

home when physical condition justifies the move. We recommend increase of the item by \$5,000 in accord with our recommendation that a plan be formulated at once to move members to hospitals or homes where they will get more adequate care.

MISCELLANEOUS

For Activities of the California Centennials Commission

Item 272, page 61 of the Budget Bill and pages 729 and 730 of the Budget. *The amount requested is a reappropriation of the unexpended balance, amounting to \$821,000, of the appropriation made in the 1948 Budget Act for activities of the California Centennials Commission.*

No significant changes are made in the salaries and wages, operating expenses or equipment items for administration of the commission. The total amount budgeted for administration is \$210,949 in 1949-50, compared with \$203,823 in 1948-49.

In addition to the amount budgeted for administration, there is \$610,051 for special items. A list of these items are as follows:

Assistance to local celebrations -----	\$125,000
Portsmouth Square project -----	20,000
Statehood celebrations -----	200,000
Historical caravan -----	100,000
Historical markers -----	10,000
California historical motion pictures -----	85,000
Motion picture projection -----	7,500
Brochure -----	10,000
Newsletter -----	7,500
Publicity -----	25,000
Radio -----	5,000
Contract services—miscellaneous -----	15,051
 Total -----	 \$610,051

We recommend that the amount of \$821,000 remaining unexpended in the appropriation of \$2,000,000 made in the 1948 Budget Act, not be reappropriated, and that it be reverted to the General Fund. We further recommend that the activities of the Centennials Commission be brought to a conclusion during the current fiscal year as economically as possible. The objectives of the Centennials Celebration have already been substantially accomplished in the 1948-49 Fiscal Year, and other General Fund requirements during the 1949-50 Fiscal Year are more essential than a continuation of the program contemplated in the budget request of the Centennials Commission for 1949-50.

Our recommendation will effect a saving of \$821,000.

For State's Contribution to Legislators' Retirement Fund

Item 273, page 61 of the Budget Bill and page 732 of the Budget. The amount requested is \$3,000 for the State's contribution to the Legislators' Retirement Fund in accordance with Section 9358 of the Government Code.

We recommend approval as requested.

**For Compensation, Medical Care and Hospitalization of State Employees,
from the General Fund**

Item 274, page 62 of the Budget Bill, and page 733 of the Budget. The amount requested is \$370,000 from the General Fund. This is an increase of \$25,530 or 7.4 percent over estimated expenditures of \$344,470 in 1948-49. This amount is for medical care, hospitalization and compensation of state employees injured in line of duty. The payments are prescribed by the Workmen's Compensation Act. The increase over 1948-49 is due to salary increases and additional state employees.

We recommend approval, but point out that savings should accrue from reductions in number of state employees we have recommended.

For Augmentation of Working Revolving Funds, from the General Fund

Item 275, page 62 of the Budget Bill, and page 733 of the Budget. The amount requested is \$1,165,000 for augmentation of the following working revolving funds:

(a) Correctional Industries	\$400,000
(b) Purchasing Revolving Fund	400,000
(c) Service Revolving Fund	200,000
(d) Industrial Home for the Adult Blind, Oakland	60,000
(e) Los Angeles Industrial Workshop for the Blind	85,000
(f) San Diego Industrial Workshop for the Blind	20,000
 Total	 \$1,165,000

Recommendations

Amount requested	\$1,165,000
Legislative Auditor's recommendation	600,000
 Reduction	 \$565,000

Recommended Items of Reduction

Correctional Industries Revolving Fund	\$200,000
Purchasing Revolving Fund	200,000
Industrial Home for the Adult Blind, Oakland	60,000
Los Angeles Industrial Workshop for the Blind	85,000
San Diego Industrial Workshop for the Blind	20,000
 Total reduction	 \$565,000

Analysis

(a) CORRECTIONAL INDUSTRIES. The amount of \$400,000 is requested for augmentation of revolving fund. This request is based on the purchase of additional machinery for industries located at San Quentin, Folsom and Chino.

There is some doubt as to whether all the buildings necessary to house this machinery will be available in the 1949-50 Fiscal Year. Therefore, we recommend that the amount of \$400,000 requested be reduced by \$200,000 and that a \$200,000 augmentation be granted.

(b) PURCHASING REVOLVING FUND. The amount of \$400,000 is requested for the augmentation of Purchasing Revolving Fund.

The division has a present revolving fund of \$1,100,000 of which \$200,000 is a loan from the General Fund. As of January 1, 1949, the division had an inventory of \$800,000 and accounts receivable of approximately \$200,000. Their sales for the calendar year 1948 averaged \$182,250 monthly. We believe that a revolving fund of \$1,100,000 is sufficient to finance their operations.

We recommend that the requested \$400,000 be reduced to \$200,000 which will enable the division to repay the \$200,000 loan and still have a working revolving fund of \$1,100,000.

(c) SERVICE REVOLVING FUND. The amount of \$200,000 is requested for the augmentation of Service Revolving Fund. The increase is based on the additional facilities and buildings operated by the Buildings and Grounds Division, Department of Finance.

(d) (e) (f) BLIND WORKSHOPS REVOLVING FUND. A total of \$165,000 is requested for augmentation of the presently authorized revolving funds of the three workshops for the blind—those at Oakland, San Diego and Los Angeles. The requests for augmentation are necessary because of accumulations of excessive inventions due to lack of centralized control of operations. We recommend that the three revolving funds together with all assets of the workshops be combined in one fund under a centralized control. With this procedure effected, the presently authorized revolving funds will be sufficient to finance the operations of the blind shops. We recommend that the augmentation requests for \$165,000 be deleted.

For Refund of Payments of Taxes, Licenses, Fees and Other Receipts, from the General Fund

Item 276, page 62 of the Budget Bill and page 733 of the Budget. The amount requested is \$5,000 to provide for refund of payments of taxes, licenses, fees and other receipts which have been paid into the General Fund in error, and to which the taxpayer has a valid claim. It is estimated that the amount required in 1948-49 Fiscal Year for payment of such refunds will be \$5,000. The amount of \$5,000 requested for 1949-50 will not be an increase over 1948-49 estimates.

Recommendations

Amount budgeted -----	\$5,000
Legislative Auditor's recommendation -----	\$5,000
Reduction -----	None

Analysis

The records of the Board of Control show that the majority of the refunds made in the past have been of fees for permits or licenses which have not been required, or have not been issued for one reason or another. These fees have been transmitted to the General Fund before action was taken on the application which accompanied the fee; consequently this appropriation is necessary to make the money available for refund.

As of February 1, 1949, there had been \$3,987.70 worth of such claims approved. The largest part of the amount refunded arose from charges by the Department of Mental Hygiene to the counties for institutional care of county inebriates and persons charged with crimes after the effective date of the repeal of the statute requiring such charges. The counties paid the amounts to the Controller and they were deposited in the General Fund.

In 1947-48 there was \$1,695.57 paid out in refunds for erroneous payments.

We recommend that Item 276 be approved as submitted.

For Claim of the Secretary of the Board of Control from Several Funds

Item 277, pages 62 and 63 of the Budget Bill, and page 734 of the Budget. The amount requested is \$341,048 from several funds for payment of claims against the State of California which have been approved by the Board of Control.

Recommendations

Budgeted amount	\$341,048
Legislative Auditor's recommendations	\$341,048
Reduction	None

Analysis

The amount of \$341,048 is requested to pay 96 claims against the State of California which have been approved by the Board of Control. While the amounts are recommended for payment, the board has referred two items to the attention of the Legislature.

These two items both concern the allowance of interest at 7 percent on judgments totaling \$179,310.05 on payments illegally collected as Gross Premiums Insurance Taxes and on court costs of \$171.50. The amounts involved as interest total \$10,469.74.

Section 13112 of the Revenue and Taxation Code provides that the court may render judgment for the plaintiff for any part or portion of the tax, penalties or costs found to be void and paid by plaintiff upon the assessment. The code is silent upon the subject of interest on the part illegally collected. Act 3757, Section 1, (Deering) sets 7 percent as the legal contract rate of interest. Consequently, interest on the judgments and costs is calculated at 7 percent. A similar claim for interest was included in the claim bill passed as Chapter 1132, Statutes of 1943, so there is legal precedent for allowance of interest. *We recommend that the amount requested be allowed, and that appropriate legislation be passed to limit the amount of interest which may be paid on overpayment of the Gross Premiums Insurance Tax to 6 percent.*

Examination of the claims showed that of the 96 approved, 35 claims totaling \$37,983 were for damages, losses, burglaries, etc. Twenty-four claims totaling \$291,840 were refunds of taxes, fees, penalties, and interest. Thirty claims amounting to \$9,586 were for state obligations for which money had not been appropriated, such as terminal leave pay, vacation pay, outlawed warrants, travel expense, and items for which the State had received goods or services. Five salary overpayments which cannot be recovered total \$933. Shortages in trust accounts are the basis for two claims totaling \$293.

We recommend the amounts set up in the schedule contained in the Item 277 be approved.

For Emergency Fund

Item 278, page 63 of the Budget Bill, and page 740 of the Budget. The amount requested is \$2,000,000 to provide for contingencies for which no appropriation or insufficient appropriation has been made by law. These emergency funds can be expended only on written authorization of the Department of Finance. The amount requested represents a \$500,000 increase over the amount appropriated for 1948-49.

We recommend that this item be reduced to \$1,500,000.