

STATE EMPLOYEES' RETIREMENT SYSTEM

ITEM 32 of the Budget Bill

Budget page 29
Budget line No. 58

For Support of the State Employees' Retirement System From the General Fund

Amount requested	\$207,417
Estimated to be expended in 1949-50 Fiscal Year	265,114
 Decrease (21.8 percent)	 \$57,697

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages	\$18,490	\$18,490	---	29	75
Operating Expenses	14,210	14,210	---	29	76
Equipment	-70,386	-70,386	---	29	77
	<hr/> -\$37,686	<hr/> -\$37,686			
Less:					
Reimbursements					
Charges to contract- ing public agencies	-20,011	-20,011	---	29	81
Total Decrease ..	<hr/> -\$57,697	<hr/> -\$57,697			

RECOMMENDATIONS

Amount budgeted	\$207,417
Legislative Auditor's Recommendation	207,417
Reduction	None

ANALYSIS

Salaries and Wages

The major items of increase are as follows:

<i>Proposed New Positions</i>	<i>Amount</i>	<i>Budget page</i>	<i>Line No.</i>
1 Intermediate typist-clerk	\$2,400	30	54
1 Bookkeeping machine operator	2,520	30	56
3 Intermediate account clerks	6,840	30	57
1 Senior account clerk	2,772	30	58

These proposed new positions appear to be fully justified to complete the complement of machines providing for installation of a mechanized bookkeeping system, and to process the additional 1,320 member cases anticipated for the 1950-51 Fiscal Year.

Accumulation of Current Service

\$20,000

This amount is requested to post the accumulated service of members to control cards during the 1950-51 Fiscal Year. Due to lack of space and supervisory personnel, this function has been neglected. To complete the work will require approximately three years at a cost of \$20,000 annually. We believe this task to be urgent and necessary and that the project should be undertaken at the earliest possible date.

Normal Salary Adjustments

\$9,788

Actuarial Valuation

\$8,000

This amount is requested to perform this service as required by law every four years.

The above increases are offset by the following decreases:

Elimination of 2 positions (Social Welfare) -----	—\$4,740
Administrative cost to the system of putting into effect amendments passed during the 1949 Session of the Legislature -----	—25,955
Decrease in estimated salary savings -----	500
Temporary help -----	—3,635

Operating Expenses

Items of increase or decrease:

Rent, light, heat and power for one full year as compared to ten months of the 1949-50 Fiscal Year -----	\$9,850
Actuarial Valuation -----	9,800
<p>\$7,900 is the cost of contracting service to have cards punched, verified and tabulated for statistical information to be studied by the actuaries. \$2,000 is estimated to be spent on valuation computations and analysis.</p>	
Work load increases -----	710
One time installation cost of mechanized system in 1949-50 Fiscal Year -----	—3,980
One time costs resulting from amendments passed by 1949 Session of the Legislature -----	—2,170

Equipment

The decrease of \$70,386 in equipment is due to the purchase of \$62,301 of equipment for the mechanized system in the Fiscal Year 1949-50. The major items included in the \$8,416 requested for 1950-51 are as follows:

Additional:

1 Bookkeeping machine (to complete mechanical installation started in 1949-50) -----	\$3,785
16 file and transfer cases (increased work load) -----	1,805
Typewriter chair and desk (new position) -----	285

Replacement:

11 worn out 12-inch standard typewriters -----	1,265
1 Marchant to replace one now being rented -----	641
Balance composed of small items of accessories for machine installation -----	635

Mechanization of the State Employees' Retirement System

At the beginning of the 1950-51 Fiscal Year the mechanized bookkeeping system will be in operation. Functions heretofore done manually will be performed by modern bookkeeping machine methods.

It has long been evident that the manual system was inadequate and could not keep pace with the increase in member accounts. We have been well aware of the delays incurred by members in securing information regarding the status of their accounts; delays in securing refunds, lack of adequate controls and the necessity to hire considerable temporary help each year to assist the permanent force. Under a manual system, little improvement has been possible.

It is estimated that a saving of \$1,500 yearly will be realized by the mechanized system. Although this saving in money is insignificant, other benefits to be derived from the mechanized system are:

1. Absorb reasonable future increases with a minimum increase in expense.
2. Provide good accounting controls which were heretofore lacking.
3. Eliminate the necessity to hire large groups of temporary help to assist in closing accounts each year.

4. Provide information to members regarding status of accounts without delay.
5. Maintain members' accounts posted up to date and in balance.
6. Make possible the payment of refunds without delay.

Computation of Interest on Employee Contributions

The present law, Section 21131 of the Political Code, has been interpreted by the Board of Administration of the State Employees' Retirement System to mean that interest computations on employee contributions shall be made monthly. This requires approximately 140,000 computations monthly and has cost the State an estimated \$8,000 annually based on present membership.

We believe that it is feasible and practical to eliminate these monthly computations and perform this operation once each year, computing the interest on balances in members' accounts at the beginning of each year.

We recommend that appropriate legislation be introduced during the 1951-52 Session of the Legislature to accomplish annual computations.

GENERAL SUMMARY

In 1931, the Legislature passed the Retirement Act; Chapter 700, Statutes of 1931. The State Employees' Retirement System commenced to function on January 1, 1932.

In 1939, the Retirement Act was amended by the Legislature to permit cities, counties, school districts and other public agencies to contract with the State Employees' Retirement System to include employees of such jurisdictions in the retirement system.

The Retirement System is administered by a Board of Administration consisting of the Director of Finance, a member of the Personnel Board chosen by that board, an officer of a bank appointed by the Governor, an official of the University of California designated by the regents, and three members of the Retirement System elected by their fellow members. The term of office, except for those who are ex officio members, is four years.

Principal functions of the Board of Administration are as follows:

1. Management and control of the Retirement System.
2. Keep in convenient form such data as is necessary for an actuarial valuation each four years.
3. Keep records and accounts to show status of members' accounts.
4. Publication of an annual financial statement showing an actuarial valuation of assets and liabilities of the Retirement System and a statement of accumulated cash and securities in the Retirement Fund as certified by the State Controller.
5. Management of Retirement Fund, such as administration and investment of fund.
6. Determination of membership, computation, collection and recording of member and employer contributions, service and compensation.
7. Computation and payment of withdrawals of member contributions and death and retirement benefits.
8. Preparation of periodic, and special valuations of the system and valuations for Public Agency Contract Amendments.

COMMISSION ON INTERSTATE COOPERATION

ITEM 33 of the Budget Bill

Budget page 32
Budget line No. 21

*For Support of the Commission on Interstate Cooperation From
the General Fund*

Amount requested -----	\$28,230
Estimated to be expended in 1949-50 Fiscal Year -----	28,210
Increase -----	\$20

RECOMMENDATIONS

Amount budgeted -----	\$28,230
Legislative Auditor's Recommendation -----	18,230
Reduction -----	\$10,000

ANALYSIS

The principal expenditure of this budget is \$25,000 for a contract with the Council of State Governments in San Francisco whereby that regional office serves as a secretariat for the commission.

The remaining large item is a request of \$1,800 for travel and \$900 for mileage. The commission, in addition to its five regular meetings within California, participated in 15 interstate conferences during the past year. We recommend approval of \$18,230. The total cost of the regional office of the Council of State Governments should not exceed \$25,000, and we believe that \$15,000 should be ample as California's share of the cost.

GENERAL SUMMARY

The California Commission on Interstate Cooperation was established in 1939 by statute. This act makes this State a participating member of the Council of State Governments. There are similar commissions in 47 other states. During the past year the commission participated in the following work: Western industrial development, western institutional care, Pacific Coast fisheries, Lake Tahoe problems, western agriculture.

The commission is composed of five members of the Senate, five members of the Assembly, and five officers of the State appointed by the Governor.

We again recommend that the operating departments of the State make greater use of the services of the Council of State Governments. There has been some improvement in this direction within the last year.

PERSONNEL BOARD

ITEM 34 of the Budget Bill

Budget page 34
Budget line No. 3

For Support of the Personnel Board From the General Fund

Amount requested -----	\$1,419,836
Estimated to be expended in 1949-50 Fiscal Year -----	1,434,451
Decrease (1.0 percent) -----	\$14,615

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages.....	\$24,326	\$11,954	\$12,372	34	20
Operating Expenses	—18,742	—18,742	---	34	21
Equipment	—26,032	—26,032	---	34	22
Plus:					
Decrease in					
Reimbursements	5,833	5,833	---	34	28
Total Increase	—\$14,615	—\$26,987	\$12,372		

RECOMMENDATIONS

Amount budgeted	\$1,419,836
Legislative Auditor's Recommendation	1,413,251
Reduction	\$6,585

ANALYSIS

A summary of the recommended deletions is as follows:

	Amount	Budget page	Line No.
Administration:			
2 administrative trainees	\$5,544	35	30
All divisions:			
Telephone and telegraph	1,041	34	21
Total	\$6,585		

The increases and decreases in the proposed 1950-51 Budget over estimated expenditures for 1949-50, shown by function, are as follows:

Function	Work load or salary adjustments	Expanded service	Total	Percent increase or decrease
Board	\$2,682	---	\$2,682	3.3
Administration	—10,288	\$5,544	—4,744	—3.6
Classification	—40,744	---	—40,744	—15.5
Examining and recruiting	2,743	6,828	9,571	1.6
Compensation	2,282	---	2,282	3.5
Office services	14,617	---	14,617	4.9
Training	1,721	---	1,721	9.3
Cooperative personnel service *	—5,833	---	—5,833	—5.9
Total	—\$32,820	\$12,372	—\$20,448	—1.3
Plus:				
Decreased Reimburse- ments for personnel service	---	---	5,833	---
Net Decrease	---	---	—\$14,615	—1.0

* All expenses of cooperative personnel service are reimbursed by state and local agencies served.

Salaries and Wages

By object of expenditure the net increase for salaries and wages over 1949-50 is \$24,326 or 2.0 percent.

The detail of the increase in salaries and wages is as follows:

Normal salary adjustments.....	\$41,636
10 reclassifications	1,836
3 new positions	13,272
Plus decrease in salary savings.....	33,330
Decrease—temporary help and overtime.....	—21,573
16 positions deleted.....	—44,175
 Increase—salaries and wages.....	 \$24,326

Eleven of the positions deleted were added to the current budget as a result of expanded activities in the Department of Social Welfare. Other positions dropped are the result of reorganization and improvement in procedures and decentralization of sick leave records to the agency level.

Additional positions are being requested as follows:

	<i>Amount</i>	<i>Budget page</i>	<i>Line No.</i>
2 administrative trainees	\$5,544	35	30
1 medical consultant	7,728	37	61
 Total new positions.....	 \$13,272		

We recommend that the two administrative trainee positions in the Division of Administration be deleted. These positions cannot be justified on a work load basis. For these positions, together with four like positions established in the Department of Finance, it is proposed to rotate trainees primarily between the Personnel Board, and Division of Budgets and Accounts of the Department of Finance to combine training with actual experience working on specific projects. It must be conceded that all training has benefits, but we question the merit of the State placing greater emphasis upon this type of training program during a period when qualified and available applicants are increasing in number. It would seem more consistent with the principles of Civil Service to emphasize and improve in-service training that would be available to all employees and which would be directed toward improving individual techniques, improving morale and establishing a better understanding of agency objectives and the over-all job to be done.

We recommend that the medical consultant position in the Division of Testing and Recruiting be approved. A position of medical examiner was dropped from the current budget under provisions of Section 16.3 of the Budget Act of 1949. A part-time physician is presently employed at an estimated cost of \$900 for the current year to review medical examination reports of eligibles. The part-time position is being deleted and the requested position will provide full-time direction to the medical examination program, give assistance to the testing program for medical classes, give technical direction to the visiting nurse program and conduct studies directed toward the final determination of an adequate health and safety program for the state service. The Department of Public Health, in a report dated August 17, 1948, and the Kroeger Report to the Assembly Interim Committee on Governmental Efficiency and Economy point out the need of increased service in the field of safety and health.

Operating Expenses

Expenditures for operating expenses for the Fiscal Year 1950-51 are estimated at \$258,464, a decrease of \$18,742 or 6.8 percent under the \$277,206 estimated for expenditure during the current year.

Detail of total operating expense is as follows:

<i>Category</i>	<i>Amount</i>	<i>Increase or decrease</i>	<i>Percent increase or decrease</i>
Office expense -----	\$45,657	—\$2,638	—5.5
Printing -----	24,734	—795	—3.1
Telephone and telegraph	18,418	1,041	6.0
Postage -----	23,356	—1,742	—6.9
Traveling -----	41,581	—13,505	—24.5
Automobile operation ---	6,145	—1,046	—14.5
Automobile mileage ---	1,325	—830	—38.5
Hearing services -----	3,000	---	---
Freight, cartage, etc.---	4,550	—100	—2.2
Light and power -----	7,124	1,284	21.9
Rent—building space --	46,700	—411	—0.9
Rent—equipment -----	13,824	---	---
Memberships -----	550	---	---
Recruitment publicity --	2,500	---	---
Continuous testing (Divi- sion of Employment) --	17,000	---	---
Joint salary survey -----	2,000	---	---
 Total -----	 \$258,464	 —\$18,742	 —6.8

We recommend that the amount budgeted for telephone and telegraph be reduced to the 1949-50 level, a decrease of \$1,041: We are convinced that tighter administrative controls on long distance calls will result in substantial savings in toll charges. Mail service should be required in all instances except where an immediate answer is necessary. Greater use of the state teletype service should be used in lieu of long distance when personal discussion of the problem or request is not required. Increases in telephone rates should be more than offset by economies that can be realized by more restricted use of these services.

Other categories of operating expense seen in line. The major decrease is in traveling which is directly attributable to discontinuance of field activities required in transferring county welfare activities to the State Department of Social Welfare.

Equipment

The total amount requested for equipment for the 1950-51 Fiscal Year is \$29,954.

We recommend approval of the equipment item as submitted. The total replacement requirements are listed at \$22,213 and additional equipment requests amount to \$7,741.

Recapitulation of Equipment to Be Replaced:	
Office furniture -----	\$6,875
Office equipment -----	4,941
Files -----	8,197
Addressograph -----	2,200
 Total -----	 \$22,213
Additional Equipment Requested:	
Office furniture -----	\$889
Office equipment including miscellaneous -----	2,373
Files -----	4,479
 Total -----	 \$7,741

Furniture to be replaced is old and in bad condition. This furniture was acquired during and immediately following the war and consists of SRA, Board of Liquidation and war surplus items. The amount budgeted for replacement of files will permit a partial replacement of 130 transfer cases presently used for current active material. Action should be taken to purge these files of all material not required in current operation to minimize the number of additional files that will be required to complete the replacement of these transfer cases. The addressograph machine will replace two old addressograph machines and one later model which is inadequate for the work required.

Additional equipment provides for normal expansion of files and additional furniture and equipment made necessary by organizational adjustments. We believe these items are in line with agency needs.

A thorough analysis of the findings contained in the staff report to the Assembly Interim Committee on Governmental Efficiency and Economy, prepared by Louis J. Kroeger and Associates, is being made by the Personnel Board. Controversial points must be reconciled but there is a sincere desire on the part of the board and its staff to increase the efficiency and the quality of service provided. Progress has been made, but continued emphasis must be placed on the review and simplification of procedures related to personnel management.

Again we recommend that the examination process be reviewed. The cost of this phase of the service continues high, and it is particularly important that standards and units of work be established to facilitate better analysis of these costs and provide a basis for realistic downward adjustment of staff as the work load decreases. The total number of examinations required should decrease as labor requirements are stabilized. *The total cost of testing and recruiting is also directly related to the large number of classes.* Aggressive action on the part of the board is necessary to establish and maintain total classes at a minimum number consistent with effective operation of state agencies. Actions by the Personnel Board on employment classes during the calendar year 1949 resulted in 108 new classes being established and the abolishment of 88 existing classes, a net gain of 20 employment classes in the state service.

GENERAL SUMMARY

Civil service for state employees in California dates back to 1913; however, the state civil service and the Personnel Board, as we now know it, was established by constitutional amendment, Article XXIV, adopted by vote of the people in November, 1934. The State Civil Service Act (Chapter 753, Statutes of 1937 as amended) was repealed, and provisions relating to state employment were codified in the Government Code by Chapter 123, Statutes of 1945.

The Personnel Board is composed of five members who are appointed by the Governor and approved by the Senate. Board members are appointed for 10-year terms with one board member being appointed every two years. The State Personnel Board, with its staff of civil service employees, is a service agency. It is charged by law with administering an over-all program of personnel management for all positions in the California State Civil Service.

The Personnel Board with its staff is responsible for the following functions:

1. Classification of positions based on duties and responsibilities to permit establishment of equitable pay schedules.
2. Job analyses to determine work performed or to be performed, and prerequisite qualifications required for the position.
3. Determination of pay rates which necessitates collecting and analyzing wage data.
4. Conducting competitive examinations and establishing eligible lists of persons qualified for employment.
5. Maintaining a roster of state employees.
6. Certifying eligible persons for employment.
7. Administration of personnel regulations relative to transfers, leaves of absence, salary adjustments, vacations, sick leave and overtime.
8. Positive recruitment for occupations in which there is a limited labor supply.
9. Assistance to state agencies with employee training programs.
10. Acting on appeals from disciplinary and other personnel actions.
11. Administration of system for measuring and recording relative performance of employees.
12. Providing personnel service for agencies of the State Government exempt from civil service and political subdivisions of the State on a reimbursable basis.

SECRETARY OF STATE

ITEM 35 of the Budget Bill

Budget page 41
Budget line No. 69

For Support of the Secretary of State From the General Fund

Amount requested	\$196,910
Estimated to be expended in 1949-50 Fiscal Year	146,561
<hr/>	<hr/>
Increase (34.4 percent)	\$50,349

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages	\$22,389	\$22,389	---	42	8
Operating Expenses	11,400	11,400	---	42	9
Equipment	16,560	16,560	---	42	10
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Increase	\$50,349	\$50,349			

RECOMMENDATIONS

Amount budgeted	\$196,910
Legislative Auditor's Recommendation	196,910
<hr/>	<hr/>
Reduction	None

ANALYSIS

Increase of \$22,389 in salaries and wages is due mostly to inclusion of \$19,279 for salaries and wages for employees of central records depository. Expenses for establishment and operation of central records depository for the 1949-50 Fiscal Year were classified as "other current

expenses” and included in the Budget Bill as a separate item without a breakdown of amounts for salaries and wages, operating expenses, and equipment. Operation of the central records depository will be a permanent function. We approve this Budget procedure of including these expenditures in the support request.

Increase of \$11,400 in operating expenses and \$16,560 for equipment is explained by the added operational expense of \$11,350 for central records depository and purchase of 2,000 transfer cases, costing \$17,000, to move documents from agencies to depository.

The total amount requested for support of the central records depository for the 1950-51 Fiscal Year is \$47,629, a decrease of \$14,371 or 23.2 percent under the amount of \$62,000 estimated to be expended in the 1949-50 Fiscal Year.

GENERAL SUMMARY

The Office of the Secretary of State was created by the Constitution of 1849, revised in 1879, and is administered and supervised by the Secretary of State, an elective constitutional officer.

The principal functions of the office are:

1. Examining and filing of articles of incorporation and amendments thereto.
2. Recording trademarks.
3. General supervision of elections.
4. Maintaining the official Archives of the State.
5. Maintaining a central records depository.
6. Attesting official acts of the Governor and Legislature.
7. Examination, licensing, and supervision of collection agencies.

**Secretary of State
PRINTING CONSTITUTIONAL AMENDMENTS**

ITEM 36 of the Budget Bill

Budget page 44
Budget line No. 9

*For Printing Constitutional Amendments, Secretary of State,
From the General Fund*

Amount requested	\$90,000
Estimated to be expended in 1949-50 Fiscal Year	90,000
Increase	None

RECOMMENDATIONS

Amount budgeted	\$90,000
Legislative Auditor's Recommendation	90,000
Reduction	None

ANALYSIS

The amount of \$90,000 was estimated to be expended for the 1949-50 Fiscal Year. It is estimated that the cost of printing will be the same for the 1950-51 Fiscal Year.

**Secretary of State
PRINTING OF ROSTER OF PUBLIC OFFICIALS**

ITEM 37 of the Budget Bill

Budget page 44
Budget line No. 26

For Printing of Roster of Public Officials, Secretary of State, From the General Fund

Amount requested	\$4,000
Estimated to be expended in 1949-50 Fiscal Year	5,000
Decrease (20 percent)	\$1,000

RECOMMENDATIONS

Amount budgeted	\$4,000
Legislative Auditor's Recommendation	4,000
Reduction	None

ANALYSIS

The saving of \$1,000 may be accomplished by following our previous recommendation to reorganize, condense, and reduce the number of copies of the roster of public officials. Also the initial composition work is to be done in the office of the Secretary of State, thus reducing the printing costs.

**Secretary of State
PRINTING CONSTITUTIONAL AMENDMENTS**

ITEM 38 of the Budget Bill

For Printing Constitutional Amendments for the Special Election in November, 1949, and the Special Election in June, 1950, Secretary of State, from the General Fund

Amount requested	\$90,000
Estimated to be expended in 1949-50 Fiscal Year	90,000
Increase	None

RECOMMENDATIONS

Amount budgeted	\$90,000
Legislative Auditor's Recommendation	90,000
Reduction	None

ANALYSIS

Actually, the amount of \$90,000 which was made necessary by a failure to anticipate the cost of the 1949 Special Election was made available from the Emergency Fund. This constitutes, in effect, a reimbursement of the Emergency Fund.

**Secretary of State
COLLECTION AGENCY DIVISION**

ITEM 39 of the Budget Bill

Budget page 41
Budget line No. 32

*For Support of the Collection Agency Division, Secretary of State, From the
Collection Agency Fund*

Amount requested	\$32,006
Estimated to be expended in 1949-50 Fiscal Year	31,923
Increase (0.26 percent)	\$83

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages	\$321	\$321	---	45	20
Operating Expenses	294	294	---	45	21
Equipment	-532	-532	---	45	22
Total Increase	\$83	\$83			

RECOMMENDATIONS

Amount budgeted	\$32,006
Legislative Auditor's Recommendation	32,006
Reduction	None

ANALYSIS

Due to certain changes in the law during the 1949 Session of the Legislature, it is anticipated that revenues to the division will increase approximately \$7,000 in the 1950-51 Fiscal Year. If this occurs the division will then be entirely self-supporting.