

The amount requested for the 1947-48 Budget was \$164,198. *This, however, was supplemented by appropriations made by the 1947 Legislature in the amount of \$111,005, as follows (the following items appear for the first time in a State Budget) :*

Chapter 1549 (flammable materials) -----	\$10,000
Chapter 1542 (flammable materials) -----	12,000
Chapter 1534 (study of fire training school) -----	5,000
Chapter 1296 (inspection of schools and night clubs) -----	72,122
Chapter 2486 (salary increases) -----	11,883
Totals -----	\$111,005
Budget -----	164,198
Total authorized expenditures -----	\$275,203
Actual expenditures -----	246,679
Excess fund -----	\$28,524

The increase of \$2,392 proposed for 1948-49 over 1947-48 represents an increase in salaries and wages in the amount of \$21,867, which includes \$1,951 for normal salary increases, \$4,126 for one new position and a decrease of \$15,790 in salary savings. Operating expenses advance \$5,505, or 8.73 percent, due to increased cost of services and supplies. Expenditures for equipment show a decrease of \$24,980, or 77.9 percent, due mainly to the purchase of \$19,315 of equipment for two new functions in 1947-48 which are nonrecurring.

For Other Current Expenses, State Fire Marshal, from the General Fund

Item 193 appropriates \$2,500 for a Fire Training School Survey. This amount represents an increase of \$1,500, or 150 percent, over the amount of \$1,000 expended last year. Chapter 1534, Laws of 1947, appropriated \$5,000 for this purpose. Item 193, therefore, is a reappropriation of \$2,500 of this amount.

We recommend approval of this item as requested.

Suggestion

Although many of the recommendations of the Fire Marshal have been carried out by the various state agencies and provision for making other recommendations effective has been included in the 1948-49 Budget requests, it has been noted that some State agencies do not regard measures suggested by the Fire Marshal as practical or sound, and have not conformed therewith.

It is recommended that the Legislature review the function of the State Fire Marshal to determine whether or not his recommendations are sound.

DIVISION OF BANKING

For Support of the Division of Banking from the Banking Fund, a Special Fund Agency

Item 194 of the Budget Bill and pages 395 to 396 of the Budget. The amount requested is \$257,500 for support from the Banking Fund. *This is an increase of \$49,468 or 23.78 percent over support expenditures*

of \$208,032 in 1947-48. In addition there is requested \$14,273 for contributions to the State Employees' Retirement Fund, bringing the total proposed expenditures to \$271,773 an increase of \$51,463 or 23.36 percent over total expenditures for 1947-48.

The amount appropriated by the 1947 Budget Act was \$224,816. This amount was supplemented by a deficiency appropriation in the sum of \$17,066 for increases in salaries and wages. However, \$33,850 or 14 percent of the total funds appropriated for support for 1947-48 is estimated will be unexpended.

The increase proposed for 1948-49 represents increases in salaries and wages in the sum of \$24,940 or 16.25 percent and advances in operating expenses in the amount of \$25,036 or 48.93 percent. Equipment expenditures are scheduled to drop \$508 or 15.0 percent.

Recommendations

We recommend that Item 194 be approved for \$257,500 as requested.

We further recommend that during the 1948-49 Fiscal Year a review of the workload of the division should be made by the Department of Finance to determine the future need for the three proposed new positions.

Statistical Summary and Analysis

The \$24,940 increase in salaries and wages is attributable to (1) normal salary adjustments in the amount of \$4,539, (2) a decrease of \$11,365 in estimated salary savings due to filling of vacant authorized positions, and (3) \$8,880 requested for three proposed new positions which are listed as follows, while \$156 is budgeted for one reclassification.

Position	Range	Cost
1 Semisenior bank examiner -----	\$325-395	\$3,900
1 Junior bank examiner -----	255-310	3,060
1 Junior clerk -----	160-190	1,920
		\$8,880

This addition will bring the personnel complement to 39 positions consisting of 12 administration, one for certification of bond issues and 26 for enforcement of banking laws. *The need for these three proposed new positions is predicated on increased workload explained by reason of more time being required for bank examinations due to changing conditions, increased loan activity and applications for several new banks and branches.* Also, the division has not been able to keep its work current.

Due to inability to fill several examiner positions in the past, a *backlog of work has been accumulated.* However, it is anticipated that filling of these positions plus three proposed new positions which should be filled within the current year, should eliminate the backlog and place the work of the division on a current basis within the coming fiscal year. In view of this, we recommend that the three positions be allowed subject to review when the backlog of work has been cleared.

The \$25,036 increase in operating expenses consists chiefly of two major items: \$20,000 advance scheduled for appraisals and a \$5,000 increase in traveling expenses. The total amount budgeted for appraisals

is \$25,000 for the purpose of hiring special appraisers in connection with the inauguration of a new plan proposed to place state bank real property appraisals on a uniform basis with federal banks. *This expenditure is contingent upon working out a uniform policy on the part of all examining agencies, and should be sequestered by the Department of Finance until such time as the plan may be put into operation.* The \$5,000 increase in travel expenses provides for new examiners in the field and increased traveling allowance.

While expenditures for equipment show a decrease of \$508, there is \$1,412 budgeted for office replacements, \$425 for additional office equipment and \$1,050 for the replacement of one automobile.

Revenues

The Division of Banking is a self-supporting function financed by appropriations from the Banking Fund, which is built up by revenues derived from license fees and assessments on banks. *Revenues are indicated to exceed expenditures by \$3,337 which sum will bring the total estimated unbudgeted surplus to \$454,820 as of June 30, 1949.*

DIVISION OF BUILDING AND LOAN

For Support of the Division of Building and Loan from the Building and Loan Inspection Fund, a Special Fund Agency

Item 195 of the Budget Bill and pages 397 to 398 of the Budget. The amount requested is \$135,253 for support from the Building and Loan Inspection Fund. This is an increase of \$11,054 or 8.9 percent over support expenditures of \$124,199 in 1947-48. In addition to the amount requested for support \$7,160 is for contributions to the State Employees' Retirement Fund, which brings the total proposed expenditures to \$143,633, an increase of \$11,769 or 8.93 percent over total expenditures for 1947-48.

The amount appropriated by the 1947 Budget Act was \$115,287. This amount was supplemented by deficiency appropriations in the sum of \$15,533, of which \$6,621 is estimated to be unexpended as of June 30, 1948.

The increase of \$11,054 proposed for 1948-49 represents an increase of \$8,968 in salary and wages, of which \$5,908 is for adjustments in salary increases and salary savings, and \$3,060 is for one proposed new position. Operating expenses increase \$3,298, while equipment costs reflect a reduction of \$1,212.

Recommendations

We recommend that Item 195 be approved for \$135,253 as requested.

We further recommend that during the 1948-49 Fiscal Year, a review of the workload of the division should be made by the Department of Finance.

Statistical Summary and Analysis

The proposed new position will bring the total number of personnel to 23; of which nine are in Administration and 14 are examiner

positions. *The need for this additional position is predicated on increased workload in the examining section, due to the increase in the number of associations during 1947, increased activity in loans, and a backlog of work which has been accumulated due to inability to fill existing vacancies in established positions.* The division expects to have all positions filled within the current year, which should enable it to clear all backlog and operate on a current basis during 1948-49 at which time a review of the workload of the division should be made to determine the future need of the proposed new accountant auditor, grade 1 position.

The major factors causing the \$3,298 increase in operating expenses are the increases of 146.2 percent or \$1,737 in rent for the Los Angeles offices, \$700 or 11.1 percent in travel expenses and \$650 or 65.0 percent in automobile operation, which is explained under equipment analysis in the following paragraph.

The \$3,311 budgeted for equipment shows a decrease of \$1,212 under the actual and estimated amount of \$4,523 for 1947-48. However, it is indicated that there was added to the amount appropriated for support in 1947-48, by deficiency appropriations, the sum of \$3,660 for the purchase of two new automobiles, which, with the additional automobile requested for 1948-49, will allow the division four cars. In 1946 the division maintained only one state-owned car, additional transportation being on a mileage basis.

Surplus

The estimated unbudgeted surplus as of June 30, 1949 is \$86,345. This is an increase of \$1,517 or 1.79 percent over the amount of \$84,828 estimated as of July 1, 1948.

DIVISION OF CORPORATIONS

For Support of the Division of Corporations from the General Fund

Item 196 of the Budget Bill and pages 399 to 401 of the Budget. The amount requested is \$534,728 for support from the General Fund. This is an increase of \$56,359 or 11.78 percent over support expenditures of \$478,369 in 1947-48.

The amount budgeted last year was \$452,101. This amount was supplemented by Emergency Fund allocations in the amount of \$49,504 of which \$49,004 was allotted for increases in salaries and wages and \$500 for a certified public accountant report on assets of small loan companies. *Of the total authorized expenditures for 1947-48, \$13,236 is indicated will be unexpended.*

The principal increase proposed for 1948-49 represents increases in salaries and wages of \$54,987. *Of this amount \$25,056 is requested for seven proposed new positions and two reclassifications,* the need for which is based on increased workload due to greater activity in all functions and the administering of two new acts passed by the 1947 Legislature. Twenty-two thousand dollars represents a decrease in estimated salary savings and \$7,931 is for normal salary adjustments.

The advance of \$3,845 in operating expenses appears to be in line with increased operating costs. Fifteen thousand, three hundred forty-eight dollars is budgeted for additions and replacements of office equipment and \$3,650 is for two automobiles.

Recommendations

We recommend that Item 196 be approved for \$534,728 as requested, but that \$6,090 budgeted for the procurement of new filing equipment be sequestered by the Department of Finance pending a study of the feasibility of microfilming records.

We further recommend that the sum of \$1,815 budgeted for the replacement of 25 typist desks be set aside by the Department of Finance until it is determined as to whether this equipment can be refinished by those state institutions equipped for this service. If feasible, a considerable saving should be effected and adjustments made in operating expenses and equipment accordingly.

Statistical Summary and Analysis

The increase of \$54,987 in salaries and wages is attributable to normal salary adjustments in the amount of \$7,931, a decrease of \$22,000 in salary savings, and \$25,056 budgeted for seven new positions and two reclassifications shown as follows:

1 Deputy commissioner -----	\$5,496
2 Accountant-auditor grade 1 -----	6,120
2 Intermediate stenographer-clerk -----	4,560
2 Intermediate clerk -----	4,320
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	\$20,496
2 Reclassifications—junior deputy commissioners to deputy commissioners -----	4,560
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	\$25,056

The additional positions will place the personnel complement at 122 positions. *The workload of the division appears to have more than doubled over 1940-41 with indications of continued increase for the 1948-49 Fiscal Year.* A backlog of work has been accumulated and with the added responsibility for administering the two new acts, we feel that these additional positions are needed to strengthen the services of the division. However, there have been several vacancies in established positions during the past year which are expected to be filled within the coming Fiscal Year. This should allow the division to clear the backlog of work and operate on a current basis. Also, one year's experience in administering the two new functions should determine the possibility of reducing the costs of operations for these functions.

It is noted that the division has followed the recommendation prescribed last year by the Legislative Auditor, to set up and maintain proper records for statistical purposes.

Operating expenses reflect a nominal increase over last year, due to added personnel and increased costs of materials and supplies.

Included in the amount budgeted for equipment is \$6,090 for new filing equipment. We recommend that this amount be set aside until a survey of the present equipment is made in order to determine the feasibility of microfilming records, which may reduce or eliminate the need for the new equipment and make available floor space.

The request for the replacement of one automobile which has been operated over 134,000 miles is justified. Also, the additional car for the

pool operation is justified by the number of travel positions, which indicates that the division will maintain eight cars for a potential of 43 travel positions.

It is pointed out that this division is conscientious in its endeavor to operate a car pool most advantageously by planning schedules for the men in the field so as to realize the maximum utility of each car. This is one of the few agencies that does this and produces a material saving for the State—other agencies might with profit follow this example.

Revenues

While this agency is supported from the General Fund, estimated revenues for the 1948-49 Fiscal Year exceed proposed expenditures by \$411,857 or 43.48 percent.

DEPARTMENT OF INSURANCE

For Support of the Department of Insurance from the Insurance Fund— a Special Fund Agency

Item 197 of the Budget Bill and pages 402 to 406 of the Budget. The amount requested is \$909,545 for support from the Insurance Fund. *This is an increase of \$156,179 or 20.73 percent over support expenditure of \$753,366 for 1947-48.* In addition to the amount requested there is \$54,978 for contributions to the State Employees' Retirement Fund, bringing the total proposed expenditures to \$964,523, an increase of \$164,897 or 20.62 percent over 1947-48.

The amount appropriated by the 1947 Budget Act was \$528,632. This amount, however, is shown to have been supplemented as follows:

BR No. 1—Chapter 1008/47—examination of insurers.....	\$192,565
BR No. 2—Chapter 1450/47—licensing and examination of agents	12,000
BR No. 3—Chapter 805/47, EX. Order D 813, Regulating rating organizations	19,221
BR No. 4—Salary increases, EX. Order D 820.....	55,500
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	\$273,941
Less: Unallotted BR No. 2, Chapter 1450 balances.....	—2,804
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	\$271,137

The principal increase proposed for 1948-49 represents increases in salary and wages in the amount of \$107,769 or 18.64 percent. Of this amount \$8,372 is for normal salary adjustments, \$20,965 represents a decrease in salary savings, while \$78,432 is requested for 25 new positions and three reclassifications, or a total of \$99,397 in added salaries and wages.

It is noted that consideration has been accorded the question raised by the Legislative Auditor in his analyses of the 1945-47 and 1947-48 Budgets and Budget Bills as to the advisability of discontinuing pay roll test audits in connection with workmen's compensation carriers out of the insurance fund. There is no request in the 1948-49 Budget Bill for funds to provide for this operation.

The proposed new positions are shown in table below:

<i>Number of positions</i>	<i>Salary range</i>	<i>Cost</i>
Division of Administration		
2 Intermediate clerk	\$180-220	\$4,320
Senior clerk (reclassification of one intermediate clerk)	210-255	132
Senior account clerk (reclassification of one intermediate account clerk)	220-268	132
2 and 2 reclassifications		\$4,584
Bureau of Insurance, Rate Regulation		
1 Supervising insurance rate analyst	505-613	6,060
2 Principal insurance rate analyst	458-556	10,992
2 Senior insurance rate analyst	376-458	9,024
2 Semisenior insurance rate analyst	310-376	7,800
1 Intermediate typist-clerk	180-220	2,160
2 Intermediate account clerk	180-220	4,320
2 Intermediate stenographer-clerk	190-231	4,560
12		\$44,916
Insurance Compliance and Legal Division		
1 Assistant counsel	-----	3,900
2 Junior insurance investigator	-----	5,784
2 Senior insurance investigator	-----	6,744
1 Intermediate stenographer-clerk	-----	2,280
6		\$18,708
Division of Licenses		
2 Intermediate typist-clerk	180-220	4,320
3 Junior clerk	160-190	5,760
5		\$10,080
Bureau of Financial Analysis		
Senior stenographer-clerk (reclassification of one intermediate stenographer-clerk)	220-268	144
25	Totals	\$78,432

As shown above, the total cost of the 25 proposed new positions is \$78,432 or 51.18 percent of the over-all increase for the department. Of this amount, \$44,916 or 57.25 percent represents the cost of 12 proposed new positions requested for the Bureau of Insurance Rate Regulation, created by the enactment of Senate Bill 1572, Chapter 805/1947. Other proposed new positions as set forth above are requested for established functions.

Operating expenses are scheduled to advance \$40,751 or 23.11 percent over 1947-48. The principal increase in this category is attributable to the proposed advance in travel expenses in the amount of \$29,802 or 53.29 percent over 1947-48. Distribution of this increase shows the amount of \$12,540 for the Bureau of Insurance Rate Regulation and \$15,000 for the Bureau of Examinations, while the remainder, or \$2,262, is nominal.

The total amount budgeted for equipment is \$18,552, an increase of \$4,743 or 34.35 percent over 1947-48, due mainly to increases for additional office equipment for the Division of Licenses and the newly established Bureau of Insurance Rate and Regulation in amounts of \$1,281 and \$6,148 respectively, while other functions show decreases.

Recommendation

We recommend that Item 197 of the Budget Bill be reduced from \$909,545 to \$901,599 a net reduction of \$7,946 or .86 percent representing the following:

Salaries and Wages:	
Delete one Senior Insurance Investigator position-----	\$3,372
Delete one Junior Insurance Investigator position-----	2,892
	<u>\$6,264</u>
Operating Expenses:	
Reduce mileage expense—two investigators at \$432 each-----	\$864
Reduce travel expenses—two investigators at \$180 each-----	360
	<u>\$1,224</u>
Equipment:	
Delete 2 desks at \$186 each-----	372
Delete 2 chairs at \$43 each-----	86
	<u>\$458</u>
Net reduction -----	<u>\$7,946</u>

Basis for Reduction

1. The Insurance Compliance and Legal Division wherein the proposed new positions are requested, indicates that salary savings will decline from \$17,500 in 1947-48 to \$12,000 in 1948-49. This in effect means that additional man-years of work will be performed at a cost of \$5,500. This must be taken into consideration in evaluating the need for additional funds for new positions since it is shown that in 1947-48 the salary savings were equivalent to 4.2 man-years while the total authorized positions for these functions increased from 45.9 man-year positions in 1946-47 to 56.8 man-year positions in 1947-48, a gain of 10.9 man-year positions.

2. The agency in the justification submitted for these two positions indicates that the positions are requested on the basis of building up investigations to the prewar peak and also due to the fact of an increase in the total number of licensees.

Neither of these reasons are supported by an examination of the facts thus far submitted by the agency. The current trend in increase of the licensees is estimated to be around 10 percent. On this basis, therefore, only two additional insurance investigators would be justified; one junior and one senior.

A comparison of the number of investigations completed in relation to the number of investigators taken from data submitted, is shown in schedule below:

Year	No. investigations	No. investigators	Average investigations per investigator per year
1941-43 -----	12,856	32	201
1943-45 -----	9,466	15	315
1945-46 -----	6,446	15	429
1946-47 -----	7,523	15	502
* 1947-48 -----	4,260	21.2	400

(22 authorized positions.)

* 4 mo. actual.

* 2 mo. estimated.

An examination of the schedule above indicates that the high point in investigative productivity was reached in 1946-47 with the average of 502 investigations per position.

The agency explains the subsequent decline by the fact that they have used investigators in other functions. We have concurred in added personnel for these other functions and thus point out that an increase in investigative staff is not warranted.

A mere increase in the number of licenses issued is no indication in and of itself as to the necessity for added investigators. As a matter of fact, the general state of compliance is of far more importance in evaluating this need.

By the department's own figures this has materially improved. For example in 1941 license complaints filed were slightly in excess of 3 percent of the total licenses issued. This has now been reduced to the point where in 1947 with 105,000 licenses, the license complaints filed totaled only 1.9 percent indicating an improvement in the state of general compliance.

This trend does not justify added investigative personnel.

Revenues

Estimated revenues for 1948-49 are shown to exceed total expenditures by 35.51 percent or \$342,497, which will bring the estimated unbudgeted surplus to \$2,050,864 as of June 30, 1949. Considering the recommended reduction of \$7,946 in expenditures, the adjusted amount for unbudgeted surplus as of June 30, 1949, would be \$2,058,810.

DIVISION OF REAL ESTATE

For Support of the Division of Real Estate from the Real Estate Fund, a Special Fund Agency

Item 198 of the Budget Bill and pages 407 to 409 of the Budget. The amount requested is \$502,140 for support from the Real Estate Fund. This is an increase of \$22,058 or 4.59 percent over support expenditures of \$480,082 in 1947-48. In addition to the amount requested is the sum of \$26,600 for contributions to the State Employees' Retirement Fund, bringing the total proposed expenditures to \$528,740 an increase of \$23,758 over total expenditures for 1947-48.

The amount appropriated by the 1947 Budget Act was \$449,407. This amount, however, was supplemented by a deficiency appropriation in the amount of \$25,977 for salaries and wages, while actual and estimated expenditures for 1947-48 appear to exceed total authorized expenditures by \$4,698.

The principal increase proposed for 1948-49 represents increases in salary and wages in the amount of \$20,684 or 6.63 percent. *Of this amount \$12,764 is for adjustments in salary increases and salary savings, while \$7,920 is requested for two proposed new positions, the need for which is based on increased activity in the Inspections and Hearings Department.*

The advance of \$7,700 in operating expenses is due principally to general increases in operating costs. Expenditures for equipment reflect a decrease of \$6,326.

Recommendations

We recommend that Item 198 of the Budget Bill be reduced from \$502,140 to \$500,186, a saving of \$1,954 representing the following:

Delete replacement of two automobiles -----	\$2,100
One 1941 Ford sedan, license number E52181, with total mileage estimated at 99,500 miles as of June 30, 1949. This car has had a motor replacement and should travel at least 100,000 miles.	
One 1938 Buick sedan, license number E7339 with total mileage indicated to be 88,500 as of June 30, 1949. More mileage should be expected.	
Delete one new dictating machine -----	\$354
This will allow two machines for six deputies in the Sacramento office. We suggest that, if needed, one dictating machine might be transferred from the Los Angeles office where there are six such machines for 12 men.	
Increase operating expenses-----	\$500
This amount to be allowed for repairs for the above automobiles.	
Net Reduction -----	<u>\$1,954</u>

Unbudgeted Surplus

Estimated unbudgeted surplus is scheduled to advance \$286,260 for a total of \$1,467,053 as of June 30, 1949. This represents an increase of 24.24 percent over the sum of \$1,180,793 estimated for July 1, 1948.

CALIFORNIA DISTRICTS SECURITIES COMMISSION

For Support of the California Districts Securities Commission from the General Fund

Item 199 of the Budget Bill and page 410 of the Budget. The amount requested is \$25,400 for support from the General Fund. This is an increase of \$1,311, or 5.44 percent, over total expenditures of \$24,089 in 1947-48.

The California Districts Securities Commission is charged with the direction and supervision of bond financing, construction of works and expenditures of bond proceeds of irrigation districts and other agricultural districts which apply to the commission for certification of bonds as legal investments for savings banks and trust funds.

Recommendation

We recommend that the amount requested be approved. The staff will remain at its present small complement. Proposed increases in expenditures are nominal and appear to be in line with increased operating costs.

DEPARTMENT OF JUSTICE

For Support of the Department of Justice from the General Fund

Item 200 of the Budget Bill and pages 411 to 417 of the Budget. The amount requested is \$1,616,924 for support from the General Fund. This is an increase of \$160,175 or 10.9 percent over expenditures of \$1,456,749 scheduled for support for 1947-48. This is exclusive of items comprising amounts for other current expenses totaling \$63,722, the subject of separate items of appropriation in the Budget Bill.