

Table 2. State-owned Branch Office Buildings at June 30, 1952

Location	Cost	Date occupied	Amortization of costs		
			To 5/30/52	Per year	Period required
Long Beach -----	\$483,440	11/1/51	\$33,600	\$50,400	9 yr. 7 mo.
Chico -----	129,909	11/1/51	5,876	8,820	14 yr. 9 mo.
Riverside -----	202,936	1/1/52	9,647	19,296	10 yr. 6 mo.
Redding -----	142,017	2/1/52	3,673	8,820	16 yr. 1 mo.
Bakersfield -----	235,001	3/1/52	7,712	23,136	10 yr. 2 mo.
Total -----	\$1,193,303		\$60,508	\$110,472	10 yr. 10 mo.

It is estimated that if the construction program for 1952-53 and 1953-54 is carried out as proposed, rents of \$179,481 and \$329,300 will be received respectively in those years.

It is understood that when the cost of the buildings is completely amortized through rental payments the federal grants for rent will cease and thereafter the agency will continue to occupy the buildings rent free. In one instance, the building in Riverside, a part of the building is occupied by the Board of Equalization, which pays rent at the same rate as does the Department of Employment, with a similar understanding as to occupancy after amortization has been completed. It is interesting to note that in the case of the Riverside building no provision has been made for joint use of facilities such as telephone, light, air conditioning, water, etc.

In view of the fact that the capital outlay needs of other agencies are far from being met and the fact that rent payments by the Federal Government as a cost of administration of the unemployment insurance program will cease when these buildings are "amortized," we recommend that receipts from penalties and interest be transferred to the General Fund or be placed in the Capital Outlay and Savings Fund for use on capital outlay projects which will not have the effect of ultimately reducing federal reimbursements to the State. By putting this recommendation into effect, the State will receive greater ultimate financial benefit from its capital outlay expenditures, and at the same time the Department of Employment need not be handicapped in meeting its needs on a lease basis.

BUDGETARY CONTROL SECTIONS

SECTION 3, page 102, of the Budget Bill

Recommendation: We recommend approval of this item be withheld pending further study of the need by the Legislature.

This section reappropriates the unexpended balance of the appropriation made by Chapter 8, Statutes of 1952, (1st Extraordinary Session) except the money specified in subdivision (1) of Section 2 of the act, and makes the money available for expenditure during the current fiscal year and the 1953-54 Fiscal Year for facilities, materials, supplies, equipment and other requirements for civil defense. This section also provides for the appropriation of any amounts made available by the Federal Government for civil defense purposes.

In effect, the adoption of this section makes available for expenditure in the current year and the budget year, the sum of \$532,040 as provided in the first paragraph above.

Paragraph 2 refers to the sum of \$5,434,752 which, under subdivision (1) of Section 2 of the act, was frozen in the General Fund subject to further legislation, and would, under the provisions of this paragraph, be transferred to the unappropriated balance in the Capital Outlay and Savings Fund on the effective date of this act.

SECTION 4, page 102, of the Budget Bill

Recommendation: We recommend approval on the basis of existing law. However, we also believe the statutes should be changed to place all such revenues in the General Fund.

This section, in effect, provides for the transfer to the Capital Outlay and Savings Fund the General Fund's share of the revenues derived from rents and royalties from mineral leases and other revenues derived from marginal sea areas, and which have been impounded in the State Treasury and the Federal Treasury pursuant to a decision handed down by the Supreme Court of the United States, which would vest paramount rights over such marginal areas in the Federal Government. Stipulations have been entered into whereby all such revenues accruing from June 23, 1947, are impounded in special trust funds, both in the State Treasury and the Federal Treasury, pending final determination of litigation resulting from the decision handed down by the United States Supreme Court.

Section 6816 of the Public Resources Code provides a formula for the distribution of such revenues, and, if all of this money, totaling an estimated sum of 66.3 million dollars as of June 30, 1954, were released to the State under the formula contained in Section 6816 of the Public Resources Code, the General Fund would share an amount approximating 35.1 million dollars, while the State Beach Fund would receive an estimated amount of 12.4 million dollars and the State Park Fund would receive an estimated sum of 18.8 million dollars. This distribution of the money is shown in the schedule of the impounded funds on page 1247 of the Governor's Budget.

SECTION 5, page 103, of the Budget Bill

Recommendation: We recommend that this section be amended to include appropriations from all funds instead of just the Capital Outlay and Savings Fund.

This section provides that major construction, improvement or equipment projects authorized by the Budget Act shall be subject to approval and control of the Public Works Board as outlined in Section 3, Chapter 145, Statutes of 1946, (1st Extraordinary Session). However, it eliminates the report required in that chapter and substitutes a report in the Governor's Budget.

SECTION 6, page 103, of the Budget Bill

Recommendation: We recommend approval.

This section is essentially similar to Section 7.5 of the Budget Act of 1952 which provided for the first time a planning control by prohibiting expenditure from any appropriation for major construction, improvements, and equipment until approval of preliminary plans by the State

Public Works Board and the Department of Finance. We believe that this control should be continued.

SECTION 7, page 103, of the Budget Bill

Recommendation: We recommend approval.

This section restricts expenditures from appropriations made in the Budget Act to categories or projects set forth in the Budget Act schedule, except as otherwise provided in other sections of this act.

SECTION 8, page 103, of the Budget Bill

Recommendation: We recommend approval of this section.

This section authorizes the Director of Finance, upon request of any agency to which an appropriation is made, to transfer amounts between categories or between projects designated in any schedule of an item of appropriation.

SECTION 9, page 104, of the Budget Bill

Recommendation: We recommend approval of this section.

This section permits the Director of Finance to augment appropriations in the Budget Act where additional amounts are received from state, local, or Federal Government agencies or other sources, which are in excess of the amount considered in determining such an appropriation. Conversely, it permits the Director of Finance to reduce appropriations in the same manner.

SECTION 10, page 105, of the Budget Bill

Recommendation: We recommend approval of this section.

This section permits the payment of premiums for official bonds covering a period in excess of one fiscal year. Potential savings in premium costs may be realized through such procedure.

SECTION 11, page 105, of the Budget Bill

Recommendation: We recommend approval of this section.

This section provides that appropriations for expenses of the Legislature shall be disbursed under direction of the Legislature and are not subject to budgetary control of the Department of Finance or audit by the State Controller.

SECTION 12, page 105, of the Budget Bill

Recommendation: We recommend approval of this section.

This section requires that the State Engineer shall make a report as to the engineering and economic feasibility of projects subject to the Flood Control Act of 1946, and that reallocation of funds shall be made by the State Water Resources Board. It also provides that the Water Resources Board shall determine the amounts of the reallocation.

SECTION 13, page 105, of the Budget Bill

Recommendation: We recommend approval of this section.

This section relates to payments of claims by the State Controller from appropriations in the Budget Act. All such claims must be audited by the Controller in accordance with rules of the State Board of Control. Provision is made for claims of a confidential nature.

SECTION 14, page 105, of the Budget Bill

Recommendation: We recommend approval.

This section provides that expenditures from the Emergency Fund or Salary Increase Fund shall be deemed an augmentation and increase of the appropriation made by this act for accounting purposes.

SECTION 15, page 106, of the Budget Bill

Recommendation: We recommend approval.

This section provides that appropriations under this act shall be expended in accordance with the allotments and other provisions of fiscal year budgets approved by the Department of Finance. Provision is made for Salary Savings Reserve.

SECTION 16, page 106, of the Budget Bill

Recommendation: We recommend approval of this section.

This section provides that no money appropriated by this act shall be used to pay the salary of any authorized state position which was vacant or continuously unfilled between October 15, 1952, and July 1, 1953, except with the specific approval of the Director of Finance subsequent to July 1, 1953.

This section also provides that the Director of Finance shall make a report of all positions vacant for the period specified to the Joint Legislative Budget Committee not later than 30 days prior to the convening of the 1954 Regular Session of the Legislature. A report of positions authorized to be filled and positions abolished pursuant to this section is also required. Similar provisions were contained in 1950, 1951, and 1952 Budget Acts.

A recapitulation of action taken by the Department of Finance on positions falling under provisions of the comparable section of the Budget Act of 1952 is as follows:

<i>Agency</i>	<i>Number of positions under Sec. 16</i>	<i>Number authorized to be filled</i>	<i>Number abolished</i>	<i>Number pending further review</i>
Office of Civil Defense.....	1	--	1	--
Employees Retirement System..	1	--	1	--
Personnel Board	2	2	--	--
Department of Agriculture.....	6	6	--	--
Department of Corrections.....	22	22	--	--
Youth Authority	6	3	3	--
Department of Education	60	49	3	8
State Controller	2	2	--	--
Board of Equalization.....	19	12	7	--
Department of Finance.....	9	8	1	--
Franchise Tax Board.....	1	1	--	--
State Treasurer	4	2	2	--
Highway Patrol	5	--	--	5
Department of Industrial Relations	1	--	--	1
Division of Building and Loan..	1	1	--	--
Department of Insurance	2	2	--	--
Department of Justice	3	--	--	3
Department of Mental Hygiene.....	179	169	10	--
Adjutant General	4	4	--	--
Department of Fish and Game..	15	11	4	--
Division of Beaches and Parks..	2	2	--	--
Division of Forestry	1	1	--	--
Division of Mines	1	1	--	--
Department of Profession and Vocational Standards	2	2	--	--
Department of Public Health..	17	2	15	--
Water Pollution Control Board	4	2	2	--
Public Utilities Commission...	3	2	--	1
Division of Architecture.....	23	23	--	--
Division of Water Resources ..	3	2	1	--
Department of Social Welfare..	4	3	1	--
Veterans Home	9	9	--	--
Department of Employment....	2	2	--	--
Totals	414	345	51	18

SECTION 17, page 107, of the Budget Bill

Recommendation: We recommend striking the language "and members of boards, commissions, and authorities appointed by the Governor."

This section provides that the Department of Finance must investigate and establish the necessity for the acquisition or replacement of motor vehicles. It provides that all passenger automobiles shall be of the light class, except for constitutional officers or unless the Director of Finance determines that unusual requirements would justify a heavier class automobile or for appointees of the Governor.

SECTION 18, page 107, of the Budget Bill

Recommendation: We recommend approval.

This section establishes the same restriction of light automobiles for the Department of Public Works as are provided by Section 17.

SECTION 19, page 107, of the Budget Bill

Recommendation: We recommend approval.

This section prohibits officers of state agencies who receive appropriations in the Budget Act from making expenditures in excess of such appropriations without the consent of the Department of Finance.

SECTION 20, page 107, of the Budget Bill

Recommendation: We recommend approval.

This section prohibits the renewal of any fire insurance on public property with certain exceptions.

SECTION 21, page 108, of the Budget Bill

Recommendation: We recommend approval.

This section prohibits the purchase of furnishings for any house or apartment of three or more rooms other than a dormitory, except for a superintendent of an institution, warden, or physician. This is similar to a provision in the 1952 Budget Act.

SECTION 22, page 108, of the Budget Bill

Recommendation: We recommend approval.

This section restricts expenditures for rugs or carpets for state offices.

SECTION 23, page 108, of the Budget Bill

Recommendation: We recommend approval.

This section permits the State Board of Control, upon the recommendation of the Director of Finance, to transfer unneeded funds from an appropriation for support for an institution, or for family care, school or college within the same agency. This is limited to the Department of Corrections, California Youth Authority, Department of Education, and the Department of Mental Hygiene.

SECTION 24, page 108, of the Budget Bill

Recommendation: We recommend approval.

This section provides for the effect upon appropriations if any item in this act is eliminated or vetoed by the Governor.

SECTION 25, page 109, of the Budget Bill

Recommendation: We recommend approval.

This section permits the Department of Finance to transfer funds from one agency to another when the functions performed by the respective agencies are transferred.

SECTION 26, page 109, of the Budget Bill

Recommendation: We recommend approval.

This section provides that when functions of any agency for which appropriation has been made in this act are discontinued the unexpended portion of the appropriation for such agency shall revert to the unexpended balance of the fund from which such appropriation was made.

SECTION 27, page 109, of the Budget Bill

Recommendation: We recommend approval.

This section provides that the State Board of Control shall make adjustments in appropriations as a result of changes of laws affecting an agency.

SECTION 28, page 109, of the Budget Bill

Recommendation: We recommend approval.

This is a savings clause to protect the Budget Act should a portion of it be declared unconstitutional.

SECTION 29, page 109, of the Budget Bill

Recommendation: We recommend approval.

This section provides that the Budget Act shall take effect immediately as prescribed under the provisions of Section 1 of Article IV of the State Constitution.

**RECOMMENDATIONS REGARDING EXPENDITURES NOT
CONTAINED IN THE BUDGET BILL**

As indicated in the preliminary statement to this report, the Legislative Auditor has been requested by the Joint Legislative Budget Committee to suggest, in connection with the Analysis of the Budget Bill, major economies which would be possible in addition to those reductions which might be made in items of the Budget Bill.

It is evident from the Budget Document and the accompanying message from the Governor that the General Fund can remain in balance only by the imposition of new taxes or the institution of economies in the level of requested appropriations for support of state departments which will require changes in existing legislation or established legislative policy.

This section is presented for the purpose of suggesting major areas in which economies would be possible and recommendations with respect to each.

Social Welfare—Recoupment Provisions

As a means of reducing the cost of government in California—federal, state, and local—we recommend the adoption of a recovery procedure under which the State may recoup from the estate of a deceased old aged aid recipient those amounts paid in aid. Such a procedure is in effect in some 33 states and the District of Columbia. We are currently gathering data on experience in other states with a view to making an estimate of the financial effects of such a procedure in California. On the basis of initial information concerning recovery procedure experience in other states, it appears that the old aged case load could be reduced a minimum of 5 percent without affecting the welfare of those recipients in real need. This would amount to a saving in state assistance funds of approximately \$5,000,000. Resulting from this there would be a similar saving in federal funds of approximately \$5,000,000 and in county funds of approximately \$900,000.

The above is the result only of the estimated 5 percent drop in the case load when the recovery procedure goes into effect. Following that there would be a continuing saving in terms of prospective recipients