

In view of the continuing need for trained personnel in this field, we recommend approval of the amount requested.

**For Additional Support of the Department of Public Health Payable from the Public Health Fund**

Item 242, pages 53 and 54 of the Budget Bill and page 645 of the Budget. The amount requested is \$469,834. This request represents the amount required to cover costs of cannery inspection which is a self-supporting activity. Amounts from cannery inspection fees are paid into the Public Health Fund.

**PUBLIC UTILITIES COMMISSION**

**For Support of the Public Utilities Commission from the General Fund**

Item 243, page 54 of the Budget Bill and page 646 of the Budget. The amount requested from the General Fund is \$1,352,749 for support of the Public Utilities Commission. This is an increase of \$74,474 or 5.83 percent over the amount of \$1,278,275 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 -----	\$28,142	646
Authorized positions -----	\$11,810	-----
2 Associate utilities engineers -----	9,960 ✓	-----
1 Assistant utilities engineer -----	4,092 ✓	-----
1 Intermediate stenographer-clerk -----	2,280	-----
Operating expenses -----	36,869	-----
Equipment -----	—8,201	-----
<b>Total -----</b>	<b>\$56,810</b>	
Budgeted increase for new or expanded service:		
Salaries and wages -----	\$17,664	-----
1 Supervising utilities engineer -----	\$6,672 ✓	-----
2 Senior utilities engineers -----	10,992 ✓	-----
<b>Total -----</b>	<b>\$17,664</b>	

**Recommendations**

Amount budgeted -----	\$1,352,749
Legislative Auditor's recommendations -----	1,319,093
<b>Reduction -----</b>	<b>\$33,656</b>

**Analysis**

The nature of the activities of the Public Service Commission are such that their magnitude is to some degree proportional to the population of the State. The second important factor is the prevailing economic status of the State as a whole. During periods of rising prices and wages the work of the commission increases as a result of inequities between utility rates and cost of operation, and during depression times or periods of falling prices and wages the same situation exists with regard to inequities between utility rates and cost of operation which again increases the work of the commission in its endeavor to maintain rates for utilities which are equitable.

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The population of the State is anticipated to increase by 2.7 percent in 1949, and 2.4 percent in 1950. The total percentage increase for the two-year period and consequently for the Fiscal Year 1949-50 will be approximately 5 percent. This is a much less change than has been experienced and therefore no justification for the 5.83 percent increase in the support budget for the commission. However, the wage and price spiral shows definite indication of leveling off in the 1949-50 period which should have some offsetting effects on the work of the commission.

The indicated work load of the commission as a whole shows only a small anticipated increase for 1949-50 and in some instances is static. The over-all increase is not sufficient to justify the additional positions requested.

More than half of the total increase in support is attributable to normal salary increases, together with reductions in salary savings due to fewer vacancies, amounting to \$11,810, and to a sharp increase in rent, amounting to \$33,120, due to the consolidation of two sets of offices into one set of larger offices in the Los Angeles Times Building in Los Angeles.

The balance of the increase is due to additional personnel requested and to normal increases in operating expenses, other than rent. These are somewhat offset by a decrease of \$8,261 in equipment purchases from \$30,506 in 1948-49 to \$22,305 in 1949-50. However, the latter figure contains the sum of \$15,114 for *additional equipment which is, in effect, an increase in available service.*

The additional positions of two senior utilities engineers and one supervising utilities engineer, which are requested for the Examiners Division of the Bureau of Hearings and Formal Investigations, are to a degree justified in consideration of the increased work load as a whole, and particularly in the Bureau of Control and Regulation. *These three positions represent a new service in the Bureau of Hearings and Formal Investigation, in the sense that this category of position has not previously been permanently assigned to that bureau, actually engineers have been borrowed from the Bureau of Control and Regulation to the extent of 10 positions on part-time assignments.*

The allowance of these positions would release three man years of engineering assistance to the Bureau of Control and Regulation and assist in the work load of that bureau. *Without these additions the bureau will have 1.2 man years available from a reduction in salary savings which should be of material assistance on the work load and more than the increase.*

*Consequently and in view of the comparatively small degree of the work load increase in the Bureau of Control and Regulation, the positions of two associate utilities engineers and one assistant utilities engineer are not justified and we recommend that they be disapproved. This will effect a savings of \$14,052.*

Furthermore, we recommend that the additional two senior utilities engineers and one supervising utilities engineer requested for the Bureau of Hearings and Formal Investigations be disallowed and that the bureau continue to utilize engineering personnel from other bureaus as required.

The projected work load increase is not of sufficient significance to justify additional personnel and in all probability will decrease rather than increase. This will effect a saving of \$17,664.

Equipment for the above positions amounting to \$1,371 should be deleted.

**PUBLIC UTILITIES COMMISSION—TRANSPORTATION RATE FUND**

**For Additional Support of the Public Utilities Commission from the Transportation Rate Fund**

Item 244, page 54 of the Budget Bill and pages 646 to 652, inclusive, of the Budget. The amount requested from the Transportation Rate Fund is \$1,135,054 for additional support of the Public Utilities Commission. This is an increase of \$40,837 or 3.73 percent over the amount of \$1,094,217 estimated to be expended in the 1949-50 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-----	\$39,102	646
Authorized positions----- \$39,102		
Operating expenses-----	11,579	646
Equipment-----	-16,084	646
Total-----	\$34,777	
Budgeted increase for new expanded service:		
Salaries and wages-----	\$6,060	651
Senior counsel----- \$6,060		
Total-----	\$6,060	

*Recommendation*

Amount budgeted-----	\$1,135,054
Legislative Auditor's recommendations-----	1,094,217
Reduction-----	\$40,837

*Analysis*

The activities of the Public Utilities Commission under the Transportation Rate Fund are largely regulatory upon rail, truck and water carriers engaged in the transportation of property, and the function as a whole is supported by fees levied upon the gross operating revenues of the carriers. The over-all cost projected for the 1949-50 Fiscal Year is \$1,135,054 plus contributions to the State Employees' Retirement Fund amounting to \$70,297 and totaling \$1,205,351. *The anticipated revenues for the same period from all sources is \$1,200,000 which will produce a deficit of \$5,351.* The deficit will be carried by unbudgeted surpluses estimated to be \$884,542 as of July 1, 1949 and \$879,191 as of June 30, 1950.

The major factor influencing the work load of the Transportation Rate Fund Division is the rise or fall, as the case may be, of the operating costs of the various carriers coming under the jurisdiction of the division. Rates for transportation of property are fixed by the commission and are based on the valuation of carriers' properties and the cost of operation

commensurate with a responsible return to the carrier, and efficient and adequate service to the public.

Labor being the largest single item in the total cost of carriers' operations, any increase in salaries and wages has a significant effect on their returns and consequently causes them to petition the commission for increases in rates to compensate for increased costs. Expenditures made by carriers for services and supplies are also important factors in determining and fixing rates, and fluctuations in these will cause work load problems.

*The number of licensed and permitted carriers is now fairly static with no significant increases anticipated in the 1949-50 Fiscal Year. Therefore no increase in work load can be anticipated from this source.* However, expenditures for labor, services and supplies are still in an unsettled state with some price leveling off and some still rising. Wages may go higher in 1949-50 and thus serve to increase the petitions made to the division, or they are more likely to go down causing readjustment work for the commission. On the whole, the work load can be expected to remain at about the same level as experienced to date in the 1948-49 Fiscal Year or possible decrease.

The one factor which will contribute to an increase in work load for 1949-50 is the anticipated intensification of enforcement of all laws and regulations pertaining to "for-hire" carriers of property. During the war years and immediately thereafter, the division relaxed its vigilance in the interests of the war effort and reconversion following. Many new permits and licenses were issued and many abuses went unchecked.

The need of curbing and eliminating these abuses is a definite one and the division's plan to intensify its enforcement activity is justified. This program will require adequate legal personnel if the division is to carry out an effective program and not simply a "warn and let off" campaign.

In this connection it might be noted that revenues from penalties is estimated to aggregate \$9,000 in 1948-49 and only \$12,000 in 1949-50 so no particular added expense appears justified. A vigorous and effective enforcement campaign should yield more penalties than the division anticipates and, in fact, the amount realized from this source may, at least during the initial state of the campaign, be a convenient means of measuring the vigor and effectiveness of the program.

*The division's Bureau of Control and Regulation indicates a decrease in salary savings equal to four man years of additional help which can be utilized in the enforcement program.* Increases in operating expenses are comparatively small and can be attributed to normal price rises.

In consideration of the foregoing we recommend that the item of additional support from the Transportation Rate Fund be reduced to 1948-49 expenditures of \$1,094,217. This is a saving of \$40,837.

Furthermore, we recommend that the function of collection of fees, now being accomplished by the Permits and Fees Division, be transferred to the Board of Equalization with a corresponding reduction in personnel, equipment and operating expenses in the division. The collection of fees is more properly within the province of the Board of Equalization and can be accomplished at a lesser cost.