

GENERAL SUMMARY

The duties of the State Fire Marshal include the field of general fire prevention, inspection of private hospitals as well as state institutions, the enforcement of the Inflammable Materials Act, and the regulations governing fire safety for schools, night clubs, and other places of public assemblage.

The State Fire Marshal enforces the state fire prevention laws and regulations in unincorporated areas of the State, and in incorporated cities which do not maintain fire prevention bureaus in the local fire departments. He also assists local authorities inside incorporated cities which do maintain fire prevention bureaus when so requested by the local fire chief or the local government.

**Department of Investment
DIVISION OF BANKING**

ITEM 149 of the Budget Bill

Budget page 428
Budget line No. 41

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

Amount requested	\$251,890
Estimated to be expended in 1949-50 Fiscal Year	240,089
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Increase (4.9 percent)	\$11,801

Summary of Increases

		INCREASE DUE TO			
	Total increase	Work load or salary adjustments	New services	Budget page	Line No.
Salaries and Wages	\$11,148	\$11,148	---	428	56
Operating Expenses	—755	—755	---	428	57
Equipment	1,408	1,408	---	428	58
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Total Increase	\$11,801	\$11,801			

RECOMMENDATIONS

Amount budgeted	\$251,890
Legislative Auditor's Recommendation	251,890
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Reduction	None

ANALYSIS

The division has 39 authorized positions for the 1949-50 Fiscal Year. No new positions are proposed for 1950-51. The increase in salary and wages is attributable to normal salary adjustments and a decrease in estimated salary savings.

Operating expenses reflect a decrease of \$755 from the estimated expenditures for 1949-50, while equipment is scheduled to increase \$1,408 due mainly to the request for replacement of one light automobile which appears to be justified.

Some indication of the work load of the division and the expansion of the number of banks operating under the supervision of the division is shown as follows:

Number of Banks and Amount of Assets and Loans Under Supervision of Division of Banking as of June 30th							
	1940	1946	1947	1948	1949	Estimated	
						1950	1951
Number of banks	128	115	114	115	117	120	125
Number of branches	177	171	178	185	193	195	210
Assets (millions)	\$1,501	\$3,651	\$3,558	\$3,616	\$3,595	\$3,650	\$3,660
Loans (millions)	\$573	\$696	\$880	\$1,063	\$1,140	\$1,250	\$1,300

Percent Increase 1949 Over 1940	
Banks and branches	1.6%
Amount of assets	139.4%
Amount of loans	99.0%

As indicated above, there has been a gradual—though not significant—increase in the number of banks during the postwar period. Total assets have increased 139.4 percent with the dollar volume of loans having practically doubled. These gains, however, are attributable, in part, to the change in dollar values.

The work of the division is behind schedule due to inability to fill several examiner positions which had been vacant for a considerable period of time. However, inasmuch as these positions have been filled as of recent date, this situation should no longer exist at the end of the 1950-51 Fiscal Year. The division should then be operating on a current basis.

GENERAL SUMMARY

State regulation of banks in California began in 1878 with the creation of a Board of Bank Commissioners. The Bank Act of 1909 created a State Banking Department which later became the Division of Banking within the Department of Investment under the Reorganization Act of 1929.

The Division of Banking functions under the administrative control of the Superintendent of Banks who is appointed by and holds office at the pleasure of the Governor. The annual salary of the superintendent is fixed by statute.

The chief responsibilities of the Superintendent of Banks are the administration and enforcement of the provisions of the Bank Act and related laws. Offices are maintained in Los Angeles and San Francisco which are supported from revenues derived from license fees and assessments on state banks and trust companies. The unbudgeted surplus as of June 30, 1951, is estimated at \$428,000.

**Department of Investment
DIVISION OF BUILDING AND LOAN**

ITEM 150 of the Budget Bill

Budget page 430
Budget line No. 35

For Support of the Division of Building and Loan From the Building and Loan Inspection Fund, a Special Fund Agency

Amount requested	\$139,755
Estimated to be expended in 1949-50 Fiscal Year	138,300
Increase (1.1 percent)	\$1,455

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages	\$2,056	\$2,056	---	430	50
Operating Expenses	—\$50	—\$50	---	430	51
Equipment	—251	—251	---	430	52
Total Increase	\$1,455	\$1,455			

RECOMMENDATIONS

Amount budgeted	\$139,755
Legislative Auditor's Recommendation	139,755
Reduction	None

ANALYSIS

The total net increase in expenditures for support of the division is for normal adjustments in salaries and wages. Total authorized personnel for 1949-50 is 23. No new positions are requested for the 1950-51 Fiscal Year.

The work of the division is a little behind schedule due to the inability to fill all vacant positions during the past year. However, it now appears that the division will have a full complement of personnel in the ensuing year to enable it to operate on a current basis.

Some indication of the work load of the division and the growth of the agencies operating under its supervision is reflected in the following statistics:

	1940	1946	1947	1948
Number of associations	104	107	108	110
Number of branches	4	11	15	19
Assets (000 omitted)	\$165,012	\$335,713	\$393,762	\$462,150

Number of Real Estate Loans

In force	62,850	72,175	80,275	93,644
Made during year on:				
New construction	5,982	9,199	12,964	14,022
Existing properties	10,710	21,097	20,606	18,751

Percent of Increase—1948 Over 1940

Associations and branches combined	19.4%
Assets	180.1%
Number of real estate loans	49.0%

As shown above, the number of associations and branches has increased steadily during the postwar period with total assets increasing 180 percent, while the number of real estate loans in force has gone up 49 percent.

California stands third among the states in dollar volume of building and loan association assets. Combined federal and state assets in California are more than \$1,000,000,000 as compared to the total figure of over \$13,000,000,000 for the Nation.

The trend of expansion for the state supervised associations indicates continued steady growth with assets increasing between 17 and 18 percent forecast for the ensuing year as compared to similar increases for the past four years.

In view of the trend of building and loan business and corresponding increase in work load for the division, the proposed Budget for 1950-51 reflects conservative operation.

GENERAL SUMMARY

Building and loan associations in California were first brought under state regulation in 1891. Subsequent acts changed the administration of the agency until 1911, when a new act created the office of Building and Loan Commissioner. Under the Reorganization Act of 1929, the agency became the Division of Building and Loan Supervision within the Department of Investment.

The Commissioner of Building and Loan is appointed by the Governor, with the consent of the Senate, and holds office at the pleasure of the Governor. The chief responsibilities of the commissioner are the supervision and regulation of state licensed building, savings, and loan associations. Offices are maintained in Los Angeles and San Francisco, and are supported from revenues derived from assessments on the industry.

**Department of Investments
DIVISION OF CORPORATIONS**

ITEM 151 of the Budget Bill

Budget page 432
Budget line No. 73

For Support of the Division of Corporations From the General Fund

Amount requested -----	\$633,230
Estimated to be expended in 1949-50 Fiscal Year -----	607,449
Increase (4.2 percent) -----	\$25,781

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages -----	\$30,614	\$30,614	---	433	8
Operating Expenses -----	1,225	1,225	---	433	9
Equipment -----	-6,058	-6,058	---	433	10
Total Increase -----	\$25,781	\$25,781			

RECOMMENDATIONS

Amount budgeted	\$633,230
Legislative Auditor's Recommendation	631,246
Reduction	\$1,984

ANALYSIS

The total net increase in expenditures budgeted for the division, with the exception of the \$1,225 increase in operating expenses, is attributable to salary adjustments \$11,998, two proposed new positions \$6,116, and salary savings in amount of \$12,500.

The request for one additional accountant-auditor, grade 1 position for the Los Angeles office is predicated on increased work load in the audits and investigations section. The position appears to be justified by continued increase in the number of licenses issued with a resultant increase in the number of examinations required and fraudulent transactions anticipated.

The request for \$2,400 for one additional intermediate stenographer-clerk position for the Los Angeles office appears to be justified as far as the work load of that office is concerned. However, we recommend that an additional \$700 be allowed for temporary help in place of establishing another permanent position at a cost of \$2,400 for 1950-51. The division has included \$500 for added assistance in the audits and investigations function for the 1950-51 Fiscal Year. This amount, plus \$700 additional money, will provide funds for a temporary stenographic position on a one-half time basis. This will result in a saving of \$1,700 plus the sum of \$284 budgeted for additional equipment for the proposed new position, or a total saving of \$1,984.

It appears that the ratio of typing positions to investigations and audits in the San Francisco office is out of proportion with a like comparison for the Los Angeles office. The San Francisco office has a total of 11 typing positions while it carries approximately 19.5 percent of the work load of the audits and investigations function. The Los Angeles office has a total of 19 typist personnel while it carries approximately 73 percent of the work load of these two activities. Thus it appears that the stenographic help is not evenly distributed and we, therefore, suggest that some adjustment be made between the two offices. Also, in view of a continued downward trend in the number of permits to issue securities, we recommend that the Management (Analysis Section) of the Department of Finance undertake a study of the work and distribution of the clerical staff of the agency.

While expenditures for equipment reflect a 41.5 percent decrease from 1949-50, the agency has requested one additional automobile for its Los Angeles car pool. The need for the additional automobile is justified on increased work load, the fact that the pool has only five cars to accommodate 33 employees subject to travel out of the Los Angeles office, and considerable time is lost in reaching remote areas where public transportation systems do not have frequent schedules.

It is pointed out that this agency continues to operate a car pool in an efficient manner. The division has a total of nine automobiles for a

potential of 52 travel positions while the average mileage traveled for 1948-1949 was approximately 16,500 miles per car.

Some indication of the expansion and the work load of the division is shown in the following comparisons:

Ten-Year Comparison of Revenues and Expenditures for the Division of Corporations Showing Number of Permits to Issue Securities and the Number of Licenses Issued

<i>Fiscal Year</i>	<i>Income</i>	<i>Expenditures for Support</i>	<i>No. of Permits to Issue Securities</i>	<i>No. of Licenses Issued</i>
1940-41 -----	\$291,305	\$378,454	5,070	Not Available
1943-44 -----	198,820	330,823 *	2,299	Not Available
1944-45 -----	336,987	259,275	3,050	2,897
1946-47 -----	909,551	388,380	10,350	4,676
1947-48 -----	865,987	473,206	9,867	4,883
1948-49 -----	785,784	540,730	8,634	5,237
1949-50 * -----	830,750	607,449	8,200	5,599
1950-51 * -----	859,450	633,230	8,000	5,970

* Actual and estimated.

As shown above total income for 1948-49 is \$494,479 or 169.7 percent greater than 1940-41 as compared to expenditures for support which have gone up \$162,276 or 42.9 percent during the same period. Permits to issue securities have increased 70.3 percent during the postwar period with the peak having been reached in 1947. The number of licenses issued has gone up 32.7 percent since 1944-45 with a continued increase anticipated for 1950-51.

GENERAL SUMMARY

Chapter 353, Statutes of 1913, created the office of Commissioner of Corporations in a State Corporation Department for the purpose of administering the Investment Companies' Act. The California Corporate Securities Act (Chapter 532, Statutes of 1917) is the successor to the Investment Companies' Act.

Through organizational change the Division of Corporations now functions as an autonomous agency within the Department of Investments under the administrative direction of the Commissioner of Corporations, who is appointed by and holds office at the pleasure of the Governor. The chief functions of the division are the regulation of enterprises financing their operation through the issuance of securities, the prevention of fraud and usury in the operations of personal property brokers and small loan companies and the regulation of credit unions.

In addition to the Corporate Securities Act the division administers the following acts:

Personal Property Brokers' Act.....	Ch. 634, Statutes of 1909
Bucket Shop Act.....	Ch. 226, Statutes of 1923
Credit Union Act.....	Ch. 36, Statutes of 1927
Community Land Chest Act.....	Ch. 560, Statutes of 1933
Limited Dividend Housing Corporation Act.....	Ch. 538, Statutes of 1933
Security Holders Protective Committee Act.....	Ch. 784, Statutes of 1937
California Small Loan Act.....	Chapters 953 & 1045, Statutes of 1939
The Retirement Systems Act.....	Ch. 1035, Statutes of 1945
Check Sellers and Cashers Act.....	Ch. 914, Statutes of 1947
The Escrow Act.....	Ch. 921, Statutes of 1947

To facilitate administration of the various Acts the division maintains offices in Los Angeles, Sacramento and San Francisco. Unlike other divisions within the Department of Investment, the Division of Corporations is supported from the General Fund with license and other fees accruing thereto. As indicated in the foregoing table, revenues for the 1948-49 Fiscal Year exceeded expenditures by \$245,054 or 45.3 percent, while the forecast for 1950-51 shows estimated revenues over estimated expenditures to be \$226,220 or 35.7 percent.

**Department of Investment
DEPARTMENT OF INSURANCE**

ITEM 152 of the Budget Bill

Budget page 436
Budget line No. 3

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

Amount requested.....	\$1,033,042
Estimated to be expended in 1949-50 Fiscal Year.....	959,743
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Increase (7.6 percent).....	\$73,299

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages.....	\$49,666	\$49,666	---	436	19
Operating Expenses.....	25,674	25,674	---	436	20
Equipment.....	—41	—41	---	436	21
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	\$75,299	\$75,299			
Less:					
Reimbursements.....	—2,000	—2,000	---	436	25
	<hr/>	<hr/>			
Total Increase.....	\$73,299	\$73,299			

RECOMMENDATIONS

Amount budgeted.....	\$1,033,042
Legislative Auditor's Recommendation.....	1,033,042
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Reduction.....	None

ANALYSIS

Although there is no amount shown as new services for the agency, there are three proposed new positions budgeted for the 1950-51 Fiscal Year at a total cost of \$9,266.

One of the three proposed new positions is that of intermediate stenographer-clerk at a cost of \$2,400 for the insurance compliance and legal division. We recommend that this position be allowed on a temporary basis rather than establishing another permanent position in the Budget. While an additional stenographic position appears to be needed in the compliance and legal section in the Los Angeles office, we believe that some adjustment should be made between the Los Angeles and San Francisco offices. This section in San Francisco has 12 established positions for 20 other positions or a ratio of one stenographer to 1.7 other positions, while in Los Angeles there are five stenographic positions for a total of 18 other positions, or a ratio of one stenographer to 3.6 other positions.

In view of this disparity between the two offices, and the decrease of \$28,650 in salary savings or the equivalent of 7.3 positions to be used during 1950-51, we recommend that the Department of Finance undertake a study of the work and distribution of the personnel in the various divisions of the agency.

The remaining two proposed new positions are made up of four one-half time positions budgeted for the first six months of the 1950-51 Fiscal Year. While these positions are not reflected as a contributing part of new services, nevertheless they were set up during the current year by means of a deficiency allotment, and at the time constituted, at least in part, an added level of service rendered by the agency which is explained as follows:

In the early part of the current fiscal year the Department of Insurance requested, as a deficiency measure, funds to employ the services of four additional positions and incidental costs for the purpose of expediting the closing of 16 estates which had been in liquidation for several years. It is stated that at the same time the Commissioner of Insurance was concerned with the conservatorship of the California affairs of two additional insurance companies, which consumed the available time of the then existing staff.

It is anticipated that the greater part of the liquidation program will be terminated by the end of the present calendar year (December 31, 1950), at which time the additional staff will no longer be needed and their services should be terminated.

In addition to the above mentioned deficiency allotment, \$7,500 was allotted by means of a deficiency for additional services of the Office of the Attorney General. The need for more services from the Department of Justice than previously requested is predicated on several factors which are enumerated as follows:

1. Conservation liquidation proceedings now in progress, including litigation.
2. Growth of the insurance industry in California brings more questions for solution by the Office of the Attorney General.
3. Large number of disciplinary cases have reached the courts.
4. Services of Attorney General at present inadequate due to shortage of personnel in the Attorney General's Office, and conferences indicate more services needed.
5. Number of cases in courts postponed unreasonable length of time because of shortage of assistance in Attorney General's Office. Also the number of requests for opinions that lie dormant is excessive.

While the reasons enumerated in support of additional services of the Office of the Attorney General appear to be valid, we do not have adequate work load data with which to evaluate properly the full need for added legal services. Therefore we can only recommend that the amount requested for additional services of the Attorney General be allowed on the condition that the office set up and maintain proper cost records and such other records as are necessary to evaluate its services to other agencies, and that the Department of Insurance prepare and maintain adequate work load data in regard to court matters and the services of the Office of the Attorney General, in order that a review of the work accomplished during the 1950-51 Fiscal Year and in the future may be properly evaluated.

In view of this disparity between the two offices, and the decrease of \$28,650 in salary savings or the equivalent of 7.3 positions to be used during 1950-51, we recommend that the Department of Finance undertake a study of the work and distribution of the personnel in the various divisions of the agency.

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It is anticipated that the greater part of the liquidation program will be terminated by the end of the present calendar year (December 31, 1950), at which time the additional staff will no longer be needed and their services should be terminated.

In addition to the above mentioned deficiency allotment, \$7,500 was allotted by means of a deficiency for additional services of the Office of the Attorney General. The need for more services from the Department of Justice than previously requested is predicated on several factors which are enumerated as follows:

1. Conservation liquidation proceedings now in progress, including litigation.
2. Growth of the insurance industry in California brings more questions for solution by the Office of the Attorney General.
3. Large number of disciplinary cases have reached the courts.
4. Services of Attorney General at present inadequate due to shortage of personnel in the Attorney General's Office, and conferences indicate more services needed.
5. Number of cases in courts postponed unreasonable length of time because of shortage of assistance in Attorney General's Office. Also the number of requests for opinions that lie dormant is excessive.

While the reasons enumerated in support of additional services of the Office of the Attorney General appear to be valid, we do not have adequate work load data with which to evaluate properly the full need for added legal services. Therefore we can only recommend that the amount requested for additional services of the Attorney General be allowed on the condition that the office set up and maintain proper cost records and such other records as are necessary to evaluate its services to other agencies, and that the Department of Insurance prepare and maintain adequate work load data in regard to court matters and the services of the Office of the Attorney General, in order that a review of the work accomplished during the 1950-51 Fiscal Year and in the future may be properly evaluated.

**Department of Investment
DIVISION OF REAL ESTATE**

ITEM 153 of the Budget Bill

Budget page 441
Budget line No. 66

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

Amount requested -----	\$513,595
Estimated to be expended in 1949-50 Fiscal Year -----	519,125
Decrease (1.1 percent) -----	<u>\$5,530</u>

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages -----	\$11,552	\$11,552	---	441	81
Operating Expenses -----	-2,924	-2,924	---	441	82
Equipment -----	-14,158	-16,258	\$2,100	441	83
Total Decrease -----	-\$5,530	-\$7,630	\$2,100		

RECOMMENDATIONS

Amount budgeted -----	\$513,595
Legislative Auditor's Recommendation -----	513,595
Reduction -----	None

ANALYSIS

The total amount requested for salaries and wages is \$353,320. This is an increase of \$11,552 or 3.4 percent over the amount of \$341,768 budgeted for the 1949-50 Fiscal Year. This increase is attributable to salary adjustments and salary savings totaling \$2,828 and the request to continue the services of two deputy real estate commissioners at a cost of \$8,724.

The total number of positions budgeted for the 1950-51 Fiscal Year, including the two deputy positions, is shown as 96, which is the same number indicated for 1949-50. However, four clerical positions have been abolished, three of which fell within the provision of Section 16.3 of the Budget Act of 1949.

The request for the continuation of the two deputy real estate commissioner positions is predicated on increased work load in the inspections and hearing section of the division. These two positions were established in the current budget on a one-year basis to expedite a more intensive enforcement program. The division now states that due to several factors including changes in the new license law pertaining to qualifications of real estate broker applicants, considerable additional work has been created, particularly at the beginning of the current year due to a rush of applications for brokers' licenses under the old section of the law. The division further states that due to the added work the deputies have not been able to keep up with their assignments, and the enforcement program has not progressed as well as had been expected. In view of the reasons presented and the trend of complaints which, for the first four months of the current Fiscal Year are shown to be up 52 percent over the first four months of the preceding year, we recommend that the two deputy real estate commissioner positions be extended into the 1950-51

Fiscal Year. We further recommend that complete factual data of the activities of the inspections and hearings section be maintained by the agency to facilitate departmental analyses and future budgeting.

While the amount requested for equipment for 1950-51 reflects a decrease of \$14,158 from the amount budgeted for the 1949-50 Fiscal Year, there is the sum of \$2,100 requested for new dictating equipment. The need for the new equipment is predicated on increased activity in the inspections and hearings section and a change proposed by the agency in the present procedure for handling correspondence.

A survey as to the need of additional dictating equipment has recently been made by the management analysis section of the Department of Finance, which concurred with the proposed change in the procedure for handling correspondence and recommended that \$2,150 be allowed for dictating and transcribing equipment. However, it is pointed out that adequate need exists to justify the purchase of two new dictating machines and until the proposed new procedure proves feasible and economical the additional equipment should be tried on a short-term rental basis with the option to apply rent paid to the purchase price of the new equipment. We are in accord with the recommendations of the Department of Finance that two new dictating machines be purchased outright, but recommend that the balance of the \$2,100 budgeted for this equipment be sequestered until the need for any further addition to the dictating complement be first demonstrated through tests accomplished with the use of rental equipment.

GENERAL SUMMARY

The Division of Real Estate was first created as a department by Chapter 605, Statutes of 1919. Under the Reorganization Act of 1929 the department became the Real Estate Division under the Department of Investments. The division is headed by, and is under the administrative control of, the Commissioner of Real Estate, who also serves as a member of the Real Estate Board and the Public Works Board.

The commissioner is charged with the full enforcement of the Real Estate Law, which was enacted primarily to protect the people of the State against fraudulent real estate transactions. The expansion and growth of the real estate industry is reflected to some extent by statistics which show the number of licenses issued to have climbed from 35,385 licenses in 1941-42 to 89,928 licenses issued in 1948-49, or an increase of 154 percent for the eight-year period. This does not include the number of transfers or branch licenses.

Total expenditures for support of the agency for the same period have increased from \$170,914 for 1941-42 to \$488,215 for 1948-49, or an increase of \$317,301 or 185.6 percent, while revenues for the same period have climbed to \$945,112 from \$190,518 or 396 percent. This increase in revenues, however, is inflated by an estimated \$250,000 due to a change in accounting revenues on renewals which would, in accordance with past accounting procedure, have accrued in the following fiscal year.

There has been a slight leveling off in the real estate business during the past year. However, the trend now appears to be fairly constant while estimates for the ensuing year appear to be reasonable. Revenues are expected to exceed expenditures by approximately \$200,000 to increase the unbudgeted surplus in the fund to approximately \$1,900,000 as of June 30, 1951.

**Department of Investments
DISTRICTS SECURITIES COMMISSION**

ITEM 154 of the Budget Bill

Budget page 444
Budget line No. 23

For Support of the Districts Securities Commission From the General Fund

Amount requested	\$25,591
Estimated to be expended in 1949-50 Fiscal Year	25,741
Decrease (0.6 percent)	—\$150

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages	---	---	---	444	39
Operating Expenses	—\$150	—\$150	---	444	40
Equipment	---	---	---	444	41
Total Decrease	—\$150	—\$150	---		

RECOMMENDATIONS

Amount budgeted	\$25,591
Legislative Auditor's Recommendation	25,591
Reduction	None

ANALYSIS

The California Districts Securities Commission was created by Chapter 1073, Statutes of 1931, and is composed of the Attorney General, State Superintendent of Banks, State Engineer and two district officials, the latter two appointed by the Governor for terms of four years.

The commission directs and supervises fiscal and physical affairs of irrigation and other agricultural districts organized under state laws. Under the commission's jurisdiction are some 150 active districts located in practically every county comprising an area in excess of 6,000,000 acres with a valuation in excess of one and a half billion dollars. Anticipated work load for the commission shows no material change over the current year. Expenditures for support appear to be reasonable and necessary for the continued operation of the commission at the existing level of service.