

**Department of Education  
HASTINGS COLLEGE OF LAW**

ITEM 104 of the Budget Bill

Budget page 310  
Budget line No. 47

**For Support of Hastings College of Law From the General Fund**

Amount requested .....	\$7,000
Estimated to be expended in 1949-50 Fiscal Year .....	7,000
Increase .....	None

**RECOMMENDATIONS**

Amount budgeted .....	\$7,000
Legislative Auditor's Recommendation .....	7,000
Reduction .....	None

**ANALYSIS**

The amount budgeted includes only the annual appropriation of \$7,000 interest on the original endowment which the State is required to make to the college under the provisions of Section 20152 of the Education Code. In addition to this appropriation, Hastings College of Law received revenues in the form of student fees, Veterans' Administration receipts and other income. The net total expenditures of the college are budgeted at \$155,160, a decrease of \$21,169 below expenditures of \$176,329 in 1949-50. Enrollment is budgeted to decline from 911 students in 1949-50 to 697 students in 1950-51. As should be expected with a decline in enrollment, per student costs are budgeted to increase by \$32 or 15.9 percent from \$201 in 1949-50 to \$233 in 1950-51.

We recommend that the amount requested for the Hastings College of Law be approved in the amount of \$7,000.

**Department of Finance  
BOARD OF CONTROL**

ITEM 105 of the Budget Bill

Budget page 312  
Budget line No. 29

**For Support of the Board of Control From the General Fund**

Amount requested .....	\$17,394
Estimated to be expended in 1949-50 Fiscal Year .....	16,732
Increase (4.0 percent) .....	\$662

**Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages .....	\$190	\$190	---	312	41
Operating Expenses .....	413	413	---	312	42
Equipment .....	59	59	---	312	43
Total Increase .....	\$662	\$662			

**RECOMMENDATIONS**

Amount budgeted .....	\$17,394
Legislative Auditor's Recommendation .....	17,394
Reduction .....	None

## ANALYSIS

The increase of \$190 in salaries and wages represents normal salary adjustments. The increase of \$413 in operating expense will provide for additional investigations and reports required in conjunction with claims considered by the board.

*We recommend approval as submitted.*

## GENERAL SUMMARY

The State Board of Control consists of the Director of Finance, the State Controller, and a third member appointed by, and to serve at the pleasure of, the Governor. In 1911 the State Legislature created a State Board of Control and abolished the Board of Examiners which dated back to 1858. This Board was given authority to supervise state departments, hospitals, prisons, reformatories, boards, commissions, and bureaus. In 1921 the Department of Finance was created, but the board continued with its broad duties until 1927.

The Legislature in 1927, and through subsequent amendments, provided the Board of Control with the responsibility of adopting general rules and regulations controlling travel expenses and allowances paid to officers and employees of the State, and auditing claims against the State for which settlement is provided for by law and where no appropriation or fund is available.

The board further considers claims against the State, the settlement of which is not otherwise provided by law, claims for refund of escheated property, claims on express contract, claims based on negligence, and claims based on the taking or damaging of private property for public use.

The board is also empowered to approve revolving funds in excess of 5 percent of the total appropriation; applications for discharge from accountability; refunds and cancellations of taxes such as arise in franchise, fuel, and sales tax divisions; disposal of escheated property and purchases and sale of bonds for state funds.

All claims which are approved by the board are, with the sanction of the Governor, referred to the next regular session of the Legislature with a recommendation that an appropriation be made in payment thereof. The claims which are approved by the *Legislature* are incorporated in a Board of Control omnibus claim bill, appropriating money to pay the claims. After receiving this bill from the Legislature, the Governor considers each claim and all approved by him are paid by the board.

## STATE CONTROLLER

ITEM 106 of the Budget Bill

Budget page 319  
Budget line No. 4

### *For Support of the State Controller From the General Fund*

Amount requested .....	\$1,614,792
Estimated to be expended in 1949-50 Fiscal Year.....	1,974,829
Decrease (18.2 percent) .....	\$360,037

**Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages.....	—\$213,139	—\$254,358	\$41,219 *	319	43
Operating Expenses .....	—511,739	—520,594	8,855	319	44
Equipment .....	—108,925	—108,925	---	319	45
<b>Plus :</b>					
Decrease in Reimburse- ments .....	473,766	473,766	---	319	49
<b>Total Decrease .....</b>	<b>—\$360,037</b>	<b>—\$410,111</b>	<b>\$50,074</b>		

\* Related equipment items to be adjusted by the Department of Finance.

**RECOMMENDATIONS**

Amount budgeted .....	\$1,614,792
Legislative Auditor's Recommendation .....	1,546,874
<b>Reduction .....</b>	<b>\$67,918</b>

**ANALYSIS**

The budgeted decrease of \$360,037 is attributed to the elimination of \$1,028,265 representing the total cost of the state welfare audit and disbursement functions, less the \$483,285 cost of this function reimbursable by the Federal Government, making a net decrease of \$544,980 attributable to state welfare program costs. This decrease was made possible by transfer of administration of the program of aid for needy aged and blind to the counties.

The following schedule explains our recommended reduction of \$67,918.

*Proposed positions*

<i>Administration</i>	<i>Amount</i>	<i>Budget page</i>	<i>Line No.</i>
1 intermediate file clerk .....	\$2,280	320	19
<i>Accounting Division</i>			
Control accounts			
1 semi-senior accountant .....	3,900	321	21
2 senior account clerks .....	5,544	321	22
<i>Audits Division</i>			
Claim audit unit			
2 claim auditors .....	6,120	322	8
Purchase order auditing (new service)			
2 intermediate clerks .....	4,840	321	78
6 intermediate account clerks .....	13,858	321	79
<i>Field Audit Unit</i>			
2 intermediate typist-clerk .....	4,560	322	52
<i>County Welfare Audit</i>			
1 auditor, grade 3 .....	5,276	322	46
3 auditors, grade 2 .....	12,685	322	47
Related operating expenses .....	8,855	322	66
<b>Total .....</b>	<b>\$67,918</b>		

The detailed reasons for each of the above recommended deletions are outlined in the ensuing text.

*Intermediate File Clerk .....* \$2,280

The Controller's justification is: "During the past year the State Controller's Office has expanded considerably as a result of new functions added by recent legislation. This has created an increase in the volume of correspondence and the volume of auditing carried on by the various

divisions of the office. At the present time, the portion of the central files in which our correspondence and audit reports are filed is staffed by only one person. In addition to the filing duties, that person is responsible for operating a mimeograph machine and for processing requests for supplies for the various units of the office. The volume of press releases, month-end statements and miscellaneous forms which are mimeographed has increased to a point where a considerable portion of this employee's time has been devoted to mimeograph operations. At various times it has been necessary to shift personnel from other parts of the office to help with this work in order to meet a deadline. In addition to the above, at such times as the present employee is ill or absent on vacation, the work either remains undone or is performed in an unsatisfactory manner by the use of emergency help. The filing problem will be accentuated at such time as our office is moved into the Capitol Building Annex, which will be during the latter part of the next fiscal year. *At that time, various units of the office which are now in other buildings will be brought together and a large portion of the files which they are now maintaining because of their separate physical location will be consolidated in our central files as it was in the past."*

From the above justification it appears that there is an immediate problem of filing due to increase in volume. However, it would seem that the problem of personnel to file would be taken care of by the people who are handling the filing at the various locations when they are all brought together in the Capitol Annex. They will be relieved of their duties of maintaining files when the files are consolidated in the central files as they were in the past.

*We recommend that a permanent position not be granted, but that temporary help be made available until the Controller's Office is moved into the Capitol Annex.* Due to the uncertainty of the time when these files will be brought together, we cannot estimate the additional amount of money necessary for temporary help. Therefore, it will be necessary for the Department of Finance to make this determination and augment the Budget for temporary help accordingly.

1 Semi-senior accountant ----- \$3,900

The Controller's justification states that the position is requested to assist the present two employees who are engaged in a continuous audit of the expenditures of the Division of Highways in connection with the Collier-Burns Highway Act. These two employees are located in the headquarters office of the Division of Highways but in order to get a complete picture and make a proper audit, it is necessary to audit the district offices.

We understand that the two employees from the control accounts section of the Controller's Office, located in the headquarter's office of the Division of Highways, have been put there to assure that all receipts and expenditures of State Highway Fund money are in accordance with the classifications prescribed in Section 143.1 of the Streets and Highways Code as quoted below:

"Section 143.1. \* \* \* For the purpose of recording by the Controller of receipts to and expenditures from the State Highway Fund, the department (Public Works) shall furnish the Controller with claims

and remittances or by subsequent reports the information necessary to maintain such accounts.”

The Division of Audits of the Department of Finance in their “Report and Examination of the Books and Records of Account of the State Controller” for the period January 1, 1947, to December 31, 1948, commented on this function as follows:

“We are of the opinion that it is the duty of the Division of Highways properly to summarize all state expenditures for highway purposes and to design accounting records in the division which will readily provide the information required by the Controller under the Collier-Burns Highway Act. The amounts recorded by the division are properly verified during the course of the annual audit by the Department of Finance. Under these circumstances we see no reason for a duplication of this function and expense in the Controller’s Office.”

*We believe this statement has considerable merit, and on the basis that the position is not essential, we recommend that it be eliminated.*

2 Senior account clerks-----\$5,544

One supervising bookkeeping machine operator and one bookkeeping machine operator were allowed by budget revision due to a recommendation by the Management Analysis Section of the Department of Finance for the installation of a new system for posting claims.

In the preliminary budget hearings on October 27th it was stated that the new system provided for a single machine posting of claims instead of the old memorandum posting by pencil with the machine posting when warrants were drawn. The effect was to provide a rapid balance in the control without the dangers of error that accompanied the old system. According to the supervisor of control accounts in the Controller’s Office, the new system saved no labor. The supervising bookkeeping machine operator was needed to maintain a rather delicate processing between the Controller’s accounting and disbursing division, which required the addition of one person. The new system required some hand-posting, but this posting was for warrants. Due to these conditions two new account clerks were requested. The Department of Finance system staff commented that no labor was saved and that the positions *appeared* necessary.

The justification given by the Controller’s Office is as follows:

“A supervising bookkeeping machine operator and a bookkeeping machine operator are requested for immediate employment *because of the work load increase occasioned by the taking over by the State of social welfare disbursements records, as well as changes in the posting procedures.* A survey of the operations of this unit was made by the staff of the Department of Finance and they recommended the immediate employment of the two positions requested.”

Two senior account clerk positions are requested because of the change in posting procedures recently effected, as well as to handle normal increase in the number of claims being processed.

*We recommend that these two positions be disallowed and that the Management Analysis Section of the Department of Finance again review the operation because social welfare claims will not be a factor in 1950-51. It is possible that another system could be installed now that social welfare claims are not involved, which would save labor and be a less delicate processing function.*

1 Claim auditor (central pay roll) -----\$3,060

The Controller's justification is: "Pay roll claims audits presently employs two auditors. Under regional disbursing, it is contemplated that in each disbursing center there will be a claim auditor to scrutinize documents which affect the roster. Since there are three centers, three auditors will be required."

The two claim auditors have been functioning under the old pay roll system of agencies preparing their own rolls. The new central pay roll system of the Disbursements Division of the State Controller is now functioning, and by progressive measures will assume the major portion of the pay roll functions of all state agencies.

From our study of the procedures of the central pay roll system, we believe that the necessary controls and scrutiny of supporting documents which affect the roster have been provided for, as well as the necessary employees to perform these functions. Furthermore, the annual audit by the Audits Division of the Department of Finance should reveal any discrepancies that might exist.

However, due to the newness of this system, we recommend that the two auditors now employed make test checks and report on the results so that the Department of Finance can determine the value and necessity of such an *internal* post audit.

1 Claim auditor -----\$3,060

The justification for this position stated "normal work load increases," but no work load statistics were furnished. However, at the preliminary hearings the following work load figures were furnished by the Department of Finance:

	1946-47	1947-48	1948-49	1949-50
Number of claims				
Actual -----	69,347	85,096	101,234	---
Estimated -----	---	---	---	110,000
Number of				
auditors -----	7	8.3	13.9	16
Per auditor -----	9,907	10,253	7,283	6,875

The above table indicates a decrease in the number of claims per auditor, and a further decrease should result when the payroll auditing is removed from this unit.

*We recommend disapproval of this position.*

#### Audits Division

##### Claim Audit Unit—Purchase Order Auditing

2 Intermediate clerks ----- \$4,840

6 Intermediate account clerks ----- 13,858

The purchase order audit function was transferred from the Department of Finance to the Controller's Office on October 1, 1949. This change was due to the provisions of Section 13395 of the Government Code, as amended by Chapter 605, Statutes of 1949.

The audit as now performed by the Controller's Office consists of a review of each invoice to determine that the purchase has been authorized by purchase order. The invoice is checked to the purchase order for (1) correctness of vendor's name and address, (2) commodity billed, (3)

quantity, (4) unit price, (5) authorized total cost, (6) f.o.b. point for delivery charges, (7) propriety of sales tax and (8) application of cash discounts.

The systems section of the Department of Finance made a study of the results obtained by the purchase order audit and the cost during the last completed year from October 1, 1948, to September 30, 1949. As a result of that study they made the following recommendation:

"It is recommended that in view of these facts serious consideration be given to the elimination of the duplicate effort expended on the purchase order audit since the audit does not appear to warrant the \$20,000 annual expense in excess of determinable savings.

"At the most, a pre-audit in the State Controller's Office on a sample basis should suffice if the Controller does not consider a sample basis post-audit by the Department of Finance satisfactory since it is not made by his staff.

"Such sample need not exceed 10 percent for an average agency. The sample can be increased or decreased with respect to a given agency based upon the accuracy of the agency as determined by test check.

"This test check should keep agencies aware sufficiently that they are being audited. It should also provide them ample training in voucher audit and proper submission of claims.

"One clerk should be sufficient to perform this test check."

We believe that reasonable auditing standards would be met by a test check as recommended above. Accordingly, we recommend the elimination of six account clerks at a total cost of \$18,698 per year from the budget request. One senior account clerk at a cost of \$3,138 per year remains to perform the function.

#### Field Audit Unit

2 Intermediate Typist-clerks ----- \$4,560

The Controller's justification is: "\* \* \* to handle the increased work load. The present staff is experiencing difficulty in keeping up with the typing of audits as they are completed by the field men. At the present time, we are employing temporary help in an effort to eliminate an existing backlog. If this does not prove satisfactory, it may be necessary to request the employment of the additional personnel before the end of this fiscal year."

It was our understanding at the preliminary hearing that the necessity of these two positions depended on retention of Article XXV of the Constitution, requiring State Administration of Aid to Aged and Needy Blind. In eliminating social welfare audits, an increase in work load of claims has not been justified. Furthermore, it was indicated that the Field Audit Bureau should take appropriate measures to improve the quality of auditing functions and reports, thus reducing the volume of reports and auditing costs.

#### Field Audit Unit—County Welfare Audit

1 Auditor, grade 3 ----- \$5,276  
3 Auditors, grade 2 ----- \$12,685  
Related operating expenses ----- \$8,855

These proposed new positions are requested for the continuation of the special purpose audit staff made necessary by Article XXV for the

period January 1, 1949, to February 28, 1950. The passage of Proposition No. 2 returned to the counties all disbursing functions of social welfare payments.

In the preliminary discussions with representatives of the Department of Social Welfare, Department of Finance and the Legislative Auditor's staff, the Controller's Office indicated that it would require a full staff of auditors to perform complete audits *independent* from those performed by the Social Welfare Department.

The Department of Social Welfare has requested a full staff to *resume a complete audit function that was performed by them prior to passage of Article XXV of the Constitution*. We are in agreement that this department has the responsibility to perform this function. Furthermore, the Federal Government defrays 50 percent of the costs of this function when performed by the Department of Social Welfare. On March 1, 1950, the Department of Social Welfare again became responsible for the field audit of disbursements of old age security and aid to needy blind.

We do not believe that these four auditors requested by the Controller can perform a service to the State which would result in a saving or insure the correct expenditure of state funds. The auditors of the Controller's Office have no authority to prescribe the type of audits, material to be audited, or the time of audits.

*We therefore recommend the elimination of these four audit positions.*

Due to a transfer of an exempt position from the Disbursements Division to the Administration Division, the Controller has requested a position of administrative assistant. With this additional position the Controller's Administration Division is well staffed with top administrative officers.

We recommend approval of this proposed new position.

The central state pay roll system is beginning to function in the Disbursements Division of the State Controller. We recommend that a study be made by the Controller's Office to determine what savings in time and money would result if an extension was given in date for payment beyond the contemplated fourth working day after the last day of each calendar month.

#### GENERAL SUMMARY

The office of the State Controller was created by the original State Constitution in 1849 and retained by the revised Constitution of 1879. The functions of this office are administered and supervised by an elective constitutional officer named "State Controller."

The principal functions of the State Controller, as enumerated in Section 433 of the Political Code, are as follows:

1. To superintend the fiscal concerns of the State.
2. To make an annual report to the Governor, setting forth the revenues and expenditures of the several funds during the preceding fiscal year.
3. To accompany his annual report with statements showing expenditures and balances for each appropriation during such one-year period.
4. When requested, to give information to the Legislature regarding state finances or the duties of his office.

5. To suggest plans for the improvement and management of public revenues.

6. To keep and state all accounts in which the State is interested.

7. To keep an account of all warrants drawn upon the Treasurer, and showing at all times the unexpended balance of each appropriation.

8. To keep an account between the State and the Treasurer.

9. To keep a record of warrants, showing the fund upon which they are drawn, the number, in whose favor, and the appropriation chargeable.

10. To audit all claims against the State.

11. To examine and settle the accounts of all persons indebted to the State and to certify the amount to the Treasurer.

12. In his discretion, to require any person presenting an account for settlement to be sworn before him, and to answer orally or in writing as to any fact relating to it.

13. To require all persons, who have received any moneys belonging to the State and have not accounted therefor to settle their accounts.

14. In his discretion, to inspect the books of any person charged with the receipt, safekeeping, or disbursement of public moneys.

15. In his discretion, to require all persons who have received moneys or securities, or have had the disposition or management of any property of the State, of which an account is kept in his office, to render statements thereof to him.

16. To direct and superintend the collection of all moneys due the State.

17. To draw warrants on the Treasurer for the payment of money directed by law to be paid out of the Treasury.

18. To furnish the Treasurer a list of warrants drawn upon the Treasury.

19. To authenticate with his official seal all drafts and warrants drawn by him, and all copies of papers issued from his office.

20. To perform the duties of a member of the State Board of Equalization, and such other duties as are prescribed by law.

**State Controller**  
**TAX COLLECTION DIVISION**

ITEM 107 of the Budget Bill

Budget page 326  
Budget line No. 25

**For Support of the Tax Collection Division From the Motor Vehicle Transportation Tax Fund**

Amount requested .....	\$110,566
Estimated to be expended in the 1949-50 Fiscal Year .....	108,351
Increase (2.0 percent) .....	\$2,215

**Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages .....	\$3,365	\$3,365	---	325	75
Operating Expense .....	1,182	1,182	---	326	15
Equipment .....	—2,332	—2,332	---	326	23
Total Increase .....	\$2,215	\$2,215			

#### RECOMMENDATIONS

Amount budgeted .....	\$110,566
Legislative Auditor's Recommendation .....	110,566
Reduction .....	None

#### ANALYSIS

The increase in salaries and wages is due to normal salary adjustments and the increase in operating expenses is due to increased rentals.

We wish to repeat our recommendation of last year that the duties of collection of Motor Transportation License Tax be transferred to the Motor Transportation License Tax Division of the Board of Equalization. We recommend that appropriate legislation be introduced during the 1951-52 Legislative Session to effect this transfer. This transfer was estimated to produce an annual saving of \$69,417.

#### State Controller

#### AUDIT OF AID TO LOCAL GOVERNMENT

ITEM 108 of the Budget Bill

Budget page 329  
Budget line No. 18

#### *For Audit of Special Appropriations for Aid to Local Governments, State Controller from the General Fund*

Amount requested .....	\$26,600
Estimated to be expended in the 1949-50 Fiscal Year .....	33,841
Decrease (21.4 percent) .....	\$7,241

#### RECOMMENDATIONS

Amount budgeted .....	\$26,600
Legislative Auditor's Recommendations .....	26,600
Reduction .....	None

#### ANALYSIS

This decrease is due primarily to the completion of the veterans' housing program audits in the 1949-50 Fiscal Year. The amount requested for 1949-50 was \$20,716 for veterans housing audits, and \$13,125 for audits of school building aid to impoverished school districts, a total of \$33,841.

The decrease of \$20,716 is partially offset by an increase of \$13,475 for audits of special appropriations for building aid to impoverished school districts which is due to anticipated increases in activity in the 1950-51 Fiscal Year.

Veterans' housing programs .....	—\$20,716
School building aid to impoverished school districts .....	13,475
Net Decrease .....	\$7,241

**State Controller**  
**AUDIT OF AID TO LOCAL GOVERNMENT**

ITEM 109 of the Budget Bill

Budget page 329  
Budget line No. 20

*For Audit of Special Appropriations for Aid to Local Government, State Controller, From the Postwar Unemployment Fund*

Amount requested .....	\$96,556
Estimated to be expended in 1949-50 Fiscal Year .....	83,403
 Increase (15.8 percent)* .....	 \$13,153

**RECOMMENDATIONS**

Amount budgeted .....	\$96,556
Legislative Auditor's Recommendation .....	96,556
 Reduction .....	 None

**ANALYSIS**

The function of this program is to make an office audit of claims filed by local agencies, against allocations to cities, counties, and cities and counties for the prevention or alleviation of unemployment through the construction of public works, posting of these claims and allocations on control account ledgers and finally, a field audit upon completion of the projects.

This program will probably be greatly accelerated in the 1950-51 Fiscal Year due to the fact that the unallocated balance of \$29,322,622, as of October, 1948, had to be allocated before December 31, 1949, or funds would not be available pursuant to Chapter 20, Statutes of 1946, First Extraordinary Session.

**State Controller**  
**HIGHWAY ACCOUNTS AND REPORTS**

ITEM 110 of the Budget Bill

Budget page 331  
Budget line No. 5

*For Support of Bureau of Highway Accounts and Reports, State Controller, From the Highway Users Tax Fund*

Amount requested .....	\$121,982
Estimated to be expended in the 1949-50 Fiscal Year .....	107,874
 Increase (13.1 percent) .....	 \$14,108

**Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages .....	\$7,430	\$7,430	---	331	17
Operating Expenses .....	3,530	3,530	---	331	18
Equipment .....	3,148	248	\$2,900	331	19
 Total Increase .....	 \$14,108	 \$11,208	 \$2,900		

### RECOMMENDATIONS

Amount budgeted .....	\$121,982
Legislative Auditor's Recommendation .....	119,082
Reduction .....	\$2,900

### ANALYSIS

The above recommended reduction of \$2,900, for related operating expenses to be adjusted by the Department of Finance, is based on the elimination of the amount requested for the purchase of two additional automobiles. The Controller's justification is "Two automobiles are requested to provide sufficient transportation for the personnel constantly in the field. The field requirements are such that it is impracticable to assign more than one individual to each car. At the present time the eight cars assigned to this bureau are not sufficient to cover the minimum requirements for transportation."

We recommend elimination of these two additional automobiles as an economy measure, and we do not believe the need has been fully justified.

There are only 18 authorized positions in this bureau and only 14 would be subject to travel. The 14 positions are listed below:

- 1 Chief of Bureau
- 2 Consultants
- 1 Principal accountant
- 3 Senior accountants
- 2 Semi-senior accountants
- 4 Accountant-auditors, grade 1
- 1 Junior accountant-auditor

Total— 14

It does not appear that all of the above would be traveling constantly. Eight pool cars for the above would seem sufficient if trips are well scheduled.

### State Controller

### MOTOR VEHICLE FUEL TAX REFUND DIVISION

ITEM 111 of the Budget Bill

Budget page 332  
Budget line No. 5

*For Support of Motor Vehicle Fuel Tax Refund Division, State Controller, From the Motor Vehicle Fuel Fund*

Amount requested .....	\$168,133
Estimated to be expended in the 1949-50 Fiscal Year .....	172,132
Decrease (2.3 percent) .....	\$3,999

**Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages -----	\$5,270	—\$5,270	---	332	20
Operating Expenses -----	611	611	---	332	21
Equipment -----	660	660	---	332	22
<b>Total Decrease -----</b>	<b>—\$3,999</b>	<b>—\$3,999</b>			

**RECOMMENDATIONS**

Amount budgeted -----	\$168,133
<b>Legislative Auditor's Recommendation -----</b>	<b>168,133</b>
Reduction -----	None

**ANALYSIS**

The decrease is due primarily to a decrease of \$9,170 for salaries and wages in seasonal help. This decrease is offset by an increase of \$3,900 for normal salary adjustments. Other slight increases are:

Operating expenses	
Price changes -----	\$611
Equipment	
Replacement of two light cars -----	\$1,500
Miscellaneous equipment -----	—1,296
Office replacement equipment -----	456
<b>Net increase equipment -----</b>	<b>\$660</b>

**State Controller  
TAX-DEEDED LANDS**

ITEM 112 of the Budget Bill

Budget page 333  
Budget line No. 5

**For Support of Tax-deeded Lands Division, From the Redemption Tax Fund**

Amount requested -----	\$179,856
Estimated to be expended in the 1949-50 Fiscal Year -----	172,255
<b>Increase (4.4 percent) -----</b>	<b>\$7,601</b>

**Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages -----	\$4,858	\$4,858	---	333	17
Operating Expenses -----	590	590	---	333	18
Equipment -----	2,153	2,153	---	333	19
<b>Total -----</b>	<b>\$7,601</b>	<b>\$7,601</b>			

**RECOMMENDATIONS**

Amount budgeted -----	\$179,856
<b>Legislative Auditor's Recommendation -----</b>	<b>179,856</b>
Reduction -----	None

## ANALYSIS

The increase may be attributed chiefly to normal salary adjustment increases of \$4,425; operating expenses increased \$590 due to slight increase in rent, automobile operation and telephone and telegraph.

The increase in equipment is due to the purchase of a light car for the district manager at Ventura who has been averaging more than 10,000 miles per year using his personal car. Remainder of increase is due to one light car being replaced.

## BOARD OF EQUALIZATION

ITEM 113 of the Budget Bill

Budget page 338  
Budget line No. 41

### For Support of the Board of Equalization From the General Fund

Amount requested .....	\$10,789,179
Estimated to be expended in 1949-50 Fiscal Year .....	10,203,578
Increase (5.7 percent) .....	\$585,601

### Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages .....	\$523,614	\$323,589	\$200,025	338	51
Operating Expenses .....	126,224	7,740	118,484	338	52
Equipment .....	—57,620	—143,516	85,896	338	53
Total .....	\$592,218	\$187,813	\$404,405	338	55
Less:					
Reimbursements .....	—6,617	—3,308	—3,309	338	62
Total Increase .....	\$585,601	\$184,505	\$401,096	338	64

## RECOMMENDATIONS

Amount budgeted .....	\$10,789,179
Legislative Auditor's Recommendation .....	10,675,925
Reduction .....	\$113,254

## ANALYSIS

The following summarizes the recommended reductions by object and by divisions:

Division	Total	Salaries and wages	Operating expenses	Equipment
General administration .....	\$24,951	\$22,932	\$730	\$1,289
Assessment standards .....	5,468	—	5,000	468
Retail sales tax .....	75,083	48,528	9,656	16,899
Alcoholic beverage control .....	7,752	4,512	—	3,240
Total .....	\$113,254	\$75,972	\$15,386	\$21,896

### General Administration

We recommend that the position of assistant to secretary, Budget page 338, line 77, \$5,772, be abolished. This position was originally set up without legislative authorization in 1947 to be the budget officer of the

board. However, the fact that it has been vacant since July 31, 1948, is evidence that it is not needed.

*We recommend that the position of supervising auditor, grade 1, Budget page 339, line 19, \$5,496, be abolished.* This is the position formerly occupied by the internal auditor but since the internal audit functions have been assigned elsewhere and the position has been vacant since October 25, 1948, it appears that it is no longer needed.

*We recommend that four positions be deleted from the accounting office, Budget page 339, lines 20 to 31,* in addition to the supervising auditor, grade 1, mentioned in the foregoing, at a saving of at least \$9,384, the average salary requested for the lowest salaried positions involved. We make this recommendation for the following reasons:

In our analysis of the Budget for 1948-49, page 154 of our report, we recommended the establishment of five new positions in the accounting office on condition that the Department of Finance make a complete study of the accounts, organization, and procedures of the accounting section of the Board of Equalization and that the budget request for the 1949-50 Fiscal Year be based upon this study. The study was not completed in time to be of any assistance in connection with the 1949-50 Budget, the report containing the recommendations of the Division of Administration of the Department of Finance being transmitted to the Board of Equalization on May 16, 1949, but we believe that it should form the basis of the 1950-51 request. This report points out that a staff of 32 persons should be sufficient to perform all the functions of the accounting office, exclusive of the internal audit function. We concur in this recommendation and believe that the staff should be reduced to 32 instead of the 36 requested.

*We recommend elimination of the proposed new position of intermediate typist-clerk, Budget page 339, line 43, \$2,280, together with \$289 for the furniture and typewriter requested for the position, Budget page 339, line 66.* The position is requested to improve administration of sick leave requests. This function was transferred by the Personnel Board to the Board of Equalization on May 1, 1949. The work is presently being performed by available clerical help and we do not recommend the addition of one net new clerical position. An additional reason for recommending against this position is our belief that the agency as a whole has sufficient clerical personnel for all its present needs, as brought out in our comment on personnel, under the heading of General Considerations at the end of the section of this report which deals with the Board of Equalization.

*We recommend a reduction of \$730 in automobile operation, Budget page 339, line 57,* this being the amount of the increase over 1949-50. This increase is requested to provide closer supervision over the field activities of the board, but the amount requested without this increase, \$10,642, we believe to be adequate for this as well as other purposes.

*We recommend reduction of \$1,000 in additional office equipment, Budget page 339, line 66.* This represents the amount requested for a vari-typewriter to be used to provide better setup for forms. Actual savings which will result from its use have not been demonstrated.

The recommended reductions for the Division of General Administration are as follows:

	<i>Amount</i>	<i>Budget page</i>	<i>Line No.</i>
Salaries and wages:			
1 Assistant to secretary-----	\$5,772	338	77
1 Supervising auditor, grade 1-----	5,496	339	19
4 Positions in accounting office-----	9,384	339	20-31
1 Intermediate typist-clerk, new-----	2,280	339	43
Operating expenses:			
Automobile operation -----	730	339	57
Additional equipment:			
Items not justified-----	1,289	339	66
	<u>\$24,951</u>		

#### Division of Research and Statistics

We recommend approval of the request for \$63,163, Budget page 340, line 41, as submitted. This includes two new positions for research writer, Budget page 340, line 21, \$10,666, to be used for writing county survey reports under Chapter 1523, Statutes of 1947, based on data gathered by the Division of Assessment Standards. This work is now being done by temporary help at an estimated cost of \$9,750 for the 1949-50 Fiscal Year, and accordingly the new permanent positions do not represent any new service.

#### Division of Assessment Standards

##### Existing Activities

The existing activities and the approximate distribution of total expenditures of \$181,198, by activity, for the fiscal year 1948-49 are as follows:

	<i>Amount</i>	<i>Percent</i>
Instructions to assessors, advisory service to counties, and assistance to appraisal commissions-----	\$100,746	55.6%
Equalization of county property valuations-----	25,549	14.1
Contract mapping service for counties under Political Code Section 3692.5-----	28,086	15.5
County surveys under Political Code Section 3693---	26,817	14.8
Total -----	<u>\$181,198</u>	<u>100.0%</u>

Contract mapping services for counties is self-supporting since the counties reimburse the State for the cost of this activity.

Work on county surveys under Political Code Section 3693 started during the 1947-48 Fiscal Year, although the first report was not issued until the spring of 1949. It is estimated that by July 1, 1950, a total of 10 reports will have been issued. The estimated expenditures for this activity for the 3-year period from January 1, 1947 to June 30, 1950, including those for the survey unit in the Division of Assessment Standards and the salaries of the research writers in the Division of Research and Statistics, where the reports are written and edited, will be about \$77,000 or \$7,700 per report completed. It is estimated that an additional 24 reports will be issued during the 1950-51 Fiscal Year.

Pursuant to Chapter 1523 of the Statutes of 1947, which added Section 3693 to the Political Code, the Board of Equalization was authorized and directed to make a series of surveys in each county "to determine the adequacy of the procedures and practices employed by the county assessor

in the valuation of property \* \* \*." These surveys are to show the nature and extent of taxable resources in the county; the volume of assessing work to be done; the responsibility devolving upon the county assessor, his requirements for maps, records, etc.; the number and classification of personnel needed by him, and the fiscal outlay required to secure sufficient funds for the proper performance of his duties.

The Legislative Auditor is thoroughly in accord with the purposes intended to be accomplished by these surveys and was, in fact, instrumental in suggesting the surveys and laying plans for their completion. However, on the basis of the first of these reports to be issued, which indicate the pattern to be followed, the methods of research and analysis, and printed format, we feel that certain economies can be instituted without detracting from the value of the surveys to the counties.

The reports are prepared in expensive print with elaborate charts and costly facsimile reproductions. Five hundred copies of each of the individual county reports are printed. The printing cost of each county report is approximately \$1,250. Each of the reports contains considerable material which is of general interest to all of the assessors, and intended as such, rather than of limited interest to the particular county for which the survey is made. Each report, for instance, contains facsimiles of recommended forms, recommended machine installations, recommended improvements in assessment practices, glossary, and other matters ordinarily appearing in assessment manuals as prepared by state equalization boards or state tax commissions. Approximately 60 percent of the contents of each report is of this nature.

We recommend that for the balance of the surveys, the following economies be instituted:

1. All material, including recommendations and explanations, which is of general interest and application to all of the counties be published in a single volume and be printed once rather than in the form of 58 different prints.

2. That the material of particular interest and application to the county surveyed, including recommendations applicable to it, be prepared and separately transmitted to the county concerned and to the Legislature in a report which would be supplemental to the general volume.

3. That the cost of printing for both parts be considerably reduced not only by consolidating the printings but by a less costly process and fewer facsimile reproductions. We see no useful purpose being served in reproducing in a report to the county assessor copies of all of the forms presently being used by the county assessor. It can be assumed that he is thoroughly familiar with these forms and has copies for ready reference.

By following the suggested, and other economies, in the compilation and preparation of these reports, we believe that at least \$5,000 annually can be saved in the budget of the Division of Assessment Standards, and meet every requirement of legislative intent under Chapter 1523. *Accordingly, we recommend a reduction of \$5,000 under operating expense, Budget page 341, line 16, in the Division of Assessment Standards.*

*We recommend a reduction of \$468 in additional office equipment, Budget page 341, line 20, which represents the cost of one automatic*

electric portable calculating machine for use of appraisers in the field. Two additional machines were requested, but since they are not in continuous use we believe that one additional will be sufficient.

#### Chapter 1466, Statutes of 1949

By Chapter 1466, Statutes of 1949, the Board of Equalization was directed to make a survey annually in each county "to determine the relationship between the total value of land, improvements and tangible personal property entered upon the roll by the Assessor and the total market value thereof." Utilizing these data, the Board is to "determine also the average relationship between the assessed value of such property and the market value thereof for the State as a whole."

The progress of these surveys and the determination of assessment ratios in the counties, as well as a state average assessment ratio, is of extreme importance to the State. Only on this basis can there be a realistic determination of the property tax burden in the respective counties and equity in apportionments of state funds which are made to local subdivisions on the basis of assessed valuations. These apportionments are annually increasing in amount, and have become a major item of state expenditure. The present lack of uniformity in assessment standards between counties is costing the State millions of dollars annually.

The act providing for the determination of assessment ratios provides that the necessary surveys for each county shall be undertaken when funds are available for that purpose, in order to assure completion of a survey with respect to each county by the second Monday in July, 1951. The Division of Assessment Standards has prepared estimates of necessary requirements for these surveys and there is included in its budget the amount of \$217,347, Budget page 341, line 73, for completion in accordance with the intent of the Legislature. Because of the importance to the State of these surveys, and in order that they may be instituted at the earliest possible time, *we recommend approval of the full amount requested by the Board of Equalization for the Division of Assessment Standards for the purposes of this act.*

While recommending the full amount requested, we likewise recommend that in the expenditure of these funds the Division of Assessment Standards purchase only light automobiles, at \$1,450 each, for all of the field work involved in these surveys rather than five medium weight cars at \$1,825 each, and nine lightweight cars as proposed.

#### Valuation Division

We recommend approval of the budget as submitted.

#### Retail Sales Tax Division

Following is a summary of the recommended reductions by object and by operating unit:

Operating unit	Total	Salaries and wages	Operating expenses	Equipment
Headquarters -----	\$12,090	\$11,640	---	\$450
District offices -----	62,993	36,888	\$9,656	16,449
	\$75,083	\$48,528	\$9,656	\$16,899

**Sales Tax Division**

**Headquarters**

We recommend that the vacant position of associate sales tax administrator, \$8,112, Budget page 342, line 72, be abolished since the administrator already has two staff assistants at approximately the same level, the tax counsel and the principal sales tax auditor, to provide him with all the technical and administrative assistance needed. We further believe that an associate administrator is not needed for purely administrative purposes since to a considerable degree, at least, the board members themselves and their deputies and assistants exercise many of the administrative functions with respect to the field offices which would normally devolve on the sales tax administrator in a different type of organization.

We do not recommend the reclassification of two auditors, grade 3, to supervising auditor, grade 1, \$576, Budget page 344, line 50. These two reclassifications are requested for the men in charge of the audit crews in New York and Chicago, who supervise eight and seven auditors, respectively. We believe there are more grade one supervising auditors in the Sales Tax Division at present than the facts warrant.

We do not recommend approval of funds for the following reclassifications requested:

	Amount	Budget page	Line No.
1 Auditor, grade 2, to auditor, grade 3	\$240	344	52
4 Accountant-auditors, grade 1, to auditor, grade 2	768	344	55
6 Junior accountant-auditors to accountant-auditor, grade 1	1,944	344	47
Total	\$2,952		

There are now 113 established positions for auditors of all grades in the headquarters office of the Sales Tax Division, the total salaries of which will amount to \$498,350 during the 1950-51 Fiscal Year. We believe that not only are the proposed reclassifications unwarranted but that the existing level of the positions and total staffing pattern should be further studied. We recommend that a survey be made by the Personnel Board and by the Department of Finance of the work of this unit.

We recommend reduction of \$450 in the amount requested for additional office equipment, Budget page 345, line 29. This represents the following items which are either new services or not adequately justified.

- \$300 Dictographs (intercommunicating phones) for permit section and tabulating section. New service. Regular telephones will suffice.
- 150 Three tables for master file section. Not justified on basis of work load.

\$450

Following is a summary of the recommended reductions:

	Amount	Budget page	Line No.
Salaries and Wages			
Associate sales tax administrator	\$8,112	342	72
Reclassification of:			
2 Auditors, grade 3	576	344	50
1 Auditor, grade 2	240	344	52
4 Accountant-auditors, grade 1	768	344	55
6 Junior accountant-auditors	1,944	344	47
Additional office equipment	450	345	29
Total	\$12,090		

Sales Tax District Offices

*We do not recommend the proposed reclassification of one auditor, grade 3, to supervising auditor, grade 1 in San Jose, cost \$288, Budget page 346, line 22. The position involved is that in charge of the audit review unit in the San Jose office and it is urged that because of the size of the staff the higher classification is justified. The present job specifications for supervising auditor, grade 1, does not contemplate its use for this type of assignment, the grade 3 class being appropriate for such work and since there is already one supervising auditor, grade 1 position in San Jose, we do not believe the reclassification is justified.*

*We do not recommend the proposed reclassification of one auditor, grade 2 to auditor, grade 3, cost \$240 in the Sacramento District Office, Budget page 346, line 24. It is urged that this position is necessary to handle the larger and more complex audits in this area, but if this were to be approved, the Sacramento district would have the highest ratio of supervisory audit personnel, 25 percent, of any district in the State, the state-wide average being 17 percent, and we do not believe this is justified.*

Request is made for reclassification of 66 accountant-auditor, grade 1 positions to auditor, grade 2, cost \$21,072, Budget page 346, line 26, distributed among the following district offices:

Los Angeles	50
Oakland	10
San Bernardino	3
Santa Barbara	2
Sacramento	1
Total	66

*We do not recommend approval of the request for funds necessary for these reclassifications for the following reasons:*

As of July 1, 1949, the established positions by class of auditor for all district offices was as follows:

	No.	No.	Percent of total
Supervisory level			
Supervising auditor, grade 2	5	--	--
Supervising auditor, grade 1	31	--	--
Auditor, grade 3	92	--	--
Total		128	17
Auditor, grade 2, journeyman level		283	38
Assistant level			
Auditor, grade 1	228		
Junior	111		
Total		339	45
Total		750	100

With few exceptions those in the first group are acting as supervisors.

The definition of an auditor, grade 2, is: "To direct or personally conduct the more difficult audits of persons or business firms subject to State taxation."

The definition of an accountant-auditor, grade 1, is: "To perform the less difficult technical accounting work in auditing records of persons or business firms subject to state taxation."

The definition of a junior accountant-auditor is: "To assist in the more routine phases of technical accounting and field auditing work."

We believe that a very large part of the field audit work of the Sales Tax Division is of such nature that it can be performed by an accountant-auditor, grade 1, or a junior working either as an assistant to a grade 2 auditor on a particular assignment or working alone on small assignments with proper supervision. This is evidenced by the fact that 60.7 percent of the total number of field audits completed during the 1948-49 Fiscal Year, involving 40.6 percent of the total field audit time, or 13 hours per audit, were of taxpayers whose average tax liability was less than \$100 per quarter of \$33 per month. We do not consider it necessary to assign such audits as these to an auditor, grade 2, since we do not consider them to be the more difficult audits contemplated by the job specification for that class. We believe that on a well balanced staff there should be a rather definite and constant relationship between the number of grade 2 auditors and those at the lower levels, and that any substantial increase in the proportion of grade 2 auditors on the staff tends to make the audit program too costly. In this connection it should be noted that while the additional salary cost of these proposed reclassifications will amount to \$21,072 during the 1950-51 Fiscal Year the ultimate additional cost to the State will be \$55,440 when the men reach their maximum.

The justifications submitted by the agency for these reclassifications are as follows:

For the 50 in Los Angeles:

"In accordance with our established policy of promoting accountant-auditors, grade 1, as soon as they have shown they are capable of directing or conducting large and complex sales tax audits."

For the 10 in Oakland:

"To make possible promotion of successful candidates among our present staff of grade 1 auditors."

For the three in San Bernardino:

"\* \* \* to set up positions for advancement of men who have been working in lower audit positions so that they may strive to become eligible for advancement. Also to make a place for these men so that they can continue on in state work instead of leaving us for private industry."

It will be noted that in each case the only reason advanced for the reclassification is a desire to promote members of the staff, which, however laudable, entirely overlooks such vital factors as work load and cost.

To our knowledge no satisfactory analysis has been made of the field audit work load of the Sales Tax Division in terms of the volume properly assignable to the various grades of auditors on the staff.

We recommend an immediate study be made by the Personnel Board, and the management analysis staff of the Department of Finance, and that an over-all staffing pattern be developed as a result of such study and that no reclassifications be approved in the interim.

In this connection it should be noted that the Department of Employment, which has a field audit staff performing an operation comparable to that of the Sales Tax Division believes that the relationship between grade 2 and the total of grade 1, and juniors should be about 1 to 1, while the Division of Audits of the Department of Finance considers its present ratio of 1 grade 2 to 1.7 at the lower level to be about right. The present

ratio in the Board of Equalization field staff is 1 to 1.2, with a very wide variation between districts. If the proposed reclassifications are approved the average will be 1 grade 2 to 0.8 at the lower levels, with a low of 1 to 1.4 in Fresno and a high of 1 to .09 in Santa Barbara where there will be 11 grade 2 to 1 grade 1.

We recommend disapproval of the amounts involved in the proposed reclassification of 47 junior accountant-auditors to accountant-auditors, grade 1, for a total cost of \$12,756, Budget page 346, line 29, for the following districts:

Los Angeles .....	37
Oakland .....	4
San Bernardino .....	4
Stockton .....	2
Total .....	47

The justification submitted for the Los Angeles group reads, "In accordance with our established policy of promoting junior accountant-auditors as soon as they have shown they are capable of assisting with the larger field audits and/or making small audits on their own."

Here again the justification is on promotion rather than work load.

The pay scale of this class provides for five rates: \$231, \$243, \$255, \$268, and \$281. The entrance salary for grade 1 is \$268, the next step \$281.

We believe that in the present labor market, where men for these positions are relatively easy to get, it is not unreasonable to expect them to stay in the class for several years, rather than making wholesale reclassifications as requested, and that the normal annual salary increases are sufficient to compensate for increased efficiency due to added experience.

We believe a fairly definite pattern should be worked out, setting forth the number of men in each class appropriate for a normal staff and until this is done we do not recommend these reclassifications.

We recommend disapproval of the funds for the proposed reclassification of one supervising investigator, grade 1 to grade 2 in San Diego, \$228, Budget page 346, line 35, as not being in accordance with the requirements of the work to be performed.

We recommend disapproval of the amount requested for reclassification of 12 field representatives to special investigator, at a cost of \$2,304, Budget page 346, line 37, for the following districts:

Oakland .....	10
Fresno .....	1
Bakersfield .....	1
Total .....	12

We recommend reduction of travel expense, Budget page 346, line 51, by \$9,056 to the level of that estimated for 1949-50, since no justification has been presented for the increase.

Rentals for all office space other than that in the state-owned buildings in Sacramento and San Francisco and in the buildings at 357 South Hill Street, Los Angeles, and 2129 Grove Street in Oakland, leased by the State Department of Finance which in turn subleases space to the Board of Equalization are included in the total of \$279,045 shown for

the Sales Tax Division, District offices, Budget page 346, line 54. The division to which the rent applies and the proposed increase for 1950-51 for *additional space* included in the totals is shown in the following tabulation:

<i>Division</i>	<i>Total</i>	<i>Increase for additional space</i>
Sales tax -----	\$205,767	\$18,902
Alcoholic beverage control		
District liquor control office-----	52,739	8,232
Bureau of tax assessment-----	3,926	71
Motor transportation license tax-----	16,159	1,012
Motor vehicle fuel tax-----	454	93
Total -----	\$279,045	\$28,310

The rents for the divisions other than sales tax are included in the amount of \$66,688 deducted as reimbursements for services rendered to other General Fund divisions, Budget page 346, line 58, and the amount of \$135,451 deducted as reimbursements for services to Special Fund Divisions, Budget page 347, line 15. We believe this method of showing these items is unsatisfactory, since it is impossible to determine from the printed budget the total amounts of any of the individual items of operating expense, including rent, attributable to any of the divisions and *we recommend that steps be taken to supply this when the next budget is prepared.*

No justification has been submitted for any of the additional space represented by the proposed increase in rent of \$28,310 for that purpose, and since this is all for new or expanded services we recommend that the amounts be approved only upon justification.

The Board of Equalization is now paying rent for 60 offices throughout the State. All of these are used by sales tax personnel and 42 by liquor control personnel. We believe that many of these offices are unnecessary and that before new space is authorized detailed justification should be submitted for existing offices other than offices in large centers of population, in terms of work load and operating efficiency. The location of an office in Mill Valley, for example, when one is maintained in San Rafael about four miles distant, is an illustration of the need for justification.

Included in the proposed rentals for new space is \$600 for a new office in Santa Maria. *We recommend disapproval of this amount as being an unnecessary new facility.*

We recommend a reduction of \$114 in office equipment, replacements, Budget page 346, line 63. This was requested to replace a typewriter in Marysville, which has been replaced during the current fiscal year.

Of the requested \$18,228, Budget page 346, line 64, *we recommend a reduction of \$9,085 in additional office equipment.* We have examined in detail the justification submitted for each individual item included in the total of \$18,228, and it appears that the recommended reduction will not handicap the operation of the organization. All of the items recommended for deletion are in the category of new or expanded services. Some are for equipment requested for additional personnel which we are recommending as unnecessary elsewhere in this analysis. One item, a dictaphone

transcriber for \$294 requested for San Francisco appears to be a duplication of a similar item which we have approved. Some are for luxury items such as \$695 for three electric water cooled drinking fountains for the Long Beach, Riverside, and Santa Ana branch offices, \$125 for heaters for five state automobiles in the Fresno district, swivel chairs to replace straight chairs for certain employees, and \$73 for two roll-away tub files for the added convenience of a supervisor. Some are equipment which appears inappropriate, such as additional typewriters for auditors to use in typing reports, and \$833 for seven additional typewriters for the Glendale office, which already has five typewriters, and only five typists assigned to the office. Most of the remainder are items which do not appear justified on the basis of any work load data submitted or by the nature and volume of the work for which requested, such as additional adding machines and automatic electric calculators.

We recommend a reduction of \$7,250 for purchase of the five additional automobiles requested, Budget page 346, line 66. This represents five light cars, one each for the office in Fresno, San Diego, Santa Rosa, Eureka, and Marysville. Our reason for recommending this reduction is our belief that the most efficient use is not being made by the agency of the 382 cars which it now has and that if these cars were reassigned on the basis of actual need no additional cars would be needed.

The following is a summary of the recommended reductions:

Salaries and Wages				
Reclassification of:		Amount	Budget page	Line No.
1 Auditor, grade 3	-----	\$288	346	22
1 Auditor, grade 2	-----	240	346	24
66 Accountant-auditors, grade 1	-----	21,072	346	26
47 Junior accountant-auditors	-----	12,756	346	29
1 Supervising investigator, grade 1	-----	228	346	35
12 Field representatives	-----	2,304	346	37
Operating Expenses				
Travel expense	-----	9,056	346	51
Rent for additional space	-----	600	346	54
Equipment				
Office replacements	-----	114	346	63
Office additional	-----	9,085	346	64
5 Additional automobiles	-----	7,250	346	66
Total	-----	\$62,993		

#### Alcoholic Beverage Control Division

Following is a summary of the recommended reductions by object and by operating unit:

Operating unit	Total	Salaries and wages	Operating expenses	Equipment
Headquarters				
administration ---	\$4,816	\$4,320	---	\$496
Bureau of				
Tax Assessment --	192	192	---	---
District Liquor				
Control Offices ---	2,744	---	---	2,744
Total	\$7,752	\$4,512		\$3,240

#### Headquarters Administration

We recommend deletion of the two proposed new positions of intermediate file clerk, \$2,280, Budget page 347, line 62, and junior clerk, \$2,040, Budget page 347, line 63. These positions were requested to process fair trade and price posting schedules filed by wine producers and wholesalers as required by Section 55.65 of the Alcoholic Beverage Control Act, effective October 1, 1949, which requires fair trading and price posting of all wine sold in California.

It is stated that 800 to 1,000 wine wholesalers and 400 wineries will file schedules with the board to post prices or establish consumer prices, or both, and it appears to us that the present staff could absorb this additional work without any increase.

We recommend reduction of \$496 for one comptometer included as additional office equipment, Budget page 348, line 6. It is stated that this is to be used by an accountant-auditor, grade 1, and three other employees in making computations formerly made on an adding machine or by hand. From the justification submitted it does not appear that the volume of work involved is sufficient for full time operating of the machine, as further evidenced by the fact that there is no calculating machine operator position included on the staff. This type of machine requires a trained operator for efficient use and we do not think its purchase is justified for intermittent operation by untrained personnel. We recommend that necessary computing be done by other divisions of the board where trained operators are available.

Following is a summary of reductions recommended :

Salaries and Wages	Amount	Budget page	Line No.
1 Intermediate file clerk -----	\$2,280	347	62
1 Junior clerk -----	2,040	347	63
Equipment			
1 Comptometer -----	496	348	6
Total -----	\$4,816		

#### Bureau of Tax Assessment

We recommend deletion of \$192 requested for reclassification of one accountant-auditor, grade 1, to auditor, grade 2, Budget page 348, line 46. The request is made "to make possible promotion of successful candidate on present staff \* \* \*," but no data are submitted to justify the higher ranking position on the basis of increased work load at the higher level. At present there are 27 grade 2 and 13 grade 1 auditors on the staff and we do not believe more positions at the higher level are warranted.

#### District Liquor Control Offices

We recommend a reduction of \$1,294 in additional office equipment, Budget page 349, line 58 for 15 file cabinets for the following locations:

Los Angeles (8) -----	\$696
San Francisco (1) -----	83
Richmond (1) -----	94
Riverside (1) -----	83
San Jose (3) -----	251
Santa Barbara (1) -----	87
	<hr/>
	\$1,294

These are requested for expansion of files maintained in district offices, which are also duplicated in headquarters. If duplicate files of old material in district offices are removed and destroyed the present cabinets will be adequate for current needs.

We recommend a reduction of \$1,450 in the amount requested for automobile, additional, Budget page 349, line 60, for one new automobile, for use in San Rafael. We so recommend since, as pointed out elsewhere in this analysis, we believe that if present cars are properly assigned, no new cars are needed.

Following is a summary of recommended reductions:

	Amount	Budget page	Line No.
14 File cabinets -----	\$1,294	349	58
1 Automobile -----	1,450	349	60
Total -----	\$2,744		

**Board of Equalization  
MOTOR TRANSPORTATION LICENSE TAX DIVISION**

ITEM 114 of the Budget Bill

Budget page 350  
Budget line No. 12

**For Support of the Motor Transportation License Tax Division From the Motor Vehicle Transportation Tax Fund**

Amount requested -----	\$668,455
Estimated to be expended in 1949-50 Fiscal Year -----	623,240
Increase (7.3 percent) -----	\$45,215

**Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages -----	\$30,298	\$24,682	\$5,616	350	22
Operating Expenses -----	8,909	540	8,369	350	23
Equipment -----	6,008	—1,855	7,863	350	24
Total Increase -----	\$45,215	\$23,367	\$21,848	350	26

**RECOMMENDATIONS**

Amount budgeted -----	\$668,455
Legislative Auditor's Recommendation -----	554,389
Reduction -----	\$14,066

**ANALYSIS**

The following summarizes the recommended reductions by object and by operating units:

Operating unit	Total	Salaries and wages	Operating expenses	Equipment
Headquarters -----	\$7,482	\$5,232	\$900	\$1,350
District offices -----	6,584	384	---	6,200
Total -----	\$14,066	\$5,616	\$900	\$7,550

#### Headquarters

*We recommend against the proposed new position of assistant transportation tax administrator for \$5,232, Budget page 350, line 61, as being an expanded service not warranted at this time.*

The Budget Act of 1948 authorized the establishment of a new supervisory auditor, grade 1 position, the salary range for which is the same as that being requested for the assistant administrator. This position was authorized as a reclassification of an auditor, grade 3 position, and was approved by the Legislative Auditor on condition that the position be, in effect, the assistant chief of the division. Although it appeared as an authorized position in the budget for 1949-50 it was never filled and does not appear as an authorized position in the current budget.

Since it has not appeared necessary to fill the supervising auditor position, we do not recommend the creation of the new position of assistant transportation tax administrator.

*We recommend travel expense be reduced \$900, Budget page 350, line 72. This was requested to provide for additional travel by the administrator, which appears to be a new service not justified at this time.*

*We recommend the amount requested for replacement of office equipment, Budget page 351, line 4, be reduced from \$1,732, to \$382, a reduction of \$1,350. This represents the following equipment which an inspection indicated did not warrant replacement during the 1950-51 Fiscal Year.*

2 Typewriters .....	\$228
1 Adding machine .....	318
1 Calculator .....	415
5 Posture chairs .....	185
3 Tables .....	204
<b>Total .....</b>	<b>\$1,350</b>

Following is a summary of the recommended reductions:

Salaries and wages:	Amount	Budget page	Line No.
Assistant administrator .....	\$5,232	350	61
Operating expenses:			
Travel .....	900	350	72
Replacement, office equipment.....	1,350	351	4
<b>Total .....</b>	<b>\$7,482</b>		

#### District Offices

*We do not recommend the proposed reclassification of two field representatives to special investigators, \$384, Budget page 351, line 34. These positions are in the Oakland district and are not justified, either on the basis of work load, or duties. We do not believe the class special investigator, is appropriate for use by the Transportation Tax Division.*

*We recommend a reduction of \$1,832 in the amount requested for replacement of office equipment, Budget page 351, line 55, and a reduction of \$814 in additional office equipment, Budget page 351, line 56, since both amounts appear to have been included in error.*

*We recommend a reduction of \$704 in additional office equipment, Budget page 351, line 56. This represents two adding machines with movable stands, one for San Jose and one for Fresno. This represents a*

new service which does not appear to be justified since adding machines are available in the Sales Tax Division in these offices.

We recommend a reduction of \$2,850 in automobiles, additional, under equipment, Budget page 351, line 58. This represents two light cars, one for Fresno and one for Sacramento. We do not believe the purchase of either car is justified, since there are enough Board of Equalization cars in each district to provide for the needs of all divisions if the cars are properly pooled and assigned. There are 33 cars in the Fresno district and 14 in the Sacramento district besides a number of headquarters cars.

Following is a summary of the recommended reductions:

Salaries and wages:

Reclassification of:

2 Field representatives to special investigators -----	Amount	Budget page	Line No.
	\$384	351	34

Equipment:

Office replacement (included in error)	1,832	351	55
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Equipment, additional:

(Included in error) -----	814	351	56
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2 Adding machines and stands -----	704	351	56
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2 Automobiles -----	2,850	351	58
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Total -----	\$6,584		
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It should be noted that the Budget Act of 1949 authorized 128 positions in the Transportation Tax Division for the Fiscal Year 1949-50, yet the current budget shows 129 authorized positions for the 1949-50 Fiscal Year. The additional position established without legislative authorization is an auditor, grade 3, in the district offices. There are now six such positions as against the four authorized by the Budget Act of 1949, with one less supervising investigator, grade 1, a net increase of one position. The net additional salary which the State is ultimately obligated to pay as the result of these changes is \$6,600 per year.

# **Board of Equalization MOTOR VEHICLE FUEL TAX DIVISION**

ITEM 115 of the Budget Bill

Budget page 352

Budget line No. 11

## **For Support of the Motor Vehicle Fuel Tax Division From the Motor Vehicle Fuel Fund**

Amount budgeted -----	\$410,335
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Estimated to be expended in 1949-50 Fiscal Year -----	391,559
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Increase (4.8 percent) -----	\$18,776
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### **Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages -----	\$10,273	\$8,737	\$1,536	352	22
Operating Expenses -----	6,124	4,724	1,400	352	23
Equipment -----	2,379	—2,134	4,513	352	24
Total Increase -----	\$18,776	\$11,327	\$7,449		

## RECOMMENDATIONS

Amount budgeted .....	\$410,335
Legislative Auditor's Recommendation .....	409,531
Reduction .....	\$804

## ANALYSIS

The following summarizes the recommended reductions by object and by operating units:

Operating unit	Total	Salaries and wages	Operating expenses	Equipment
Headquarters .....	\$228	---	---	\$228
District offices .....	576	\$576	---	---
Total .....	\$804	\$576	---	\$228

### Headquarters

We recommend a reduction of \$228 in the amount requested for replacement of office equipment, Budget page 353, line 4. This represents one typewriter, and inspection of the machine indicates it is not in need of replacement.

The staff of the headquarters office includes 13 auditors and field representatives who spend most of their time in field audit and collection work under the Use Fuel Tax Law. The territory covered includes all of California north of the Tehachapi Mountains and the northern boundaries of San Luis Obispo and San Bernardino Counties. This involves a considerable amount of travel which we believe to be unnecessary since it appears that more of the work could be done by men attached to the staffs of the appropriate field offices of the board.

Many of the operators of diesel-propelled equipment who are subject to the Use Fuel Tax Act are also subject to the provisions of the Transportation Tax Act and are also audited by auditors in the Transportation Tax Division. We believe that appreciable economies would result if the activities of these two units were consolidated and the present overlap of functions eliminated.

Both of the foregoing points have been commented on in audit reports of the Division of Audits, Department of Finance.

### District Offices

The district office staff of this division is all stationed in Los Angeles with the exception of one supervising auditor, grade 1, and one auditor, grade 3, located in San Francisco, whose time is devoted exclusively to auditing the records of four large oil companies. It does not appear necessary to assign men of this rank to such an assignment and we recommend that steps be taken by the agency and the Personnel Board to reassign the men to duties more appropriate to their present classifications or to adjust the classifications to a more appropriate level.

We do not recommend approval of funds for reclassification of three accountant-auditor, grade 1 positions to auditor, grade 2, in Los Angeles, at a cost of \$576, Budget page 353, line 32, since the present ratio of grade 2 to grade 1 positions appears adequate. There is no justification for the reclassification on the basis of work load, and the nature of the work in Los Angeles is such that much of it can be done by men at the lower level under proper supervision.

It is the practice of this Division to audit each of the 110 taxpayers under the Motor Vehicle Fuel Tax Law at least once a year. The additional tax resulting from these audits is very small, amounting to about \$47,500 in the 1948-49 Fiscal Year. It is urged that such a program is necessary, even though the direct results are insignificant, because of its policing effect, but we fail to see the force of this argument in connection with the seven major oil companies which are responsible for payment of about 78 percent of the tax.

We recommend that study be given to the possibility of curtailing the audit work on the larger distributors in order that greater emphasis may be placed on Use Fuel Tax audits where the recovery is much greater.

#### GENERAL CONSIDERATIONS

##### Sales Tax Field Audit Program

Accurate data have never been made available by the Sales Tax Division, either as to the actual cost of its field audit program or as to the actual net recoveries. The total deficiencies recommended of \$7,955,273 shown under work load, Budget page 335, line 51, is not the total amount collectible since it represents the amounts recommended by the field men in their original reports. This is subject to two major decreases before it becomes collectible, a decrease as a result of the review by the Headquarters staff before the billing to the taxpayer is made, which amounted to \$208,000 in 1948-49 and a further decrease as the result of action on a petition for redetermination in case such a petition is filed. These have averaged \$487,000 per year for the last six years. We believe, therefore, that amounts actually billed during a year, less the decrease resulting from action on a petition, is a more realistic figure to use in evaluating the results of the field audit program than the original recommendations. As to regular field audit reports for the 1948-49 Fiscal Year these amounts were as follows:

Amounts billed, net of refunds.....	\$7,198,568
Less:	
Decreases as result of petitions for redetermination.....	781,009
Net amount collectible.....	\$6,417,559

Of this amount \$361,334 was attributable to the out-of-state audit program, the cost of which we estimate to be about \$94,000, which indicates a recovery of \$3.84 for each dollar of cost.

The agency has not submitted any data as to the cost of its field audit program in California for the Fiscal Year 1948-49.

We have estimated the total cost of this program to be \$4,744,000. This includes the State's contribution to the State Employees' Retirement System, fiscal and personnel board pro ratas, and other overhead, including a share of the costs of the Division of General Administration of the Board, and a share of the costs of the headquarters office of the Sales Tax Division.

The estimated costs, by districts, the net deficiencies collectible, which are attributable to the regular field audits in each district, and the

net recovery per dollar of cost for the 1948-49 Fiscal Year are shown in the following tabulation :

	<i>Costs</i>	<i>Net deficiencies collectible</i>	<i>Deficiency per dollar of cost</i>
<b>Equalization District I</b>			
San Francisco -----	\$560,000	\$948,000	\$1.69
San Jose -----	259,000	262,000	1.01
Total -----	\$819,000	\$1,210,000	\$1.48
<b>Equalization District II</b>			
Oakland -----	\$398,000	\$570,000	\$1.43
Fresno -----	238,000	179,000	.75
Stockton -----	188,000	303,000	1.61
Sacramento -----	123,000	106,000	.86
Total -----	\$947,000	\$1,158,000	\$1.22
<b>Equalization District III</b>			
Santa Rosa -----	\$177,000	\$198,000	\$1.12
Marysville -----	144,000	121,000	.84
Woodland -----	116,000	76,000	.66
Redding -----	106,000	60,000	.57
Total -----	\$543,000	\$455,000	\$0.84
<b>Equalization District IV</b>			
Los Angeles -----	\$1,815,000	\$2,660,000	\$1.47
San Bernardino -----	292,000	233,000	.80
San Diego -----	204,000	252,000	1.24
Santa Barbara -----	124,000	88,000	.71
Total -----	\$2,435,000	\$3,233,000	\$1.33
State total -----	\$4,744,000	\$6,056,000	\$1.28

We believe the foregoing indicates that the audit program as a whole may be close to the point of diminishing returns and that in half of the 14 districts the cost of the audit program may actually be more than it produces. This, in turn, points to the need of a more realistic assignment of personnel in relation to work load and more economical administration.

It is recognized that there are intangible results from any field audit program which cannot be measured, such as more accurate voluntary reporting. However, there were 251,720 active sales tax payers at the beginning of the year and 255,531 at the end, or an average of 253,625 for the year. Field audits, of all classes completed during the year, totaled 47,621, or equal to 19 percent of the average active taxpayers. We believe that any field audit program as extensive as this can be justified only on the basis of measurable additional taxes collected.

The total of 38,630 audits reviewed during 1948-49 included 13,176, or 34 percent, which involved either a refund or no change.

#### Automobiles

At the present time the Board of Equalization is operating a fleet of 382 state-owned automobiles for all of its activities. During the year ended June 30, 1949, 119 of these cars were driven less than 10,000 miles, the average mileage for the 119 cars being 6,873 per car. We do not believe that any additional automobiles are needed by the agency during the 1950-51 Fiscal Year, exclusive of those requested by the Division of Assessment Standards for Chapter 1466, Statutes of 1949, Budget page

341, line 68, since there are indications that the agency is not making the most efficient use of its present fleet.

Accordingly, we have recommended against purchase of the following additional automobiles in our detailed analysis of the Budget requests of the various divisions:

<i>Division</i>	<i>Amount</i>	<i>Budget page</i>	<i>Line No.</i>
Sales tax—District offices, 5 .....	\$7,250	346	66
Alcoholic Beverage Control Division			
District liquor control offices, 1 .....	1,450	349	60
Motor Transportation License Tax			
Division, district offices, 2 .....	2,850	351	58
<b>Total .....</b>	<b>\$11,550</b>		

We believe that if the agency will restudy the assignment of all of its present automobiles and reassign the cars on a priority basis according to actual need with greater emphasis on the pooling of equipment, it would find that no additional automobiles are needed.

#### Rent

The rent items for the Board of Equalization appear in the current budget in 14 different places, since they are shown separately by operating units. The total of these 14 items for the 1950-51 Fiscal Year amounts to \$503,434. All of this amount except \$152,176 is for space in privately owned buildings, the \$152,176 being for space in the Business and Professions Building in Sacramento, in which the headquarters office and the local Sacramento District Office are located.

Comparable totals for prior years were as follows:

1946-47 (actual) .....	\$245,612
1947-48 (actual) .....	360,883
1948-49 (actual) .....	383,986
1949-50 (authorized by Budget Act of 1949) .....	412,073
1950-51 (proposed) .....	503,434

It will be noted that the total for 1950-51 is over twice that for 1946-47 and also that it represents an increase of \$91,361 or 18.1 percent over the total authorized by the Budget Act of 1949.

The total rent included in the estimated total expenditures for 1949-50 is \$451,557, which exceeds the amount authorized by the Budget Act of 1949 by \$39,484, or 9.6 percent. The difference between \$451,557 and \$503,434 is \$51,877, which represents the increase proposed for 1950-51 over the estimated amount for 1949-50.

The total increase in rent of \$91,361 represents the following:

Business and Professions Building, Sacramento—	
Increase in rate .....	\$26,112
Additional space in district offices:	
Los Angeles .....	\$6,783
Long Beach .....	2,843
Pasadena .....	11,700
Burlingame .....	1,500
Redwood City .....	804
Fresno .....	2,100
Bakersfield .....	1,200
Visalia .....	1,896
Madera .....	600
Upland .....	180
Crescent City .....	300
Ventura .....	720
Red Bluff .....	60
Santa Maria (new office) .....	600 31,286
Total .....	\$57,398
Unidentified .....	33,963
Total .....	\$91,361

It is not possible to account for the unidentified increase of \$33,963 from any data which are readily available. Part is probably due to increased rent for existing space in district offices, part to additional space in district offices, and it is possible that a part may be due to inaccurate budgeting.

Budget data submitted by the agency in the past have not set forth clearly the proposed increase in rentals due to expanded quarters, with the result that much of the expansion and a considerable part of the obligation for increased rentals has been incurred without specific legislative authorization.

We recommend that the agency take steps immediately to compile accurate data in support of all rentals for use in connection with future budget requests.

#### Personnel

A summary of authorized positions for all divisions of the Board of Equalization for the 1949-50 Fiscal Year and those proposed for the 1950-51 Fiscal Year are as follows:

Authorized by Budget Act of 1949:	
Established positions .....	2,702.3
Additional positions authorized .....	25
Total for Fiscal Year 1949-50 .....	2,727.3
Positions subsequently abolished .....	—29.7
Established positions at July 1, 1949 .....	2,697.6
Proposed additional positions .....	50.5
Proposed for Fiscal Year 1950-51 .....	2,748.1

The 29.7 positions abolished include 14 positions abolished under Section 16.3 of the Budget Act, that is, those continuously unfilled between October 15, 1948, and July 1, 1949, and 15.7 abolished for other reasons.

It is interesting to note that the number of established positions on July 1, 1949 was 4.7 fewer than those established one year previously. The 25 additional positions authorized for 1949-50 included three junior valuation engineers, one supervising auditor, grade 1, one auditor, grade 3, one field representative, and 19 in the junior and intermediate clerical grade. The 29.7 positions abolished included positions in all these classes except that of junior valuation engineer. This leads us to the conclusion that the only additional positions included in the 25 which were actually needed were the three junior valuation engineers and that as to all other classes the agency was actually overstaffed at the time the 1949-50 Budget request was submitted, by 7.7 positions.

The 50.5 additional positions requested by the agency for the 1950-51 Fiscal Year includes the following:

Division of Assessment Standards, for Chapter 1466,		
Statutes of 1949-----		34
Division of Research and Statistics, research writers-----		2
Assistant transportation tax administrator-----		1
Junior and intermediate clerical grades:		
Sales Tax Division-----	10.5	
Alcoholic Beverage Control Division-----	2	
General administration -----	1	13.5
Total -----		50.5

We believe that none of the 13.5 additional clerical positions is needed, and that the agency has sufficient clerical staff at present to provide for all its needs, if present personnel are properly assigned. In support of this conclusion we point to the condition evidenced by an analysis of the additional positions requested and the positions abolished in connection with last year's Budget.

#### Surveys Needed

In our detailed budget analysis we have recommended that surveys be made by the Personnel Board and the management analysis staff of the Department of Finance of certain units or groups of personnel in the Board of Equalization. We also recommend that surveys be made by both agencies of all personnel and all divisions and operations of the Board of Equalization at the earliest possible date. We recommend that the accounting procedures staff of the Department of Finance participate in these surveys since such matters as the handling of pro rata charges between divisions and their effect on the presentation of budget data indicates the desirability of such surveys.

It should be noted that in the audit report of the Audits Division of the Department of Finance dated September 27, 1949, the recommendation is made that thorough studies be made by both the management analysis staff and the accounting procedure staff of the Department of Finance of all divisions of the Board of Equalization.

**Department of Finance  
GENERAL ACTIVITIES**

ITEM 116 of the Budget Bill

Budget page 360  
Budget line No. 4

**For Support of the Department of Finance—General Activities From the General Fund**

Amount requested .....	\$1,874,299
Estimated to be expended in 1949-50 Fiscal Year .....	1,873,480
Increase .....	\$819

**Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages .....	\$207,074	\$201,530	\$5,544	360	38
Operating Expenses .....	110,737	110,737	---	360	39
Equipment .....	100,240	100,240	---	360	40
Less:					
Increased Reimburse- ments .....	217,252	---	---	360	43
Increased Appropriation, Fair and Exposition Fund .....	2,500	---	---	360	18
Plus:					
Decreased Expenditures Postwar Employment Reserve .....	3,000	---	---	360	19
Total Increase .....	\$819	\$212,027	\$5,544		

**RECOMMENDATIONS**

Amount budgeted .....	\$1,874,299
Legislative Auditor's Recommendation .....	1,868,644
Reduction .....	\$5,655

**Summary of Reductions**

<i>Item of decrease</i>	<i>Amount</i>	<i>Budget page</i>	<i>Line No.</i>
Division of Budgets and Accounts			
Salaries and wages .....	\$2,772	---	---
2 Administrative trainees .....	\$5,544	364	41
Less error line extension .....	2,772	364	41
Purchasing			
Salaries and wages .....	2,400	---	---
1 Intermediate stenographer-clerk .....	\$2,400	366	37
Equipment (office—additional) .....	483	366	63
Total reduction .....	\$5,655		

**ANALYSIS**

The amount of \$1,874,299 requested for 1950-51 is an increase of \$819 over estimated expenditures from the General Fund for the current fiscal year. The total expenditure program, however, is scheduled to increase \$217,571 or 10.5 percent over 1949-50. This increase is attributable primarily to the radio maintenance service for all agencies initiated by the Division of Communications during the current year, being budgeted for the full 1950-51 Fiscal Year. These services are rendered on a reimbursable basis to other state agencies, so do not result in an increase in the support item for the Department of Finance.

The budgets for each of the activities covered by this item will be considered in the order they appear in the Budget.

#### **Administrative Division**

The amount of \$179,555 as shown on page 361 of the Budget is requested for support of the Administrative Division. This represents an increase of \$5,779 or 3.3 percent over the amount of \$173,776 estimated for expenditure in the 1949-50 Fiscal Year.

The budgeted increase by object of expenditure is as follows:

<i>Item of increase</i>	<i>Amount</i>	<i>Percent increase</i>
Salaries and wages-----	\$17,324	12.4
Operating expenses (decrease)-----	—8,210	—25.5
Equipment (decrease)-----	—2,314	—73.5
Less: Increased reimbursements other agencies-----	—1,021	---
Net increase-----	\$5,779	3.3

The increase in salaries and wages is attributable to normal salary increases totaling \$7,177, two new positions and  $\frac{1}{2}$  clerical position transferred from local allocations totaling \$11,742 offset in part by a reduction of \$1,595 in temporary help. The additional positions are justified by increase work load. Additional work for the Reclamation Board by the office of the Administrative Advisor will result in a partial offset through increased reimbursements. The magnitude of activities in the construction field indicates a definite need for additional assistance for the Construction Advisor.

The amounts budgeted for operating expenses and equipment seem in order.

We recommend approval of the divisional budget as submitted.

#### **Accounts and Disbursements Division**

The amount of \$212,968, as shown on page 362 of the Budget, is requested for the support of the Accounts and Disbursements Division. This is a decrease of \$1,735 or 0.8 percent under the amount of \$214,703 estimated as expenditures in the 1949-50 Fiscal Year.

The budgeted increase by object of expenditure is as follows:

<i>Item of increase</i>	<i>Amount</i>	<i>Percent increase</i>
Salaries and wages-----	\$7,665	3.5
Operating expenses (decrease)-----	—110	—0.4
Equipment (decrease)-----	—9,290	—87.7
Total decrease-----	—\$1,735	—0.8

The increase in salaries and wages is attributable to normal salary increases totaling \$8,097, and reclassification of five positions at a cost of \$780 with an offset of \$1,212 resulting from an increase in estimated salary savings.

Budgeted amounts for operating expenses and equipment seem in line with requirements.

We recommend approval of the divisional budget as submitted.

### Audits Division

The amount requested for support of the Audits Division, as shown on page 363 of the Budget, is \$508,755, an increase of \$27,337 or 5.7 percent over estimated expenditures for 1949-50.

The budgeted increase by object of expenditure is as follows:

<i>Item of increase</i>	<i>Amount</i>	<i>Percent increase</i>
Salaries and wages	\$23,884	5.2
Operating expenses (decrease)	—640	—1.3
Equipment	—1,679	—34.8
Plus: Decrease in reimbursements	5,772	—19.2
Total increase	\$27,337	5.7

The division requests eight additional positions, seven of which were added during the current year due to expanded activities in the Department of Social Welfare. These positions are requested for the 1950-51 Fiscal Year to permit audit of activities added as a result of the adoption of Article XXV of the Constitution. The division has indicated that June 30, 1951, is the earliest date these audits can be completed. The additional position of duplicating machine operator is based on work load. The discontinuance of a special service to the Division of Fish and Game accounts for the deletion of one senior accountant and a corresponding reduction in estimated reimbursements from other agencies. The reclassification of 12 junior accountant auditors is in accordance with the established policy of upgrading this group after an on-the-job training period during which time trainees have qualified themselves for accountant auditor, grade 1, positions.

We recommend approval of the divisional budget as submitted.

### Division of Budgets and Accounts

The amount of \$457,425, as shown on page 364 of the Budget, is requested for the support of the Division of Budgets and Accounts. This is an increase of \$12,528 or 2.8 percent over estimated expenditures for the current year.

The budgeted increase by object of expenditure is as follows:

<i>Item of increase</i>	<i>Amount</i>	<i>Percent increase</i>
Salaries and wages	\$19,938	5.0
Operating expenses (decrease)	—2,759	—7.3
Equipment (decrease)	—4,651	—47.9
Total increase	\$12,528	2.8

We recommend disapproval of two positions as follows:

	<i>Budget page</i>	<i>Line No.</i>
2 administrative trainees	\$5,544	364
Less: Error in line extension	—2,772	364
Net reduction	\$2,772	

These positions are not justified on a work load basis. These positions with two similar positions proposed for the Personnel Board would combine training with actual experience received on varied work assignments. We question the merit of providing positions, not justified on a work load basis, to improve quality of applicants for administrative

positions, especially 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 for all employees.

The following additional positions are recommended for approval:

- 1 associate budget analyst.
- 2 administrative trainees
- 1 associate research technician

The associate budget analyst and two administrative trainees were authorized for the current year based on expanding work load resulting from the adoption of Article XXV of the Constitution. Reorganization of the activities of the division and related work assignments seem to justify the continuation of these positions on a work load basis. The associate research technician is required because of increasing need for research information for use in the division and other state agencies.

We recommend approval of the divisional budget as submitted.

#### Division of Communications

The amount of \$136,732 as shown on page 365 of the Budget is requested for the support of the Division of Communications. This is a decrease of \$64,981 or 32.2 percent under the amount estimated for expenditure in the 1949-50 Fiscal Year.

The budgeted increase by object of expenditure is as follows:

<i>Item of increase</i>	<i>Amount</i>	<i>Percent increase</i>
Salaries and wages-----	\$113,337	112.1
Operating expenses-----	124,420	190.1
Equipment-----	—81,158	—96.5
 Total increase-----	 \$156,599	 62.5
Less increased reimbursements*-----	—221,530	452.5
 Net decrease—General Fund-----	 —\$64,981	 —32.2

\* For services to other agencies for radio maintenance.

Radio maintenance service for all agencies is being initiated during the current year. Provision is made in the expenditure budget for continuation of this service during the budget year. These services are reimbursable by the agencies receiving this service which accounts for the increase in estimated reimbursements for the 1950-51 Fiscal Year.

Provision is made in the proposed budget for continued microwave study and research.

We recommend approval of the divisional budget as submitted.

#### Purchases Division

The amount requested for support of the Purchases Division, as shown on page 366 of the Budget, is \$370,757, an increase of \$20,165 or 5.8 percent over estimated expenditures for 1949-50.

The budgeted increase by object of expenditure is as follows:

<i>Item of increase</i>	<i>Amount</i>	<i>Percent increase</i>
Salaries and wages-----	\$20,750	6.9
Operating expenses-----	686	1.5
Equipment-----	—1,271	—21.8
 Total increase-----	 \$20,165	 5.8

A traffic management section was established in this division during the current year as a result of legislative action in the 1949 Session. Estimated expenditures for this function for 1949-50 are based on six months' operation. The continuance of this function for the 1950-51 Fiscal Year accounts for \$9,270 of the increase in salaries and wages and an increase of \$450 in operating expenses. Other increases are accounted for by normal salary increases, the request for two additional positions, and the reclassification of one position. We recommend approval of the additional senior buyer position and the reclassification of one junior buyer to one senior buyer.

*The following position is recommended for disapproval along with additional equipment related to the position:*

	Amount	Budget page	Line No.
1 Intermediate stenographer-clerk-----	\$2,400	366	37
Equipment (office-additional) -----	483	366	63
Total reduction -----	\$2,883		

A survey by this office of the organization and procedures of the Purchases Division indicates that the senior buyer requests are in order. However, the review by this office as well as one by the Division of Administration in the Department of Finance indicates that procedural improvements, and the full utilization of a clerical pool should more than offset any increases in clerical work resulting from the additional buyer position.

We recommend approval of the divisional budget with deletions noted above.

#### **Bureau of Liquidation**

The amount of \$25,719, as shown on page 367 of the Budget, is requested for the support of the Bureau of Liquidation. This is an increase of \$120 or 0.5 percent over 1949-50.

The entire increase is attributable to normal salary adjustments. *We recommend approval as submitted.*

#### **Public Works and Acquisition Division**

The amount of \$32,388, as shown on page 368 of the Budget, is requested for support of the Public Works and Acquisition Division. This is an increase of \$1,106 or 3.5 percent over estimated expenditures for 1949-50.

The budgeted increase by object of expenditure is as follows:

Item of increase	Amount	Percent increase
Salaries and wages -----	\$3,523	17.7
Operating expenses -----	—2,540	—22.8
Equipment -----	123	50.0
Total increase -----	\$1,106	3.5

One additional clerical position is requested on a work load basis. *We recommend approval of the divisional budget as submitted.*

#### **GENERAL SUMMARY**

The Department of Finance was created by the Legislature in 1921 (Chapter 603, Statutes of 1921). This department has general supervision over all matters concerning the financial and business policies of

the State, and performs centrally a number of services for all state agencies. The department is directly responsible to the Governor and responsible for facilitating the execution of his administrative policies.

As presently constituted the Department of Finance functions through the following divisions and operating units:

1. Administration Division
2. Accounts and Disbursements Division
3. Audits Division
4. Division of Budgets and Accounts
  - a. Administration
  - b. Budget Analysis Section
  - c. Financial Research Section
  - d. Management Analysis Section
5. Division of Communications
  - a. Administration and Engineering
  - b. Radio Maintenance
6. Purchases Division
  - a. Central Purchasing Section
  - b. Traffic Management Section
7. Public Works and Acquisition Division
8. Bureau of Liquidation
9. Accounting Services Section
10. Local Allocations Division
11. Buildings and Grounds Division
12. Division of State Lands
13. Division of Fairs and Expositions
14. State Agricultural Society
15. Sixth District Agricultural Society
16. Napa State Farm

The Director of Finance is charged by law with responsibility for the investment of certain funds and for approving transactions in securities by designated state agencies. The procurement of insurance and public official bonds for the State's protection comes under the jurisdiction of the Director of Finance. Other responsibilities of the department include:

1. Supervision of leases and contracts of the State.
2. Supervision of construction activities.
3. Regular auditing of books and records of state agencies.
4. Preparation of the Governor's Budget.
5. Review and approval of working budgets for all state agencies.
6. Development and supervision of accounting systems for state agencies.
7. Conduct of management surveys and recommended improvements in structure and procedures in state agencies.
8. Providing engineering service in the field of communications directed toward improvement and coordination of radio and other communication facilities operated by the State, cities and counties.
9. Providing centralized radio maintenance for all state agencies.
10. Providing centralized purchasing for all state agencies.

In addition to responsibilities listed above, the Director of Finance serves as chairman or member of numerous boards and commissions which further broadens the scope of responsibility vested in the director and the Department of Finance.

We recommend that study be given to relieving the Director of Finance of service functions not functionally related to the process of budget administration and control. There has been a persistent tendency over a period of years to transfer to the Department of Finance management service functions whenever any of such functions needed an improvement in management. This indirect solution to a management problem has resulted in many instances of poor government organization and should be remedied.

**Department of Finance**  
**AUDITS DIVISION**

ITEM 117 of the Budget Bill

Budget page 360  
Budget line No. 18

*For Support of the Audits Division, Department of Finance, from the Fair and Exposition Fund*

Amount requested .....	\$50,000
Estimated to be expended in 1949-50 Fiscal Year .....	47,500
Increase (5.3 percent) .....	\$2,500

**RECOMMENDATIONS**

Amount budgeted .....	\$50,000
Legislative Auditor's Recommendation .....	50,000
Reduction .....	None

**ANALYSIS**

The amount of \$50,000 is requested from the Fair and Exposition Fund for support of the Audits Division. This is an increase of \$2,500 over the amount requested for 1949-50. The increase is based on the estimated amount necessary for the Audits Division to provide adequate audits of fair activities during the budget year. This entire appropriation is supplemental to the amount of \$458,755, incorporated as a part of the amount provided by Item 116.

We recommend approval.

**Department of Finance**  
**AUTOMOTIVE LIABILITY INSURANCE**

ITEM 118 of the Budget Bill

Budget page 368  
Budget line No. 47

*For Payment of Premiums on Automobile Liability Insurance, Department of Finance, From the General Fund*

Amount requested .....	\$115,000
Estimated to be expended in 1949-50 Fiscal Year .....	105,000
Increase (9.5 percent) .....	\$10,000

#### RECOMMENDATIONS

Amount budgeted .....	\$115,000
Legislative Auditor's Recommendation .....	115,000
Reduction .....	None

#### ANALYSIS

The amount requested is the amount estimated necessary for payment of liability claims and expenses incident to investigation, adjustment, and defense thereof, or for premiums for automobile liability insurance.

The increased amount is directly related to an estimated increase in the number of cars to be covered.

We recommend approval.

#### Department of Finance PUBLIC LIABILITY INSURANCE

ITEM 119 of the Budget Bill

Budget page 368  
Budget line No. 62

#### *For Payment of Premiums on Public Liability Insurance, Department of Finance, From the General Fund*

Amount requested .....	\$2,500
Estimated to be expended in 1949-50 Fiscal Year .....	2,500
Increase .....	None

#### RECOMMENDATIONS

Amount budgeted .....	\$2,500
Legislative Auditor's Recommendation .....	2,500
Reduction .....	None

#### ANALYSIS

The amount requested covers premiums on comprehensive liability insurance to insure the liability of the State and its officers and employees for damage or injury to persons or property resulting from the dangerous or defective condition of state-owned or controlled property under the jurisdiction of the Department of Finance.

We recommend approval.

**Department of Finance**  
**OFFICIAL ADVERTISING**

ITEM 120 of the Budget Bill

Budget page 369  
Budget line No. 5

*For Official Advertising, Department of Finance, From the General Fund*

Amount requested .....	\$7,500
Estimated to be expended in 1949-50 Fiscal Year .....	7,500
Increase .....	None

**RECOMMENDATIONS**

Amount budgeted .....	\$7,500
Legislative Auditor's Recommendation .....	7,500
Reduction .....	None

**ANALYSIS**

The amount requested is to cover official advertising as required by law. We recommend approval.

**Department of Finance**  
**PREMIUM ON OFFICIAL BONDS**

ITEM 121 of the Budget Bill

Budget page 369  
Budget line No. 23

*For Premiums on Official Bonds, Department of Finance, From the General Fund*

Amount requested .....	\$5,000
Estimated to be expended in 1949-50 Fiscal Year .....	5,000
Increase .....	None

**RECOMMENDATIONS**

Amount budgeted .....	\$5,000
Legislative Auditor's Recommendation .....	5,000
Reduction .....	None

**ANALYSIS**

The amount requested is for premiums on official bonds required by officials and employees.

We recommend approval.

**Department of Finance  
DISTRIBUTION OF STATE DOCUMENTS TO LIBRARIES**

ITEM 122 of the Budget Bill

Budget page 369  
Budget line No. 49

*For Distribution of State Documents to Libraries, Department of Finance, From the General Fund*

Amount requested .....	\$25,000
Estimated to be expended in 1949-50 Fiscal Year .....	25,000
<hr/>	
Increase .....	None

**RECOMMENDATIONS**

Amount budgeted .....	\$25,000
Legislative Auditor's Recommendation .....	25,000
<hr/>	
Reduction .....	None

**ANALYSIS**

The amount requested is to provide for the distribution of state documents to libraries as required by law.

We recommend approval.

**Department of Finance  
BUILDINGS AND GROUNDS DIVISION**

ITEM 123 of the Budget Bill

Budget page 371  
Budget line No. 4

*For Support of the Department of Finance—Buildings and Grounds Division From the General Fund*

Amount requested .....	\$1,835,897
Estimated to be expended in 1949-50 Fiscal Year .....	1,649,281
<hr/>	
Increase (11.3 percent) .....	\$186,616

**Summary of Increases**

		INCREASE DUE TO			
	Total increase	Work load or salary adjustments	New services	Budget page	Line No.
Salaries and Wages .....	\$217,942	\$208,918	\$9,024	371	27
Operating Expenses .....	182,777	181,177	1,600	371	28
Equipment .....	7,683	4,783	2,900	371	29
<hr/>					
Total .....	\$408,402	\$394,878	\$13,524		
Service Revolving Fund:					
Less: Increased collec- tions appropriated for support .....	—221,786			371	13
<hr/>					
Total Increase .....	\$186,616				

**RECOMMENDATIONS**

Amount budgeted .....	\$1,835,897
Legislative Auditor's Recommendation .....	1,802,097
<hr/>	
Reduction .....	\$33,800

## ANALYSIS

A summary of recommended reductions is as follows:

Items of decrease	Amount	Budget page	Line No.
Sacramento buildings			
Operating expense ----	\$23,000	374	18
Heating ----- \$3,000		373	62
Air conditioning ---- 1,000		373	64
Power ----- 8,000		373	68
Lighting ----- 10,000		373	69
Water ----- 1,000		373	76
Los Angeles buildings			
Salaries and wages ----	\$10,800	376	10
5 janitor-janitress -- 10,800		376	6
Total reduction -----	\$33,800*		

\* Subject to deductions of that part properly chargeable to Revolving Fund operation.

## ANALYSIS

The amount requested is \$1,835,897 from the General Fund for support of the Buildings and Grounds Division. In addition to the amount appropriated from the General Fund, \$1,343,534 is budgeted for appropriation from the Service Revolving Fund, comprising collections from other agencies. *This makes a total expenditure program of \$3,179,431, an increase of \$408,402 or 14.7 percent over estimated expenditures for 1949-50.*

Salaries and wages are scheduled to increase \$217,942 or 12.0 percent over estimated expenditures for 1949-50. A total of 86 new positions are requested and 10 authorized positions deleted, making a net gain of 76 positions. Operating expenses show an increase of \$182,777 or 19.7 percent, and equipment an increase of \$7,683 or 41.0 percent over comparable expenditures for the 1949-50 Fiscal Year.

### Automotive Inspection Service

It is proposed to expand the automotive inspection service in the 1950-51 Fiscal Year to include the inspection of automotive equipment for the Department of California Highway Patrol. Two additional positions of inspector and two additional automobiles are requested to perform this function. The cost of this service will be charged to the patrol.

*We recommend approval of this expanded service on an experimental basis with the provision that no funds be expended for this service until an orderly operating procedure is developed.* Work should be scheduled so that a minimum of time is used in travel. A detailed record of work and accomplishments should be maintained in order that the program may be evaluated after a reasonable test period.

### Sacramento Buildings

A total of 71 new positions are requested for operation and maintenance of state buildings in Sacramento. Of this total, 66 are attributable to requirements of the State Capitol annex and are effective December 1, 1950, the estimated date of occupancy. The other five positions are related to work increases in other buildings.

The increase of \$119,565 in operating expenses is attributable primarily to the Capitol annex and an increase in the cost of telephone

exchange service of \$64,237. Operating expenses related to the Capitol annex should be reduced to seven-months estimates; therefore, *we recommend a total reduction of \$23,000 in the amount budgeted for operating expenses.*

#### San Francisco Buildings

An increase of \$64,466 or 17.7 percent is scheduled for the maintenance and operation of San Francisco buildings. This increase is attributable to full year operation of the Division of Highways Building. Estimated expenditures for the current year are based on four-months operation. All increases seem in order.

#### Los Angeles Buildings

The 12 additional positions requested for Los Angeles buildings will provide for full operation and maintenance of the Fashion League Building on July 1, 1950. *We recommend that the number of positions for Janitor-Janitress be reduced to six positions, a reduction of five positions at a saving of \$10,800.*

The leases on seven floors, presently occupied by dress manufacturers, expire on June 30, 1950. It is planned to utilize all space for state agencies as soon as alterations are completed. Information available indicates considerable repair and alteration will be necessary, the amount depending on space assignments made and decision as to the extent of rehabilitation that will be performed before occupancy. It is the opinion of this office that the remaining six positions of Janitor-Janitress and one Window Cleaner will be adequate for maintenance for the period the building will be occupied.

#### GENERAL SUMMARY

The Buildings and Grounds Division in the Department of Finance was established by the Legislature in 1921. This Division as presently constituted performs the following functions:

1. Administration of leases on privately owned buildings.
2. Maintenance and operation of state-owned and rented office buildings.
3. Care and upkeep of Capitol Park and other grounds.
4. Operation of state telephone exchanges in Sacramento, San Francisco and Los Angeles.
5. Supervision of California State Police.
6. Automotive inspection service.
7. Typewriter repair service.
8. Garage and maintenance service.

The division is presently concerned with the administration of 715 leases involving buildings in 155 different cities. These leases cover a total floor space of 2,644,537 square feet at an annual rental of \$4,276,697.88.

The Buildings and Grounds Division is responsible for the maintenance and operation of 44 buildings totaling 2,247,897 square feet. Of this total, 23 with a total area of 1,892,881 square feet are state-owned and 21 buildings totaling 355,016 square feet are leased. The division maintains and operates 37 buildings in Sacramento, four buildings in San Francisco and three buildings in Los Angeles.

The state garages and parking areas are operated under the Purchasing Revolving Fund. In Sacramento two garages and two parking areas provide space for 285 cars under attendant supervision; additional lots which are not supervised provide space for 95 cars. In Los Angeles the garage in the State Building provides supervised parking for 250 cars. The parking area back of the State Building in San Francisco is fenced and is locked each night. No attendant is provided, as the State Police is responsible for opening the gates in the morning and closing them at night.

The inspection of automotive equipment service is responsible for checking state-owned cars for mechanical conditions. One inspector is presently stationed in Los Angeles and one in Sacramento. The inspector in Sacramento has supervisory responsibility and is further concerned with the acquisition and disposal of state cars and recommends action on requested repairs costing over \$100. The preventive maintenance program initiated in Sacramento this year on an experimental basis proposes a 10,000-mile checkup with tuneup and minor repair.

A typewriter repair shop is operated in Sacramento. This shop services an estimated 4,500 typewriters.

The authorized complement of the California State Police is as follows:

- 1 Chief of State Police
- 1 State Police Captain
- 7 State Sergeants, and
- 63 State Policemen.

Assignments by units show a complement of 48 officers and men for the Sacramento unit, eight for San Francisco and 16 for Los Angeles. The San Francisco and Los Angeles units are headed by a State Police Sergeant.

**Department of Finance**  
**BUILDINGS AND GROUNDS DIVISION**

ITEM 124 of the Budget Bill

Budget page 377  
Budget line No. 8

**For Alterations, Repairs, and Equipment—State Buildings and Rented Offices,  
Department of Finance, From the General Fund**

Amount requested .....	\$150,000
Estimated to be expended in 1949-50 Fiscal Year .....	212,900
Decrease (29.5 percent) .....	\$62,900

**RECOMMENDATIONS**

Amount budgeted .....	\$150,000
Legislative Auditor's Recommendation .....	150,000
Reduction .....	None

**ANALYSIS**

This is a recurring item and the amount requested seems in line with requirements. *We recommend approval of the amount requested.*

**Department of Finance**  
**BUILDINGS AND GROUNDS DIVISION**

ITEM 125 of the Budget Bill

Budget Page 377  
Budget line No. 43

*For Maintenance of the State Burying Ground in San Mateo, Known as the Union Cemetery, Department of Finance, From the General Fund*

Amount requested .....	\$1,500
Estimated to be expended in 1949-50 Fiscal Year .....	1,500

Increase .....	None
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**RECOMMENDATIONS**

Amount budgeted .....	\$1,500
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Legislative Auditor's Recommendation .....	1,500
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Reduction .....	None
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**ANALYSIS**

The amount requested will provide contract services for the maintenance of Union Cemetery in San Mateo County.

*We recommend approval of the request as submitted.*

**Department of Finance**  
**EXPENSES OF MOVING AGENCIES**

ITEM 126 of the Budget Bill

Budget page 377  
Budget line No. 56

*For Alterations, Rent of Space and Expenses of Moving Agencies From the State Capitol During Construction of the Annex, Department of Finance, From the General Fund*

Amount requested .....	\$200,000
Estimated to be expended in 1949-50 Fiscal Year .....	265,000

Decrease (24.5 percent) .....	\$65,000
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**RECOMMENDATIONS**

Amount budgeted .....	\$200,000
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Legislative Auditor's Recommendation .....	200,000
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Reduction .....	None
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**ANALYSIS**

The amount requested is to provide for continued rental of space during construction of the Capitol Annex and moving costs of agencies returning to the Capitol after completion of the Annex.

We recommend approval of this item as submitted, but call attention to the fact that the amount budgeted for rentals is identical to the amount estimated for expenditure under this category during the current year. This item would seem to include a liberal estimate for rent but is recommended for approval because of unknown factors. If, however, the Annex is completed as scheduled on December 1, 1950, and agencies are returned to space in the Capitol by January 1, 1951, substantial savings in this item should be effected.

**Department of Finance  
BUILDINGS AND GROUNDS DIVISION**

ITEM 127 of the Budget Bill

Budget page 377  
Budget line No. 75

*For Relocation of Automatic Telephone Equipment, State Capitol, Department of Finance, From the General Fund*

Amount requested .....	\$72,800
Estimated to be expended in 1949-50 Fiscal Year .....	None
Increase .....	\$72,800

**RECOMMENDATIONS**

Amount budgeted .....	\$72,800
Legislative Auditor's Recommendation .....	72,800
Reduction .....	None

**ANALYSIS**

The amount requested is based on estimates submitted by the Pacific Telephone and Telegraph Company. It will provide for movement of present equipment to the State Capitol Annex.

*We recommend approval of the request as submitted.*

**Department of Finance  
LOCAL ALLOCATIONS DIVISION**

ITEM 128 of the Budget Bill

Budget page 379  
Budget line No. 4

*For Support of the Department of Finance, Local Allocations Division, From the General Fund*

Amount requested .....	\$111,873
Estimated to be expended in 1949-50 Fiscal Year .....	166,074
Decrease (32.6 percent) .....	\$54,201

**Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages .....	\$2,611	—\$51,665	\$54,276	379	50
Operating Expenses .....	—924	—12,924	12,000	379	51
Equipment .....	—1,772	—2,272	500	379	52
Total .....	—\$85	—\$66,861	\$66,776		
Add:					
Decreased Collections					
Appropriated for					
Support .....	\$22,950			379	38
Less:					
Increased Appropriations					
Other Funds:					
Postwar Unemployment					
and Construction					
Fund .....	—10,290			379	34
Public School Building					
Loan Fund .....	—66,776			379	36
Total Decrease .....	—\$54,201				

## RECOMMENDATIONS

Amount budgeted .....	\$111,873
Legislative Auditor's Recommendation .....	111,873
Reduction .....	None

## ANALYSIS

A total amount of \$324,817 is requested from all funds for the operation of the Local Allocations Division during the Fiscal Year 1950-51. The amounts requested by funds are as follows:

Item 128 General Fund .....	\$111,873
Item 129 Postwar Unemployment and Construction Fund .....	146,168
Item 130 Public School Building Loan Fund .....	66,776
Total support requested .....	\$324,817

The Local Allocations Division is responsible for the administration of certain appropriations to local agencies. The amount requested will provide for the administration of the following activities during the 1950-51 Fiscal Year:

Aid to local agencies for postwar plans and sites, Chapter 47, Statutes of 1944 (Fourth Extra Session).

Aid to local agencies for postwar construction, Chapter 20, Statutes of 1946 (First Extra Session).

Aid to local agencies for emergency veterans' housing, Chapter 29, Statutes of 1946 (First Extra Session); Chapter 1, Statutes of 1946 (Second Extra Session); Chapter 391, Statutes of 1947; Chapter 1574, Statutes of 1947.

Acquisition of housing facilities at colleges, Chapter 46, Statutes of 1946 (First Extra Session).

School building aid, Chapter 1575, Statutes of 1947; Chapter 922, Statutes of 1949.

Aid for educational facilities for cerebral palsied children, Chapter 1167, Statutes of 1949.

No provision is made for activities connected with the acquisition and sale of surplus housing to veterans and farmers. Limited activities under this program which have been carried on during the current year are being terminated.

Salaries and wages are scheduled to increase \$2,611 or 1.0 percent over the amount estimated for expenditure in 1949-50. Four new positions are requested and two existing positions have been deleted making a net increase of two positions. It is estimated that the augmented school building aid program will require 15 positions, 12 of which are existing positions which are available because of curtailment in other programs. The three new positions requested for this program are as follows:

- 1 Senior account clerk
- 1 Intermediate account clerk
- 1 Intermediate typist-clerk

The new position of accountant auditor, grade 1, is to augment the field audit staff in the veterans' temporary housing program. We recommend approval of these positions as requested.

The amount requested for operating expenses and equipment seem in line with requirements.

*We recommend approval of the request as submitted.*

## GENERAL SUMMARY

The State Allocation Board was created by Chapter 103, Statutes of 1946 (First Extra Session). The board as presently constituted is composed of the Director of Finance, Director of Public Works and the Superintendent of Public Instruction. Two members of the Senate appointed by the Senate Committee on Rules and two members of the Assembly appointed by the Speaker serve in an advisory capacity to the board, unless otherwise provided for by law.

There is established within the Department of Finance a Local Allocations Division. Administrative responsibilities of the Director of Finance and the Department of Finance in connection with programs of local assistance are assigned to the Local Allocations Division. This division is responsible for the examination of applications and requests for payment made by local agencies and other preliminary investigation that might be required to determine that all terms of the enabling legislation have been met.

### Department of Finance LOCAL ALLOCATIONS DIVISION

ITEM 129 of the Budget Bill

Budget page 379  
Budget line No. 22

#### *For Support of the Local Allocations Division, Department of Finance, From the Postwar Unemployment and Construction Fund*

Amount requested .....	\$146,168
Estimated to be expended in 1949-50 Fiscal Year .....	135,878
Increase (7.6 percent) .....	\$10,290

## RECOMMENDATIONS

Amount budgeted .....	\$146,168
Legislative Auditor's Recommendation .....	146,168
Reduction .....	None

## ANALYSIS

This appropriation is for the support of the Department of Finance, Local Allocations Division, and is supplemental to amounts provided for support by Item 128 and Item 130 of the Budget Bill. The amount requested represents that part of the total amount budgeted for the Local Allocations Division that is estimated to be required to administer the Construction and Employment Act and the Postwar Planning and Acquisition Aid Act. The statutory limitation on both of these acts fall in 1951, and it is expected that there will be an increased effort on the part of local agencies to submit applications for allocations under the acts prior to the limitation dates.

*We recommend approval.*

**Department of Finance  
LOCAL ALLOCATIONS DIVISION**

ITEM 130 of the Budget Bill

Budget page 379  
Budget line No. 36

*For Support of the Local Allocations Division, Department of Finance, From the Public School Building Loan Fund*

Amount requested .....	\$66,776
Estimated to be expended in 1949-50 Fiscal Year .....	---
Increase (new item) .....	\$66,776

**RECOMMENDATIONS**

Amount requested .....	\$66,776
Legislative Auditor's Recommendation .....	66,776
Reduction .....	None

**ANALYSIS**

This appropriation is for the support of the Department of Finance, Local Allocations Division, from the Public School Building Loan Fund, and is supplemental to amounts provided for support by Item 128 and Item 129 of the Budget Bill. The amount requested represents the estimated expenses of the division in connection with the administration of the augmented school building aid program.

*We recommend approval.*

**Department of Finance  
DIVISION OF FAIRS AND EXPOSITIONS**

ITEM 131 of the Budget Bill

Budget page 382  
Budget line No. 34

*For Support of Division of Fairs and Expositions, From the Fair and Exposition Fund*

Amount requested .....	\$82,964
Estimated to be expended in 1949-50 Fiscal Year .....	83,166
Decrease .....	\$202

**Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages .....	\$3,011	\$3,011	---	382	49
Operating Expenses .....	1,572	1,572	---	382	50
Equipment .....	—4,785	—4,785	---	382	51
Total Decrease .....	—\$202	—\$202	---		

**RECOMMENDATIONS**

Amount budgeted .....	\$82,964
Legislative Auditor's Recommendation .....	82,964
Reduction .....	None

## ANALYSIS

The present budget contemplates the same level of operation as in the 1949-50 Fiscal Year.

A review of the various audit reports on the operations of district, county, and city fairs still shows many audit exceptions in connection with deficiencies in management, practices and records. While in some cases improvements have been noted, there is still ample room for further progress. Much of the responsibility for securing this improvement rests with the activities of this division. Fulfilling this responsibility means that the State will obtain a greater return on its investment in these activities with resulting better fairs.

We recommend approval of the budget as submitted in the amount of \$82,964.

### Department of Finance DIVISION OF FAIRS AND EXPOSITIONS—STATE AGRICULTURAL SOCIETY

ITEM 132 of the Budget Bill

Budget page 384

Budget line No. 75

#### For Support of the State Agricultural Society From the State Agricultural Society Contingent Fund

Amount requested .....	\$1,659,497
Estimated to be expended in the 1949-50 Fiscal Year .....	1,726,952
Decrease (3.9 percent) .....	\$67,455

#### Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages .....	—\$85,477	—\$85,477	---	385	7
Operating Expenses .....	3,085	—44,579	\$47,664	385	8
Equipment .....	—8,671	—25,196	16,525	385	9
Plus:					
Decrease in Reim- bursements:					
Operations division chargeable to capi- tal outlay .....	23,608	23,608	---	385	13
Total					
Decrease .....	—\$67,455	—\$131,644	\$64,189		

## RECOMMENDATIONS

Amount budgeted .....	\$1,659,497
Legislative Auditor's Recommendation .....	1,568,826
Reduction .....	\$90,671

## ANALYSIS

#### Recommended Reduction by Item

	Amount	Budget page	Line No.
Operating expenses .....	\$82,000	385	8
Equipment .....	8,671	385	9
Total .....	\$90,671		

Comparison of Expenditures and Revenues

	1947-48	1948-49	1949-50	1950-51
Expenditures -----	\$1,134,483	\$1,507,315	\$1,743,952	\$1,674,497
Revenues -----	927,623	944,681	972,000	971,300
Deficit -----	\$206,860	\$562,634	\$771,952	\$703,197

The above table indicates that for 1950-51, the operating deficit will be \$68,755 less than that estimated for 1949-50. This is a commendable reversal of the trend as it has progressed since 1947. The improvement, however, results wholly from a curtailment of expenditures since it is noted that total revenues are anticipated to decline \$1,000. *We believe that added emphasis should be placed also upon improving revenues to effect a better balanced operation.*

This recommendation leads to a reiteration of our statements contained in previous analyses in connection with the issuance of passes. *In the past, the issuance of passes has occasioned revenue losses estimated at between \$35,000 to \$50,000.* This is enough to cover the cost of paid advertising as requested in the present Budget.

The following table presents the potential loss of revenue fostered by a continuation of the "pass" system.

Comparison of Revenue Values of Passes Issued and Honored

	1947-48	1948-49	1949-50
Number issued -----	269,169	437,880	447,828
Value -----	\$134,584	\$218,940	\$199,815
Numbered honored -----	131,230	126,185	131,899
Value -----	\$65,615	\$63,092	\$57,188

*In 1948 the number of passes honored equaled 16.5 percent of total admissions.*

*In 1949 the number of passes honored equaled 15 percent of total admissions.*

We recommend that the issuance of passes be eliminated in the operation of the California State Fair.

Salaries and Wages

The number of positions now authorized has been reduced from 81 in 1949-50 to 75 in 1950-51, a reduction of six positions. Salaries and wages for presently authorized positions, however, are scheduled to decline from \$747,653 to \$646,006, a decline of \$101,647. This has been accomplished largely through a reduction of \$74,000 in temporary help and a further reduction of \$5,000 in overtime as reflected on lines 53 and 55 respectively on Budget page 386 under the operations function, plus the elimination of indicated positions.

Payments for overtime are scheduled at \$75,300 for 1950-51 as against similar payments totaling \$82,061 in 1949-50. Here again we find commendable improvement in the amount of \$6,761. However, payments for overtime still constitute 11.4 percent of the total cost of salaries and wages. *If we relate the overtime to salaries and wages to be expended for temporary help alone we find that overtime payments constitute 22.5 percent of the total amount so budgeted.* This is a high premium to pay for a short time operation and it merits every consideration on the part of management to attempt to control and reduce this type of expenditure to the lowest level possible.

One proposed new position of intermediate stenographer-clerk is requested at a salary cost of \$1,890, as shown on Budget page 385, line 74. This position is budgeted for only nine months of the year and in effect is an offset to expenditures for temporary help.

We recommend approval of the request.

Under the category of proposed new positions there is requested the sum of \$6,700 for temporary help for commercial space and the further sum of \$7,580 for temporary help for concessions. These items are reflected on Budget page 387, lines 57 and 58, respectively. These merely constitute a conversion of existing authorized positions to a temporary help basis and involve the same dollar expenditure. We recommend approval of the request.

#### Operating Expenses

Operating expenses are scheduled at \$957,145 for 1950-51. This is an increase of \$3,085 or 0.3 percent over the amount of \$954,060 estimated to be expended in the 1949-50 Fiscal Year.

The increase by function for operating expenses is indicated below:

	<i>Increase in operating expense</i>	
	<i>Amount</i>	<i>Percent</i>
Administration -----	—\$1,769	—3.7
Exhibits and horse show -----	12,714	4.8
Operations -----	—12,007	—4.9
Promotions -----	—80	—0.1
Concessions and commercial space -----	5,018	56.7
Attractions and special events -----	19,130	15.2
Racing -----	—19,921	—10.7
	<u>\$3,085</u>	<u>0.3</u>

While the total increase in operating expenses is only \$3,085, there are many individual items of operating expense that are scheduled to increase, some in substantial amounts. The following table reflects these items by function and the amount of the increase.

	<i>Amount budgeted</i>	<i>Increase over</i>
	<i>1950-51</i>	<i>1949-50</i>
Administration:		
Telephone and telegraph -----	\$9,750	\$250
Exhibits and horse show:		
Premiums, general -----	164,500	1,724
Premiums, horse show -----	35,000	1,275
Trophies, medals and ribbons -----	12,000	1,025
Judges -----	22,900	5,554
Fashion show -----	14,135	3,645
Promotions:		
Public relations and promotions -----	12,500	4,220
Concessions and commercial space:		
Traveling -----	1,500	458
Booth award trophies -----	1,020	720
Food Advisory Board expense -----	1,000	100
Tent rental -----	5,000	3,500
Attractions and special events:		
Special days -----	3,600	2,365
Contests -----	21,000	18,966
Bands and music -----	13,000	1,234
Fire works -----	17,500	1,500
Racing:		
Printing -----	2,000	1,128
	<u>\$371,405</u>	<u>\$47,664</u>

It should be pointed out that although the \$47,664 represents a 14.7 percent increase over the amounts expended for these same items in 1949-50, and further, the bulk of these expenditures are of such a nature as to normally be expected to improve attendance and accordingly affect revenue, nevertheless no commensurate increase in revenues is anticipated. Instead, a decline of \$700 in revenues has been budgeted.

*We therefore recommend that the operating expense items scheduled in the above table be held to the same general level of expenditure as experienced in 1949-50 and operation expenses be reduced accordingly in the amount of \$47,000.*

We further recommend the elimination of \$35,000 for paid advertising. We believe that a program of advertising support should and can be developed on an industry-wide basis as industry-wide exhibits should be developed. Such an advertising program should be tied in directly with the industries and members thereof exhibiting at the fair. They are collectively far greater users of advertising media than the State Fair can ever hope to be. As such they are in a position to develop advertising media which they can use to their own advantage, not directly for the benefit of their individual products, but for the benefit of the State Fair where they exhibit.

We believe that such a program can be made far more effective than the direct expenditure of several times the sum requested for paid advertising in this budget.

If properly executed such a program cannot help but enhance the ultimate quality of the exhibits generally, and at the same time afford a wider, more effective publicity coverage. Both of these items in turn mean better attendance records and improved revenues.

#### Equipment

Proposed expenditures for equipment total \$40,176, a reduction of \$8,671 or 17.7 percent under the amount of \$48,847 estimated for 1949-50.

Out of total equipment expenditures the sum of \$23,651 is budgeted for replacement items, and the further sum of \$16,525 is for additional items.

Included in the request for replacement items is the sum of \$4,500 for two one-half ton trucks at \$2,250 each. These trucks each travel an average of only 600 miles per month. Normal depreciation on this type of equipment will be at least \$600 the first year. *Based on average mileage traveled this will result in a depreciation cost alone of over eight cents per mile.*

Based on the limited use accorded these vehicles, we recommend that the sum of \$2,250 for each truck be reduced to \$800 and that the State Agricultural Society arrange to secure a vehicle from either the Division of Forestry or the Division of Highways, which, when put in good operating condition, will cost not in excess of \$800. Such vehicles should be good for three to four years' use under operating conditions at the State Fair. This will reduce replacement equipment for operations from \$6,287 on Budget page 386, line 80, to \$3,387, a reduction of \$2,900.

A resume of the individual items in the equipment schedule for this facility indicates that the total funds required for additional items of equipment necessary to equip all proposed new positions, plus some items

necessary due to normal expansion at the existing level of service, amounts to \$10,754.

The difference between this sum of \$10,754 and the amount of \$16,525 requested for all additional items of equipment is \$5,771. This latter amount is the dollar measure of the amount of improvement in service, from an equipment standpoint contemplated by the proposed budget.

A curtailment in the acquisition of additional equipment in this category provides a sound method for budgetary reduction that entails a minimum of disruption to existing organization and procedure, and will permit the continuation of the existing level of service.

We recommend, therefore, a reduction of \$5,771 in additional equipment. This reduction is to be applicable to equipment expenditures proposed for additional items not related to proposed new positions or increases in work load due to normal expansion at the existing level of service.

#### STATE AGRICULTURAL SOCIETY CONTINGENT FUND

##### ITEM 133 of the Budget Bill

##### *For Augmentation of the State Agricultural Society Contingent Fund Payable From the Fair and Exposition Fund*

Amount requested	\$400,000
Estimated to be expended in the 1949-50 Fiscal Year	500,000
Decrease (20 percent)	\$100,000

##### RECOMMENDATIONS

Amount budgeted	\$400,000
Legislative Auditor's Recommendation	400,000
Reduction	None

##### ANALYSIS

This amount is required to augment the State Agricultural Society Contingent Fund which is the source of support for the operation of the State Fair.

We recommend approval of the amount requested.

#### Department of Finance—Division of Fairs and Expositions

##### SIXTH DISTRICT AGRICULTURAL ASSOCIATION

##### ITEM 134 of the Budget Bill

Budget page 389  
Budget line No. 64

##### *For Support of the Sixth District Agricultural Association From the Sixth District Agricultural Association Fund*

Amount requested	\$80,238
Estimated to be expended in 1949-50 Fiscal Year	81,703
Decrease (1.8 percent)	\$1,465

**Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages-----	\$1,642	\$1,642	---	390	8
Operating Expenses -----	210	210	---	390	9
Equipment -----	—3,317	—3,317	---	390	10
Total Decrease -----	—\$1,465	—\$1,465	---		

**RECOMMENDATIONS**

Amount budgeted -----	\$80,238
Legislative Auditor's Recommendation-----	80,238
Reduction -----	None

**ANALYSIS**

The requested support budget for 1950-51 contemplates approximately the same level of expenditures as estimated for 1949-50.

Under proposed new positions the sum of \$2,400 is requested on Budget page 390, line 32, to provide for additional temporary help incidental to keeping the exhibits open seven days per week. We recommend approval of this nominal increase.

The entire budget for this facility is purely a policy item which the Legislature may contract or expand as it determines is proper. The budget as submitted provides merely for a continuation of the existing activity.

The operation of the parking lot facilities are ultimately expected to gross \$50,000 per year, portions of which are accruing to the benefit of the General Fund to repay the loan of \$2,000,000 advanced to the sixth district.

Under the circumstances, if the activity is to be continued, the submitted budget appears adequate and is accordingly recommended to be approved as requested.

**SIXTH DISTRICT AGRICULTURAL ASSOCIATION**

**ITEM 135 of the Budget Bill**

***For Augmentation of the Sixth District Agricultural Association Fund Payable From the Fair and Exposition Fund***

Amount requested -----	\$40,000
Estimated to be expended in the 1949-50 Fiscal Year-----	35,000
Increase (14.2 percent) -----	\$5,000

**RECOMMENDATIONS**

Amount requested -----	\$40,000
Legislative Auditor's Recommendation-----	40,000
Reduction -----	None

**ANALYSIS**

This amount is required to augment the Sixth District Agricultural Association Fund which is the source of support for the Sixth District Agricultural Association.

We recommend approval in the amount requested.

**Department of Finance  
DIVISION OF FAIRS AND EXPOSITIONS—SIXTH DISTRICT  
AGRICULTURAL ASSOCIATION**

ITEM 136 of the Budget Bill

Budget page 391  
Budget line No. 64

**For Maintenance and Operation of Real Property Acquired for Parking Lot Purposes From the Sixth District Agricultural Association Fund**

Amount requested .....	\$1,200
Estimated to be expended in 1949-50 Fiscal Year .....	1,000
<b>Increase (20 percent) .....</b>	<b>\$200</b>

**Summary of Increases**

	Total increase	INCREASE DUE TO Work load or salary adjustments	New services	Budget page	Line No.
Salaries and Wages .....	---	---	---	---	---
Operating Expenses .....	\$200	\$200	---	391	77
Equipment .....	---	---	---	---	---
<b>Total Increase .....</b>	<b>\$200</b>	<b>\$200</b>	---	---	---

**RECOMMENDATIONS**

Amount budgeted .....	\$1,200
Legislative Auditor's Recommendation .....	1,200
<b>Reduction .....</b>	<b>None</b>

**ANALYSIS**

These funds are for operation of the parking lot facilities, which is a revenue producing function. The amount requested is nominal and we recommend its approval.

**Department of Finance  
DIVISION OF STATE LANDS**

ITEM 137 of the Budget Bill

Budget page 393  
Budget line No. 57

**For Support of the Department of Finance, Division of State Lands, From the State Lands Act Fund**

Amount requested .....	\$317,516
Estimated to be expended in 1949-50 Fiscal Year .....	288,863
<b>Increase (9.9 percent) .....</b>	<b>\$28,653</b>

**Summary of Increases**

	Total increase	INCREASE DUE TO Work load or salary adjustments	New services	Budget page	Line No.
Salaries and Wages .....	\$9,511	—\$1,779	\$11,290	393	73
Operating Expenses .....	—725	—7,025	6,300	393	74
Equipment .....	—1,513	—1,513	---	393	75
<b>Add:</b>					
Decrease in Reim- bursements .....	21,380	21,380	---	393	78
<b>Total Increase .....</b>	<b>\$28,653</b>	<b>\$11,063</b>	<b>\$17,590</b>	---	---

## RECOMMENDATIONS

Amount budgeted .....	\$317,516
Legislative Auditor's Recommendation .....	317,516
Reduction .....	None

## ANALYSIS

The over-all increase of \$28,653 in estimated net expenditures for 1950-51 over 1949-50 is the result of an increase of estimated total expenditures in the amount of \$7,273, plus a decrease in estimated reimbursements for land appraisals, surveying services and engineering reports of \$21,380. The decrease in estimated reimbursements is a direct result of discontinuing survey work being done for Beaches and Parks on a reimbursable basis, during the Fiscal Year 1950-51.

Under new services it is proposed to use the four-man survey team, made available by discontinuing surveys for Beaches and Parks, to initiate a survey of encroachments upon state lands. Preliminary checks by the Division indicate that the proposed survey should result in additional rentals from property which would be placed under lease but is now illegally occupied.

Salaries and Wages are scheduled to increase from \$226,025 for the current year to \$235,536 for the Fiscal Year 1950-51, an increase of \$9,511 or 4.2 percent with one new position being requested. The additional position will provide one additional oil gauger which is necessary due to increased work at the Huntington Beach Field. Other increases are accounted for by normal salary increases, reclassification of two positions and a reduction in estimated salary savings.

Operating expenses for the budget year are estimated at \$81,483, a decrease of \$725 under estimated expenditures for 1949-50. Major changes include the deletion of an amount of \$4,000 for files index service which is to be completed during the current year, and an increase in rent in the amount of \$2,818. The increase in rent is for additional space to be made available to the Division in both Los Angeles and Sacramento.

Equipment requests total \$8,217 which is a decrease of \$1,513 or 15.5 percent under the amount of \$9,730 estimated for expenditure in the current year. All equipment items seem in line with requirements.

Revenues to the State Lands Act Fund are scheduled to increase from an estimated \$1,146,574 in 1949-50 to \$1,150,057 in 1950-51, an increase of \$3,483 or 0.3 percent.

We recommend that this item be approved as submitted.

## GENERAL SUMMARY

The State Lands Commission, consisting of the Director of Finance, the State Controller and the Lieutenant Governor, was created by Chapter 5, Statutes of 1938, Extra Session. The commission was vested with all the powers, duties, purposes, responsibility and jurisdiction of the Department of Finance as successor to the Surveyor General, Register of the State Land Office, and State Land Office, and of the Division of State Lands in the Department of Finance. The commission administers all laws and statutes committed to it, through the Division of State Lands in the Department of Finance.

Jurisdiction over all state-owned public lands is vested in the Division of State Lands. Activities include the selling of proprietary lands, the control of oil, gas, mineral, grazing, agricultural, and recreational leases, as well as leasing for the use and occupancy of swamp, overflowed, marsh, tide and submerged lands. Survey to settle title and boundary disputes or correction surveys covering some of the earlier land sites are the responsibility of this Division. The State Lands Commission is authorized to represent the State in all contests between it and the United States in relation to public land.

The headquarters of the State Lands Commission and the Division of State Lands is in Los Angeles. Land sales and exchange activities are recorded in the Sacramento branch where original title records for the proprietary lands are maintained.

The principal source of funds deposited in the State Lands Act Fund is from oil royalties. Rentals and royalties from leases of marginal sea tidelands have been impounded since 1947 pending determination of the "3 mile marginal belt" stipulated in the United States Supreme Court decision of June 23, 1947, and its decree of October 27, 1947, adjudging that the State of California has no title or property interest in such tidelands. The following is actual and estimated revenue impounded:

1947-48 Actual	\$7,122,133
1948-49 Actual	10,063,298
1949-50 Estimated	9,056,969
1950-51 Estimated	8,604,120
Estimated total July 1, 1951	\$34,846,520

Under provisions of the State Resources Code, revenue collected, except rents, bonuses, royalties and profits accruing from the use of state school land, shall be deposited to the credit of the State Lands Act Fund. Revenues from rentals, bonuses, royalties and profits accruing from the use of state school lands are deposited in the State School Fund. Funds which now receive money from the State Lands Act Fund by transfer are: The General Fund, the Veterans' Dependents Education Fund, the State Beach Fund and the State Park Fund.

We repeat our recommendation made in two previous analyses that all agencies receiving support from the State Lands Act Fund should be transferred to a basis of receiving support from the General Fund and all money collected by the Division of State Lands, with the exception of that which goes into the State School Fund, should be paid into the General Fund. All impounded tideland moneys when and if released should also be paid into the General Fund.

**Department of Finance**  
**DIVISION OF STATE LANDS—OTHER CURRENT EXPENSES**

ITEM 138 of the Budget Bill

Budget page 396  
 Budget line No. 5

**For Defense of Title to Tide and Submerged Lands From the State Lands Act Fund**

Amount requested .....	\$70,000
Estimated to be expended in 1949-50 Fiscal Year .....	70,000
<hr/>	
Increase .....	None

**Summary of Increases**

	Total increase	INCREASE DUE TO Work load or salary adjustments	New services	Budget page	Line No.
Salaries and Wages .....	\$189	\$189	---	396	21
Operating Expenses .....	—189	—189	---	396	28
Equipment .....	---	---	---	---	---
<hr/>		<hr/>			
Total Increase .....	None	None			

**RECOMMENDATIONS**

Amount budgeted .....	\$70,000
Legislative Auditor's Recommendation .....	70,000
<hr/>	
Reduction .....	None

**ANALYSIS**

Normal salary increases account for the increase of \$189 in the amount budgeted for salaries and wages. This increase is offset by a like decrease in miscellaneous operating expenses.

The amount requested will provide necessary funds to continue efforts directed toward obtaining congressional action in defense of California's title to the tidelands. A parallel effort is also being made to retain the tidelands through having them declared "inland waters" under the Supreme Court opinion of June 23, 1947.

*We recommend approval of this item as submitted.*

**Department of Finance**  
**DIVISION OF STATE LANDS—LITIGATION EXPENSES**

ITEM 139 of the Budget Bill

Budget page 396  
 Budget line No. 44

**For Expenses for Litigation, City of Los Angeles, From the State Lands Act Fund**

Amount requested .....	\$10,000
Estimated to be expended in 1949-50 Fiscal Year .....	10,000
<hr/>	
Increase .....	None

**RECOMMENDATIONS**

Amount budgeted .....	\$10,000
Legislative Auditor's Recommendation .....	10,000
<hr/>	
Reduction .....	None

# ANALYSIS

The amount requested is to cover further litigation in the case against the Bureau of Power and Light, City of Los Angeles, for flooding the state-owned mineral deposits in the bed of the Owens and Mono Lakes. The case is under appeal to the Supreme Court and amounts budgeted will provide for further research work, preparation of court material and other assistance to the Attorney General as required.

*We recommend approval.*

## Department of Finance

### DIVISION OF STATE LANDS—DEFENSE OF QUIET TITLE ACTIONS

ITEM 140 of the Budget Bill

Budget page 396  
Budget line No. 60

#### For Defense of Quiet Title Actions From the State Lands Act Fund

Amount requested .....	\$15,000
Estimated to be expended in 1949-50 Fiscal Year .....	15,000
Increase .....	None

#### RECOMMENDATIONS

Amount budgeted .....	\$15,000
Legislative Auditor's Recommendation .....	15,000
Reduction .....	None

# ANALYSIS

The amount requested is to cover expenses in connection with the defense of quiet title actions filed in accordance with law. Assistance is furnished to the Attorney General on cases involving the defense of the State's interests in public lands.

*We recommend approval.*

## Department of Finance

### NAPA STATE FARM

ITEM 141 of the Budget Bill

Budget page 397  
Budget line No. 31

#### For Support of the Department of Finance, Napa State Farm, From the General Fund

Amount requested .....	\$37,429
Estimated to be expended in 1949-50 Fiscal Year .....	34,962
Increase (7.1 percent) .....	\$2,467

#### Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages .....	\$2,654	\$2,654	---	397	42
Operating Expenses .....	242	242	---	397	43
Equipment .....	385	385	---	397	44
Less:					
Increased Reimbursements .....	330	330	---	397	47
Total Increase .....	\$2,467	\$2,467			

## RECOMMENDATIONS

Amount budgeted .....	\$37,429
Legislative Auditor's Recommendation .....	37,429
Reduction .....	None

## ANALYSIS

Salaries and wages are scheduled to increase \$2,654 or 13.0 percent over the estimated expenditures for salaries and wages during 1949-50. This increase is due primarily to an increase of \$1,380 requested for temporary help and an increase in the amount budgeted for the superintendent's salary which results from a conversion from a monthly salary plus maintenance for self and family to a gross salary basis. This conversion also accounts for the deletion of an item for feeding and house-keeping under operating expenses and an increase in reimbursements resulting from the \$55 monthly rental charge for the superintendent's quarters.

The increase in temporary help is in line with increased operations planned for 1950-51.

Operating expenses and equipment requests seem to be consistent with needs.

Revenue for the General Fund is scheduled to increase from an estimated \$35,195 in 1949-50 to an estimated \$39,875 in 1950-51, an increase of \$4,680 or 13.3 percent.

The excess of revenue over expenditures for support, actual and estimated for a three year period, is as follows:

	Support	Revenue	Excess
1948-49 (actual) .....	\$32,402	\$34,299	\$1,897
1949-50 (estimated) .....	35,836	35,195	-641
1950-51 (estimated) .....	39,636	39,875	239

Actual expenditures for capital outlay in addition to expenditures for support during the 1948-49 Fiscal Year totaled \$17,500 and expenditures for capital outlay during 1949-50 are estimated at \$1,710 with an additional expenditure of \$4,400 proposed for 1950-51.

We reemphasize our endorsement of recommendations made by the Northern California Subcommittee of the Legislative Joint Agriculture and Livestock Problems Committee, after its meeting at Napa State Farm on December 8, 1948, which are as follows:

1. That the farm be turned over to the Department of Mental Hygiene at the earliest possible moment, to be operated to satisfy the requirements of the Napa State Hospital, the Veterans Home, and the Sonoma State Home.

2. The Napa Hospital hog ranch and the hog ranch of the Veterans Home should be consolidated at the Napa State Farm.

Legislation to accomplish this purpose failed passage at the 1949 session. *If consolidation as recommended above cannot be effected, we recommend that consideration be given to the advisability of discontinuing the farm operation and disposing of the property.*

## GENERAL SUMMARY

The Napa State Farm is located near Yountville in Napa County. The farm formerly known as the "Fry Ranch" was purchased by the State in 1911 as a site for a proposed reformatory. Chapter 165 of the Statutes of 1917 authorizes the operation of the farm for the benefit of the State and its institutions. In 1945 the farm was put under the control of the Department of Finance.

The farm is primarily concerned with the production of field crops and the purchasing, production, and feeding of livestock, and its processing for use in state institutions.

## FRANCHISE TAX BOARD

ITEM 142 of the Budget Bill

Budget page 398  
Budget line No. 64

### For Support of the Franchise Tax Board From the General Fund

Amount requested .....	\$2,481,207
Estimated to be expended in 1949-50 Fiscal Year .....	2,309,383
Increase (7.4 percent) .....	\$171,824

### Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages .....	\$143,519	\$134,183	\$9,336	398	81
Operating Expenses .....	23,452	20,194	3,258	398	82
Equipment .....	4,853	992	3,861	398	83
Total Increase .....	\$171,824	\$155,369	\$16,455		

## RECOMMENDATIONS

Amount budgeted .....	\$2,481,207
Legislative Auditor's Recommendation .....	2,438,475
Reduction .....	\$42,732

## ANALYSIS

The following schedule summarizes the recommended reductions by object and by operating units:

Operating units	Total	Salaries and wages	Operating expenses	Equipment
Administration .....	\$13,648	\$8,940	\$720	\$3,988
Franchise Tax Division .....	4,669	---	743	3,926
Personal Income Tax Division				
Headquarters office .....	11,575	5,472	530	5,573
Los Angeles office .....	6,303	4,288	1,250	765
San Francisco office .....	6,537	4,288	2,025	224
Total .....	\$42,732	\$22,988	\$5,268	\$14,476

### Administration

We recommend deletion of the position of assistant executive officer, salary \$8,940, page 399, line 8 of the printed budget, as being unnecessary after July 1, 1950.

This is the position occupied by the former assistant commissioner who became the assistant executive officer on January 1, 1950, as a consequence of the reorganization under Chapter 1188, Statutes of 1949.

This legislation abolished the position of Franchise Tax Commissioner and in effect created the new position of executive officer in its stead.

Prior to January 1, 1950, there were in effect two executive officers for this agency, the Franchise Tax Commissioner, which office was abolished by Chapter 1188, Statutes of 1949, and the Assistant Franchise Tax Commissioner, who became the assistant executive officer on January 1, 1950. There is ample evidence, however, both in the files of the Joint Legislative Budget Committee and in those of the Assembly Interim Committee on Governmental Efficiency and Economy to justify the conclusion that the Franchise Tax Commissioner did not take an active part in the administration of the agency, and that for all practical purposes the agency had only one active administrative head, the assistant commissioner.

Chapter 1188, Statutes of 1949, provided that the Franchise Tax Board should succeed to all powers and duties formerly vested in the commissioner by law, and that it might appoint an executive officer at a salary of \$12,000 per year (salary of former commissioner \$9,384 per year) to perform such duties as might be delegated to him by the board. Since the board has appointed such an executive officer it would appear that the administrative needs of this agency at the top level are amply provided for, i.e., by the board itself, and the executive officer, and that in the interests of economy the position of assistant executive officer should be abolished.

The Division of Administrative Procedure of the Department of Finance has recommended that the need for this position be analyzed after about six months of operation under the provisions of Chapter 1188, Statutes of 1949.

We recommend approval of the establishment of new positions for two intermediate account clerk at \$4,560, Budget page 400, line 10; one bookkeeping machine operator at \$2,400, Budget page 400, line 11; and one junior typist clerk at \$2,040, Budget page 400, line 13. These are needed because of the increased work load caused by lowering of the personal exemptions.

Included in the amount requested for printing under operating expenses, Budget page 400, line 20, is \$200 for binding law reviews and the monthly periodical, *Taxes—The Tax Magazine* for inclusion in the law library maintained by the Franchise Tax Board. *We recommend deletion of one-half the amount, or \$100 for binding law reviews as being an unnecessary duplication of facilities maintained by the Board of Equalization in a similar law library in the same building.*

These law libraries are used for reference purposes by the attorneys of the two agencies, of which there are 11 in the Board of Equalization, and 8 in the Franchise Tax Board, located in Sacramento. The cost of tax services, periodicals, continuations and supplements to present sets of reference books and new books for these two libraries for the last fiscal year was as follows:

Franchise Tax Board.....	\$1,723
Board of Equalization.....	1,120
Total .....	\$2,843

Each agency also has the equivalent of approximately one employee performing half time service or custodial duties in connection with the law libraries

In addition to the law reviews there are many duplications in the material contained in the two libraries, including sets of reports and various tax services.

There appears to be no good reason why a single reference library would not be adequate for the needs of both agencies. If the libraries were to be consolidated, half the time of one custodian could be saved, plus a considerable saving in operating expenses.

We recommend that a study be made looking toward the consolidation of the libraries and the elimination of unnecessary duplications in material.

Included in the request for automobile operation, Budget page 400, line 24, is \$620 for two additional automobiles. *We recommend deletion of this amount since we are also recommending against the purchase of the two additional automobiles, Budget page 400, line 35, requested for \$2,900 for use of the field collectors in Los Angeles and San Francisco.*

At present the agency has eight automobiles. We believe that if the cars are operated on a pooled basis, three each will be sufficient for the needs of the field staff in San Francisco and Los Angeles, and the remaining two for the administrative staff in Sacramento. Of the eight cars, only three were driven more than 10,000 miles during the last fiscal year, these cars averaging 12,637 miles each. The other five averaged 7,881 each.

In connection with automobile operation a substantial part of the mileage of four of the cars results from staff members regularly driving them home at night *where overnight storage is available in state-owned garages at no extra cost.* If the agency will take steps to eliminate the use of cars for such purposes we believe a substantial saving in operating expense will result.

Included in the request for replacements of office equipment, Budget page 400, line 33, are the following :

2 typewriters .....	\$218
1 adding machine .....	287
1 automatic electric calculator .....	583

Total machines .....	\$1,088
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Inspection of the individual pieces of equipment indicated that they were in sufficiently good condition to make replacement unwarranted during the 1950-51 Fiscal Year, and accordingly we recommend deletion of these items.

A summary of the items recommended for deletion in the Division of Administration which have been discussed in detail in the foregoing is as follows:

	Amount	Budget page	Line No.
Salaries and Wages			
Assistant executive officer-----	\$8,940	399	8
Operating expenses			
Binding law reviews-----	100	400	20
Automobile operation (additional cars)-----	620	400	24
Equipment			
Replacement not warranted-----	1,088	400	35
2 additional automobiles-----	2,900	400	35
Total-----	\$13,648		

#### Franchise Tax Division

We recommend approval of the proposed new positions for three intermediate file clerks in the Sacramento office, \$6,840, Budget page 401, line 14, for two reasons. First, the work load has doubled since 1942 with no comparable increase in staff, which these new positions will provide. Secondly, there has never been adequate staff available for a systematic transfer of inactive material from the active files. The result is that many of the active files contain material as much as 18 years old, which need not be housed in expensive file cabinets occupying valuable office space. There is every indication that as a result of insufficient file clerks the present condition of these files is such as to seriously impair the efficient operation of the entire Franchise Tax Division.

Included in operating expenses, office, Budget page 401, line 24, is a request for \$243 for certain tax services for the Los Angeles and San Francisco area offices. *This is new service and we recommend their deletion.*

Likewise included in this item is a request for \$500 for buying copies of printed regulations from the Supervisor of Documents for members of the staff. *This is also a new service which we do not recommend as necessary.*

Under equipment, request is made for replacement of certain typewriters, Budget page 401, line 37. *Inspection of these typewriters indicated that three of them, costing \$357 were not in need of replacement, and accordingly we recommend deletion of this amount.*

Additional equipment requested includes two 4-drawer file cabinets for the Los Angeles office, costing \$166 and a water cooler for the San Francisco office costing \$140, both of which we believe to be unnecessary. *Accordingly we recommend their deletion.*

Three desks are requested for the three new file clerk positions commented on previously. We fail to see the need for desks for file clerks, and accordingly *recommend the deletion of the three desks at a cost of \$282, substituting instead three tables costing \$177 at a saving of \$105.*

The request for additional equipment also includes \$4,000 for 40 additional 5-drawer legal size office type filing cabinets at \$100 each. *We recommend instead the purchase of 20 storage type files at a cost of \$42.10 each, or a total cost of \$842 and a net saving of \$3,158.*

These files were requested to provide space for filing 1950 Franchise Tax returns due in 1951. We believe that 20 is a liberal estimate of the

number of file cabinets needed for this purpose. Our reason for recommending the substitution of storage type files for the more expensive office type files is that the agency now has a considerable quantity of inactive material stored in expensive office type files. If this material is removed and placed in the storage files recommended, sufficient space will be available in the present cabinets to store the new material to be received in 1951.

We recommend that the storage type files purchased be the same type as those now used in the Central Records Depository of the Secretary of State in order to make it possible to transfer them to that depository if additional space is later needed in the present location.

Because of litigation which has been pending for a number of years, involving a challenge of the method of determining the bank rate, it has been necessary for the agency to preserve all Bank and Corporation Franchise Tax returns and related material for all years subsequent to 1931. The agency's request for 40 new file cabinets and our alternative recommendation for 20 additional are both predicated upon the assumption that the litigation will not terminate before the end of the 1950-51 Fiscal Year. If the litigation should terminate before the 1950 returns are due, we believe no additional files are needed since much of the material now filed can then be destroyed.

Present equipment, consisting of 145 office type file cabinets and 39 transfer cabinets appears more than adequate to house all records which it would be necessary to preserve during the 1950-51 Fiscal Year were it not for the litigation.

A summary of the items recommended for deletion in the Franchise Tax Division which were discussed in the foregoing is as follows:

	<i>Amount</i>	<i>Budget page</i>	<i>Line No.</i>
Operating expenses			
Tax service .....	\$243	401	24
Purchase of printed regulations for staff .....	500	401	24
Equipment			
Replacements not warranted .....	357	401	37
Additional			
File cabinets, Los Angeles.....	166	401	38
Water cooler, San Francisco.....	140	401	38
Difference in cost between 3 desks and 3 tables.....	105	401	38
File cabinets, Sacramento.....	3,158	401	38
Total .....	\$4,669		

**Personal Income Tax Division—Headquarters Office**

An increase of \$36,890 in temporary help is requested, Budget page 401, line 76, over the 1949-50 Fiscal Year. This is all junior clerical help for various filing, sorting, and typing operations, and except as noted below appears justified on the basis of increased work load. The reason for the increase, despite the fact that the number of returns to be received in 1951 is estimated to be approximately the same as those to be received in 1950, is that much of the processing of the 1950 returns will not take place until after July 1, 1950, so that the full impact of the increased work load due to decreased exemptions will not be felt until 1950-51.

One of the operations to be performed by temporary help is the hand stuffing of an estimated 1,360,000 income tax blanks in envelopes for mailing to taxpayers, the estimated salary cost of this operation being, \$7,752.

Instead of performing this operation by hand, we recommend the purchase of a mechanical inserting and mailing machine such as that now used by the Department of Employment for performing a comparable operation and the addition of one permanent operator. The machine will cost \$3,800 initially, and the operator \$2,280 per year.

The net saving during the first year of operation will be as follows:

Salary costs—stuffing by hand.....		\$7,752
Less: Cost of machine.....	\$3,800	
Salary of full time operator.....	2,280	6,080
Net saving .....		\$1,672

Thus it will be seen that the machine will more than pay for itself during the first year of service if it is used only on this operation, and that thereafter the annual saving will be about \$5,500, the difference in salary paid the operator and the amount for temporary help.

Accordingly, *we recommend reduction of \$7,752 in the request for temporary help and the substitution therefor of the machine costing \$3,800 and one permanent operator. At the beginning rate for intermediate clerical level this amounts to \$2,280.*

Included under operating expense, office, Budget page 402, line 4, is the cost of 175 binders for staff members, \$530. *We recommend deletion of this item as being unnecessary.*

Under equipment replacement, Budget page 402, line 17, request is made for five electric calculators. Inspection of the equipment indicated that two are not in need of being replaced and, accordingly, *we recommend deletion of the cost of two calculators, or \$862.*

Additional equipment requested, Budget page 402, line 18, includes 107 file cabinets at \$100 each, or \$10,700, in which to file personal income tax returns.

Two methods of filing are used by the agency. So-called "small" returns, where tax does not exceed \$25 and income consists of salaries, interest, dividends, or annuities are filed by years in the "annual" file. So-called "large" returns, which are all others, are filed in individual files, by taxpayer's name.

The request includes 44 files in which to store the "annual" returns for 1950, due April 15, 1951. *We recommend this be reduced to 22, a reduction of \$2,200.* Under the processing procedure used by the agency at least half of these returns will not be ready for filing until after July 1, 1951, and if the files are actually needed they can be requested and the request justified in the 1951-52 Budget. Another reason for making this recommendation is that by the time the 1951-52 Budget is to be acted on, the agency will be in a much better position than it is at present to estimate the filing space needed to house the 1950 returns. By that time it will have had one year's experience as a guide to the increased volume to be expected as the result of lowered exemptions made by 1949 amendments to the law. No such information is available at the present time since the 1949 returns, the first to be affected by the lowered exemptions, are not due until April 15, 1950.

*We recommend a further reduction in this item of \$3,300 representing the cost of 33 files, since the space needed can be obtained in existing equipment if the returns in the 1945 and 1946 "annual" files which are*

stored in 33 cabinets at present, are removed from the cabinets before the 1950-51 Fiscal Year.

We believe returns in the "annual" files should be destroyed after they are four years old, since deficiency assessments cannot be made more than four years after the return was filed. The statistical analysis of income tax returns by size of tax payment made by the department tends to indicate that the average tax per return for all returns in the "annual" files cannot exceed \$10 and is probably nearer \$5.

At the present time the agency is preserving "annual" files for 1942, 1943, and 1944, with respect to all of which the 4-year limitation period has run. The 1943 and 1944 returns are housed in 60 office type 5-drawer letter size files which could well be put to other uses.

With respect to the remaining 52 legal size cabinets included in the request for 107, *we recommend storage type files be substituted*, since they will be placed in the basement and used for files which are semi-active. The savings will be as follows:

52 office type cabinets @ \$100-----	\$5,200
52 storage type cabinets @ \$42.10-----	2,189
Net saving -----	\$3,011

We recommend the purchase of storage type cabinets of the same type now used in the Central Records Depository of the Secretary of State in order to make it possible to transfer them to that depository if additional space is needed in the present location in the future.

Following is a summary of the recommended reductions for the Personal Income Tax Division, Headquarters Office:

Salaries and Wages	Amount	Budget page	Line No.
Temporary help -----	\$7,752	401	76
Add 1 permanent machine operator--	—2,280	401	76
Operating Expenses			
175 binders for staff-----	530	402	4
Equipment			
2 Burroughs electric calculators-----	862	402	17
22 files not needed until after			
July 1, 1951-----	2,200	402	18
33 files not needed-----	3,300	402	18
52 files, difference in cost between			
office type and storage type-----	3,011	402	18
Add 1 inserting and mailing machine--	—3,800	---	---
	<u>\$11,575</u>		

#### Personal Income Tax Division, Los Angeles Office

Included in the request for temporary help, Budget page 402, line 44, is \$8,576 for examiners to assist taxpayers in filing income tax returns during the first four months of 1951. Additional temporary help was granted the agency for a like purpose in the current fiscal year due to the anticipated increase in number of returns to be filed because of legislation passed in 1949 decreasing the amount of the personal exemptions with respect to 1949 returns due in 1950 and 1950 returns due in 1951. However, since this is purely a service function *we recommend that the amount requested be reduced one-half, or \$4,288* since it appears likely that by 1951 taxpayers will be sufficiently well educated as to the reduced exemption so that the additional services can be discontinued.

*We also recommend that the operating expenses be reduced \$250 for automobile mileage and \$1,000 for travel requested for these examiners, Budget page 402, lines 56 and 55, respectively.*

*We recommend deletion of the following items included in the request for equipment, office replacements, Budget page 402, line 63.*

1 wood typist desk-----	\$100
1 swivel arm chair-----	38
5 typewriters-----	545
Total-----	\$683

Inspection of the equipment indicated that it was not in need of replacement during the 1950-51 Fiscal Year.

*We recommend deletion of \$82 for one 4-section bookcase included as additional equipment, Budget page 402, line 64 as being unnecessary.*

Following is a summary of the reductions recommended for the Personal Income Tax Division, Los Angeles Office:

Salaries and Wages	Amount	Budget page	Line No.
One-half request for temporary examiners-----	\$4,288	402	44
Operating Expenses			
Auto mileage for above-----	250	402	56
Travel for same-----	1,000	402	55
Equipment			
Replacement not needed-----	683	402	63
Bookcase additional-----	82	402	64
Total-----	\$6,303		

Personal Income Tax Division, San Francisco

*We recommend deletion of the following requested for temporary examiners for reasons discussed under the Los Angeles Office:*

Salaries-----	\$4,288
Automobile mileage-----	175
Travel-----	875
Total-----	\$5,338

*We recommend deletion of \$325 for tax services for branch offices and \$650 for overhauling and cleaning venetian blinds at the area office at 540 Van Ness Avenue, San Francisco, both included under operating expense, office, Budget page 403, line 28.*

The tax services are a new service which we believe unnecessary, since it has not been available in the past and no specific justification for the increase has been made by the board. The item for cleaning venetian blinds appears to be excessive.

*We recommend deletion of \$159 for replacement of one 18" typewriter included under equipment, office replacement, Budget page 403, line 39. Inspection of the machine indicates it to be in good condition.*

*We also recommend deletion of \$65 for one bookcase for the investigation section in the area office, Budget page 403, line 40, as being unnecessary.*

Following is a summary of the reductions recommended for the Personal Income Tax Division, San Francisco:

	<i>Amount</i>	<i>Budget page</i>	<i>Line No.</i>
Salaries and wages			
One-half temporary examiners-----	\$4,288	403	20
Operating Expenses			
Auto mileage for above-----	175	403	32
Travel for same-----	875	403	31
Tax services, branch offices-----	325	403	28
Overhauling venetian blinds-----	650	403	28
Equipment			
Replacement not warranted-----	159	403	39
Bookcase, additional-----	65	403	40
Total-----	\$6,537		

#### Delinquent Franchise Tax

As of December 31, 1949, there existed a potential tax revenue of at least \$548,925 representing tax and penalties from corporations qualified to do business in California, but which had failed to file returns. The law requires that every corporation qualified to do business in California shall file a return and pay at least the minimum tax of \$25 per year until dissolved. The Franchise Tax Board has a record of all such corporations based on information received from the Secretary of State at the time the corporation qualifies. It also has the authority to levy an arbitrary assessment for the estimated tax due if a return is not forthcoming on demand. These returns were due for fiscal and calendar years ending in 1946, 1947, and 1948, some of which were due as early as April 15, 1946, in the case of a fiscal year ended January 31, 1946. The latest returns included are those due on March 15, 1949, for the calendar year 1948.

The following tabulation shows the number of these corporations for each income year, with the liability estimated at \$25 tax, plus appropriate penalties totaling 50 percent of the tax.

<i>Income year</i>	<i>Number of corporations</i>	<i>Estimated liability</i>
1946-----	1,747	\$65,513
1947-----	4,278	160,425
1948-----	8,613	322,987
Total-----	14,638	\$548,925

Since the average tax, exclusive of penalties, included in arbitrary assessments of this nature levied by the agency during the last four years has been well in excess of \$25, the foregoing estimate appears conservative.

These 14,000 are all cases in which no assessments have been made by the board. Some of this would, of course, be uncollectible. However, we believe that a revenue return sufficient to justify the assessments would accrue from effective steps to clear these prior year tax liabilities.

#### STATE TREASURER

ITEM 143 of the Budget Bill

Budget page 405  
Budget line No. 3

#### For Support of the State Treasurer From the General Fund

Amount requested-----	\$262,908
Estimated to be expended in 1949-50 Fiscal Year-----	239,162
Increase (9.9 percent)-----	\$23,746

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages -----	\$23,454	\$23,454	---	405	22
Operating Expenses -----	2,518	2,518	---	405	23
Equipment -----	—2,226	—2,226	---	405	24
Total Increase -----	\$23,746	\$23,746			

RECOMMENDATIONS

Amount budgeted -----	\$262,908
Legislative Auditor's Recommendation -----	262,908
Reduction -----	None

ANALYSIS

The \$23,746 or 9.9 percent increase over the amount estimated to be expended in 1949-50 does not reflect a true comparison of the expenditures in the two years due to the fact that the amount requested for the 1950-51 Fiscal Year is for a full year's operation, while many of the functions for 1949-50 Fiscal Year were based on expenditures occurring only in the latter part of the year. For example, the salaries and wages for the 37 employees for processing of social welfare warrants, related equipment rentals, and operating expenses were budgeted for only part of the year 1949-50 and eliminated immediately after passage of Proposition No. 2. The Centralized State Treasury System authorized by Chapter 1534, Statutes of 1949, will be functioning for only part of the 1949-50 Fiscal Year. Installation of this system was delayed pending a legal opinion. Twenty-three employees and related equipment and operating costs have been authorized for only part of the 1949-50 Fiscal Year, but the expenditures reflected in the 1950-51 Budget are for a full year. The centralized pay roll system in the disbursements division of the Controller's office began to function late in the 1949-50 Fiscal Year, but is expected to be in full operation during the 1950-51 Fiscal Year. This operation increases the warrant load handled by the State Treasury and it was necessary for him to budget for a part of the 1949-50 year for a minor increase in work load, yet estimate his expenditures for the 1950-51 Fiscal Year for a full scale operation.

Changes in law have made complete changes in many functions of the Treasurer's office and made estimates of work load difficult. A review of the entire operation will be made in 1950-51 when mechanization has been completed.

We believe the proposed increase is fully justified and that the Budget request for 1950-51 is the best estimate that can be made under the circumstances.

The anticipated increase in work load is:

	<i>Actual</i> 1948-49	<i>Estimated</i> 1949-50	<i>Estimated</i> 1950-51	<i>Increase</i>
Warrants .....	1,217,159	2,250,000	3,300,000	1,050,000
Securities handled \$751,000,000	\$1,112,000,000	\$1,160,000,000	\$1,160,000,000	\$48,000,000

The following schedule explains the increase in salaries and wages, and operating expense:

<b>Salaries and Wages</b>		<i>Amount of</i>
<i>Item</i>		<i>increase</i>
Positions authorized for part of 1949 as compared to full year in 1950-51.....		\$16,116
1 Treasury-Guard Clerk (proposed new position) .....		2,640
Temporary help .....		—2,810
Salary adjustment .....		5,008
Decrease in estimated salary savings .....		2,500
Total increase in salaries and wages .....		\$23,454

<b>Operating Expense</b>		<i>Amount of</i>
<i>Item</i>		<i>increase</i>
Centralized treasury system and mechanized warrant operator for part of 1949-50 as compared to full year for 1950-51 .....		\$4,918
Freight, cartage, and express .....		—2,000
Automobile mileage .....		—400
Total increase in operating expenses .....		\$2,518

#### Equipment

Equipment expenditures decreased \$2,226. The amount estimated to be expended in 1950-51 is \$9,398 and consists of the following purchases:

<i>Item</i>	<i>Amount</i>
Replacement of 4 unserviceable typewriters .....	\$4,578
Additional office equipment (work load increase) .....	1,027
Intraoffice communication system (needed because offices are separated and distant from Treasurer and deputy) .....	2,093
Fans (needed for tabulating room and expanded offices) .....	
Automobile, additional (for transporting increased warrant and securities work load) .....	1,450
Miscellaneous .....	250
Total equipment expenditures .....	\$9,398

#### GENERAL SUMMARY

The office of the State Treasurer was created by the Constitution as adopted in 1849 and revised in 1879. The office is under the administration and supervision of an elective state official.

The principal functions of the office are as follows:

1. Serve as a bank for the State of California.
2. Invest various surplus state funds.
3. Act as custodian of all state assets, all pledges of cash, and securities pledged by individuals and companies to secure tax payments.
4. Prepare, sell, and service authorized state bond issues.

**State Treasurer  
SALE OF BONDS**

ITEM 144 of the Budget Bill

Budget page 406  
Budget line No. 27

***For Preparation and Advertising the Sale of Bonds, State Treasurer, Payable From the Veterans' Farm Home and Building Fund of 1943***

Amount requested .....	\$28,000
Estimated to be expended in 1949-50 Fiscal Year .....	14,346
	<hr/>
Increase (95.2 percent) .....	\$13,654

**RECOMMENDATIONS**

Amount budgeted .....	\$28,000
Legislative Auditor's Recommendation .....	28,000
	<hr/>
Reduction .....	None

**ANALYSIS**

The preparation and advertising of the sale of bonds is authorized by Chapter 18, Statutes of 1946. The increase of \$13,654 over the amount requested for the 1949-50 Fiscal Year is due to the fact that a new issue estimated at \$50,000,000 is being offered for sale in the Fiscal Year 1950-51. Printing and advertising costs are estimated at 50 cents per bond.

**CALIFORNIA HIGHWAY PATROL**

ITEM 145 of the Budget Bill

Budget page 408  
Budget line No. 42

***For Support of the Department of California Highway Patrol From the Motor Vehicle Fund***

Amount requested .....	\$8,990,251
Estimated to be expended in 1949-50 Fiscal Year .....	8,411,845
	<hr/>
Increase (6.9 percent) .....	\$578,406

**Summary of Increases**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages .....	\$353,131	\$203,755	\$149,376	408	71
Operating Expenses .....	189,001	189,001	---	408	72
Equipment .....	36,274	42	36,232	408	73
	<hr/>	<hr/>	<hr/>		
Total Increase .....	\$578,406	\$392,798	\$185,608		

**RECOMMENDATIONS**

Amount budgeted .....	\$8,990,251
Legislative Auditor's Recommendation .....	8,702,105
	<hr/>
Reduction .....	\$288,146

**ANALYSIS**

In 1949 the Legislature approved for the 1949-50 Fiscal Year an increase of \$693,233 or 8.6 percent over the estimated expenditures for