

**DEPARTMENT OF INVESTMENT
DIVISION OF BANKING**

ITEM 148 of the Budget Bill

Budget page 503
Budget line No. 7

For Support of Division of Banking From the State Banking Fund

Amount requested	\$374,109
Estimated to be expended in 1953-54 Fiscal Year	374,415
Decrease (0.1 percent)	<u>\$306</u>

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$8,487	\$8,487	---	503	70
Operating expense	—3,850	—3,850	---	504	19
Equipment	—4,943	—4,943	---	504	25
Total increase	—\$306	—\$306	---	504	27

RECOMMENDATIONS

Amount budgeted	\$374,109
Legislative Auditor's recommendation	<u>374,109</u>
Reduction	None

ANALYSIS

The budget for the division proposed for the 1954-55 Fiscal Year provides expenditures at the existing level of service with some anticipated increase in the work load of the division.

Statistics indicate that the banking industry of the State continues to grow. In the postwar period the number of banks under supervision of the State Banking Department has risen from 115 banks and 171 branches to 122 banks and 231 branches as of June 30, 1953. During the same period the dollar volume of assets has climbed from 3.6 billion dollars to 4.5 billion dollars, while the dollar volume of loans has risen to 1.9 billion dollars from 700 million in 1946.

Although indications point to continued growth in the banking industry, it appears that the presently authorized staff should be able to render satisfactory protection to the public.

In respect to two examiner positions authorized in the current budget on the basis that experience in the examination of private trust business in the current year would determine the need of the two positions, we understand that the positions have not yet been filled. Consequently, we cannot evaluate the need for further extension of the two positions at that time. However, the Banking Code authorizes such examinations and, although the extent to which such examinations might reasonably be performed is not now known, it appears that additional manpower would be needed to carry out a plan for examination of private trust business. Therefore, we recommend the extension of the two examiner positions to June 30, 1955, provided, however, that some definite plan will be evolved whereby an appraisal of the work load will be possible with the next budget request. Otherwise we recommend approval of the amount budgeted.

The division is supported from the State Banking Fund, a special fund in the State Treasury to which accrues all revenues from assess-

Division of Banking—Continued

ments, licenses and other fees levied on the banking industry. The fund statement shows an estimated surplus of \$664,906 as of June 30, 1955, or about \$300,000 more than the cost of one year's operations.

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

ITEM 149 of the Budget Bill

Budget page 505
Budget line No. 7

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

Amount requested	\$225,276
Estimated to be expended in 1953-54 Fiscal Year	216,177
Increase (4.2 percent)	\$9,099

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$10,047	\$10,047	---	505	69
Operating expense	1,366	1,366	---	506	19
Equipment	-2,314	-2,314	---	506	27
Total increase	\$9,099	\$9,099	---	506	34

RECOMMENDATIONS

Amount budgeted	\$225,276
Legislative Auditor's recommendation	225,276
Reduction	None

ANALYSIS

The request for support of the division for the 1954-55 Fiscal Year provides for the cost of doing business at the existing level of service with the addition of one new examiner position to compensate for an anticipated increase in the work load of the division.

The savings and loan business in the State shows continued growth. Since 1948 the number of state-supervised associations is indicated to have increased from 110 associations with 19 branches to 121 associations with 39 branches as of June 30, 1953, and now estimated to be 135 and 52, respectively, as of June 30, 1954. The number of loans in force indicates an increase from 94,000 to 161,492 to June 30, 1954, with the dollar volume increasing from 378 million to an estimated 828 million dollars in the same period.

In view of a sharper increase in the number of new associations and branches in the current year than was experienced previously, and with continued increase expected, we believe that one additional examiner position is justified on the basis of added work load.

The Division of Savings and Loan operates from a special fund to which accrues revenue from assessments and other fees levied on the savings and loan industry. The figures reflecting the fund condition show a total of \$240,122 in estimated surplus as of June 30, 1955, or the equivalent of one year's expenditures for support of the division.

Department of Investment
DIVISION OF CORPORATIONS

ITEM 150 of the Budget Bill

Budget page 507
Budget line No. 8

For Support of Division of Corporations From the General Fund

Amount requested	\$712,638
Estimated to be expended in 1953-54 Fiscal Year	792,142
Decrease (10.0 percent)	\$79,504

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$39,923	\$39,923	---	508	17
Operating expense	2,607	2,607	---	508	37
Equipment	-1,159	-1,159	---	508	44
	\$41,371	\$41,371	---	508	46
Less: Reimbursements	120,875	120,875	---	508	51
Total increase	-\$79,504	-\$79,504	---	508	53

RECOMMENDATIONS

Amount budgeted	\$712,638
Legislative Auditor's recommendation	712,638
Reduction	None

ANALYSIS

The proposed budget for the division for the 1954-55 Fiscal Year provides for the cost of doing business at the existing level of service with anticipated increase in work load.

To compensate for the added load of work anticipated for the budget year, the division has requested an addition of 6.5 positions to its personnel complement. The need for additional personnel is justified on this basis as is indicated in the following table of statistics reflecting continued growth in the securities business in the State, and on the basis of additional work in other fields of regulation as mentioned.

**Comparative Data on Revenues and Expenditures and Related Work Load for
the Division of Corporations for the Period 1948-49 to 1954-55**

Fiscal Year	Revenue	Expenditures	Securities activity applications
1950-51	\$845,332	\$599,994	17,609
1951-52	932,557	664,113	20,323
1952-53	1,000,236	773,719*	22,013
1953-54†	1,083,065	844,455	23,483
1954-55†	1,146,195‡	881,300‡	24,943

* Commencing with 1952-53 the total expenditures reflect the cost of the state contributions toward employees' retirement.

† Estimated.

‡ Sum of \$120,875 is treated in the Budget as reimbursements, but for comparative purposes is treated as revenue in the table.

As shown in the table above, the work of the division continues to grow. Total applications in securities activities reflect an increase from 1950-51 to 1954-55 estimated at 7,334 units or an increase of 42 percent. Revenues to the General Fund are expected to continue to exceed expenditures by approximately \$250,000, annually.

Division of Corporations—Continued

In addition to the regulation of securities activities, the division is required by law to examine annually the business of personal property and small loan brokers, credit unions, and industrial loan companies. The division is also authorized to examine the business of certain escrow agents and check sellers and cashers when necessary or at its discretion. The work in supervising these enterprises has grown considerably in recent years. For instance, in the 1953 calendar year 93 new credit unions were chartered under state law, with the total number expected to reach 500 in the budget year, or double the total of 247 credit unions under state supervision in 1950-51. The personal property and small loan broker business has also grown, as figures show an estimated increase of 27 percent in the number of such brokers since 1950-51, bringing the total in business estimated at 700 at the end of the 1954-55 Fiscal Year.

In view of the foregoing, we recommend approval of the budget request as submitted.

**Department of Investment
DEPARTMENT OF INSURANCE**

ITEM 151 of the Budget Bill

Budget page 509
Budget line No. 7

For Support of Department of Insurance From the Insurance Fund

Amount requested	\$1,383,977
Estimated to be expended in 1953-54 Fiscal Year	1,300,361
Increase (6.4 percent)	\$83,616

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$68,944	\$68,944	---	515	9
Operating expense	19,727	19,727	---	515	10
Equipment	-4,055	-4,055	---	515	11
	84,616	84,616	---	515	13
Less reimbursement	-1,000	-1,000	---	515	15
Total increase	\$83,616	\$83,616	---	515	18

RECOMMENDATIONS

Amount budgeted	\$1,383,977
Legislative Auditor's recommendation	1,381,078
Reduction	\$2,899

ANALYSIS

The proposed budget for support of the Department of Insurance for the 1954-55 Fiscal Year provides for expenditures totaling \$1,383,977. This represents an increase of \$83,616 or 6.4 percent over the estimate of expenditures in the current year.

The budget, while based on additional work load under existing policies, proposes to add nine positions to its present complement of personnel.

Department of Insurance—Continued

We recommend that eight positions be allowed on the basis of additional work load and reduction of backlog. We concur in the request for an insurance investigator position on a one-year basis to assist the licensing division to clear up a backlog of work. However, we recommend that a review of the work of this division be made during the budget year to determine the particular problems of the division. We further recommend that one of the two additional claims investigator positions also be placed on tentative basis for one year, with a review of the work and services to be made during the budget year.

Our recommendation for deletion of one proposed new position would reduce the request for two additional intermediate stenographer-clerks in the compliance and legal division. This position is found on page 511, line 78 of the Budget. It is noted that this division is replacing part of its dictating equipment and adding four more such machines. This should expedite the work of the technical personnel as well as that of the clerical personnel.

It is noted also that approximately \$7,000 additional money is requested for moving expense and rent. We understand that the present lease of office space in the City of Los Angeles is to expire in September 1954, and is not to be renewed. Consequently the department will have to find other quarters. It appears that the budget request provides for some additional space over that in the present lease, but space for the Los Angeles office is budgeted at a lesser rental per square foot than the present lease calls for. We are informed that the Department of Finance is making a survey of the situation and will submit further information.

Continued growth of the insurance industry in the State is reflected in the following table of statistics covering the period 1950 to 1955.

Year	Expenditures	Gross revenues	California premiums	Premium tax to General Fund	Licenses
1950 -----	\$901,000	\$1,231,500	\$1,256,000,000	\$25,300,000	93,800
1951 -----	960,200	1,102,100	1,416,134,000	29,176,800	102,660
1952 -----	1,025,700	1,240,870	1,644,500,000	34,326,350	104,300
1953 -----	1,235,000	1,431,400	1,800,000,000 *	36,000,000 *	110,900
1954 * ----	1,380,000	1,520,500	1,900,000,000	36,500,000	115,500
1955 * ----	1,468,700	1,612,750	†	†	120,100

* Estimated.

† No estimate.

As indicated in the above table, premiums are estimated at 1.9 billion dollars for 1954, or an increase of approximately 650 million dollars over 1950, while premium tax accruing to the General Fund is shown to climb to 36.5 million dollars in 1954 from 25.3 million dollars for 1950, representing an increase of 11.2 million dollars or 44 percent.

The Department of Insurance is supported from the Insurance Fund, which reflects an estimated accumulated surplus of \$2,000,000 as of June 30, 1955. It is noted that the fund statement shows the sums of \$709,900 and \$144,052 transferable to the General Fund in 1954 and 1955 respectively. This is the result of legislation adopted at the 1953 session, whereby any sum in the fund in excess of \$2,000,000 at the close of business for each fiscal year is to be transferred to the General Fund.

**Department of Investment
DIVISION OF REAL ESTATE**

ITEM 152 of the Budget Bill

Budget page 516
Budget line No. 7

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

Amount requested	\$845,380
Estimated to be expended in 1953-54 Fiscal Year	816,554
Increase (3.5 percent)	\$28,826

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$42,535	\$42,535	---	517	26
Operating expense	—12,643	—12,643	---	517	55
Equipment	—1,066	—1,066	---	517	63
Total increase	\$28,826	\$28,826	---	517	65

RECOMMENDATIONS

Amount budgeted	\$845,380
Legislative Auditor's recommendation	839,360
Reduction	\$6,020

ANALYSIS

The appropriation request for support of the Division of Real Estate for the 1954-55 Fiscal Year represents an increase of \$28,826 or 3.5 percent over estimated expenditures for support in the current year.

To compensate for anticipated additional work load as reflected in part in the budget document, to reduce backlog, and to continue the agency's policy, initiated in 1950, of more intensive enforcement in the regulation of the real estate business, the division is requesting seven additional positions.

We recommend that the positions be allowed, but that the two deputy positions and one intermediate stenographer position be placed on a tentative basis for one year, with a review of the work load to be made in the budget year to determine further need of the positions.

In respect to the work of the division, as related particularly to subdivision activities, it should be noted that the Interim Committee on Subdivision and Planning, pursuant to Senate Resolution 178 of 1953, is conducting a study of the various phases of subdivision and planning and the regulation thereof at the various levels of government. A report from the committee is due to be submitted to the 1955 Legislature by the fifteenth day after constitutional recess.

This office has, in the past, recommended that such a study be made, particularly as to apparent complexities in the regulation of subdivision activities to determine the extent of responsibilities of the State Government in relation to those of other levels of government. Undoubtedly, the findings and recommendations of the committee will have an affect on the subdivision work for the division, and pending a report from the committee and a review of real estate trends next year, we believe that the two deputy positions and the related stenographic position should be allowed on a tentative rather than a permanent basis.

Division of Real Estate—Continued

We also recommend that the request for replacement of equipment be reduced \$6,020. The agency is requesting \$6,900 for the purchase of a new addressograph machine to replace a \$2,500 machine. The agency maintains two addressograph machines. Replacement of one machine with a similar one has recently been authorized, and while the second machine is to be replaced, we see no specific justification for such replacement with one to cost \$7,000 and therefore, recommend a saving of \$4,400 by allowing \$2,500 for a new machine.

We further recommend that the request for \$1,620 for the purchase of one additional automobile for the Los Angeles office be disallowed. The office in Los Angeles has a pool of 10 automobiles at the present time. The only justification offered for an additional car appears to be based on the addition of two deputies. We believe that there is room for absorption of additional personnel in the use of the car pool. Consequently, we recommend that the additional car be not allowed.

The Division of Real Estate is supported from the Real Estate Fund, which shows an accumulated surplus estimated at \$1,351,907 as of June 30, 1955.

Department of Investment
CALIFORNIA DISTRICTS SECURITIES COMMISSION

ITEM 153 of the Budget Bill

Budget page 519

Budget line No. 7

For Support of California Districts Securities Commission
From the General Fund

Amount requested	\$45,702
Estimated to be expended in 1953-54 Fiscal Year	44,165
Increase (3.5 percent)	\$1,537

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$1,855	\$1,855	---	519	46
Operating expense	100	100	---	519	61
Equipment	—418	—418	---	519	68
Total increase	\$1,537	\$1,537	---	519	69

RECOMMENDATIONS

Amount budgeted	\$45,702
Legislative Auditor's recommendation	45,702
Reduction	None

ANALYSIS

The request for \$45,702 for support of the commission for the 1954-55 Fiscal Year represents an increase of \$1,537 due chiefly to adjustments of \$1,955 in salary costs and operating expenses partially offset by nonrecurring costs of \$418 for equipment replacement.

The work of the commission indicates that continued increase is anticipated in the coming year and it appears that the budget for the commission will provide for added costs at the existing level of service.

We recommend approval of the item as budgeted.