

**Department of Investment  
DIVISION OF BANKING**

ITEM 152 of the Budget Bill

Budget page 506  
Budget line No. 7

**For Support of Division of Banking From the State Banking Fund**

Amount requested .....	\$370,143
Estimated to be expended in 1952-53 Fiscal Year .....	327,485
<b>Increase (13.0 percent) .....</b>	<b>\$42,658</b>

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages .....	\$29,647	\$29,647	---	507	13
Operating expense .....	7,127	7,127	---	507	31
Equipment .....	4,884	4,884	---	507	38
Plus:					
Decreased reimbursements	1,000	1,000	---	507	43
<b>Total increase .....</b>	<b>\$42,658</b>	<b>\$42,658</b>	<b>---</b>		

**RECOMMENDATIONS**

Amount budgeted .....	\$370,143
Legislative Auditor's recommendation .....	370,143
<b>Reduction .....</b>	<b>None</b>

**ANALYSIS**

The request for support of the division for the 1953-54 Fiscal Year provides for expenditures at the existing level of service and increased work load with the addition of four examiner positions and two clerical positions to the staff. Two of the examiner positions are on a one-year basis with the need for further extension subject to review at the end of the budget year.

The work of the division shows continued increase as reflected in statistics showing a gradual rise in the number of banking institutions under the supervision of the division from 115 banks and 171 branches in 1946 to 121 banks and 221 branches to June 30, 1952, while dollar volume of assets has climbed from 3.6 billion dollars to 4.2 billion dollars with dollar volume of loans rising from 7.0 million dollars to 1.6 billion dollars during the same period.

The division is required by law to examine each bank under its supervision at least once each year. However, the agency states that it has considerable backlog, and with the added responsibility to examine private trusts, and with several applications for new bank offices pending, we recommend that the proposed new positions be allowed as budgeted, with a critical review of the work to be made at the end of the 1953-54 Fiscal Year.

The Division of Banking is supported from the State Banking Fund to which accrues all revenue from assessments, licenses, and other fees levied on the banking industry. Present estimates show an unbudgeted surplus of \$546,304 in the fund at the end of the 1953-54 Fiscal Year.

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

ITEM 153 of the Budget Bill

Budget page 508.

Budget line No. 7

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

Amount requested .....	\$188,267
Estimated to be expended in 1952-53 Fiscal Year.....	173,190
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Increase (8.7 percent) .....	\$15,077

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages .....	\$13,441	\$13,441	---	508	68
Operating expense .....	2,123	2,123	---	509	17
Equipment .....	—487	—487	---	509	24
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Total increase .....	\$15,077	\$15,077	---		

**RECOMMENDATIONS**

Amount budgeted .....	\$188,267
Legislative Auditor's recommendation.....	188,267
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Reduction .....	None

**ANALYSIS**

The budget for the Division of Building and Loan as proposed for the 1953-54 Fiscal Year provides for expenditures based on additional work load at the existing level of service, with the addition of one semisenior examiner position.

We recommend that the amount requested for 1953-54 be approved, but that the additional position not be established on a permanent basis, but authorized for the one year only with the need subject to review at the end of the 1953-54 Fiscal Year.

The volume of business for the state supervised building and loan associations shows continued growth. Since 1948 to December 31, 1952, the number of associations is shown to have increased from 110 associations with 19 branches, to 122 associations with 40 branches. During the same period assets of the associations have grown from 462.0 million dollars to an estimated 905.0 million dollars, while the dollar volume of loans in force is shown to have climbed from 378.2 million dollars to an estimated 828.0 million dollars, with the number of loans in force shown at 94,000 for 1948 and 175,000 for 1952.

The Division of Building and Loan is a special fund agency supported from assessments and other fees levied on the building and loan industry which accrue to the Building and Loan Inspection Fund. Assessments are geared to expenditures of the division and the retention of surplus in an amount equivalent to the approximate cost of one full year of operation of the division.

**Department of Investment  
DIVISION OF CORPORATIONS**

ITEM 154 of the Budget Bill

Budget page 510  
Budget line No. 7

*For Support of Division of Corporations From the General Fund*

Amount requested -----	\$749,403
Estimated to be expended in 1952-53 Fiscal Year -----	717,694
<b>Increase (4.4 percent) -----</b>	<b>\$31,709</b>

**Summary of Increase**

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages -----	\$26,313	\$26,313	---	511	10
Operating expense -----	1,270	1,270	---	511	28
Equipment -----	4,126	4,126	---	511	35
<b>Total increase -----</b>	<b>\$31,709</b>	<b>\$31,709</b>	---		

**RECOMMENDATIONS**

Amount budgeted -----	\$749,403
Legislative Auditor's recommendation -----	749,403
<b>Reduction -----</b>	<b>None</b>

**ANALYSIS**

The budget request for support of the division for the 1953-54 Fiscal Year allows for the cost of doing business at the existing level of service and provides for the additional cost of increases in work load.

The major increase in expenditures proposed over the current year is in salaries and wages due to the request for five additional positions: one deputy commissioner, one accountant-auditor, one junior accountant-auditor, and two intermediate typist-clerk positions, justified on the basis of increased work load and endeavor to expedite the work and alleviate backlog.

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

**Comparative Data on Revenues and Expenditures and Related Work Load for the Division of Corporations for the Period 1948-49 to 1953-54**

<i>Fiscal ending</i>	<i>Revenues</i>	<i>Expenditures</i>	<i>Applications to issue securities</i>	<i>Licenses</i>	<i>Applications for agents certificates</i>
1949 -----	\$785,784	\$540,730	8,634	1,396	3,685
1950 -----	804,130	598,326	8,382	1,495	3,864
1951 -----	845,332	599,994	8,456	1,620	4,025
1952 -----	932,557	664,113	8,988	1,759	4,821
1953 -----	994,540	717,694	9,500	1,902	5,400
1954 -----	1,050,470	749,403	10,000	2,036	5,800

As indicated in the table, between the period 1948-49 to 1951-52 inclusive, where the figures are actual, the work of the division shows an increase in each category, with further increase anticipated for the current year and the budget year.

The Division of Corporations, unlike the other agencies within the Department of Investment, is supported from the General Fund. Revenues received from licenses and other fees, as shown in the table, also

go in the General Fund and on the average have exceeded expenditures for support of the division by approximately \$260,000 annually.

We recommend approval of the amount requested for support of the division.

**Department of Investment**  
**DEPARTMENT OF INSURANCE**

ITEM 155 of the Budget Bill

Budget page 512  
Budget line No. 7*For Support of Department of Insurance From the Insurance Fund*

Amount requested .....	\$1,200,289
Estimated to be expended in 1952-53 Fiscal Year .....	1,137,074
<b>Increase (5.6 percent) .....</b>	<b>\$63,215</b>

## Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages .....	\$54,317	\$54,317	---	517	76
Operating expense .....	7,832	7,832	---	517	77
Equipment .....	1,066	1,066	---	517	78
<b>Total increase .....</b>	<b>\$63,215</b>	<b>\$63,215</b>	---		

**RECOMMENDATIONS**

Amount budgeted .....	\$1,200,289
Legislative Auditor's recommendation .....	1,194,593
<b>Reduction .....</b>	<b>\$5,696</b>

**ANALYSIS**

Expenditures for support of the Department of Insurance are budgeted at \$1,200,289 for the 1953-54 Fiscal Year. This represents an increase of \$63,215, or 5.6 percent over the sum of \$1,137,074 estimated to be expended in the current year. The budget for the department is based on the cost of doing business at the existing level of service providing for increases in the work load due to continued growth of the insurance business in the State.

We recommend that the department's proposal to augment the present personnel complement by 10 additional positions be amended to establish nine additional positions.

The recommended reduction in personnel and related expenses proposed for the examination bureau, Budget page 516, lines 31 and 44, is as follows:

Delete 1 accountant-auditor I position .....	\$3,996
Delete related operating expenses .....	1,700
<b>Total reduction .....</b>	<b>\$5,696</b>

The request for additional personnel in the examination bureau of the department is justified on a work load basis under present policy. However, we believe that six additional personnel will be able to carry on the work.

The department proposes to bring the examination of insurers' business up to date and indicates that it will require an augmentation of seven positions to accomplish and maintain this level of service. There

are presently 29 authorized field personnel which would be augmented with 6.5 man years of work, the remaining  $\frac{5}{10}$  of one position would be devoted to other office work, and with 2.4 man years of vacancy there would be  $29 + 6.5 - 2.4$  or 33.1 man years of examination work.

While we recognize the continuing growth of the insurance business in California and that this bureau has had no increase in staff since 1946, thereby creating a need for augmentation of the staff, we note that the salary savings for this bureau is considerably greater than for those bureaus with a comparable number of personnel within the department and in some other state agencies, and by reducing the estimated salary savings to the equivalent of 1.4 man years of vacancy, and by reducing the proposed staff by one auditor position, we arrive at the same potential number of man-years of work.

In consideration of the foregoing data, we recommend that one auditor position be disallowed, and another review of the work load for this bureau be made when the 1954-55 budget request is submitted by the department.

An indication of the continuing growth of the insurance industry in the State, and related expenditures, revenues, and licenses issued by the department is reflected in the following statistics for the years 1950-1954.

Year	Expenditures for support	Gross revenue	California premiums	Premium tax to General Fund	Licenses issued
1950-----	\$901,017	\$1,231,500	\$1,256,000,000	\$25,196,000	93,830
1951-----	960,860	1,102,079	1,416,134,000	29,215,400	102,661
1952-----	1,025,687	1,240,871	1,550,000,000	31,000,000	104,292
1953-----	1,137,074	1,414,000	1,700,000,000	34,000,000	106,000
1954-----	1,200,289	1,504,000	-----*	-----*	108,000

\* No estimate.

As shown in the table, the insurance industry of the State continues to show steady growth. Premiums are running over 1.5 billion dollars, representing a gain of 294.0 million or 23 percent during the period 1950 to 1952, and are estimated at 1.7 billion dollars for 1953, with premium tax accruing to the General Fund estimated at 34.0 million dollars for 1953, or a gain of 8.8 million, or 35 percent over tax paid in 1950.

The Department of Insurance is supported from the Insurance Fund which shows an unbudgeted surplus projected at \$2,785,342 as of June 30, 1954. This represents a gain of approximately \$433,000 over the actual figure of \$2,351,621 as of June 30, 1952.

**Department of Investment  
DIVISION OF REAL ESTATE**

ITEM 156 of the Budget Bill

Budget page 519  
Budget line No. 7

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

Amount requested -----	\$738,193
Estimated to be expended in 1952-53 Fiscal Year -----	693,806
Increase (6.4 percent) -----	\$44,387

## Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages -----	\$37,920	\$18,324	\$19,596	520	24
Operating expense -----	9,791	3,791	6,000	520	50
Equipment -----	—3,324	—5,864	2,540	520	59
Total Increase -----	\$44,387	\$16,251	\$28,136		

## RECOMMENDATIONS

Amount budgeted -----	\$738,193
Legislative Auditor's recommendation -----	710,057
Reduction -----	\$28,136

## ANALYSIS

The proposed budget for support of the division for the 1953-54 Fiscal Year reflects an increase of \$44,387 or 6.4 percent over the sum of \$693,-806 estimated for support in the current year. The proposed increase in expenditures provides for increases in work load at the existing level of service and further provides for expansion and refinement of service with additional personnel and related costs, and special equipment and service not heretofore considered in the budget for the division.

As shown in the summary of increases, there is the sum of \$28,840 reflected as new services which we recommend be disallowed. A summary of the recommended reduction is as follows:

## Summary of Reduction

		Budget page	Line No.
1 Special representative position -----	\$6,060	520	18
3 Real estate deputy positions -----	13,536	520	19
Total salaries and wages -----	\$19,596		
Related operating expenses -----	3,000	520	51
Film for education program -----	3,000	520	49
Total operating expenses -----	\$6,000		
Equipment for new positions -----	1,140	520	55
2 Projectors for education program -----	1,400	520	55
Total equipment -----	\$2,540		
Total reduction -----	\$28,136		

The reduction recommended in the agency's budget for the 1953-54 Fiscal Year is based on the following data:

In 1949-50 the division proposed a more intensive program of enforcement of the real estate law and was granted two additional deputies on a one-year basis. At the middle of the fiscal year, January of 1951, the agency was allowed five additional deputy positions. Demand for greater emphasis on the enforcement of the law was made in the 1951-52 budget, and all seven of the new deputy positions with one additional position of public information officer were granted on a permanent basis. While licenses issued during the period 1949-50 to 1951-52 inclusive continued to increase, as shown in the following table of statistics, subdivision regulation, for which the additional personnel was also considered, shows a decline in activity from 1,878 subdivisions filed for 1949-50 to 1,680 for

1950-51, and in 1951-52 was still short of the 1949-50 Fiscal Year by 128 filings, or 7 percent.

In the 1952-53 Fiscal Year, the agency added five more deputy positions, three of which have been classified as prosecuting attorney, while the present estimate for 1952-53 and 1953-54 subdivision filings is shown as 2,000 or a gain of 122 filings, or 7 percent over 1949-50. In addition, six new clerical positions were granted in the current year. Thus, since 1949-50 the deputy personnel of the division has been augmented with 12 new positions representing an increase of more than 38 percent, with further increase of three additional deputy positions proposed in the 1953-54 budget along with a position of special representative and four additional clerical personnel. The granting of three additional deputy positions would represent an increase in deputy personnel of 15 positions or more than 48 percent over 1949-50, while there does not appear to be any indication that construction activity, at least one good measure of real estate business, will exceed that of 1949-50. In addition, the expenditures for support of the division are shown to be in excess of its revenues, while surplus in the Real Estate Fund, from which the division is supported, is shown to decrease from \$1,701,266 as of the end of 1951-52 to an estimated figure of \$1,411,617 at June 30, 1954.

In view of the foregoing data, we recommend that the three deputy positions and the special representative position budgeted for the 1953-54 Fiscal Year not be allowed.

**Comparative Data on Revenues and Expenditures and Related Work Load for the Division of Real Estate for the Period 1949-50 to 1953-54**

	Fiscal Year Ending June 30				
	1950	1951	1952	1953	1954
Revenues -----	\$642,200	\$668,150	\$626,500	\$652,700	\$660,700
Expenditures for support, only -	514,000	532,400	595,800	693,800	738,200
Number of employees, man years	93.1	96.4	100.5	110.0	118.5
Licenses -----	90,500	94,400	98,400	103,200	108,400
License examination applications -----	15,126	13,474	14,407	15,400	16,500
Subdivisions filed -----	1,878	1,680	1,750	2,000	2,000
Subdivision reports issued -----	1,903	1,908	1,752	--- *	--- *

\* No estimate.

In respect to the four additional clerical positions, we recommend that they be allowed for the ensuing year with the need subject to further review at the end of the 1953-54 Fiscal Year. This should take care of additional work load and alleviate the work of those deputies who are stated to be devoting time to activities which are clerical in nature.

The reductions recommended in operating expenses and equipment, with the exception of the proposed expenditure of \$3,000 for film and the \$1,400 for the acquisition of two picture projectors, is related to the proposed new positions recommended for deletion. The sum of \$4,400 for film and two projectors is requested in connection with a plan for a post-examination indoctrination for new licensees following the taking of the qualifying examinations for licenses. This represents a new service and perhaps should be considered not only in the light of its usefulness, but also in the light of setting a precedent which might become applied to all types of licensees.

In conformance with the recommendation adopted by the Legislature, at the 1952 Budget Session that a study of the subdivision situation in

the State be made with a view to clarification of the real estate laws and the boundaries of jurisdiction as to authority and responsibility between the State and its political subdivisions, we understand that a report is to be submitted to the Senate Finance Committee, by the division at the 1953 Session of the Legislature.

**Department of Investment  
CALIFORNIA DISTRICT SECURITIES COMMISSION**

ITEM 157 of the Budget Bill

Budget page 522  
Budget line No. 7**For Support of California District Securities Commission From the General Fund**

Amount requested .....	\$43,151
Estimated to be expended in 1952-53 Fiscal Year .....	43,921
Decrease (1.8 percent) .....	\$770

## Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages .....	—\$68	—\$68	---	522	45
Operating expense .....	80	80	---	522	62
Equipment .....	—782	—782	---	522	69
<b>Total increase .....</b>	<b>—\$770</b>	<b>—\$770</b>	<b>---</b>		

**RECOMMENDATIONS**

Amount budgeted .....	\$43,151
Legislative Auditor's recommendation .....	43,151
Reduction .....	None

**ANALYSIS**

We recommend that the budget for the commission for the 1953-54 Fiscal Year be approved. However, we reiterate previous recommendations that consideration be given to the feasibility and practicability of incorporating the activities of the commission in a state-wide water plan.

We further recommend that some means should be provided whereby the commission could realize greater remuneration for its services than it receives at the present time. It is noted that reimbursements for services rendered to districts are estimated at only \$1,000 for the current year and the same for the budget year.

This is the first time reimbursements have been shown in the budget for the commission. This is in accordance with a plan of financial adjustment whereby all expenditures for support will be made from the support appropriation in the first instance in place of the present practice whereby fees and other receipts are deposited in a special trust fund with certain expenditures made therefrom, and consequently are not reflected in the budget. Those amounts which are proper charges to the Special Deposit Fund will be recovered through the plan of adjustment and no further expenditures would be made directly from the special fund.

While the sum of \$1,000 is only an estimate for reimbursement to the General Fund, there is considerable in excess of that amount presently in the Special Deposit Fund. It would appear that the present provisions of law providing for the deposit of such fees in a special trust fund should be amended whereby all the money in the fund could be transferred to the General Fund.