

2. Branch Offices

It does not appear to be in the interest of efficient operation to maintain offices in both San Francisco and Sacramento.

A number of deputy fire marshals maintain field offices at a local fire house in the area in which they operate. They report to the main offices, for periodic staff meetings.

It is recommended that the San Francisco office be eliminated and its functions transferred to Sacramento. This would eliminate rental, office expense, telephone and telegraph expenses as well as equipment requested in the budget for this office as indicated in the summary of reductions above.

It is further recommended that Item 34, page 401, be reduced by \$535, the amount requested for replacement of a mimeograph machine. The present machine is used approximately two hours per week and while not the most modern type, should be able to handle that work load. Any periodic peak in work load could be sent to the mimeograph division of the Department of Finance.

The request for two projectors should be disallowed. The office already has two projectors which should adequately handle the fire training program.

Of the recommended reduction of \$4,418 in the item of automobile operation, one-half (\$2,209) is based on a reduced number of positions and the other is based on unnecessary driving.

A survey shows that a number of cars are garaged long distances from their headquarters. *Cars out of the San Francisco office are garaged in Redwood City, San Rafael, and Berkeley; one out of the Los Angeles office is garaged in Long Beach.*

In the latter instance, if the car were driven to the Los Angeles office every working day such home-to-office trips would account for 13,000 miles per year, over 50 percent of the actual mileage (25,462) shown for this car for the Fiscal Year 1947-48. It should also be noted that this mileage (25,462) is approximately double the annual mileage shown for other cars operating out of the Los Angeles office.

Recommendation

It is recommended that a thorough study be made of the functions of the State Fire Marshal to determine which of his functions overlap or duplicate those of local fire departments.

There are undoubtedly many duplications, especially with the departments in the larger cities. There are probably also other functions now performed by the State Fire Marshal which could be assumed by these local departments.

These transfers of functions would result in a further reduction in the budgeted amount necessary for the operation of the office of State Fire Marshal.

DEPARTMENT OF INVESTMENT—DIVISION OF BANKING

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

Item 157, pages 33 and 34 of the Budget Bill and pages 402 and 403 of the Budget. The amount requested is \$268,753 from the Banking Fund

for support of the Division of Banking. This is an increase of \$19,686 or 7.9 percent over the amount of \$249,067 estimated to be expended in the 1948-49 Fiscal Year.

<i>Item of increase</i>	<i>Amount</i>	<i>Budget page</i>
Budgeted increase based on work load, price increase, or salary adjustment at existing level of service:		
Salaries and wages -----	\$12,651	402
Operating expenses -----	7,701	402
Equipment -----	—666	402
Total -----	\$19,686	
Budgeted increase for new or expanded service:		
None -----		

Recommendations

Amount budgeted -----	\$268,753
Legislative Auditor's recommendation -----	\$268,753
Reduction -----	None

Analysis

The division has 39 authorized positions for the 1948-49 Fiscal Year. No new positions are budgeted for 1949-50.

The work of the division is behind schedule due to the fact that all vacant authorized positions have not been filled. While no new positions are proposed for 1949-50, three new positions were authorized in the current year's Budget with the understanding that they would be allowed until such time as the then existing backlog of work was cleared. However, it now appears that, inasmuch as the positions have not been filled, they will be needed in the ensuing year to eliminate the backlog and complete the examination of 118 state banks and 195 branches estimated for 1949-50. The volume of loans in these banks is expected to reach approximately 1½ billion dollars as compared to 1.1 billion dollars for 1948-49.

In connection with position vacancies, it is noted that some positions have been unfilled for as long as three years or more. However, as a result of recent examinations there is anticipated a substantial list of candidates for examiner positions. This should clear the situation as to vacancies in the examining staff. Also, the division should be operating on a current basis at the end of the 1949-50 Fiscal Year, at which time a critical review of the work load should be made with a view toward some reduction in staff.

The \$7,701 or 9.9 percent increase proposed for operating expenses is due mainly to *increased prices*, additional traveling expenses due to filling of travel positions, and additional printing occasioned by the revision of the Banking Code and the inclusion of a list of 10-year unclaimed deposits in the annual report published in odd numbered years.

While expenditures for equipment reflect a decrease of \$666 or 35.9 percent, there is \$430 budgeted for office replacements and \$757 for additional equipment.

It is pointed out that this agency is conservative in its request for new equipment. A review of its equipment schedule shows that the division will have a total of 10 typewriters on hand to service nine clerical

positions and approximately sixteen examiner positions. This is exceptional and is deserving of favorable comment.

The division is a self-supporting agency supported from revenues derived from license fees and assessments on state banks and trust companies. The estimated unbudgeted surplus as of June 30, 1950, is \$417,109. This is a decrease of \$18,598 or 4.3 percent from the current year. This is explained as due to economies effected and savings made whereby the division was able to reduce the assessment from 80 percent to 75 percent of the amount allowable by law. However, the surplus is considered ample to meet any emergency.

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 158, page 34 of the Budget Bill and pages 404 and 405 of the Budget. The amount requested is \$136,239 from the Building and Loan Inspection Fund for support of the Division of Building and Loan, a Special Fund agency. This is an increase of \$5,260 or 4.02 percent over the amount of \$130,979 estimated to be expended in the 1948-49 Fiscal Year.

<i>Item of increase</i>	<i>Amount</i>	<i>Budget page</i>
Budgeted increase based on work load, price increase, or salary adjustment at existing level of service :		
Salaries and wages -----	\$6,537	404
Operating expenses -----	1,370	404
Equipment -----	-2,647	404
Total -----	\$5,260	
Budgeted increase for new or expanded service :		
None -----		

Recommendations

Amount budgeted -----	\$136,239
Legislative Auditor's recommendations -----	136,239
Reduction -----	None

Analysis

The division has 23 authorized positions for the 1948-49 Fiscal Year. There are no new positions budgeted for 1949-50.

Due to inability to fill all authorized positions, the work of the division is somewhat behind schedule. However, it is expected that all positions will be filled within the current year. This should allow the division to operate on a current basis and absorb additional work load anticipated for 1949-50.

Some partial indication of the growth of building and loan associations supervised by this division is reflected in the increase in assets of the associations from \$182,000,000 in 1942 to over \$450,000,000 in 1948 for a gain of \$268,000,000 or 127.7 percent in total assets during the past six years. This in a large part, of course, is due to changes in dollar values. The number of associations has increased from 100 in 1942 to 111 as of

December, 1948, while further expansion is indicated for 1949. Although the number of real estate loans in force is not shown for 1948, an indication of the trend is reflected in the total of 80,275 loans in force in 1947 as compared to 71,692 in 1942. While the volume of loans made on existing housing indicates a leveling off during 1947, new construction loans have shown continued increase since 1945.

Proposed expenditures for this agency for 1949-50 reflect a carefully planned and conservative budget. Salaries and wages have been held to a minimum. The increase in operating expenses provides for the advances in the cost of materials, supplies, and services required in the regular course of business. Expenditures for equipment are scheduled at \$664, of which \$462 is budgeted for one new adding machine. The remaining \$202 is to be spent for several small items. While there is apparent need for the new adding machine, before consummating the purchase of new equipment, every effort should be made to effect a transfer of the type of equipment needed from any surplus of state-owned property which may be available.

This division is a self-supporting agency supported from annual assessments and license fees levied upon building and loan associations. Unbudgeted surplus as of June 30, 1950, is estimated at \$77,975. While this is not a large reserve it is considered adequate inasmuch as additional assessments can be made whenever special examinations are required.

DIVISION OF CORPORATIONS

For Support of the Division of Corporations from the General Fund

Item 159, page 34 of the Budget Bill and pages 406 through 408 of the Budget. The amount requested is \$609,087 from the General Fund for support of the Division of Corporations. This is an increase of \$54,953 or 9.9 percent over the amount of \$554,134 estimated to be expended in the 1948-49 Fiscal Year.

<i>Item of increase</i>	<i>Amount</i>	<i>Budget page</i>
Budgeted increase based on work load, price increase, or salary adjustment at existing level of service:		
Salaries and wages-----	\$39,413	406
Operating expenses-----	20,450	406
Equipment-----	—4,910	406
Total-----	\$54,953	
Budgeted increase for new or expanded service:		
None-----		

Recommendations

Amount budgeted-----	\$609,087
Legislative Auditor's recommendations-----	605,367
Reduction-----	\$3,720

Analysis

The increase of \$39,413 or 8.5 percent in salaries and wages for 1949-50 over 1948-49, includes \$24,413 budgeted for automatic salary increases and adjustments in estimated salary savings, while \$15,000 is requested for six new positions.

The six new positions include two accountant-auditors, Grade 1, two intermediate clerks and two stenographer-clerk positions. The need for these new positions is predicated upon increased work load anticipated for the 1949-50 Fiscal Year and to clear existing backlog.

The work load for the division indicates continued increase in all activities for the ensuing year with the exception of security applications filed, which reflect a slight leveling off. In view of the additional work load anticipated and the backlog to be cleared, there appears to be need for the added personnel. However, while the agency has experienced vacancies in some positions which should be filled from lists resulting from recent civil service examinations, the work should be on a current basis during 1949-50. *Also, if a downward trend develops during the ensuing year, the division should be prepared to curtail its expenditures accordingly.*

The recommended reduction of \$3,720 will abolish the position of assistant securities analyst which is now vacant. This position was established January 22, 1947, but, according to the records, has never been filled. Thus, it appears that the need for the position is not urgent and if abolished a saving of \$3,720 will be realized.

Operating expenses are scheduled to advance \$20,450 or 27.6 percent over the amount of \$73,911 estimated to be expended in 1948-49. *The unusually large increase in this category is occasioned by the added expense for payment of office rent, which has not been included in the Budget for this division for the past several years since the commission was converted to a General Fund agency.* Discounting this added cost, the increase in operating expenses for 1949-50 would reflect a gain of \$2,710 or 6.7 percent, which is reasonable. An explanation of the added expense to this division for rental of office is extended in the next two paragraphs.

The division proposes to move the Los Angeles office from its present quarters in the Los Angeles State Building to new quarters in the Times-Mirror Building in that city. This is to be done during the middle or latter part of February of this year. A total of 13,200 square feet of space has been allotted to the division at a cost of \$3.68 per square foot per year, or \$48,576 per year for which \$48,600 has been budgeted for 1949-50. This also necessitates an emergency allotment in the current year's Budget in the amount of \$30,836, of which \$2,500 is needed to defray the cost of moving. This is added expense to this agency inasmuch as it has not paid rent since deriving its support from the General Fund.

The division states that this move is necessitated due to overcrowding in its present quarters. It is further stated that during the war years, with a reduction in staff, the division relinquished space which has not been restored to them. And, while the work has practically doubled over any prior period, with a resultant increase in the office staff and office equipment, an overcrowded condition has developed to the point of inefficient operation. However, inasmuch as the Los Angeles office enjoyed approximately 11,000 square feet of space prior to the relinquishment of space during the war years, it appears that the office will have sufficient space in its new quarters to meet its needs.

Expenditures for equipment are scheduled at \$14,697 for 1949-50. This is a decrease of \$4,910 or 25 percent from the amount budgeted for

1948-49. Included in the \$14,697 is the sum of \$7,111 budgeted for replacement of office equipment and two automobiles. The remainder or \$7,586 is requested for additional office equipment to meet expansion requirements and accommodate the added personnel.

While this agency is supported from the General Fund, estimated revenues for the 1949-50 Fiscal Year exceed proposed expenditures by \$313,553 or 51.48 percent for the same period.

DEPARTMENT OF INSURANCE

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

Item 160, page 34 of the Budget Bill and pages 409 through 414 of the Budget. The amount requested is \$933,078 from the insurance fund for support of the Department of Insurance. This is an increase of \$94,972 or 11.33 percent over the amount of \$838,106 estimated to be expended in the 1948-49 Fiscal Year.

<i>Item of increase</i>	<i>Amount</i>	<i>Budget page</i>
Budgeted increase based on work load, price increase, or salary adjustment at existing level of service:		
Salaries and wages -----	\$78,195	409
Operating expenses -----	23,043	409
Equipment -----	—9,586	409
	\$91,652	
Reimbursement:		
Services to insurance companies in liquidation	—717 (add)	
Total -----	\$92,369	
Budgeted increase for new or expanded service:		
Salaries and wages -----	\$2,280	409
Equipment -----	323	409
	\$2,603	

Recommendations

Amount budgeted -----	\$933,078
Legislative Auditor's recommendations -----	933,078
Reduction -----	None

Analysis

The proposed increase of \$94,972 or 11.3 percent as indicated is due mainly to increases in salaries and wages and operating expenses budgeted on a work load basis at the existing level of service.

Of the \$80,475 advance scheduled for salaries and wages, \$14,777 is requested for three proposed new positions: one senior account clerk, one associate counsel, and one intermediate file clerk. The added positions will bring the total personnel complement to 192 authorized positions. The remainder of the advance allows for salary increases in the amount of \$20,398, while \$45,300 represents a reduction in salary savings from 1948-49 which is the equivalent of 11.7 positions.

The senior account clerk position is requested for the accounting section within the San Francisco office. This request is predicated upon

work load and the need for a qualified assistant to the accounting officer. Although the accounting section has five presently authorized positions, including one senior account clerk, the work is behind schedule. In view of this situation and, in accordance with a previous recommendation of the Department of Finance to the effect that the bookkeeping function of the Bureau of Examinations be transferred to the accounting section of the executive division, we recommend that the position be allowed temporarily pending a study of the need for the position which we recommend be made by the Personnel Board. This should assist in adjusting the present deficiencies and should also permit compilation of better work load data with which to properly evaluate the department's needs.

The associate counsel position is requested for the Insurance Compliance and Legal Division. In its request for this position, the department states that no attorney is available for giving immediate advice to, and consultation with, insurance examiners without taking time from existing assignments. It is proposed that the new position will alleviate present work load in order to improve and expand the service which the legal division now gives to the examination division where examiners are said to be rendering legal advice, which procedure, it is stated, has subjected the department to some criticism. The department also states that while the work of the examiners may not be sufficient to keep an attorney busy full time, the attorney will have the primary responsibility for all legal advice and consultation with the Bureau of Insurance Rate Regulation, as well. This bureau was created by Chapter 803/1947, and is expected to be in full operation by July 1, 1949.

In view of the foregoing explanation offered in support of the request for the position, and the apparent need for relief from confusion arising from personnel performing duties for which they are not qualified, we recommend that the position of associate counsel be approved subject to the findings and recommendations resulting from a survey which we have previously recommended be made by the Personnel Board.

The intermediate file clerk position is requested for the operation of a central filing system proposed to be installed within the San Francisco office. We recommend that this position be allowed pending the completion and recommendations of a survey of the present filing system which has been undertaken by the Department of Finance. The Department of Finance in its administrative survey report on the Department of Insurance as heretofore mentioned, among other recommendations made, recommended that central filing systems be instituted in the San Francisco and Los Angeles offices. The department states that a survey of the filing system has recently been made with a view toward installing a central filing system. Pending a report on the findings and recommendations of the survey which should determine the need for additional clerical help, we recommend that the position of intermediate file clerk be approved.

Operating expenses are scheduled to increase \$23,043 or 12.3 percent over the amount of \$186,924 estimated to be expended for the 1948-49 Fiscal Year. The major increases in this category arise from increased cost of office rental space which indicates an increase of \$10,129 or 34.7 percent over 1948-49, and added travel expense in amount of \$6,750 or

11.02 percent over 1948-49. The remainder or \$6,164 is attributable to increased costs of services.

Expenditures for equipment show a decrease of \$9,263 or 59.8 percent from \$15,482 estimated to be expended in the current year. Of the \$6,219 budgeted for equipment for 1949-50, \$2,455 is requested for replacements of office equipment and one automobile which shows accumulated travel of more than 119,000 miles as of July 1, 1949. The remainder or \$3,764 is requested for additional equipment.

The Department of Insurance is supported from licenses and fees on the industry. Estimated revenues for 1949-50 are shown to exceed proposed expenditures by \$265,852 or 26.81 percent. This will bring the estimated surplus to \$2,090,756 as of June 30, 1950, for a gain of 14.56 percent over the estimated figure of \$1,824,904 for July 1, 1949.

DIVISION OF REAL ESTATE—DEPARTMENT OF INVESTMENT

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

Item 161, pages 34 and 35 of the Budget Bill and pages 415-417 of the Budget. The amount requested is \$492,699 from the Real Estate Fund for support of the Division of Real Estate. This is an increase of \$11,034 or 2.3 percent over the amount of \$481,665 estimated to be expended in the 1948-49 Fiscal Year.

<i>Item of increase</i>	<i>Amount</i>	<i>Budget page</i>
Budgeted increase based on work load, price increase, or salary adjustment at existing level of service:		
Salaries and wages -----	\$11,967	415
Operating expenses -----	4,338	415
Equipment -----	-5,271	415
Total -----	\$11,034	
Budgeted increase for new or expanded service:		
None -----		

Recommendations

Amount budgeted -----	\$492,699
Legislative Auditor's recommendations -----	\$492,699
Reduction -----	None

Analysis

The Budget for this division reflects conservative budgeting as a whole. Total personnel for the 1948-49 Fiscal Year is shown at 97 positions, while no new positions are proposed for 1949-50. The increase of \$11,967 or 3.7 percent in salaries and wages allows for automatic salary increases and adjustments in salary savings.

The work load for the division indicates a slight leveling off in the number of examinations given and subdivisions filed, while the number of licenses issued and complaints filed show an increase for 1949-50. It is anticipated that the total number of licenses issued, including transfers,

will have reached an all time high by the end of the present fiscal year. Projected figures for 1949-50 reflect a slight leveling off in real estate activities. If a downward trend should develop, the division should be prepared to effect corresponding reductions in operating costs.

While the division has been conservative in its estimate of its needs for the 1949-50 Fiscal Year, we question the need of having two addressing machine operators on a full time basis. Two such positions are now authorized; one having been vacant since July of 1948. If the need for the position which is now vacant is only seasonal, we suggest that it be on a temporary basis rather than a permanent position. However, the division is presently analyzing the further need of maintaining the position with a view toward abolishing it.

Operating expenses are scheduled to increase \$4,338 or 2.9 percent over the amount estimated for 1948-49. This is a nominal increase needed to meet the increased cost of operations.

Expenditures for equipment show a decrease of \$5,271 or 46 percent from \$11,457 estimated for 1948-49. Of the total amount of \$6,186 proposed for the 1949-50 Fiscal Year, \$3,417 is budgeted for replacements while the balance or \$2,719 is requested for additional equipment. Of the \$2,719 there is \$944 requested for new addressograph filing equipment which appears to be needed to provide for expansion and expedite the work of this department. While \$448 is budgeted for two acousters, or devices designed to absorb the din created by graphotype machines, this money should not be spent until every effort is made to effect a transfer of this type of equipment from any surplus of state-owned equipment which may be available.

The Division of Real Estate is a self-supporting agency supported from revenues derived from license and examination fees. *The unbudgeted surplus is estimated to be \$1,497,397 as of June 30, 1950. This is an increase of \$227,627 or 17.9 percent estimated for July 1, 1949.*

CALIFORNIA DISTRICTS SECURITIES COMMISSION

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

Item 162, page 35 of the Budget Bill and page 418 of the Budget. The amount requested is \$25,685 for support from the General Fund, a decrease of \$759 from the amount of \$26,444, estimated to be expended in 1948-49.

<i>Item of increase</i>	<i>Amount</i>	<i>Budget page</i>
Budgeted increase based on work load, price increase, or salary adjustment at existing level of service:		
Salaries and wages -----	-\$259	418
Operating expenses -----	-500	
Total -----	-\$759	----
Budgeted increase for new or expanded service:		
None -----	-----	-----

Recommendations

Amount budgeted	\$25,685
Legislative Auditor's recommendations	\$25,685
Reduction	None

Analysis

The California District Securities Commission was created by the District Securities Commission Law, Statutes of 1931, Chapter 371, and is composed of five members, including the Attorney General, State Engineer, Superintendent of Banks and officials of two Irrigation Districts.

Additional responsibilities were assigned to the commission by the Irrigation Districts Refinancing Law, Statutes of 1937, and by the Irrigation District Law Amendments of 1937, 1939, 1941, 1943 and 1947.

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

The Statutes of 1943 contained the provision that any proposal to enter into a contract between the United States Government and Irrigation Districts for water supplies or construction of works shall be submitted to the Commission. This has resulted in considerable increase in the activity of the Commission.

The function of the California Districts Securities Commission differs from the functions of the Corporation Commission. The District Securities Commission acts as a regulatory body for irrigation and water districts, which are public organizations similar to municipalities. In counterdistinction, the Corporation Commission supervises corporations which are legal entities doing business as individuals.

The amount of \$25,685 requested for the budget year 1949-50 covers expenditures necessary for the continued operation of the California Districts Securities Commission. Proposed expenditures are less than the actual and estimated expenditures for present fiscal year. This economy has been possible through the elimination of provision for a part-time clerk and reduction in automobile expense, in line with a previous recommendation of the Budget Committee.

An analysis of the proposed work load for this agency indicates that the amount requested will probably be necessary for adequately fulfilling the responsibilities of the Commission.

DEPARTMENT OF JUSTICE

For Support of the Department of Justice from the General Fund

Item 163, page 35 of the Budget Bill and page 419 of the Budget. The amount requested is \$1,816,236, from the General Fund for support of the Department of Justice. *This is an increase of \$262,521 or 16.9 percent over the amount estimated to be expended in the 1948-49 Fiscal Year.*