

Lieutenant Governor—Continued

Summary of Increase

| | Total increase | INCREASE DUE TO | | Budget page | Line No. |
|-----------------------------|----------------|---------------------------------|--------------|-------------|-----------|
| | | Work load or salary adjustments | New services | | |
| Salaries and wages ----- | \$1,836 | \$1,836 | --- | 35 | 32 |
| Operating expense ----- | | | --- | 35 | 47 |
| Equipment ----- | -\$,618 | -\$,618 | --- | 35 | 54 |
| Total increase ----- | -\$782 | -\$782 | --- | 35 | 56 |

RECOMMENDATIONS

| | |
|--------------------------------------------|----------|
| Amount budgeted ----- | \$45,952 |
| Legislative Auditor's recommendation ----- | 45,952 |
| Reduction ----- | None |

ANALYSIS

There is no significant change in the amount requested for support of the Lieutenant Governor's Office. We recommend approval.

STATE EMPLOYEES' RETIREMENT SYSTEM

ITEM 35 of the Budget Bill

Budget page 36
Budget line No. 20

For Support of State Employees' Retirement System From the General Fund

| | |
|-------------------------------------------------------|-----------|
| Amount requested ----- | \$254,697 |
| Estimated to be expended in 1954-55 Fiscal Year ----- | 286,788 |
| Decrease (11.2 percent) ----- | \$32,091 |

Summary of Increase

| | Total increase | INCREASE DUE TO | | Budget page | Line No. |
|--------------------------------|------------------|---------------------------------|--------------|-------------|-----------|
| | | Work load or salary adjustments | New services | | |
| Salaries and wages ----- | \$5,955 | \$5,955 | --- | 39 | 39 |
| Operating expense ----- | -\$4,178 | -\$4,178 | --- | 39 | 40 |
| Equipment ----- | -6,960 | -6,960 | --- | 39 | 41 |
| Plus: | | | | | |
| Decreased reimbursements ----- | 3,092 | 3,092 | --- | 39 | 46 |
| Total increase ----- | -\$32,091 | -\$32,091 | --- | 39 | 48 |

RECOMMENDATIONS

| | |
|--------------------------------------------|-----------|
| Amount budgeted ----- | \$254,697 |
| Legislative Auditor's recommendation ----- | 254,697 |
| Reduction ----- | None |

ANALYSIS

The State Employees' Retirement System administers the State Employees' Retirement System and the Legislators' Retirement System. This involves the determination of membership, the accounting for contributions, service and compensation, the computation of payments of all kinds, the investment of funds, the preparation of special valuations and reports.

The budget request for Fiscal Year 1955-56 shows a reduction of \$32,091 from the current year's estimated expenditures. This decrease must be examined in detail to determine the actual change in the activities of the Employees' Retirement System. Two factors which explain this decrease are:

State Employees' Retirement System—Continued

- (1) The completion of the quadrennial actuarial valuation of the State Employees', Legislators and Judges' Retirement Systems.
- (2) The transfer of the processing of United States Savings Bonds to the Controller's Office.

These activities which do not appear in the budget request for 1955-56 account for approximately \$50,000 in the amount estimated to be expended by the system during the current year.

Comparison of the activities of the system without considering the actuarial valuation and the bond program, shows that there has actually been an increase in the regular activities of the agency. The increase in regular activities arose from an unanticipated increase in membership in the Retirement System. Membership for the 1954-55 Fiscal Year was estimated at 132,000; the revised estimate for 1954-55 is 145,000 members. This unanticipated change will require the services of seven additional positions plus some temporary help during the current fiscal year. Thus the actual increase in total positions for this agency is from 125 as authorized by the Legislature for 1954-55 to 132 positions estimated to be required for 1954-55.

Two additional clerical positions are requested for 1955-56 to meet the anticipated work load. It is estimated that the membership will increase by 6,000 during 1955-56. Since the work load is increasing and the system has shown increased productivity per employee there is little question but that the new positions are justified. We recommend approval of the budget as requested.

Pursuant to SCR 89, the Legislative Auditor has undertaken a comprehensive study of all state retirement systems. The study consists of four parts. Parts I and II, now completed, cover the following areas.

Part I—General survey of retirement systems and the development of the state systems.

Part II—A study of the Social Security System and recommendations for the integration of it with the State Employees' Retirement System.

Parts III and IV, containing actuarial data and valuations, will be forthcoming during the current 1955 General Session.

COMMISSION ON INTERSTATE COOPERATION

ITEM 36 of the Budget Bill

Budget page 40

Budget line No. 6

For Support of the Commission on Interstate Cooperation From the General Fund

| | |
|-------------------------------------------------------|----------|
| Amount requested | \$33,305 |
| Estimated to be expended in 1954-55 Fiscal Year | 27,105 |
| <hr/> | |
| Increase (22.9 percent) | \$6,200 |

RECOMMENDATIONS

| | |
|--------------------------------------------|----------|
| Amount budgeted | \$33,305 |
| Legislative Auditor's recommendation | 33,305 |
| <hr/> | |
| Reduction | None |

Commission on Interstate Cooperation—Continued

ANALYSIS

The California Commission on Interstate Cooperation is composed of five Members of the Assembly, five Members of the Senate and five Members appointed by the Governor. The commission was established in 1939 for the purpose of state representation and participation in the regional and national councils of state governments which meet to report upon and discuss problems of joint state interest and state-federal relations.

The principal item of increase in the proposed budget is in the contract with the Council of State Governments. This is to be increased from \$25,000 to \$31,250. The amount of California's contract has remained at \$25,000 per year since 1948-49. The council is adjusting the assessments of the states to a ratio more commensurate with operating costs of the council. The expenses of legislative members are met through allocations from legislative funds to the Assembly and Senate Committees on Interstate Cooperation, respectively.

We recommend approval of the item as budgeted.

PERSONNEL BOARD

ITEM 37 of the Budget Bill

Budget page 41
Budget line No. 7

For Support of Personnel Board From the General Fund

| | |
|-------------------------------------------------------|-------------|
| Amount requested | \$1,635,245 |
| Estimated to be expended in 1954-55 Fiscal Year | 1,635,667 |
| Decrease | \$422 |

Summary of Increase

| | Total increase | INCREASE DUE TO | | Budget page | Line No. |
|--------------------------|-------------------|------------------------------------|-----------------|----------------|-------------|
| | | Work load or salary adjustments | New services | | |
| Salaries and wages | \$28,694 | \$28,694 | --- | 50 | 9 |
| Operating expense | —20,099 | —20,099 | --- | 50 | 10 |
| Equipment | —6,534 | —6,534 | --- | 50 | 11 |
| | \$2,061 | \$2,061 | | | |
| Less: | | | | | |
| Increased | | | | | |
| reimbursements --- | —2,483 | —2,483 | --- | 50 | 17 |
| Total increase | \$—422 | \$—422 | --- | 50 | 19 |

RECOMMENDATIONS

| | |
|--------------------------------------------|-------------|
| Amount budgeted | \$1,635,245 |
| Legislative Auditor's recommendation | 1,635,245 |
| Reduction | None |

ANALYSIS

The budget request of \$1,635,245 is \$422 less than the estimated expenditure for the current year. However, if it were not for the fact that the Personnel Board will be in a state-owned office building with rent-free space, including utilities and without a moving expense item, the budget would have increased \$28,337 or by approximately 2.0 percent.

Personnel Board—Continued

The administrative units of the Personnel Board were reorganized as of July 1, 1954. The principal change was from an organization based upon functional specialization to one of a more generalized operation. Briefly, the main organizational change breaks up the old functional divisions of classification, examination and recruiting, and compensation into three general divisions called Operations, Recruitment and Examination, and Standards and Surveys.

The Operations Division will be concerned with a generalized program for the state service covering classification, pay plans, and the preparation of examinations. It will prepare and revise job specifications, recommend salary ranges, work-week groups, allocate positions, examine applicants, review and pass upon personnel transactions, and approve cash payments for overtime. It will also maintain general service relationships with the various agencies. This will have the advantage of permitting the agencies to deal with one individual on the majority of personnel matters rather than with a series of individuals concerned with special functions.

The new Recruitment and Examining Division will be concerned with the development of "policy, standards and techniques for the recruitment and examining functions." It will recruit applicants, administer continuous clerical examinations and placements, maintain employment lists of eligibles, provide training in examining and interviewing techniques, arrange interviews, maintain a file of examination questions, assist veterans, and supervise applicant investigations. It will also maintain the branch offices of the board.

The Standards and Surveys Division will be concerned with conducting wage surveys, policy standards and techniques for classification and pay, personnel management research, and statistical and other surveys, of the department.

The most important result of the reorganization will be to give technicians a broader range of activities and consolidate persons contacting state agencies. No reduced expenditures are anticipated. Before the next legislative session it would be desirable to make a report on the effectiveness of the organizational change.

The budget for the Personnel Board is relatively large in relation to the personnel function, but it is dwarfed by the cost of the state pay roll which it administers, and for that reason potential reductions in cost must be viewed largely in the light of personnel policies and practices. Policy determinations with respect to civil service will largely govern the size of the personnel function and, more importantly, the cost of the civil service.

There are a number of personnel practices which warrant continuous review, particularly as they affect the group of state employees. Some of these are mentioned in our analysis of the proposed increase in state salaries.

1. *Recruitment Examinations.* Nearly all examinations given by the State Personnel Board are of the written type including those for professional positions for which applicants must display a combination of education, experience, and often proof of professional recognition such as passage of a bar examination or the achievement of various college degrees. Section 18930 of the Government Code authorizes the

Personnel Board—Continued

use of unassembled examinations as a means of fulfilling the constitutional requirement that examinations must be given. We believe that some of the effort and expense involved in preparing and administering examinations might be more profitably used for many classifications by examining and evaluating qualifications and credentials of applicants who meet job specification requirements. It would appear that grade averages in college, past experience achievement, or qualification to pursue a profession would prove as meaningful as written answers to examinations.

2. *Promotional Examinations.* California has recognized the principle of a career service for promotional progress in its State Government to the extent that many qualified residents of the State are excluded from moving into the state service at a level which they may have attained in other employment. This is done by restricting the higher level jobs to closed promotional examinations except for some positions where applicants are scarce. Such a rigid embrace of career service principles seems questionable. There are many well-qualified persons both in other public employment, private industry, and state positions not included under the civil service whose abilities are lost to the State since they are not permitted to compete for positions of comparable compensation with their present ones.

3. *Oral Interviews.* The Personnel Board makes extensive use of scored oral interviews to supplement written examinations. However, the agency has stated that they are so brief that complaints are often made by applicants. The oral interview is of questionable value if it is not adequately conducted and is no substitute for careful review of the professional qualifications and employment record of an applicant.

4. *Dismissal Policies.* The hearing procedures for employees found to be incompetent should continue to be studied to eliminate elaborate, time consuming, and expensive features. We believe that these elements in the procedure discourage proper dismissals, and perpetuate a number of incompetent employees.

We believe that a comprehensive management study of the personnel function, including personnel staffs in the various agencies should be made, with special attention to the matters mentioned above. Such a study is scheduled by our office for completion prior to the 1956 Session. Pending completion of this study, we recommend approval of the amount requested for 1955-56.

SECRETARY OF STATE

ITEM 38 of the Budget Bill

Budget page 51
Budget line No. 7

For Support of the Secretary of State From the General Fund

| | |
|-------------------------------------------------------|-----------|
| Amount requested | \$247,588 |
| Estimated to be expended in 1954-55 Fiscal Year | 236,740 |
| Increase (4.6 percent) | \$10,848 |

Secretary of State—Continued

| | Summary of Increase | | | Budget page | Line No. |
|-------------------------|---------------------|---------------------------------|--------------|-------------|----------|
| | Total increase | INCREASE DUE TO | | | |
| | | Work load or salary adjustments | New services | | |
| Salaries and wages----- | \$7,955 | \$7,955 | --- | 53 | 50 |
| Operating expense----- | —5,514 | —5,514 | --- | 53 | 51 |
| Equipment----- | 8,407 | 8,307 | --- | 53 | 52 |
| Total increase----- | \$10,848 | \$10,848 | --- | 53 | 58 |

RECOMMENDATIONS

| | |
|-------------------------------------------|-----------|
| Amount budgeted----- | \$247,588 |
| Legislative Auditor's recommendation----- | 247,588 |
| Reduction----- | None |

ANALYSIS

The office of the Secretary of State examines and files all articles of incorporation. The Constitution requires the Secretary of State to attest all official acts of the Governor and the State Legislature. He has custody of all official acts of the Governor and Legislature. The Secretary of State exercises general supervision of elections. The Archives and Central Records Depository are under the supervision of the Secretary of State. Also, he files all applications for trademarks, reservations of corporate names, and registration of fraternal names, farms, ranches or villas. The Secretary of State is charged with the Administration of the Collection Agency Act.

Items showing significant change for the Fiscal Year 1955-56 as compared to the current fiscal year are as follows:

| | Increase |
|---------------------------------------------------------------|----------|
| Automobile replacement----- | \$4,250 |
| Additional steel shelving for Central Records Depository----- | 6,900 |

This shelving will provide low cost storage space for inactive records now being kept in expensive filing equipment in state agencies.

Allocations from the emergency fund for the current fiscal year amounted to \$17,209. This amount was expended for the following:

| | |
|-------------------------------------------------------------------------|---------|
| 1 senior counsel, six months----- | \$4,500 |
| 1 temporary counsel to fill in for permanent counsel on sick leave----- | 2,968 |
| 3 clerical positions----- | 6,635 |
| Salary increase----- | 492 |
| Price increase for printing and decrease in reimbursement----- | 2,614 |

The additional positions of counsel and the three clerical positions are fully justified on an increased work load basis.

We recommend approval of the amount requested.

Secretary of State
RECORDS CENTER AND ARCHIVES

Recommendations

1. The old Printing Plant located between 10th and 11th Streets on O Street should be designated as a Records Center and Archives.
2. Portions of the building should be assigned to the Secretary of State for immediate use for expansion of the Central Records Depository.

Records Center and Archives—Continued

3. A minimum amount of money should be appropriated in the 1955-56 Fiscal Year Budget to clean and paint the sections assigned to the Secretary of State and to make such minor alterations and repairs as are necessary.

Proper filing procedures and records management is becoming increasingly important to government in view of the expanding need for records and the rate at which these records are produced. State agencies must be constantly aware of the growing cost of maintaining files and records and the need to reduce records. The National Records Management Council provides some examples of the extremely high cost of keeping records. The council reports that producing the average business letter ranges from 80 cents to \$1.30. Carbon copies comprise about one-third of the 3,000 to 4,000 pieces of paper in the ordinary file drawer. The cost to create the contents of such a drawer is about \$1,000 and the annual upkeep on 50 file cabinets is estimated at \$12,000.

Low cost storage space is considered by experts as the best solution to the problem of storing most records. Microfilming of old records has been strongly advocated to save space in storing records. However, the National Records Management Council finds that it may be much cheaper to store the original records. The cost of preparing, filming, inspecting, and indexing a four-drawer cabinet runs \$80 or more. In low cost storage space this four-drawer file cabinet could be stored for many years.

The Secretary of State is required by Section 12260 of the Government Code to establish in his office a Central Records Depository. The depository was established and has been operating for several years. The Central Records Depository receives, classifies and stores both temporary and permanent records from any state agency desiring to use the facilities. To meet the demands of the depositing agencies, the Secretary of State is faced with two problems. The primary problem is the urgent need for more space; the other, is to consolidate all the records and archives into one building.

The need for space to expand the Central Records Depository is mandatory if the records program is to continue. Many agencies have records which should be stored in a low cost records center. However, there is no additional space available in the existing facilities to store and properly service records. Fifteen agencies reported a record bulk of approximately 2,603 legal-sized drawers of permanent material that they would like to send to the depository. The Supreme Court stated that they have considerable additional records, which are permanent, for deposit. There are other agencies that have not reported the volume of records they could release to the depository.

It is the desire of the Secretary of State to bring together under one roof all his archives and records center material. The Secretary of State has requested that the space in the State Printing Building be assigned to him for a records center and archives. While there is more space than is presently required by the records he now keeps, the additional space would provide for indefinite expansion. Estimates of approximately \$375,000 were submitted in the 1954-55 Budget for the renovation and rather elaborate remodeling of the building to include a vault,

Records Center and Archives—Continued

temperature control and considerable office space. This proposal was rejected by the Legislature.

Existing Facilities

Archives are presently stored in the Bank Building at 631 J Street, the basement of the Capitol and at the Central Records Depository in the state warehouse at 1108 R Street. The Secretary of State presently has two floors in the state warehouse which are used for both archives and records.

The state warehouse is considered undesirable for expansion for two important reasons:

1. Very little unused space is left on the two floors now assigned to the Records Depository. Apparently there is little prospect of obtaining additional space.

2. There is no passenger elevator in the building and the freight elevator cannot be used. It has been declared unsafe for passengers by the Division of Industrial Safety after a recent investigation. Also, the only stairways from the second to the sixth floors are so constructed that they have a slope of about 60 to 65 degrees from the horizontal with 12-inch risers and 5-inch treads. The Central Records Depository occupies the third and fourth floors so the only means of access is by these stairways. The Department of Industrial Relations has been advised by the Department of Finance that the construction of the building is such that it would be very expensive and difficult to change the stairway. Women are employed in the Records Depository and many researchers go to the depository to use the documents, all of whom must use these unsatisfactory stairways. The Division of Buildings and Grounds estimates the value of space in the state warehouse at 5 cents per square foot.

In order to meet the need for more records space the Secretary of State desires to move from the two floors in the state warehouse to the State Printing Plant. It appears to us that the second floor of the main part of the plant and two floors in the annex would provide sufficient space for the immediate expansion which is necessary for the Central Records Depository and Archives. These floors are unoccupied except the third floor of the annex where civil defense supplies are stored temporarily.

Description and Use of Old Printing Plant Building

The building consists of the original section and an annex. The main section contains a basement and two floors; the annex contains a basement and three floors. Both sections of the building are in need of cleaning and painting and could not be used satisfactorily for records storage without it. The Division of Buildings and Grounds estimates the value of the space as it is now at 5 cents per square foot.

The original section is the older part of the building. There is a total of approximately 19,000 square feet of floor space in the basement and on the first floor. Because the supporters are much smaller on the second floor there might be an additional 1,000 feet for a total of 20,000 square feet. Each floor area consists of a single large open space with additional space broken up by an elevator shaft, stairwell and lava-

Records Center and Archives—Continued

tories. The latter space is located between the main section of the building and the annex. On the second floor the large open space consists of 15,000 square feet with approximately 5,000 square feet of broken-up space. The usable ceiling height on the second floor is 14 feet throughout.

In the basement of the main section there are several skids of tax-instruction booklets. The remainder of the basement is unused.

About two-thirds of the first floor of the main section is being used by the Franchise Tax Board. This area has been cleaned and painted and is occupied by a large clerical force. The remaining one-third of the first floor is being used by the Division of Buildings and Grounds to store miscellaneous used pipe, radiators and other heating equipment. This equipment is old and used and is scattered over the area so that not more than 30 percent of the actual floor space is used.

The second floor is unoccupied except for a small office area used by the Water Resources Board. Very little of this office space is in the main floor area but is partly located over the stairwell and in the annex.

The annex, a smaller building, consists of approximately 6,500 square feet of space per floor. The basement and the first floor are unoccupied. The second and third floors are completely used by the Office of Civil Defense for the storage of medical supplies.

It appears to us that the most efficient and economical use of the old Printing Plant is for a warehouse. The high ceilings and the large floor supports make the space undesirable for general office space. Considerable expense would be required to fully utilize the space for permanent offices. The value of the building is very low considering the type and original cost. The cost of the building was \$220,000 in 1925. The cost of the land to the State in 1921 was \$40,000.

It is contemplated that the second floor of the main building would be the records center and the annex would be for archives. These areas would provide adequate space for the records in the state warehouse plus space for expansion in the immediate future. All the floors are adaptable for record keeping and have adequate freight elevators and work area.

Some renovation and improvement would be necessary. These floors would have to be completely cleaned and painted before use. A passenger elevator would be required for access to the third floor of the annex. The only elevator to the third floor is located in the rear of the building and the stairway is in the interior of the building; the offices would be located in the front part of the building. Adjacent to the offices in the front of the building is a shaft for a passenger elevator but an elevator has never been installed.

**Secretary of State
COLLECTION AGENCY DIVISION**

ITEM 39 of the Budget Bill

Budget page 51
Budget line No. 40

For Support of the Collection Agencies Division From the Collection Agency Fund

| | |
|-------------------------------------------------------|----------|
| Amount requested | \$37,137 |
| Estimated to be expended in 1954-55 Fiscal Year | 37,364 |
| Decrease (0.6 percent) | \$227 |

Collection Agency Division—Continued

Summary of Increase

| | Total increase | INCREASE DUE TO | | Budget page | Line No. |
|-----------------------------|-------------------|------------------------------------|-----------------|----------------|-------------|
| | | Work load or salary adjustments | New services | | |
| Salaries and wages ----- | —\$1,138 | —\$1,138 | --- | 54 | 16 |
| Operating expense ----- | 843 | 843 | --- | 54 | 33 |
| Equipment ----- | 68 | 68 | --- | 54 | 40 |
| Total increase ----- | —\$227 | —\$227 | --- | 54 | 42 |

RECOMMENDATIONS

| | |
|--------------------------------------------|-------------|
| Amount budgeted ----- | \$37,137 |
| Legislative Auditor's recommendation ----- | 37,137 |
| Reduction ----- | None |

ANALYSIS

This division licenses and supervises collection agencies. It has the power to issue supplementary rules and regulations governing the conduct of licenses, with authority to revoke licenses for the violation of the act or rules and regulations. A five-man State Collection Agency Board appointed by the Secretary of State serves as an advisory board in these matters.

The major change in this budget is a decrease in salaries which is due to a decrease in temporary help and terminal pay.

Approval of the amount requested is recommended.

DEPARTMENT OF AGRICULTURE

ITEM 40 of the Budget Bill

Budget page 57

Budget line No. 65

For Support of Department of Agriculture From the General Fund

| | |
|-------------------------------------------------------|------------------|
| Amount requested ----- | \$5,673,009 |
| Estimated to be expended in 1954-55 Fiscal Year ----- | 5,559,379 |
| Increase (2.0 percent) ----- | \$113,630 |

Summary of Increase

| | Total increase | INCREASE DUE TO | | Budget page | Line No. |
|------------------------------|-------------------|------------------------------------|-----------------|----------------|-------------|
| | | Work load or salary adjustments | New services | | |
| Salaries and Wages ----- | \$96,624 | \$70,956 | \$25,668 | 80 | 38 |
| Operating expense ----- | 22,137 | 10,022 | 12,115 | 80 | 39 |
| Equipment ----- | —2,011 | —2,011 | --- | 80 | 40 |
| | \$116,750 | \$78,967 | \$37,783 | 80 | 42 |
| Less: | | | | | |
| Increased reimbursements --- | —3,120 | —3,120 | --- | 80 | 44 |
| Total increase ----- | \$113,630 | \$75,847 | \$37,783 | 80 | 71 |

RECOMMENDATIONS

| | |
|--------------------------------------------|-----------------|
| Amount budgeted ----- | \$5,673,009 |
| Legislative Auditor's recommendation ----- | 5,633,709 |
| Reduction ----- | \$39,300 |