

the plans for which have already been approved by the State Fire Marshal, should require much less survey and inspection time than would be the case in older, poorly designed, and in many cases, multistory buildings. Furthermore, the school plants of many school districts will consist largely of these new buildings, and consequently, we suggest the possibility that instead of reinspecting each new building in each school district on an annual basis, reinspections be made annually only of all older buildings in each district, and on an annual rotating basis only one of each of the new school buildings, or new school plants, within a district.

The basis for this suggestion is first, that the new buildings are almost universally single story. Secondly, they are almost always single-row classrooms, or single-loaded, open-side corridors, with each classroom usually having two direct exits to the streets, grounds, or walks adjacent to the buildings. When there are two, these exits are always on opposite sides of each classroom. Third, in buildings having a centralized heating system, the unit is always isolated in a separate building, and in those having building unit heaters, the heaters are always housed in special rooms constructed to approved standards of fire resistance. Fourth, since all plans for new school buildings have first been approved by the Fire Marshal and construction of the buildings has subsequently been inspected for conformity with plans by the State Division of Architecture, all materials and all methods of construction meet the minimum standard for fire resistance. Also, the approved plans include the necessary attic separations where indicated, special exits where indicated, adequate and accessible fire hose equipment, and adequate separation of buildings. Consequently, we believe that it is possible to charge the school district superintendent with the operation of the new buildings in conformity with the Fire Marshal's regulations and to make "spot" inspections as suggested.

In view of the foregoing, we recommend deletion of two of the three new positions at a saving of \$7,440.

**Department of Investment
DIVISION OF BANKING**

ITEM 158 of the Budget Bill

Budget page 473
Budget line No. 7

For Support of Division of Banking From the State Banking Fund

Amount requested	\$310,798
Estimated to be expended in 1951-52 Fiscal Year	306,514
Increase (1.4 percent)	\$4,284

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$4,386	\$4,386	---	473	65
Operating expense	2,116	2,116	---	474	19
Equipment	—2,218	—2,218	---	474	28
Total increase	\$4,284	\$4,284	---		

RECOMMENDATIONS

Amount budgeted -----	\$310,798
Legislative Auditor's recommendation -----	310,798
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Reduction -----	None

ANALYSIS

The budget request of the Division of Banking for the 1952-53 Fiscal Year provides for the cost of doing business on the existing level of service with allowance for an increase of office rental and the extension of three examiner positions which were allowed for the 1951-52 Fiscal Year in connection with the examination of private trusts, a new service authorized by the Legislature in 1949.

The work of the Division of Banking indicates continued growth in the banking industry of the State. Statistics for the period 1946 to 1953 show the number of banks and branches under the supervision of the division estimated at 125 banks and 226 branches for 1953 as compared to 115 banks and 171 branches for 1946. State regulated banks presently show 3.9 billion dollars in banking assets with increases to 4.1 billion dollars forecast for 1953. Dollar volume of loans are estimated at 1.9 billion dollars for 1953 or three times greater than that for 1946, which was \$696,000,000.

The Division of Banking is supported from assessments, license and other fees levied on the banking industry. It is estimated that the fund will have an unbudgeted balance of \$533,000 as of June 30, 1953.

Approval of the amount requested is recommended.

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

ITEM 159 of the Budget Bill

Budget page 475
Budget line No. 7

For Support of Division of Building and Loan From the Building and Loan Inspection Fund

Amount requested -----	\$164,682
Estimated to be expended in 1951-52 Fiscal Year -----	155,200
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Increase (6.1 percent) -----	\$9,482

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages -----	\$6,486	\$6,486	---	475	64
Operating expense -----	1,272	1,272	---	476	16
Equipment -----	1,724	1,724	---	476	23
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Total increase -----	\$9,482	\$9,482	---		

RECOMMENDATIONS

Amount budgeted -----	\$164,682
Legislative Auditor's recommendation -----	164,682
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Reduction -----	None

ANALYSIS

The proposed budget for the division for the 1952-53 Fiscal Year provides for expenditures at the existing level of service allowing for normal salary increment and price increases and the extension of two positions of loan examiner allowed in the current budget on a work load basis. No additional positions are requested.

The work of the Division of Building and Loan indicates continued steady growth in the state supervised building and loan associations. Since 1946 the number of associations has increased from 107 associations to an estimated 119 associations for 1953, while building and loan assets are shown to have increased from \$335,700,000 in 1946 to a projected figure of \$780,000,000 for 1952. The dollar volume of loan business has also shown considerable increase for the same period going from \$244,500,000 in 1946 to an estimated figure of \$634,000,000 for 1952.

The Division of Building and Loan is supported from assessments and other fees levied on the building and loan industry, which accrue to the Building and Loan Inspection Fund. Surplus in the Fund is estimated at approximately \$174,768 as of June 30, 1953.

Approval of the amount requested is recommended.

Department of Investment
DIVISION OF CORPORATIONS

ITEM 160 of the Budget Bill

Budget page 477
Budget line No. 6

For Support of Division of Corporations From the General Fund

Amount requested	\$672,892
Estimated to be expended in 1951-52 Fiscal Year	662,887
Increase (1.5 percent)	\$10,005

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$7,893	\$7,893	---	478	13
Operating expense	2,930	2,930	---	478	30
Equipment	-818	-818	---	478	37
Total increase	\$10,005	\$10,005	---		

RECOMMENDATIONS

Amount budgeted	\$672,892
Legislative Auditor's recommendation	672,892
Reduction	None

ANALYSIS

The proposed budget for the Division of Corporations for the 1952-53 Fiscal Year considers increased costs at the existing level of service with allowance for increases in work load. The agency requests \$6,420 for two proposed new positions; one junior deputy commissioner and one additional intermediate account clerk. The need for the positions is predicated on anticipated increase in work for the division and is justified on this basis, as is indicated in the following table of statistics.

Comparative Data on Revenues and Expenditures and Related Work Load for the Division of Corporations for the Period 1947-48 to 1952-53

<i>Fiscal year</i>	<i>Revenue</i>	<i>Expenditures</i>	<i>Security permits</i>	<i>Licensees</i>	<i>Agents' certificates</i>
1947-48 -----	\$865,987	\$473,206	9,883	1,289	3,450
1948-49 -----	785,784	540,730	8,634	1,396	3,685
1949-50 -----	804,130	598,326	8,382	1,495	3,864
1950-51 -----	845,332	599,994	8,457	1,620	4,025
1951-52 * -----	881,809	662,887	8,500	1,745	4,200
1952-53 † -----	902,990	672,892	8,550	1,877	4,400

* Actual and estimated.
 † Estimated.

As reflected in the table of statistics, the work of the division has progressively increased in respect to licenses in effect and agents' certificates, while the number of permits to issue securities has fluctuated from a high of 9,883 permits issued in 1947-48 to 8,550 estimated to be issued in the 1952-53 Fiscal Year. Revenues have continued to exceed expenditures by an average of approximately \$230,000 annually since 1947-48, with the revenues for 1952-53 estimated to exceed expenditures by \$230,000, or 34 percent.

We recommend approval of the amount requested for support of the agency, except that recommendations as to the sum of \$1,659 requested for replacement of 14 wood file cabinets and the amount of \$2,169 budgeted for nine additional kardex files are withheld pending conclusions and recommendations of a report of the Assembly Committee on Governmental Reorganization which is expected to be submitted to the Legislature at the 1952 Budget Session.

Department of Investment
DEPARTMENT OF INSURANCE

ITEM 161 of the Budget Bill

Budget page 479
 Budget line No. 7

For Support of Department of Insurance From the Insurance Fund

Amount requested	\$1,080,483
Estimated to be expended in 1951-52 Fiscal Year	1,052,984
Increase (2.6 percent)	\$27,499

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$19,586	\$19,586	---	485	9
Operating expense	5,494	5,494	---	485	10
Equipment	2,419	2,419	---	485	11
Total increase	\$27,499	\$27,499	---		

RECOMMENDATIONS

Amount budgeted	\$1,080,483
Legislative Auditor's recommendation	1,080,483
Reduction	None

ANALYSIS

The budget request for the Department of Insurance for the Fiscal Year 1952-53 reflects an increase of \$27,499, or 2.6 percent, over the sum of \$1,052,984 estimated to be expended in the current year. The budget provides for price increases and increases in work load at the existing level of service, with allowance for revision and improvement of the file system in the license division of the department as proposed in a recent study made by the Management Analysis staff of the Department of Finance.

The department proposes to establish five new positions, all of which are requested on a work load basis. We recommend approval of the requests for one junior counsel, one insurance claim investigator, and one intermediate stenographer-clerk, but withhold our recommendation on two proposed clerical positions for the license division pending the conclusions and recommendations of a report of the Assembly Committee on Governmental Reorganization which is expected to be submitted to the Legislature at the 1952 Budget Session.

An indication of the work of the department and the continued growth of the insurance industry of the State are reflected in the following statistics comparing expenditures, revenues, premiums, premium tax and licenses issued for the years 1948-1952.

Year	Expenditures for support	Gross revenue	California premiums	Premium tax to General Fund	Licenses issued
1948	\$705,987	\$995,150	\$1,121,800,000	\$22,857,000	88,539
1949	841,237	1,097,950	1,144,000,000	23,043,300	85,811
1950	901,017	1,231,500	1,256,000,000	25,323,700	93,830
1951*	960,860	1,102,079	1,300,000,000	26,000,000	103,000
1952*	1,052,984	1,199,800	1,350,000,000	27,000,000	112,000

* Actual and estimated.

As shown in the table, the insurance industry of the State continues to show steady growth, with licenses issued and renewed estimated to reach 112,000 in the budget year, while premiums are running over \$1,250,000,000, with premium tax estimated at \$27,000,000 for the General Fund in 1952-53.

The Department of Insurance is supported from the Insurance Fund, a special fund to which accrues all license and other fees levied on the insurance business in the State. The unbudgeted balance in the fund is estimated at \$2,369,586 as of June 30, 1953.

We recommend approval of the budget as submitted, with the exception of \$19,250 requested in connection with the plans for revision and expansion of the filing system in the license division, and other filing equipment budgeted for the 1952-53 Fiscal Year, for which we withhold our recommendation pending the report of the Assembly Committee on Governmental Reorganization as previously mentioned.

**Department of Investment
DIVISION OF REAL ESTATE**

ITEM 162 of the Budget Bill

Budget page 486
Budget line No. 8

For Support of Division of Real Estate From the Real Estate Fund

Amount requested	\$653,234
Estimated to be expended in 1951-52 Fiscal Year	600,520
Increase (8.8 percent)	\$52,714

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$28,450	—\$3,854	\$32,304	487	40
Operating expense	13,928	7,878	6,050	487	65
Equipment	10,336	4,078	6,258	487	72
Total increase	\$52,714	\$8,102	\$44,612		

RECOMMENDATIONS

Amount budgeted	\$653,234
Legislative Auditor's recommendation	618,818
Reduction	\$34,416

ANALYSIS

The budget for the Division of Real Estate for the 1952-53 Fiscal Year shows a net increase of \$52,714, or 8.8 percent over the sum of \$600,520 estimated for expenditure in the 1951-52 Fiscal Year. The proposed increase in expenditures for support of the division provides for increases in prices and work load amounting to \$23,716 gross, which is partially offset by adjustments in salary savings, and an increase of \$44,612 attributable to expansion and refinement of services through additional personnel and establishment of a permanent office in the City of Fresno.

We recommend that the sum of \$44,612 shown as new services be reduced to \$10,196 for a saving of \$34,416. A summary of the reductions from the proposed expenditures for 1952-53 is shown as follows:

Summary of Reductions

	Amount	Budget page	Line No.
1 Real estate deputy position, Grade 2	\$5,232	487	32
1 Real estate deputy position, Grade 2	5,232	487	32
1 Real estate deputy position, Grade 2	4,980	487	32
2 Real estate deputy positions, Grade 1	8,592	487	33
Total salaries and wages	\$24,036		
Travel expense	\$1,150	487	53
Auto operation	1,450	487	54
Hearing services	3,000	487	60
Total operating expenses	\$5,600		
4 Additional executive desks	\$572	487	69
4 Chairs—swivel arm	208	487	69
Library books	800	487	69
2 Additional automobiles	3,200	487	70
Total equipment	\$4,780		
Total reduction	\$34,416		

The division proposes to make further expansion of an intensified program of enforcement directed to subdivisions and "rackets" in the real estate business. This program was initiated in the 1949-50 Fiscal Year with the granting of a request made by the division for two additional deputy positions which were allowed on a one-year basis to assist in the prevention of fraud and misrepresentation and the regulation of subdivision projects on a stricter enforcement basis. This request was augmented in the 1950-51 Fiscal Year by means of a deficiency authorization granted at the mid-year, at which time five additional positions were added to the deputy staff beginning as of January 1, 1951. The 1951-52 Budget request for the continuation of the two positions extended with the 1951-52 Fiscal Year and the five additional, and an additional new position of public information officer, was granted.

It was the contention of the division at the time of the initial request for a more intensified program of enforcement that there was immediate need for stricter interpretation and application of the real estate law, particularly in respect to "rackets" and subdivisions placed on the market. With the addition to the staff, several positions were up-graded to provide closer supervision over the work assigned to the deputies in the field.

It is now proposed that further intensification of the enforcement program should be permitted through the changing of the classification of three deputy positions to a new classification of prosecuting deputy with membership to the state bar as a prerequisite to the job. In substance, the division proposes to establish six new deputy positions by the abolishment of one deputy position set up in the initial program of greater enforcement and the abolishment of the public information officer allowed in the current year and re-establishment of the two positions as deputies under the new or expanded program, and the addition of four proposed new positions.

Our recommendation for the reduction of the request for 1952-53 is predicated on the basis of a decline in the subdivision field during the past fiscal year with present trends pointing to further curtailment in home construction for the present year and the ensuing year.

An indication of the work load of the division is reflected in the following statistics:

Function	Comparisons of Licenses Issued, License Examination, Applicants, and Subdivisions Filed					
	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
Licenses, branches and transfers -----	121,257	120,785	120,904	127,782	134,660	141,530
License examination applications -----	25,012	17,417	15,126	13,474	13,370	13,260
Subdivisions:						
Subdivisions filed -----	1,642	1,417	1,878	1,680	1,590	1,500

As pointed out in the above statistics based on the agency's figures, the peak of subdivision filing, which is related to the demand for greater emphasis on stricter regulation of the real estate business, is shown to have been reached in 1949-50 with 1,878 filings as against 1,642—the high for the preceding two years, and 1,680 as the high for 1950-51 filings, which are estimated to drop to 1,590 during the current year and are estimated at 1,500 for the budget year.

This, in our opinion, leaves the proposed expenditure of \$44,612 applied to new or expanded services strictly as a matter of policy to be determined by the Legislature. We do not believe that pyramiding of the personnel is the answer to the problem of stricter administration of the real estate law, but rather that, in the face of a decline in subdivision filings, a definite program should be decided upon within the capabilities of the existing personnel, and we recommend that the Management Analysis section of the Department of Finance assist the division in the problem of reorganization of the inspection and hearings phase of the work of the division.

We recommend approval of the request for five of the additional clerical positions on the basis of increased work load in licensing and increased work load generated by the deputy personnel added in the last two fiscal years for which no clerical assistance was provided. However, the retention of these positions on a permanent basis should be decided on a work load basis in line with findings and recommendations following the study which we have recommended be undertaken by the Management Analysis section of the Department of Finance.

We also recommend tentative approval of the request for the one stenographic position for the proposed permanent office in Fresno at an additional over-all cost of \$4,568 for 1952-53, until a determination can be made as to the feasibility of continuing the present practice of renting office space and contracting stenographic service from some other state agency in that city. It is stated that the present contractual arrangement with the Department of Fish and Game, whereby the division has been furnished office space and part time clerical service in Fresno, is to terminate at the end of the current fiscal year and, if the agency is to continue services in the city, space should be provided prior to July 1, 1952.

We further recommend that the sum of \$3,805 budgeted for filing equipment should be made subject to review and budgetary control by the Department of Finance and that special consideration at that time should be given to the conclusions and recommendations of a report of the Assembly Committee on Governmental Reorganization which is expected to be submitted to the Legislature at the 1952 Budget Session.

We also recommend that a determination be made as to the practicability of conducting a survey of the subdivision situation in the State; the survey to be made by an interim committee reporting its findings and recommendations to the 1953 Legislature, with a view to determining the boundary of jurisdictions between the State and its political subdivisions; eliminating the overlapping of responsibilities between various agencies of government in respect to water problems; and the possibility of simplifying the real estate laws in order to eliminate any complexities and confusion that may exist as to the direct responsibility of the State in the regulation of the real estate business compared with the authority and responsibility of the local governmental agencies.

**Department of Investment
CALIFORNIA DISTRICTS SECURITIES COMMISSION**

ITEM 163 of the Budget Bill

Budget page 489

Budget line No. 7

For Support of California District Securities Commission From the General Fund

Amount requested	\$40,923
Estimated to be expended in 1951-52 Fiscal Year	34,605
Increase (18.3 percent)	\$6,318

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$3,990	\$3,990	---	489	47
Operating expense	1,623	1,623	---	489	64
Equipment	705	705	---	489	71
Total increase	\$6,318	\$6,318	---		

RECOMMENDATIONS

Amount budgeted	\$40,923
Legislative Auditor's recommendation	40,923
Reduction	None

ANALYSIS

We recommend that the budget for the District Securities Commission for the 1952-53 Fiscal Year be approved as submitted; however, we recommend further that the duties and responsibilities of the commission be included in the over-all plan for consolidation of the various agencies concerned with the water problems of the State, as has been mentioned elsewhere in this report.

DEPARTMENT OF JUSTICE

ITEM 164 of the Budget Bill

Budget page 490

Budget line No. 60

For Support of the Department of Justice From the General Fund

Amount requested	\$2,678,471
Estimated to be expended in 1951-52 Fiscal Year	2,426,872
Increase (10.4 percent)	\$251,599

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$201,367	\$140,271	\$61,096	500	31
Operating expense	85,915	85,915	---	500	32
Equipment	-1,070	-1,070	---	500	33
Plus:					
Decreased reimbursements for teletype service to other agencies	187	187	---	500	37
Less:					
Increased reimbursements for:					
Fingerprints	-34,200	-34,200	---	500	38
Printing of briefs	-100	-100	---	500	39
Cost of suit	-500	-500	---	500	40
Total increase	\$251,599	\$190,503	\$61,096		