from the General Fund**

Item 165 of the Budget Bill and pages 329 and 342 of the Budget. The amount requested is \$300,000. This amount is requested in order to supplement the balance of \$1,390,599, which presently exists from previous appropriations. It will be used to acquire an office site at Sacramento for the Division of Architecture and the Division of Water Resources. This will bring the total of expenditures for capital outlay for the acquisition of real property, to \$1,690,599.

Recommendation

We recommend approval of the amount as submitted.

**For Construction and Equipment, or Acquisition of an Office Building
in Sacramento**

Item 166 of the Budget Bill. The amount requested is \$1,650,000.

Recommendation

We recommend approval of Item 166 as submitted, in the amount of \$1,650,000.

**Acquisition of Site for the State Printing Plant in Sacramento, Department of
Finance, from the General Fund**

Item 167 of the Budget Bill and page 330 of the Budget. The amount requested is \$400,000.

Recommendation

We recommend approval of the amount as requested. We believe this is more than is necessary for this plant does not require location on high priced land.

**For Support of Local Allocations Division from the General Fund and the
Postwar Unemployment and Construction Fund**

Items 168 and 169 of the Budget Bill and pages 334 to 346 of the Budget. Item 168 appropriates \$129,479 from the General Fund for support of the Local Allocations Division.

Item 169 appropriates \$108,273 from the Postwar Unemployment and Construction Fund for additional support of the Local Allocations Division.

In addition to these requests there is the sum of \$210,819, payable from a self-supporting revolving fund bringing total proposed expenditures to \$448,571, an increase of \$839 or .19 percent over total actual and estimated expenditures of \$447,732 for 1947-48.

An analysis of the proposed increase in expenditures over 1947-48 reflects an increase in salaries and wages in amount of \$25,540 or 5.78 percent, of which \$17,472 is for normal salary adjustments, \$2,104 is for estimated salary savings, \$1,772 for reclassification of four positions

and \$8,400 is for three proposed new positions; one auditor, grade 2, one senior clerk and one intermediate typist-clerk.

We are in accord with this request. The position of intermediate typist-clerk is justified by additional workload in the administrative section and for service needed during peak periods. The auditor, grade 2, position and the senior clerk position will enable the division to exercise closer control over the sizeable amounts being allocated to local and other governmental agencies.

Operating expenses are scheduled to decline \$7,027 or 5.78 percent, while expenditures for equipment show a drop of \$17,674 or 77.16 percent less than 1947-48. Neither categories require comment.

Recommendation

We recommend approval of Items 168 and 169 of the Budget Bill in amounts of \$129,479 and \$108,273, respectively, as requested.

DIVISION OF FAIRS AND EXPOSITIONS

Item 170 of the Budget Bill and page 350 of the Budget. The amount requested is \$51,874 for support from the Fair and Exposition Fund. This is an increase of \$1,363 or 2.69 percent over support expenditures of \$50,511 for 1947-48.

The amount budgeted last year was \$51,084. This was supplemented by an executive order in the amount of \$2,358 for salaries and wages, bringing total authorized funds to \$53,442. Current actual and estimated expenditures for 1947-48 indicate that the *division will operate with a savings of \$2,931 out of total authorized expenditures for the current fiscal year.* The trend is commendable and indicates conservative forecasting coupled with a proper modicum of control.

The nominal increase requested in the 1948-49 Budget is the result of a composite change in the three categories of expenditure. Salaries and wages show a \$2,549 increase which together with an advance in operating expenses of \$2,362 bring the gross increase to \$4,911. This is offset by a decrease in equipment expenditures in the amount of \$3,548, leaving the net budget increase of \$1,363 above indicated.

Salary increases are normal; no new positions being requested. Operating expense advances are in line with added costs and increased travel activity.

Recommendations

1. That Item 170 be approved in the amount of \$51,874 as submitted.
2. *A review of audit reports made in connection with various district and county fairs receiving state support indicates the need for close supervision over the manner and type of expenditures made.* The method and degree of record keeping in innumerable instances is open to repeated criticism. Subsequent audit reports on the same facility reiterate exceptions taken on prior audits indicating lack of attention, neglect or indifference on the part of local management of these enterprises to get their organization functioning properly.
3. *We recommend that the division take an aggressive attitude in seeing that these audit exceptions are cleared up promptly. If possible,*

some policy of withholding state support until they are taken care of might be developed. The present financial support extended to these fairs is overly generous, especially in the case of a multitude of the smaller fairs. It is, therefore, all the more necessary that proper control be exercised to insure judicious budgeting and spending as well as proper over-all organizational and management counseling and direction by the division.

For Support of the State Agricultural Society, Division of Fairs and Expositions, Department of Finance, Payable from the State Agricultural Society Contingent Fund

Item 171 of the Budget Bill and pages 351 to 354, inclusive, of the Budget. The amount requested is \$1,536,275. This represents an increase of \$565,715 or 58.3 percent over expenditures of \$970,560 estimated for 1947-48. However, in the 1947-48 Fiscal Year total support expenditures of \$1,138,860 were reduced by an amount payable from the Fair and Exposition Fund in the amount of \$168,300, thus leaving the net support figure for 1947-48 at \$970,560.

Every divisional function in connection with the State Fair is showing increases ranging from \$9,283 for concessions and commercial space to \$133,754 as the indicated increase under operations.

Total salaries and wages are scheduled at \$665,065 for 1948-49. This represents a decline in the amount of \$96,826 or 12.7 percent under estimated expenditures for 1947-48 in the amount of \$761,891.

In the category of salaries and wages five new positions are proposed at a salary cost of \$19,746. These new proposed positions as indicated by salary cost and classification are:

<i>Classification</i>	<i>Salary cost</i>
Bureau of Administration	
2 Intermediate typist-clerks -----	\$4,440
Bureau of Promotions and Attractions	
1 Public information officer -----	4,626
1 Intermediate stenographer-clerk -----	2,280
Bureau of Concessions and Commercial Space	
1 Concessions superintendent -----	6,060
1 Intermediate stenographer-clerk -----	2,340
 Total -----	 \$19,746

The latter two positions were filled on a part-time basis in 1947-48, and strictly speaking they are not new positions. A new function is set up to cover the spring horse fair and it is proposed that the equivalent of five man-year positions in the nature of temporary help will be required to conduct this activity at a total salary cost of \$10,000. Operating expenses for this particular activity will amount to \$30,000.

Operating expenses are scheduled to advance from \$589,642 in 1947-48 to \$823,206 in 1948-49, a net gain of \$233,564 or 39.6 percent. One of the major factors contributing toward increases in operating expenses generally is due the fact that there will be an added day during which the fair will run in the 1948-49 session.

Other factors in operating expenses contributing to the over-all increase in the budget are items such as premiums, premiums for the horse show, and judges' fees. The total schedule for these three alone amounts to \$47,132. The added day of the fair also contributes to the

increase for temporary help. *The amount allocated for paid advertising under the Bureau of Promotions and Attractions is scheduled to increase from \$30,000 to \$70,000, an increase of \$40,000.* Race purses, an operating expense item of the same division, is similarly scheduled for an increase going from \$89,431 to \$125,000, an increase of \$35,569 or 39.8 percent.

While some of these items record increases sizeable in nature, it should be pointed out that in many cases they contribute toward the quality of the fair, and this added factor in turn is generally reflected in some improvement in revenues. In the contemplated budget total revenues are scheduled at \$992,000 for 1948-49 as compared to \$945,201 for 1947-48. This reflects a net gain of \$46,799 or 4.9 percent in revenues as against an increase of \$565,715 or 58.3 percent in expenditures. Not a very profitable expenditure.

It is to be noted that the revenue anticipated from the Spring Horse Show, which is a new item of expenditure in the budget, exactly equals the amount of expenditures for promotion of this activity. We feel that if properly handled promotion of this horse show will contribute something toward the over-all revenue picture and will not merely be a self-sustaining feature.

It is noted that a total of \$75,200 is provided throughout this budget under various divisional schedules of salaries and wages as a provision for overtime pay during the 1948-49 Fiscal Year. The amount of expenditure for overtime in the 1947-48 period totaled \$109,440. This reflects a decline of \$34,240 in the matter of overtime pay.

While the trend in this instance is commendable, we feel that much further reduction can be made in this item to reflect an actual saving providing proper emphasis is placed by the management by starting preparatory fair activities sufficiently in advance of opening days in order to avoid as much as possible the last minute rushes to get projects completed and thus necessitating extensive amounts of overtime pay at inflated rates. During the last fair period certain union skilled workers were making exorbitant daily wages resulting from overtime work. While some of these situations are unavoidable, we feel that in the major portion of this activity, this can be avoided.

Equipment expenditures reflect a decline since they are scheduled to go from \$97,707 in 1947-48 to only \$23,804 in 1948-49, a total reduction of \$73,903 or 75.6 percent.

A new item is scheduled in the budget entitled "Reserve for Contingencies." This is in the amount of \$50,000.

Recommendation

1. We recommend a reduction of Item 171 in the amount of \$30,000. This reduction to be effected by reducing paid advertising from \$70,000 to \$40,000.

2. We recommend that careful attention be directed to advertising expenditures, to conform with recommendations in the Knight-Parker survey which evidenced the major geographical locations contributing most heavily to over-all State Fair attendance.

3. We recommend that the item of \$50,000 for reserve for contingencies be set up so as to be expendable only for salaries and wages

in the event of a contingency requiring substantial necessary help on either a temporary or overtime basis.

We have noted in several instances throughout the present State Budget as a whole wherein the practice has developed of setting up these items of reserve for contingencies.

Such a practice in effect defeats to a large degree the fundamental purpose of departmental budgeting by function and object, and substantially renders effective analysis of these budgets extremely difficult.

We wish to make the point that it is rather futile to spend substantial amounts of time and money in holding various budget hearings and carefully considering the need for individual items included in the particular budgets, which are supposedly submitted on the basis of the needs for the respective items, and then to give blanket approval to a large item for "reserve for contingencies" with no strings attached. We might as well label the entire amount of the item "reserve for contingencies" and let it go at that.

Whenever circumstances indicate a probability for the need for additional funds if certain antecedent facts develop, then sufficient funds may well be set up in a reserve for this situation, but such funds should then be supported by the same itemization for functional and objective expenditure as the rest of the budget in order that the request may be properly evaluated and, if approved, a proper modicum of control and accountability assured.

4. Much can be done to enhance the financial status of the operation of the State Fair by adopting and enforcing a policy of "everybody pay," through elimination of the issuances of passes and complimentary tickets.

For example, a recent ticket audit of the 1947 Fair by the Audits Division of the Department of Finance discloses that 10,227 box seat and reserved seat complimentary tickets were issued. The value of these tickets alone was \$13,528. It is to be noted that the above does not take into consideration the general admission passes issued.

The handling of general ticket accountability is in need of revision and substantial improvement in view of the exceptions taken by this audit.

The present budget indicates the need for additional revenues. The elimination of the pass system which has proved effective and workable at other large fairs, would be a conformative step to enhance the financial structure of the State Fair. It has been estimated that such a step would produce between \$50,000 to \$65,000 in added revenues plus the elimination of much expense in the administration and handling of the pass feature on ticket accountability.

Careful consideration should be given to the feasibility of advancing the price of general admission tickets to the grounds to some extent since the cost of entertainment has advanced in many cases more rapidly than the general cost of living. It must be noted however that such an increase in general admission will tend to some extent to curtail total attendance depending on the amount of the price increase. Since all revenues from concessions are predicated on a per capita attendance basis, any substantial reduction in total attendance would react adversely as to these revenues and thus offset some of the added revenue accruing from

increased admission prices. A careful study should be made of this factor and its effects on the revenue structure before adopting any arbitrary price increase as to general admissions.

For Additional Support of the State Agricultural Society, Division of Fairs and Expositions, Department of Finance, Payable from the Fair and Exposition Fund

Item 172 of the Budget Bill and page 351 of the Budget. The amount requested is \$375,000 which is to be transferred from the State Agricultural Contingent Fund. This amount is \$206,700 or 122.8 percent over the amount of \$168,300 appropriated in 1947-48.

Recommendation

We recommend approval of Item 172 in the amount requested.

A review of the State Agricultural Society Contingent Fund indicates that an unbudgeted surplus as of July 1, 1948, totaled \$237,750. After transfers from the Fair and Exposition Fund, plus estimated revenues for 1948-49, the total amount of the fund will reach \$1,619,750. The proposed expenditures for 1948-49 covering support contributions to Employees' Retirement Fund and capital outlay will encumber these funds to the extent of \$1,579,403, leaving an unbudgeted surplus as of July 1, 1949, of \$40,347.

For Construction, Improvements, Repairs and Equipment, State Agricultural Society, Department of Finance, Payable from the State Agricultural Contingent Fund

Item 173 of the Budget Bill and page 351 of the Budget. The amount requested is \$25,800. This is to cover miscellaneous deferred maintenance projects which will be accomplished by the operations staff.

The sum in this category for 1947-48 totaled \$163,046. The present appropriation therefore reflects a decline in the amount of \$137,246 or 84.2 percent.

Recommendation

We recommend approval of the amount as requested.

SIXTH DISTRICT AGRICULTURAL ASSOCIATION

For Support of the Sixth District Agricultural Association from the Sixth District Agricultural Association Fund

Item 174 of the Budget Bill and pages 357 to 360 of the Budget. The amount requested is \$103,509 from the Sixth District Agricultural Association Fund. In addition to this amount, \$500,000 is to be spent from the available balance of the amount appropriated by Chapter 1463 of 1947 from the General Fund, for acquisition of land, and \$1,200 for repairs from the Sixth District Agricultural Association Fund.

The amount requested for support is an increase of \$17,291 or 20.0 percent over expenditures of \$86,218 in 1947-48. Including appropriations for acquisition of land and construction, the 1948-49 Budget of

\$610,794 will be \$392,070 or 179.2 percent over the \$218,724 expended in 1947-48.

The amount budgeted for the 1947-48 year was \$83,375. This is \$2,843 less than the \$86,218 which the district expects to spend in 1947-48. The deficiency will come out of the surplus of \$46,249 which has accrued in the Sixth District Agricultural Fund.

The increase proposed for 1948-49 represents increased salaries and wages, operating expenses and equipment, resulting directly from the expansion of the State Exposition Building operated by the Sixth District Agricultural Association, the opening of new exhibits and the modernization of the old exhibits. It can be expected that with the contemplated acquisition of land and additional construction the cost of operating this building will further increase.

At the time of the submission of the 1947-48 Budget, it was anticipated that there would be 500,000 visitors to the exposition building during 1947-48. It was stated that the proposed increase in costs of operating the building was occasioned by the additional visitors expected. *Despite the fact that the number of visitors for 1947-48 is now estimated to be 280,000 instead of 500,000, the appropriation will be entirely used up. It is again estimated that the number of visitors will be 500,000 in 1948-49.*

In the report of the Legislative Auditor on the Budget for the Fiscal Year 1947-48, it was pointed out that "This is the kind of state enterprise which can be kept at any level desired by the Legislature." Consideration should be given to the proper size of this function in proportion to other governmental functions.

However, on the basis of appropriations already made in the amount of \$250,000 for remodeling the agriculture exhibit room and the industry wing exhibit rooms, and \$2,000,000 for the acquisition of land and the construction of parking facilities, the amount requested appears to be necessary to adequately operate the Sixth District Agricultural Association for the next fiscal year.

Recommendation

We recommend the amount requested be approved.

For Additional Support for the Sixth District Agricultural Association from the Fair and Exposition Fund

Item 175 of the Budget Bill, page 360 of the Budget. The amount requested is \$45,000 from the Fair and Exposition Fund, to be transferred to the Sixth District Agricultural Fund. This amount is requested in lieu of the \$15,000 appropriated by Section 19622 of the Business and Professions Code (Horse Racing Act). It will be necessary to appropriate at least \$37,388 to prevent the Sixth District Agricultural Association Fund from showing a deficit on June 30, 1949, according to present estimates. There will not be enough funds in the Sixth District Agricultural Fund to provide the amount necessary for the appropriations contained in Items 174 and 176 of the Budget unless this appropriation to the Sixth District Agricultural Fund is made.

The Sixth District Agricultural Association has received \$30,000 each year as rent of the Coliseum site. The contract will be revised in

1949 and it is expected that the new rents added to the amount appropriated by Section 19622 of the Business and Professions Code will be adequate to support the activity of the association.

Recommendation

We recommend the amount requested be approved.

For Construction, Improvements, Repairs and Equipment from the Sixth District Agricultural Association Fund

Item 176 of the Budget Bill, page 359 of the Budget. The amount requested is \$1,200 from the Sixth District Agricultural Fund. This amount is to make repairs to prevent seepage in the basement of the building.

Recommendation

We recommend the amount requested be approved.

DIVISION OF STATE LANDS

For Support of the Division of State Lands from the State Lands Act Fund

Item 177 of the Budget Bill and pages 361 to 363 of the Budget. The amount requested is \$279,292 for support from the State Lands Act Fund. *This is an increase of \$23,159, or 9 percent, over actual and estimated expenditures of \$256,133 in 1947-48.*

The State Lands Act Fund is a special fund legal determination which receives money from the sale and rental of state lands and royalties from mining and petroleum production on state lands. The money received is used for administration of the Division of State Lands and for transfer to other agencies which are supported out of the money so received.

The revenue of the State Lands Act Fund has been reduced, due to the Supreme Court's decision that the United States has paramount interest in the tidelands lying along the coast of California. All oil royalties from certain tidelands have been impounded by the United States Government until a final determination is made of the disposition of the royalties or of the tideland itself.

The revenues to the State Lands Act Fund are estimated at \$1,055,800 in 1948-49, compared to \$5,647,790 in 1946-47, a reduction of \$4,591,990, or 81.3 percent. The Division of State Lands, by a stipulation entered into between the State of California and the United States Government, will continue to operate the wells on the tidelands, the royalties to be impounded and the division will maintain complete monthly production records on each well situated on the lands in question.

The funds which receive money from the State Lands Act Fund by transfer are: the General Fund, the Veterans' Dependents Education Fund, the State Beaches Fund and the State Parks Fund. The School Land Fund which receives money from the sale of school lands is not affected by the Supreme Court's decision. We recommend that all agencies receiving support from the State Lands Act Fund other than

from the sale of school lands should be transferred to support from the General Fund and all money collected by the Division of State Lands, with the exception of the State School Fund, should be paid into the General Fund. All impounded monies when released should be likewise paid into the General Fund.

The transfer to the General Fund of these agencies would allow a greater control over the expenditures of the agencies and would permit a better evaluation of the program of these agencies so supported in relation to all other governmental functions supported out of the General Fund. It would also relieve these agencies supported from this fund from its financial embarrassment and uncertain financial support. In addition this will simplify administrative procedure and complex accounting.

Major factors on which the budget is based are as follows:

(1) The maintenance of oil production records on each individual well to be supplied to the United States Government has increased the work load on the Division of State Lands. This has been provided for by the employment of a bookkeeper grade 2 on January 1, 1949. This position now shows as an established position. This added expense should be met out of oil royalty funds.

(2) The Division of State Lands conducts surveys and mapping projects for other state agencies under an abatement system whereby the division requesting the work reimburses the Division of State Lands for services rendered.

Recommendation

We recommend that Item 177 be approved in the amount of \$279,-292 as requested.

For the Installation of a Public Lands Record System from the State Lands Act Fund

Item 178 of the Budget Bill and page 363 of the Budget. The amount requested is \$27,800 for the installation of a record system on all public lands. *This request is the final request for this purpose as the system will be completed in 1948-49.*

Recommendation

We recommend that Item 178 be approved in the amount of \$27,800, as requested.

For Proprietary Lands Survey

Item 179 of the Budget Bill and page 363 of the Budget. The amount requested is \$30,000 from the State Lands Act Fund for title search and reports and to establish an index of all proprietary lands owned by the State or its agencies.

Recommendation

We recommend that Item 179 be approved in the amount of \$30,000 as requested, but point out that this should be concluded soon.

For the Defense of the Title to Tidelands from the State Lands Act Fund

Item 180 of the Budget Bill and page 363 of the Budget. The amount requested is \$70,000 for expenses incurred in an effort by the State to regain control of the tide and submerged lands.

Recommendation

We recommend that Item 180 be approved in the amount of \$70,000.

For Expenses for Litigation, City of Los Angeles

Item 181 of the Budget Bill and page 363 of the Budget. The amount requested is \$10,000 from the State Lands Act Fund.

This money is to be used for the further prosecution of a case against the Bureau of Power and Light, City of Los Angeles, for flooding the state-owned mineral deposits in the bed of the Owens Lake.

Recommendation

We recommend that Item 181 be approved in the amount of \$10,000, as requested.

For Defense of Quiet Title Actions

Item 182 of the Budget Bill on page 363 of the Budget. The amount requested is \$25,000 from the State Lands Act Fund to be used for quiet title actions brought against the State, as provided by Chapters 1164 and 1154, Statutes of 1947.

Recommendation

We recommend that Item 182 be approved in the amount of \$25,000, as requested.

For Repairs, Alterations and Improvements from the State Lands Act Fund

Item 183 of the Budget Bill and page 363 of the Budget. The amount requested is \$1,000 for repairs, alterations, and improvements to the office of the State Lands Division in Huntington Beach.

Recommendation

We recommend that Item 183 be approved in the amount of \$1,000, as requested.

NAPA STATE FARM

For Support of Napa State Farm, Department of Finance, from the General Fund

Item 184 of the Budget Bill and pages 365 and 366 of the Budget. The amount requested is \$35,222 for support from the General Fund. This represents an increase of \$1,545, or 4.6 percent over expenditures for 1947-48 in the amount of \$33,677. The amount of the budgetary increase is negligible.

Recommendations

(1) We recommend approval of the item in the amount submitted.

(2) Examination of the item of revenue from general farm income indicates that the sum of \$31,000 is contemplated from this source for the 1948-49 fiscal period. This compares with \$19,483 for the 1947-48 Fiscal Year, thus reflecting a gain of \$11,517 or 9 percent. However, in spite of this sizeable increase in general revenues, it should be noted that the amount of revenue is still \$4,222 less than the expenditures for support, thus indicating an operating deficit. When further consideration is given to the fact that \$14,600 is to be expended for capital outlay, a deficit thus incurred becomes sizeable.

There is definite need in this operation for an improvement in the matter of maintaining proper records in order to be in a position to properly reflect the true trends in connection with agricultural activity as well as the operation from an over-all standpoint. The institutional records should be so maintained as to properly reflect true costs and true returns from the products raised.

(3) We recommend that the farm be turned over to the Napa State Hospital at the earliest possible moment to be operated to satisfy the requirements of the Napa State Hospital, the Veterans Home, and the Sonoma State Home.

(4) The Napa Hospital hog ranch and the hog ranch of the Veterans Home should both be consolidated at the Napa State Farm. This is in accord with the recommendations of the Northern California Subcommittee of the Agricultural Committee, Agriculture and Livestock Problems.

For Construction, Improvements, Repairs and Equipment, Napa State Farm, Department of Finance, from the General Fund

Item 185 of the Budget Bill and page 366 of the Budget. The amount requested is \$14,600 from the General Fund. There were no expenditures in this category in either 1946-47 or 1947-48.

Recommendation

We recommend approval of the item as submitted providing all expenditures first meet with the approval of the Agricultural Adviser of the Department of Finance, and are coordinated with the plan of taking over the farm by the Napa State Hospital.

FRANCHISE TAX COMMISSIONER

For Support of the Franchise Tax Commissioner from the General Fund

Item 186 of the Budget Bill and pages 367 to 372 of the Budget. The amount requested is \$2,093,166 for support of the Franchise Tax Commissioner from the General Fund. This is an increase of \$154,205 or 7.95 percent over support expenditures of \$1,938,961 in 1947-48. This item covers the support of the administration of the Bank and Corporation Franchise Tax, the Personal Income Tax, and the Corporation Income Tax.

The amount budgeted last year was \$1,871,609. Emergency Fund allocations for salary adjustments and expenses for meals of individuals working overtime at headquarters amounted to \$145,127, bringing the total authorized expenditures to \$2,016,736 for the 1947-48 Fiscal Year.

It is estimated that the number of returns to be received by the Personal Income Tax Division of the Franchise Tax Commissioner's Office in 1948-49 will be approximately 864,000. This is 70,000 or 8.82 percent more than the 794,000 returns received in 1947-48. Bank and Corporation Tax returns for 1948-49 are expected to be 36,700, an increase of 1,000 or 2.8 percent more than the 35,700 received in 1947-48.

Recommendation

We recommend that Item 186 be reduced by \$9,795 or .46 percent to \$2,083,371.

Analysis

We recommend the reduction of temporary help by \$4,270. *Within the existing organization of the Franchise Tax Division much time is wasted and services lost to the State because of the transacting of personal business by employees on state time, and the absence of certain workers from their positions during regular working hours and for which no formal leave has been granted.* Observed examples of these abuses have cost the State at least \$4,270 in 1947. The commissioner and his supervisors have been aware of the unauthorized absences from duty, and have not taken effective action to stop it. Therefore, we recommend the appropriation for salaries and wages be reduced by \$4,270. We recommend the commissioner take immediate steps to halt the abuses by the employees and insure that each of them works full time to reduce the present backlog of work and keep the current work up to date.

We recommend the reduction of proposed new positions by \$3,367. Among the new positions and reclassification of previously authorized positions are reclassifications of seven income tax examiners, grade 3, to income tax examiners, grade 4; and one franchise tax auditor, grade 3, to franchise tax auditor, grade 4. We recommend that these reclassifications not be granted. The reason given for the proposed reclassification is that the reorganization of the Franchise Tax Division and the Personal Income Tax Division sets up section chiefs to supervise groups of auditors working on special phases of each of these taxes, and that the Personnel Board has examined the duties being performed by these section chiefs and has determined that they should be grade 4 positions. We are not in accord with either of these explanations. The supervisory and specialist nature of the so-called section chiefs is greatly overemphasized and does not require a higher grade of examiner or auditor. The supervisory work is largely in training auditors or examiners grades 1 and 2 to perform the special work involved, assigning audits to them, and reviewing completed audits. Once an auditor is trained very little supervision over his work is necessary.

The Personnel Board in recommending this classification has permitted the exceptional cases to dictate the class of auditors they believe should handle the normal run of cases. The normal function of a grade 3 auditor and examiner is to review, and does not warrant the creation of

a grade 4 level. The complicated and difficult cases are few and far between and could easily be referred to the assistant income tax supervisor and the legal staff without overworking these persons.

The persons it is proposed to reclassify from auditor or examiner grade 3 to 4 will be confirmed in the higher grade without examination.

If this office is successful in having these men reclassified without their having to take a promotional examination, other administrative departments of the State will request similar reclassifications and attempt to upgrade their auditors' positions into this higher auditor level.

While the cost of the reclassification requested in this budget amounts to only \$3,367, the long run expense to the State will be many times that amount. We recommend these reclassifications not be approved and that the duties covered by this position be reviewed and an appropriate grade of supervisor be established if such is found to be necessary.

We recommend the amount set up for office equipment be reduced by \$2,158, which represents the difference between the purchase price of 23 new desks and the price of used desks which the Department of Finance has obtained for transfer to other state departments at \$35 each.

STATE TREASURER

For Support of the State Treasurer from the General Fund

Item 187 of the Budget Bill and pages 373 and 374 of the Budget. The amount requested for 1948-49 is \$152,958 from the General Fund. This is an increase of \$21,746 or 16.6 percent over the amount of \$131,212 estimated for expenses for the 1947-48 Fiscal Year.

The increase of \$21,746 is caused mainly by three factors. (1) Additions to the vaults are budgeted to cost \$6,500. (2) One new position with corollary operating expenses and equipment amounting to \$5,260 is made necessary by Chapter 1235, Statutes of 1947, which requires all motor vehicle operators not covered by adequate public liability insurance to post a bond sufficient to cover possible judgment resulting from damage or personal injury. The Treasurer has been designated under the act as depository for such bonds. This law has been interpreted by the Motor Vehicle Department and the Treasurer's Office, to apply to both in- and out-of-state operators. (3) An increase of \$6,400 or 55.0 percent is budgeted for collection expense due to the increased activity in handling of securities. Other minor increases are due to normal salary adjustments and increased costs in line with Department of Finance price increase schedules.

Recommendation

We recommend approval of Item 187 as requested for \$152,958.

NOTE: If the Legislature decides to postpone enactment of Chapter 1235 until 1950, the expenditure of \$5,260 in the above budget, for this purpose, can be deleted.