

These broad responsibilities indicate that technical staffs will be required to carry out the purposes of this act. Careful planning and the experience of actual operation will be necessary to determine essential requirements of the water pollution boards and state agencies who will be required to make technical surveys under terms of the act.

**Water Pollution Board
ADDITIONAL SUPPORT**

ITEM 240 of the Budget Bill

Budget page 679
Budget line No. 61

For Additional Support of Water Pollution Boards from the General Fund

Amount requested	\$214,725
Estimated to be expended in the 1949-50 Fiscal Year	51,200
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Increase (319.4 percent)	\$163,525

RECOMMENDATIONS

Amount budgeted	\$214,725
Legislative Auditor's Recommendation	214,725
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Reduction	None

ANALYSIS

The broad responsibilities of the newly created water pollution boards do not permit the making of accurate determinations as to technical assistance required to carry out mandatory functions. It is proposed therefore to provide the amount of \$214,725 in lump sum to be made available by executive order of the Director of Finance upon recommendation of the State Water Pollution Control Board.

We recommend approval.

PUBLIC UTILITIES COMMISSION

ITEM 241 of the Budget Bill

Budget page 682
Budget line No. 5

For Support of the Public Utilities Commission From the General Fund

Amount requested	\$1,512,713
Estimated to be expended in 1949-50 Fiscal Year	1,460,605
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Increase (3.6 percent)	\$52,108

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages	\$71,094	\$66,354	\$4,740	682	22
Operating Expenses	—6,028	—6,028	---	682	23
Equipment	—12,958	—12,958	---	682	24
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Total Increase	\$52,108	\$47,368	\$4,740		

RECOMMENDATIONS

Amount budgeted	\$1,512,713
Legislative Auditor's Recommendation	1,488,029
Reduction	\$24,684

ANALYSIS

Administration
Salaries and Wages

Expenditures for salaries and wages are anticipated to be increased by \$8,757 from \$224,235 estimated to be expended in the 1949-50 Fiscal Year to \$232,992 estimated to be expended in the 1950-51 Fiscal Year. Of this total increase, approximately \$4,000 is for salary adjustments in existing authorized positions and \$4,740 is the initial annual salary for the proposed new position of administrative assistant, grade 2.

The commission is justifying the request for this position largely on work load estimates. In the Budget now under consideration the commission estimates that for the 1949-50 Fiscal Year there will be 1,450 formal filings and 1,650 decisions and orders issued. At the time the Budget was proposed for the 1949-50 Fiscal Year, estimates for these two categories of work load were 1,700 and 1,800 respectively, indicating an over-estimate of approximately 10 percent. As a further indication of this tendency to over-estimate work loads attention is directed to the figures for the 1948-49 Fiscal Year, which are shown in the proposed Budget as 1,266 formal filings and 1,418 decisions and orders issued, compared with the figures for the same year as estimated when the Budget for the 1949-50 Fiscal Year was proposed which were then 1,700 and 1,800 respectively. In this case the over-estimation was in excess of 20 percent.

In the 1950-51 Fiscal Year the commission projects no increase in formal filings or decisions and orders issued over the estimated figures for the 1949-50 Fiscal Year. It would appear, therefore, that the need for this additional position cannot be substantiated on the basis of work load figures. *Consequently we recommend the disapproval of this position at a saving of \$4,740.*

Operating Expenses and Equipment

Operating expenses are anticipated to be decreased to a minor degree from \$79,650 estimated to be expended in the 1949-50 Fiscal Year to \$78,057 estimated to be expended in the 1950-51 Fiscal Year. The decrease is largely due to a one time file room survey which occurs in the 1949-50 Fiscal Year and is not repeated thereafter. The balance of the items have either remained static or decreased slightly with the exception of telephone and telegraph costs which are scheduled to increase from \$7,900 to \$8,100 due to rate increases. In the interests of economy we recommend a reduction of 10 percent or \$810 in the item of telephone and telegraph expense which we believe can be accomplished by means of careful management and control of toll calls.

Expenditures for equipment are anticipated to be decreased by \$4,202 from \$10,453 estimated to be expended in the 1949-50 Fiscal Year to \$6,251 estimated to be expended in the 1950-51 Fiscal Year. To a con-

siderable extent this reduction is due to a policy of refinishing and repairing office furniture and equipment wherever possible instead of replacement. We recommend approval of the equipment expenditures as requested.

Control and Regulation

Control and regulation, which is the primary function of the commission and accounts for the major portion of its expenditures, is anticipated to be increased by \$43,678 or 4.5 percent from \$975,745 estimated to be expended in the 1949-50 Fiscal Year to \$1,019,423 estimated to be expended in the 1950-51 Fiscal Year. This increase is solely the result of increases in salaries and wages since both operating expenses and equipment are anticipated to be somewhat reduced in the 1950-51 Fiscal Year as compared with the 1949-50 Fiscal Year.

Salaries and Wages

Expenditures for salaries and wages are budgeted to be increased by \$48,441, or 5.7 percent, from \$852,942 estimated to be expended in the 1949-50 Fiscal Year to \$901,383 estimated to be expended in the 1950-51 Fiscal Year. This increase is the composite result of an increase of \$56,184 for 12 proposed new positions which is partially offset by the elimination of 6.4 man-years of previously authorized temporary positions which were employed in the "feather-bedding" survey authorized by Constitutional Amendment No. 3, adopted November 2, 1948. Salary adjustments in authorized permanent positions somewhat reduce the offsetting effect of the elimination of the temporary positions.

The 12 proposed new positions include one clerical position, that of intermediate stenographer-clerk for the stenographer pool of the Public Utilities Department, and 11 technical positions consisting of one supervising utilities engineer and two senior utilities engineers for the general staff, two associate, two assistant and one junior utilities engineer for the Hydraulic Division, one associate utilities engineer for the Electric Division, and one associate and one assistant utilities engineer for the Telephone and Telegraph Division. The three engineering positions designated for the general staff will be assigned primarily to hearings and formal investigations as engineering examiners in order to relieve existing authorized engineering positions which are acting as part-time examiners to the extent of approximately three man-years. The other eight proposed new engineering positions are intended to offset the supposedly increasing work load.

We recommend approval of the one intermediate stenographer-clerk position for the stenographer pool, one supervising and two senior utilities engineer positions for the general staff, and two associate and two assistant utilities engineers for the Hydraulic Division. *We recommend disapproval of the remaining four technical positions.*

The following table employs work load data covering the Public Utilities Department which was supplied by the Public Utilities Commission in support of its budget requests for the 1950-51 Fiscal Year. The man-years of technical positions shown include all engineering positions with the exception of heads of divisions, the drafting section and the director and assistant director of the Public Utilities Department. It

should also be noted that as previously stated in this analysis, work load estimates made by the Public Utilities Commission in the past have generally materialized as over-estimates.

<i>Work load data</i>	<i>1949-50 Fiscal Year (estimated)</i>	<i>Production per capita based on 59 man-years technical positions 1950-51</i>	<i>Fiscal Year (estimated)</i>	<i>Production per capita based on 66 man-years recommended</i>
Formal matters filed	335	5.68	368	5.58
Informal complaints filed -----	2,630	44.58	2,770	42.00
Special studies assigned -----	80	1.36	130	1.97
Tariff sheets filed	17,975	304.66	20,000	303.00
Resolutions prepared and passed -----	305	5.17	330	5.00
Letters written	14,390	243.9	17,600	266.66
Memoranda prepared -----	1,010	17.12	1,345	20.38
Conferences with public or utilities	3,640	61.69	4,115	62.35
Field inspections and investigations (man days) -----	1,950	33.1	2,675	40.53
Formal hearings (man days) -----	880	14.92	975	14.77
Charts and maps prepared -----	275	4.66	300	4.55
Monthly trend charts maintained -----	483	8.19	520	7.88

It will be noted that the total man years recommended by the Legislative Auditor as indicated in the fourth column is sufficient to allow approximately the same per capita productivity as that accomplished by the existing staff in the 1949-50 Fiscal Year. For the purposes of this demonstration the data supplied by the commission is used, although as previously stated we are of the opinion that the data are not entirely reliable.

Our investigations in the operations of the commission lead us to believe that the greatest need for additional assistance exists in the Hydraulic Division, and therefore we recommend that four of the seven recommended additional technical positions be assigned to that division. *The deletion of the four remaining positions as recommended will result in a saving of \$17,424.*

Operating Expenses and Equipment

Operating expenses are anticipated to be reduced by \$3,905 from \$117,110 estimated to be expended in the 1949-50 Fiscal Year to \$113,205 estimated to be expended in the 1950-51 Fiscal Year. The decrease is largely the result of a reduction in budgeting for traveling expenses made possible by the elimination of the positions assigned to the "feather-bedding" survey. This reduction, amounting to \$4,600, together with a \$2,000 reduction in printing costs, is partially offset by slight increases in rent, telephone and telegraph, postage, and office expense. Telephone and telegraph is anticipated to be increased from \$16,300 in the 1949-50

Fiscal Year to \$17,100 in the 1950-51 Fiscal Year as a result of rate changes. *We recommend a reduction of \$1,710 or 10 percent of this item which we believe can be realized by careful management and close control of toll calls, together with a redetermination of the need for local extension services.* This recommendation is in line with our over-all recommendation regarding the more economical use of telephone and telegraph service throughout the various state agencies.

Expenditures for equipment are anticipated to be reduced from \$5,693 estimated to be expended in the 1949-50 Fiscal Year to \$4,835 estimated to be expended in the 1950-51 Fiscal Year. The reduction is largely the result of a reduction in the replacement of office equipment in line with a policy of refinishing and repairing wherever possible. It should be noted that the additional office equipment involved will need to be reduced concurrently with the recommended reduction of positions.

Hearings and Formal Investigations

The total cost of the function of hearings and formal investigations is anticipated to be increased by 3.2 percent or \$5,468 over the \$170,522 estimated to be expended in the 1949-50 Fiscal Year, to \$175,990 estimated to be expended in the 1950-51 Fiscal Year. This increase is the result of an added \$13,896 in salaries and wages, offset by a substantial decrease in the purchase of additional equipment.

Salaries and Wages

The long established legal department and examiner department in the hearings and formal investigations function has been fairly static for the past several years in its expenditures for salaries and wages due to the fact that almost the entire staff was of long incumbency which had reached the maximum step in the various salary ranges. However, in the 1949-50 Fiscal Year a reporting department was added for the first time. Since the staff of this department was entirely new in the current fiscal year, merit salary adjustments result in almost the entire increase in salaries and wages for the hearings and formal investigations function.

Prior to the 1949-50 Fiscal Year the reporting and transcriptions service was rendered by the staff of a contractor whose services were paid for by sales of hearings transcriptions to interested parties. Charges for transcriptions were fixed by code and adhered to by the contractors. *This method of supplying the important transcription service to the public also resulted in supplying to the commission all required copies of transcripts at no cost to the commission other than for materials such as paper and carbon paper.*

The establishment of hearings reporting and transcription as a direct function of the commission is estimated to cost, for the 1949-50 Fiscal Year, approximately \$75,000 in salaries and wages, plus approximately \$16,000 for operating expenses and equipment, making a total cost for this service of approximately \$91,000. As an offset to this cost the commission now handles the sale of copies of transcriptions to the public with the proceeds going to the General Fund. *For the 1949-50 Fiscal Year these proceeds are estimated to aggregate approximately \$65,000. This would leave a net operating loss of approximately \$25,000. In other words, for such copies of hearings transcriptions as the commission now*

receives, it is paying the approximate sum of \$25,000 as compared with no cost in the previous year. For the 1950-51 Fiscal Year the cost of this service is estimated to be approximately \$95,000, including salaries and wages, operating expenses and equipment. As an offsetting factor revenue from the sale of transcripts for the 1950-51 Fiscal Year is anticipated to be approximately \$80,000, leaving a net operating loss of \$15,000.

At this time it does not appear that it will be possible to raise the operating efficiency of the staff to the point where the cost of operation will approximately equal the revenue from the transcript copies and, thereby reestablish the situation which prevailed in prior years when the commission obtained its copies at no cost. It might be pointed out here that the previous contractor obtained a greater production than is currently being obtained, and did so with fewer reporters and transcribers, chiefly as a result of the fact that his staff was paid on an incentive or piece-work basis. The contractor's staff was composed of seven reporters, including himself, and four transcribers whereas the commission's staff is composed of one chief reporter, 10 reporters and eight transcribers, together with two man-year equivalents of intermittent reporters and two man-year equivalents of intermittent transcribers. *We recommend, therefore, a careful reexamination to determine whether the reporting and transcription service should be by contract or by civil service staff.*

Operating Expenses and Equipment

Operating expenses have remained relatively unchanged with a slight decrease anticipated from \$21,413 estimated to be expended in the 1949-50 Fiscal Year to \$20,883 estimated to be expended in the 1950-51 Fiscal Year.

Expenditures for equipment are anticipated to be reduced sharply by \$7,898 from \$11,530 estimated to be expended in the 1949-50 Fiscal Year to \$3,632 estimated to be expended in the 1950-51 Fiscal Year. This reduction is largely the result of the purchase of additional office equipment which occurred in the 1949-50 Fiscal Year for the establishment of the reporting department and which does not occur again in the 1950-51 Fiscal Year. We recommend approval of operating expenses and equipment as requested.

GENERAL SUMMARY

The Public Utilities Commission was established in 1911 by the Constitution as the California Railroad Commission. Its powers were further broadened by the Public Utilities Act of 1915, and in 1946 a constitutional amendment changed the name to the Public Utilities Commission.

The commission has a membership of five commissioners, each appointed by the Governor for a six year term on a staggered basis. Each year the members of the commission elect one of their number to act as president of the commission.

The Public Utilities Commission, which acts as a quasi-judicial body, is empowered to regulate the intra-state activities of all public utilities, including gas and electric companies, telephone and telegraph services, and public transportation service for the transportation of both persons

and property, such as street railways, railroads, buses, trucks, steamships, toll bridges, etc. In addition it is empowered to regulate the activities of water companies and public warehouses. In the course of its regulatory activities the commission may fix rates for services calculated to provide a reasonable return on the investments of public utility companies; it may supervise the furnishing of services in the interests of public safety and convenience; it may determine the granting of monopolies or competitive services in the public interest and it may direct financing methods of public utilities companies by determining property dispositions and security issues for the protection of investors and public alike.

The bulk of these activities which do not deal with the transportation of property are supported by the General Fund. Direct revenues which accrue to the General Fund are comparatively minor and consist of fees charged on note and bond issues, application filing fees, sales of hearings transcripts, and several small miscellaneous items.

**Public Utilities Commission
TRANSPORTATION RATE FUND**

ITEM 242 of the Budget Bill

Budget page 685
Budget line No. 5

For Additional Support of the Public Utilities Commission From the Transportation Rate Fund

Amount requested	\$1,208,217
Estimated to be expended in the 1949-50 Fiscal Year	1,173,110
Increase (0.3 percent)	\$85,107

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages	\$57,629	\$12,117	\$45,512	685	21
Operating Expenses	—11,096	—11,096	—	685	23
Equipment	—11,426	—11,426	—	685	25
Total Increase	\$35,107	—\$10,405	\$45,512		

RECOMMENDATIONS

Amount Budgeted	\$1,208,217
Legislative Auditor's Recommendation	1,159,933
Reduction	\$48,284

ANALYSIS

The over-all increase in budgeted cost of operation of the function supported by the Transportation Rate Fund is directly chargeable to the increase in salaries and wages covering 14.6 proposed new positions. These new positions are being proposed on the basis of a stepped-up enforcement program aimed at reducing violations of highway transportation laws and regulations. The increase in salaries and wages is somewhat offset by reductions in anticipated operating expenses and purchase of equipment.

Salaries and Wages

Expenditures for salaries and wages are budgeted to be increased by \$57,629 or 6.3 percent from \$913,812 estimated to be expended in the 1949-50 Fiscal Year to \$971,441 estimated to be expended in the 1950-51 Fiscal Year. The bulk of this increase is due to 16 proposed new positions most of which are for ten months only and are, therefore, equivalent to 14.6 man-years. Twelve of these positions were appointed on a temporary basis in October of 1949 by means of a deficiency appropriation. This request, therefore, is for the purpose of continuing these 12 positions for an additional 10 months in the 1950-51 Fiscal Year, plus two more 10-month positions and two permanent positions. Of the total of 16 positions, nine are technical, such as transportation rate experts and legal counsels, and seven are clerical. All are intended to cope with the increased work load occasioned by the enforcement drive.

While we are in accord with the principle of more adequate enforcement of highway carriers laws and regulations, we seriously doubt that the present acute problem will be solved in ten months of the 1950-51 Fiscal Year and we question whether the proposed increase is the most effective way to attack the problem. Contacts made with carriers in the field lead us to believe that the enforcement program may be inadequate largely as a result of an apparent lack of sufficient caliber of the field staff. Actions by the legal staff of the commission can be taken only following an adequate investigation and development of facts by members of the field personnel. The burden of this field work appears to fall on 12 district transportation representatives with a salary range of \$281-341 per month and 25 transportation representatives with a salary range of \$268-325 per month. In opinions expressed by the industry these salary ranges are apparently too low to attract the caliber of personnel necessary for the proper investigation of difficult and involved cases. It appears, therefore, that the commission is somewhat in the position of putting the cart before the horse by providing legal and technical personnel before assuring the adequacy of the field investigation staff.

In view of the fact that the revenues accruing to the transportation rate fund are falling to the extent that the estimate of \$1,100,000 for the 1949-50 Fiscal Year will probably not be realized beyond \$950,000, and because the close of the 1950-51 Fiscal Year will probably see the surplus in the Transportation Rate Fund reduced to approximately \$200,000, since each of the last three fiscal years has been a deficit operation, we recommend that the proposed new positions be not allowed until such time as an adequate study has been made of both the problem of transportation violations and the best means of assuring maximum enforcement. Our recommendation will result in a saving of \$48,284.

Operating Expenses and Equipment

Operating expenses are budgeted to be reduced by \$11,096 from \$243,650 estimated to be expended in the 1949-50 Fiscal Year to \$232,554 estimated to be expended in the 1950-51 Fiscal Year. Most items of expenditure have remained relatively unchanged, the decrease in the over-all being largely the result of a \$12,000 decrease in printing costs made possible by the elimination of printing distance tables.

An item of operating expense, which was added to the Transportation Rate Fund function in the 1949-50 Fiscal Year, is one for the cost of purchasing transcripts of commission hearings. Prior to the 1949-50 Fiscal Year these transcripts were provided to the commission without cost as a by-product of the contract reporting system which defrayed its operating expenses from sales to the public. Now that the commission in its General Fund operation has set up a reporting function the Transportation Rate Fund is charged for its transcripts at the established public rate. We wish to point out, however, that the General Fund is sustaining a loss in this particular operation since revenues from the sale of transcripts do not appear to be sufficient to offset the cost of the reporting function. Consequently, we recommend that the proper share of this loss be charged to the Transportation Rate Fund.

Expenditures for the purchase of equipment are anticipated to be reduced by \$11,426 from \$15,648 estimated to be expended in the 1949-50 Fiscal Year to \$4,222 estimated to be expended in the 1950-51 Fiscal Year. This reduction is largely due to the fact that no additional automotive equipment or replacement automotive equipment is intended to be purchased in the 1950-51 Fiscal Year, as compared with the current fiscal year when such purchases were made.

GENERAL SUMMARY

The activities of the Public Utilities Commission, which are supported by the Transportation Rate Fund, were added by the Highway and City Carriers' Acts of 1935. In the same year the Transportation Rate Fund was also established by the Railroad Commission Fee Law. This latter act set up the machinery, whereby every railroad corporation, express corporation, freight forwarder, operator of vessels, motor transportation broker and operator of motor vehicles for the transportation of property for hire on the public highways was required to pay into the Transportation Rate Fund a tax of one-fourth of one percent of the gross operating revenue. In addition, certain filing and application fees were also assessed. The bulk of the revenue accruing to the Transportation Rate Fund comes from the one-fourth of one percent of the gross operating revenues.

The major activities of the commission under the Transportation Rate Fund are the enforcement of the Highway Carriers' Act, the City Carriers' Act, the Motor Transportation Act and the regulation of the rates charged by the transportation agencies carrying property for compensation on an intrastate basis. In addition, the Public Utilities Commission determines the need for various transportation services in line with public necessity and convenience and issues or revokes, as the case may be, certificates of necessity for property transportation. The latter activity also includes delineation of areas of operation for individual carriers.

For the past several years expenditures from the Transportation Rate Fund have exceeded revenues to the extent that the unbudgeted surplus in the fund will probably be approximately \$200,000 at the end of the 1950-51 Fiscal Year. Expenditures for the 1949-50 Fiscal Year are

estimated to total \$1,246,215 which includes contributions to the State Employees' Retirement Fund. Revenues for the same period were originally estimated to be \$1,100,000. However, actual receipts as of December 31, 1949, indicate that the total for the 1949-50 Fiscal Year will probably not exceed \$950,000. This will mean an operating deficit for the current fiscal year of approximately \$296,000. For the 1950-51 Fiscal Year estimated expenditures will be \$1,285,932 including contributions to the State Employees' Retirement Fund. For the same period revenue of \$1,100,000 was also forecast at the time the proposed budget was prepared. In view of the downward trend in the current fiscal year it would appear most unlikely that the revenues for 1950-51 would again exceed \$950,000. This would mean an operating deficit of \$335,000. In view of the foregoing, it would appear that for the fiscal year 1951-52 it will be necessary either to find additional sources of revenue for the Transportation Rate Fund or reduce expenditures to balance with existing revenues.

**Department of Public Works
DEPARTMENTAL ADMINISTRATION**

ITEM 243 of the Budget Bill

Budget page 688
Budget line No. 37

**For Support of the Department of Public Works, Departmental Administration,
From the General Fund**

Amount requested	\$97,834
Estimated to be expended in 1949-50 Fiscal Year	92,255
Increase (6.0 percent)	\$5,579

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages	\$12,768	\$12,768	---	688	54
Operating Expenses	1,681	1,681	---	688	55
Equipment	—6,979	—6,979	---	688	56
Reimbursements:					
Accounting Services, Water Resources	—144	—144	---	688	61
Pro rata					
Departmental Administra- tion, Div. of Highways	—1,747	—1,747	---	688	63
Total Increase	\$5,579	\$5,579			

RECOMMENDATIONS

Amount budgeted	\$97,834
Legislative Auditor's Recommendation	97,834
Reduction	None

ANALYSIS

The total amount budgeted to be paid from the General Fund for this agency is \$97,834. Reimbursements for accounting services rendered to the Water Resources Board is \$3,072, and \$94,877 budgeted for pro