

Water Project Authority—Continued

The results of the trial distribution on the Sacramento River to date are encouraging. In our view, the possibility of achieving an amicable settlement of these water rights without the necessity of prolonged and expensive litigation justifies the expenditure of the amount requested. We recommend approval of this item.

WATER PROJECT AUTHORITY

ITEM 216 of the Budget Bill

Budget page 819
Budget line No. 18

For Support of Assistance in Current Litigation From the General Fund

Amount requested	\$18,825
Estimated to be expended in 1954-55 Fiscal Year	—
Increase	\$18,825

RECOMMENDATIONS

Amount budgeted	\$18,825
Legislative Auditor's recommendation	18,825
Reduction	None

ANALYSIS

This provides for a continuation of legal and engineering assistance to the Attorney General in connection with water right litigation involving the Central Valley Project. Most of this assistance has been in connection with the case of *Rank v. Krug*. The work has been done during the past couple of years by the staff of the authority. Elimination of that staff in the 1955-56 Budget makes it necessary to provide for this function as a separate item in the authority's budget.

We recommend approval of the amount requested.

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

ITEM 217 of the Budget Bill

Budget page 821
Budget line No. 7

For Support of Department of Alcoholic Beverage Control From the General Fund

Amount requested (full year's operations)	\$2,717,142
Estimated to be expended in 1954-55 Fiscal Year (one-half year only)	1,393,632
Increase (See below)	\$1,323,510

RECOMMENDATIONS

Amount budgeted	\$2,717,142
Legislative Auditor's recommendation	2,686,692
Reduction	\$30,450

ANALYSIS

The amount of \$2,717,142 requested for 1955-56 is for a full year's operations while the \$1,393,632 shown for 1954-55 is for a half year's operations only, since the new department was established by transfer of functions from the Board of Equalization as of January 1, 1955, the middle of a fiscal year. There is no actual increase in the level of service provided for the new department if a full year's operations are considered.

Department of Alcoholic Beverage Control—Continued

The over-all increase in cost to the General Fund for 1955-56 resulting from the passage of Proposition No. 3, which divorced liquor control from the Board of Equalization and established the Department of Alcoholic Beverage Control and Alcoholic Beverage Control Appeals Board, appears to be as follows:

Budget of Board of Equalization, General Fund Activities for 1955-56 (Budget page 416, line 14) -----	\$11,034,923
Budget of Department of Alcoholic Beverage Control for 1955-56 (Budget page 821, line 12) -----	2,717,142
Budget of Alcoholic Beverage Control Appeals Board for 1955-56 (Budget page 824, line 10) -----	68,692
Total -----	\$13,820,757
Budget of Board of Equalization as originally submitted for 1955-56 including Alcoholic Beverage Control functions, as it would have been approved by Department of Finance had Proposition No. 3 been defeated -----	13,731,109
Increase -----	\$89,648

This increase may be regarded as the approximate additional annual cost of the new program if liquor control administration and the related appeals function are continued at the level budgeted for 1955-56.

It is interesting to note that this increase is less than the estimated increased cost to the State for the first six months of operation under the new program; i.e., January 1 to June 30, 1954, which is measured by the following:

Proposed deficiency appropriation for Department of Alcoholic Beverage Control (Budget page 821, line 10) -----	\$86,845
Proposed deficiency appropriation for Alcoholic Beverage Control Appeals Board (Budget page 824, line 8) -----	38,969
Total -----	\$125,814

The reason for this, of course, is that the proposed deficiency appropriations include certain costs of a nonrecurring nature incident to the change-over, which are as follows:

Department of Alcoholic Beverage Control:	
Salary of special assistant to director (Budget page 821, line 45) -----	\$4,926
Operating expenses—office alterations and moving, services rendered by State Personnel Board and Board of Equalization, etc. -----	23,701
Additional office equipment (Budget page 822, line 24) -----	7,992
Additional automobile for director (Budget page 822, line 26) -----	1,450
Alcoholic Beverage Control Appeals Board:	
Additional operating expenses, various -----	750
Additional office equipment (Budget page 824, line 26) -----	5,197
Total -----	\$44,016

The only reduction we are recommending at this time in the budget of the Department of Alcoholic Beverage Control involves the transfer of funds for automobile replacements from the agency budget to the central automotive pool, a matter not related to the change-over, which is explained in detail in a following section of this analysis under that heading.

The budget as submitted provides for no new services, or any increases in the level of service over those formerly provided by the

Department of Alcoholic Beverage Control—Continued

Board of Equalization in the field of Alcoholic Beverage Control, the increase in over-all costs resulting almost entirely from the five new positions established in the new department at the top level; the director, the deputy director, and the three area liquor administrators, and the operations of the Appeals Board, offset in part by a reduction of \$32,916 in the budget of the Board of Equalization resulting from the elimination of four top-level administrative positions in that agency.

Our reason for not recommending any reductions in the amount requested by the Department of Alcoholic Beverage Control at this time is our belief that the new director should be provided with all of the tools of administration available to the Board of Equalization in the past, so that he will not suffer at the outset of his administration in comparison with his predecessor.

We believe, however, that it should be possible during its first full year of operation for the agency to effect economies which will reduce substantially the increased over-all cost. In our analysis we indicate some of the areas where we think this might be accomplished and also present certain factual data regarding operations of the agency.

It should also be noted, as pointed out under "Off-sale general license fee audits" in a subsequent section of this analysis that an amendment to the Alcoholic Beverage Control Act changing the method of imposing the off-sale general license fee could save the State \$110,000 or more per year in costs of administration, and that another amendment changing the formula for apportioning license fees to cities and counties, which appears to be logical, would result in additional revenue to the General Fund of approximately \$250,000 per year, as discussed in the section headed "License fees paid by other than retailers."

Constitutional and Legislative Basis for the New Department

The Department of Alcoholic Beverage Control was created effective January 1, 1955, by an amendment to Section 22 of Article XX of the Constitution, approved by the voters as Proposition No. 3 on November 2, 1954. Senate Constitutional Amendment No. 4 (Resolutions Chapter 33) of the First Extraordinary Session of 1954 placed the amendment on the ballot.

This amendment transfers from the Board of Equalization to the new department the administration and enforcement of the licensing provisions of the Alcoholic Beverage Control Act. It gives the department the "exclusive power to license the manufacture, importation, and sale of intoxicating liquors in this State, and to collect license fees * * * on account thereof," as well as the power to deny, suspend, or revoke licenses. It provides for a director appointed by the Governor, subject to confirmation by a majority vote of all of the members elected to the Senate, who shall serve at the pleasure of the Governor and may also be removed by the Legislature by a majority vote of all members elected to each house, for dereliction of duty, corruption, or incompetency. The director may appoint four persons exempt from civil service, including the one he is entitled to under Section 4 of Article XXIV of the Constitution. It also provides that the power to assess and collect excise taxes on the manufacture, importation, and sale of alcoholic beverages shall remain with the Board of Equalization.

Department of Alcoholic Beverage Control—Continued

Chapter 20, Statutes of 1954 (First Extraordinary Session), fixes the salary of the director at \$14,000 per year, and provides for the transfer of all civil service personnel carrying out the functions transferred as well as all available money, books, records, and property related thereto. The personnel transferred will retain their civil service status in the new agency subject to the power of the director "to reorganize the department, to discipline employees transferred for incompetency, inefficiency, inexcusable neglect of duty, prior to or subsequent to the transfer or for any other cause for discipline provided by law, and to lay off and demote employees for lack of funds, in accordance with the State Civil Service Act."

Pursuant to this legislation, 439 authorized positions and \$1,306,787 were transferred from the Board of Equalization to the new agency effective January 1, 1955. In addition, \$86,845, to be obtained by a proposed deficiency appropriation, will be needed to finance the program to June 30, 1955, including five additional permanent positions (net) and one temporary position as special assistant to the director, budget page 821, line 45, to expire on June 30, 1955.

Positions Transferred From Board of Equalization

The positions transferred from the Board of Equalization were from the following units:

Alcoholic Beverage Control Division, Headquarters (entire staff)	57
Alcoholic Beverage Control Division, districts (entire staff)	355
Subtotal	412
Alcoholic Beverage Control Division, Bureau of Tax Assessment:	
Auditor III	3
Auditor II	7
Accountant-auditor I	3
Intermediate stenographer-clerk	1
	14
Retail Sales Tax Division, districts:	
Auditor II	2
Accountant-auditor I	1
Field representative	1
	4
General Administration, Accounting Office:	
Senior account clerk	1
Intermediate account clerk	2
	3
Service Division, Tabulating Section:	
Key punch operator II	1
Intermediate clerk	1
	2
Service Division, Cashier Section:	
Intermediate account clerk	2
Service Division, Mailing Section:	
Junior clerk	1
Service Division, Supply Section:	
Stock clerk	1
Total	439

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Department of Alcoholic Beverage Control—Continued

The 412 positions transferred from the Alcoholic Beverage Control Division, headquarters and districts represent the enforcement personnel and related clerical staff. The 14 positions transferred from the Alcoholic Beverage Control Division, Bureau of Tax Assessment and the four transferred from the Retail Sales Tax Division, districts, are those engaged in off-sale general license fee audits, the license fee being measured in part by volume of sales. All of the remaining positions are for housekeeping services of various kinds.

Comparison of Old and New Staffs

A comparison of the 439 positions which were deleted from those authorized for the Board of Equalization for 1954-55 with the total positions as budgeted for the Department of Alcoholic Beverage Control for 1955-56 is shown in Table 1. It will be noted that this table does not include the temporary position of special assistant to the director which has been budgeted only until June 30, 1955.

Table 1—Positions Abolished in Board of Equalization and New Positions Established in Department of Alcoholic Beverage Control

Class	Salary range	Positions		Increase or (—) decrease
		abolished B. of E. 1954-55	established Dept. of ABC 1955-56	
Director	\$1,167		1	1
Deputy director	\$1,000- 1,100		1	1
Area liquor administrator	950- 1,050		3	3
State liquor administrator	950- 1,050	1		—1
Chief enforcement officer	821- 1,000		1	1
Chief hearing officer	821- 1,000		1	1
Tax counsel	745- 905	1		—1
Administrative officer	676- 821		1	1
Associate liquor administrator	676- 821	1		—1
District liquor control administrator IV	644- 782	1	1	
Hearing officer	613- 745	4	4	
District liquor control administrator III	584- 710	2	2	
District liquor control administrator II	556- 676	5	5	
Supervising auditor I	556- 676		1	1
District liquor control administrator I	530- 644	6	6	
Auditor III	505- 613	3	2	—1
Deputy district liquor control administrator	458- 556	1	1	
Office supervisor I	436- 530	1	1	
Assistant counsel	436- 530	1	1	
Supervising liquor control officer	415- 505	39	39	
Special liquor investigator	415- 505	7	7	
Hearing reporter	415- 505	5	5	
Auditor II	415- 505	9	9	
Liquor control officer	341- 415	228	228	
Supervising account clerk II	341- 415	1	1	
Accountant-auditor I	341- 415	5	5	
Field representative	341- 415	1	1	
Clerical, all grades	200- 395	117	117	
Totals		439	444	5

Department of Alcoholic Beverage Control—Continued

The net increase of five positions is accounted for by the new exempt positions of director, deputy director, and three area liquor administrators.

Four civil service positions have been abolished; state liquor administrator, tax counsel, associate state liquor administrator and one auditor III, and four new civil service positions established; chief enforcement officer, chief hearing officer, administrative officer, and supervising auditor I, the first three being new special classes established at the request of the new department. The supervising auditor I was established by converting an auditor III position to provide a supervisor for the off-sale general license fee audit program.

The 444 positions are allocated 67 to headquarters and 377 to area offices, as detailed on pages 821 and 822 of the budget.

We question the need for continuance of all of the 14 district liquor control administrator positions on a permanent basis in view of the establishment of the three new area liquor administrator positions.

Organization

The management analysis section of the Department of Finance has made a study of the proposed top organization structure of the Department of Alcoholic Beverage Control and submitted a report to the Department of Alcoholic Beverage Control on December 24, 1954. The budget as submitted conforms to the structure suggested in the report.

The principal recommendations contained in the report are as follows:

“Based on the nature of the alcoholic beverage control problem assignment of exempt positions by area is deemed advisable. The basic consideration in making this recommendation is the importance of strong line administration.”

The report suggests the division of the State into three areas with headquarters at Los Angeles, San Francisco, and Sacramento, the boundaries to be determined after further study, that three of the exempt positions be assigned as the three area administrators, the three positions being those shown in budget page 822, line 36, and that the fourth exempt position be that of deputy director in charge of the headquarters office.

It recommends that additional studies be made in order of priority as follows, the first two being conditioned on basic policy determinations to be made by the director:

- (1) Field office organization
- (2) Headquarters office organization
- (3) Liquor license processing procedure
- (4) Protest, appeal, and hearing procedures
- (5) Records and files
- (6) Relationships between the Director and the Appeals Board

We are in general agreement with these recommendations.

In connection with field office organization, we are inclined to question the necessity for any such extensive system of branch offices as

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that provided by the Board of Equalization (62) merely for the purpose of taking applications for licenses and giving out information relating thereto, since this type of service is not provided for any other type of business or professional activity licensed under state law.

In any event, if it is deemed necessary to provide for widely decentralized services of this character, it would appear desirable to divorce them entirely from their connection with the existing facilities of the Board of Equalization as soon as possible, and in lieu of an extensive field office organization for the Department of Alcoholic Beverage Control for this purpose consideration might be given to using the existing facilities of a law enforcement agency such as the Highway Patrol, one of the licensing agencies in the Department of Professional and Vocational Standards, or the Department of Motor Vehicles, on a part-time basis.

Distribution of Field Staff Under Board of Equalization

For administrative purposes the Board of Equalization had divided the State into 14 districts, each headed by a district liquor control administrator, the districts being the same as those established by the board for purposes of tax administration. The distribution of the field staff by districts in December, 1954, the number of licensed retail premises in each district on April 1, 1954, the authorized field staff for each 100 licensed retail premises, and certain other data are shown in Table 2.

The 62 offices are the total maintained by the Board of Equalization for tax administration. On July 1, 1954, alcoholic beverage control personnel were assigned to 55 of these. In addition liquor control officers had headquarters in four cities at which no branch office was maintained: Monterey, Watsonville, Hollister, and Weaverville.

The uneven distribution of the staff among districts on a per 100 licensed premises basis would appear to indicate possible over-staffing in some localities.

Table 2—Distribution of Board of Equalization Field Staff by District, December, 1954

District No. and headquarters	Grade of admin- istrator	No. of counties	No. of offices	Total field staff	Licensed retail premises at 4/1/54	Staff per 100 licensed premises
1. Los Angeles	IV	1	7	104	12,689	0.82
2. San Francisco	III	2	3	49	5,193	.94
3. Oakland	III	2	4	32	4,191	.76
4. Fresno	II	5	5	23	3,374	.68
5. San Bernardino	II	3	4	18	2,945	.61
7. San Jose	II	5	4	25	2,638	.95
6. San Diego	II	2	2	18	2,530	.71
10. Stockton	II	8	5	17	2,184	.78
9. Santa Rosa	I	5	6	15	1,701	.88
8. Sacramento	I	3	2	14	1,379	1.02
12. Marysville	I	8	8	13	1,298	1.00
14. Woodland	I	6	5	14	1,142	1.23
11. Santa Barbara	I	2	3	6	1,004	.60
13. Redding	I	6	4	10	792	1.26
Totals		58	62	358	43,060	.83

Department of Alcoholic Beverage Control—Continued

Integrated Services Previously Performed by the Board of Equalization

In a report to the Budget Committee on December 3, 1954, on the Status of Plans for the Organization and Budget of the New Department of Alcoholic Beverage Control, we estimated the cost of services performed for the alcoholic beverage control function by the Board of Equalization, which are not readily separable, to be about \$428,000 per year. Accurate data were not available at that time to use as the basis for the estimate.

Provision has been made in the budget of the new agency for \$390,158 to cover these services as follows:

Positions transferred from:		
Bureau of Tax Assessment (14)-----	\$77,822	
Sales Tax Division, district offices (4)-----	19,064	
General Administration (3)-----	9,858	
Service Division (6)-----	18,731	
		<u>\$125,475</u>
Rents:		
Headquarters (Budget page 822, line 16)-----	\$20,500	
Area offices (Budget page 822, line 79)-----	72,183	
		<u>\$92,683</u>
Services rendered by Board of Equalization:		
Headquarters (Budget page 822, line 18)-----	\$97,000	
Area offices (Budget page 822, line 81)-----	75,000	
		<u>\$172,000</u>
Total -----		<u>\$390,158</u>

This appears to us to account for substantially all of the services of this character which are involved.

Under the terms of a service contract the Board of Equalization will be reimbursed for rents and services rendered and as long as this contract is in effect their will be no duplications of costs between the two agencies since the corresponding amounts have been deleted from the budget of the Board of Equalization.

Should the service contract terminate, however, some duplications may result with respect to rents and services.

Much of the rent is for a pro-rata share of space in an office shared with the Sales Tax Division under a long term lease and if the Department of Alcoholic Beverage Control should discontinue use of this space and rent other space, the Board of Equalization would still be obligated to pay the entire rental.

Of the \$97,000 for services rendered by Board of Equalization headquarters, \$75,800 represents salaries, much of it of administrative personnel, the remainder of \$21,200 being operating expense, while the \$75,000 for services, district offices, all represents salaries for fractional parts of the time of a number of supervisors and clerical personnel. Should the new department acquire additional personnel to perform all of the services represented by the \$172,000, it will be difficult to effect corresponding reductions in the Board of Equalization costs without some rather arbitrary cuts.

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Department of Alcoholic Beverage Control—Continued
Work Load

The Constitution provides (Art. XX, Section 22) that the State shall have "the exclusive power to license and regulate the manufacture, sale, purchase, possession, and transportation of intoxicating liquor within the State." This includes the power of enforcement.

Section 25619 of the Business and Professions Code (Alcoholic Beverage Control Act) reads as follows:

"25619. Every peace officer and every district attorney in this State shall enforce the provisions of this division and shall inform against and diligently prosecute persons whom they have reasonable cause to believe offenders against the provisions of this division. Every such officer refusing or neglecting to do so is guilty of a misdemeanor."

It would appear therefore that the power to license and regulate is an exclusive state function whereas the power of enforcement is the joint responsibility of the State and of local jurisdictions and the extent of state participation in enforcement activities could conceivably vary from zero to something approximating complete responsibility for all enforcement work.

We are not suggesting at this time that any change in the existing relationships between state and local enforcement activities is either necessary or desirable. We are merely pointing out that the extent of the State's participation is a policy decision of major importance from the budgetary standpoint.

Reliable information as to the distribution of the total manpower and funds as between the two basic functions of licensing and regulation on the one hand, and enforcement on the other, has not been available in the past. We believe that it is vitally important that such data be developed on a comprehensive basis by the new department both for budgetary purposes and as a total for management control in the future.

All types of licenses must be renewed annually, and all except importers licenses require payment of an annual fee.

The best indication of the work load for the licensing activity would therefore appear to be the number of licenses issued during a year, including renewals and transfers. For the year ended June 30, 1954, these were as follows by class of license:

Retail licenses restricted as to number	
On-sale general	11,040
Off-sale general	11,191
On-sale beer and wine	4,423
Total	26,654
Retail licenses not restricted as to number	
On-sale beer	11,921
Off-sale beer and wine	14,794
Veterans and other clubs	393
Total	27,108
Total retail licenses	53,762
Wholesalers, manufacturers, importers, and other nonretailers	3,478
Total all classes	57,240

Department of Alcoholic Beverage Control—Continued

The great bulk of these transactions, of course, represent renewals of existing licenses.

Licensing activities in the field consist of taking applications, fingerprinting of applicants, verification of certain information on the application, inspection of premises, and the like, activities which do not require the service of a peace officer for their successful performance.

A survey of certain field offices made during November and December of 1954 indicated that each of the six district offices visited had a liquor control officer at the desk in the office full time to receive applications for new licenses and transfers and to answer questions.

There did not appear to be sufficient work load involved to warrant full time use of a liquor control officer for this purpose, and it appeared probable that the entire activity could be handled by properly trained clerical personnel.

We believe that consideration should be given to the possibility of centralizing much of this work in fewer locations, and perhaps to the assignment of all field work in connection with the processing of license applications to a different class of personnel, such as field representatives.

The best indication of the work load for the enforcement activity would appear to be the number of licensed premises, which were as follows, at April 1, 1954, by class of license:

Retail; license restricted as to number		
On-sale general	7,533	
Off-sale general	7,881	
On-and-off-sale general	1,466	
On-sale beer and wine	3,860	
Total		20,740
Retail; license not restricted as to number		
On-sale beer	9,536	
Off-sale beer and wine	12,417	
Veterans and other clubs	367	
Total		22,320
Total retail premises		43,060
Wholesalers, manufacturers, importers, and other nonretailers		1,564
Total licensed premises		44,624

Our survey of certain field offices indicates that the enforcement activities of liquor control officers appears to fall roughly into two general categories; looking for violations which are not of major concern to the general public and looking for those which are.

We think that it is important that the agency attempt to determine the approximate cost of each category, since it is probable that the State cannot expect must assistance from local peace officers in connection with the first group of violations and that therefore such enforcement as is done in this field must be done by the State.

Examples of the first type of enforcement work would appear to be determining that

- (a) adequate facilities for serving food are maintained in on-sale premises,

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- (b) there are no unreported changes in ownership,
- (c) licenses are properly displayed,
- (d) advertising material conforms to regulations,
- (e) beer and wine licensees have no distilled spirits on the premises, and
- (f) on-sale licensees have no unbroken empty distilled spirits bottles on the premises.

This type of enforcement work would appear to consist largely of inspections of operating premises and would not appear to require the services of highly trained enforcement personnel.

Examples of the type of violations which are of major concern to the general public would appear to be

- (a) sales to minors,
- (b) sales to obviously intoxicated persons,
- (c) "B" girl operations,
- (d) operation of disorderly premises, and
- (e) sales after hours.

Effective work in this field would appear to require personnel trained in modern methods of enforcement work, working in close cooperation with the local authorities.

Field Office Procedure

Our survey of field office procedures as they existed during November and December of 1954 disclosed several matters which we believe should be commented upon.

Each of the 14 districts as they existed at that time operated as an almost completely autonomous unit with a minimum of direct supervision from headquarters. Not only was this true at the district office level but it was also true at the branch office level with respect to supervision from the local district liquor administrator. Obviously, such a condition did not make for uniformity of enforcement throughout the State.

The general pattern of field activity seemed to be to place the emphasis on assignment of liquor control officers, usually working in pairs, to specific areas or "beats" where each group handled all activities relating to licensing, regulation and enforcement; within the "beat." The assignment to specific "beats" appeared to be on a permanent basis, with minimum of rotation of officers among "beats," and the bulk of the staff appeared to be assigned to "beat" work on the "day shift," i.e., 8 a.m. to 5 p.m. The distribution of the liquor control officers, exclusive of supervisors, was as follows in several of the counties or groups of counties:

	<i>Day shift</i>	<i>Night shift</i>	<i>Special assignments</i>	<i>Total</i>
Los Angeles County _____	35	8	19	62
San Francisco and San Mateo Counties _____	20	4	8	32
Alameda and Contra Costa Counties _____	16	6	0	22
San Diego County _____	6	2	0	8

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It would appear to us that the employment of the staff in this manner has minimum value from the law enforcement standpoint, since a substantial part of the enforcement problem has to do with on-sale establishments where most of the activity and consequently most of the violations occur after 5 p.m. It is estimated that at least 75 percent of the penal violations occur after 5 p.m.

The assignment of men to work in pairs on the "day shift" would appear to be an unnecessary waste of manpower, and failure to rotate assignments would appear to lessen the effectiveness of the staff.

An instance was observed where a liquor control officer was being used in the office as a typist, and it was also noted that liquor control officers were doing work which could be performed by lower paid personnel such as serving subpoenas, serving notices of denials of applications for licenses, obtaining reports from off-sale general licensees who failed to file quarterly sales reports as required by law, picking up daily police reports, et cetera.

In general, there appeared to be substantial room for improvement in the enforcement methods and procedures used in order to bring them more into conformity with those of the more successful law enforcement agencies.

Automobile Replacements

The budget request for equipment includes an item of \$30,450 for replacement of 29 automobiles (Budget page 823, line 7). We recommend deletion of this amount with an appropriate adjustment of the agency budget by the Department of Finance to permit the payment of mileage for rental of cars from the state pool. We also recommend augmentation of the Purchasing Revolving Fund in an amount sufficient to permit the furnishing of adequate automotive service to the agency from the state pool either on a day-to-day, or monthly assignment basis.

We are recommending similar adjustments in the budgets of other agencies where additional or replacement passenger vehicles are involved. This is part of an over-all recommendation looking toward the eventual centralized ownership of all state cars in order to achieve the maximum benefits to be derived from broad fleet ownership and control, central maintenance, and extension of pool operations to the extent feasible and economical, as explained in detail in a special section in the latter part of this report under Control Section 3.

The agency acquired approximately 160 automobiles from the Board of Equalization as of January 1, 1955, of which about 125 were "undercover" cars, i.e., they had regular license plates instead of "diamond E" plates and did not carry the state insignia on each front door, thus rendering them indistinguishable from privately owned vehicles.

"Undercover cars" are necessary for certain types of enforcement work but the fact that they are not readily identifiable as state-owned vehicles can easily lead to abuses. There is every indication that the number of such cars used by the Liquor Control Division of the Board of Equalization in the past has far exceeded the actual needs for such vehicles.

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We recommend that the agency take appropriate steps to insure the use of "undercover cars" only for purposes for which the law intended them to be used.

Off-sale General License Fee Audits

In our budget analysis for 1953-54, pages 197-8, we pointed out that by amending Section 23320 of the Business and Professions Code (Alcoholic Beverage Control Act) to change the basis for the fee from that measured in part by volume of sales to a flat fee basis comparable to that used for the on-sale general license, the processing of quarterly sales reports from 9,000 licenses could be eliminated, as well as field auditing of sales records, an activity by the way which is entirely foreign to the principal functions of the Department of Alcoholic Beverage Control.

If the law were to be so amended, the following positions could be eliminated from the budget of the department for the 1955-56 Fiscal Year.

	No.	Salary	Budget page	Line No.
Area offices:				
Auditor III	2	13,350	822	59
Auditor II	9	50,908	822	60
Accountant-auditor I	4	18,091	822	61
Field representative	1	4,296	822	58
Intermediate stenographer-clerk	1	3,540	822	47
Headquarters:				
Supervising auditor I	1	6,840	821	54
Accountant auditor I	1	4,980	821	73
Clerical (to be selected)	3	9,792	821	66
Total	22	111,797		

In addition to the foregoing salaries and wages, there would be savings in related operating expenses.

License Fees Paid by Other Than Retailers

Proposition No. 3, adopted November 2, 1954, amended the Constitution to transfer from the Board of Equalization to the Department of Alcoholic Beverage Control the exclusive right to license all types of dealers in alcoholic beverages, including manufacturers, wholesalers and other nonretailers, of which there were 1,564 licensed on April 1, 1954. At the same time it left with the Board of Equalization the responsibility for assessing and collecting the existing excise taxes on wine and beer, which yield about \$4,000,000 in revenue per year, and on distilled spirits, which yield about \$16,000,000 in revenue per year, all of which is revenue to the General Fund.

Under the Constitution, the Legislature is empowered to provide for apportioning the revenue from license fees between the State and the cities and counties, and under the existing formula (Section 25761 of the Alcoholic Beverage Control Act) all of it is apportioned to cities and counties.

Department of Alcoholic Beverage Control—Continued

For the year ended June 30, 1953, the amounts earned from all types of license fees were as follows:

	<i>Amount</i>	<i>Percent</i>
Retailers -----	\$8,439,676	97.22
Manufacturers, wholesalers and other nonretailers -----	241,108	2.78
Total -----	\$8,680,784	100.00

All of the excise taxes are paid by licensees in the second group, none by retailers, and the primary purpose for licensing this group would appear to be to control and safeguard the revenues from the excise taxes rather than for purposes of regulation. Accordingly, it would appear more logical for the tax agency to have primary responsibility for licensing the taxpayer group rather than the Department of Alcoholic Beverage Control, especially since all licensees who are taxpayers are required to post security for payment of taxes (Section 24520 of the Alcoholic Beverage Control Act), and these licenses are automatically suspended for nonpayment of taxes or if the security becomes void (Section 24523 of the Alcoholic Beverage Control Act). Such a transfer of responsibility would, of course, require amendment to the Constitution.

However, since the primary purpose for licensing the nonretailer group would appear to be to safeguard the excise tax revenues of the State, we believe it would be more logical for the revenue from this class of license fee to accrue to the General Fund of the State rather than to be included with the revenue from retail license fees and apportioned to cities and counties. Such a change would not require an amendment to the Constitution but could be accomplished by simply amending Section 24761 of the Alcoholic Beverage Control Act, and at current rates would result in additional revenue of about \$250,000 per year to the General Fund of the State.

Likewise, as a result of the separation of the Alcoholic Beverage Control function from the Board of Equalization it would appear logical to transfer the excise tax provisions of the law from the Business and Professions Code to the Revenue and Taxation Code.

ALCOHOLIC BEVERAGE CONTROL APPEALS BOARD

ITEM 218 of the Budget Bill

Budget page 824
Budget line No. 7

**For Support of Alcoholic Beverage Control Appeals Board
From the General Fund**

Amount requested (full year's operations) -----	\$68,692
Estimated to be expended in 1954-55 Fiscal Year (one-half year only) -----	38,969
Increase (see below) -----	\$29,723

RECOMMENDATIONS

Amount budgeted -----	\$68,692
Legislative Auditor's recommendation -----	68,692
Reduction -----	None

Alcoholic Beverage Control Appeals Board—Continued

ANALYSIS

The amount of \$68,692 requested for 1955-56 is for a full year's operation of the board and its staff of four, while the \$38,969 shown for 1954-55 is for one-half year's operations only. There is no actual increase if a full year's operations are considered.

The three-man Alcoholic Beverage Control Appeals Board was created effective January 1, 1955, by an amendment to Section 22 of Article XX of the Constitution, approved by the voters as Proposition No. 3 on November 2, 1954. The resolution proposing the amendment was Senate Constitutional Amendment No. 4 (Resolutions Chapter 33) of the First Extraordinary Session of 1954.

The amendment provides that the members shall be appointed by the Governor subject to confirmation by a majority vote of all of the members elected to the Senate and that each member at the time of his initial appointment shall be a resident of a different county from the one in which either of the other members resides. It also provides "The members of the board may be removed from office by the Governor, and the Legislature shall have the power, by a majority vote of all members elected to each house, to remove any member from office for dereliction of duty or corruption or incompetency * * *. A concurrent resolution for the removal of * * * any member of the board may be introduced in the Legislature only if five Members of the Senate, or 10 Members of the Assembly join as authors."

Chapter 20, Statutes of 1954 (First Extraordinary Session), the Enabling Act, fixes the salaries of the appeals board members at \$12,000 per year, provides that all personnel of the board shall be appointed, directed and controlled by the board and that the Director of the Department of Alcoholic Beverage Control "shall furnish the equipment, supplies, and housing necessary to the operation of the board and shall perform such other mechanics of administration as the board and the director may agree upon."

The duties of the appeals board as defined in the constitutional amendment and the enabling act are limited to the hearing of an action on appeals from decisions of the Department of Alcoholic Beverage Control ordering penalty assessments, issuing, denying, transferring, suspending or revoking licenses; the hearing to consider only the records of the department and the briefs filed by the parties without the admission of additional evidence. The orders of the board cannot limit or control in any way the discretion vested by law in the department. Orders of the board are subject to judicial review by the courts.

In our opinion the most effective operation of the board will require that the members devote their entire time to their duties, maintain headquarters in Sacramento, the same as those of the Department of Alcoholic Beverage Control, and confine their activities to the review of the decisions of the Department of Alcoholic Beverage Control, which is their only responsibility under the Constitution; such review to be made by the entire membership of the board, sitting as a board. It would appear proper that at their discretion hearings may be held at any location in the State deemed expedient but we believe that no permanent facilities are required other than at their headquarters in Sacramento. It appears to us that under the law they have no authority

Alcoholic Beverage Control Appeals Board—Continued

to make or institute any independent investigation on their own behalf of the activities of the Department of Alcoholic Beverage Control.

Since no money was provided by the Budget Act of 1954 or any special legislation for the performance of this function it is proposed to finance the operation for the last six months of the current fiscal year through a deficiency appropriation in the amount of \$38,969.

The function assigned to the Alcoholic Beverage Control Appeals Board is one never before performed by a state agency since heretofore there has been no appeal from decisions of the Board of Equalization relating to Alcoholic Beverage Control licensing matters except to the courts. Accordingly experience alone can determine the work load of the agency and the size and character of staff needed.

With this qualification we recommend approval of the budget as submitted.

CALIFORNIA DISTRICT SECURITIES COMMISSION

ITEM 219 of the Budget Bill

Budget page 825

Budget line No. 7

For Support of the California District Securities Commission From the General Fund

Amount requested -----	\$46,143
Estimated to be expended in 1954-55 Fiscal Year -----	42,306
Increase (9.1 percent) -----	\$3,837

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages -----	\$3,192	\$3,192	---	825	44
Operating expense -----	320	320	---	825	59
Equipment -----	325	325	---	825	62
Total increase -----	\$3,837	\$3,837	---	825	64

RECOMMENDATIONS

Amount budgeted -----	\$46,143
Legislative Auditor's recommendation -----	46,143
Reduction -----	None

ANALYSIS

The California District Securities Commission directs and supervises certain of the fiscal and physical affairs of irrigation and other districts, agencies, and municipalities of the State. The budget for support of the commission in the 1955-56 Fiscal Year appears to be in line with responsibilities of the commission. We recommend approval of the item as submitted.

Department of Professional and Vocational Standards

HORSE RACING BOARD

ITEM 220 of the Budget Bill

Budget page 826

Budget line No. 7

For Support of California Horse Racing Board From the Fair and Exposition Fund

Amount requested	\$141,345
Estimated to be expended in 1954-55 Fiscal Year	144,077
Decrease (1.9 percent)	\$2,732

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$747	\$747	---	826	50
Operating expense	—3,799	—3,799	---	826	72
Equipment	320	320	---	827	6
Total increase	—\$2,732	—\$2,732	---	827	8

RECOMMENDATIONS

Amount budgeted	\$141,345
Legislative Auditor's recommendation	141,345
Reduction	None

ANALYSIS

Proposed expenditures for the 1955-56 Fiscal Year are \$141,345, a decrease of \$2,732 or 1.9 percent of estimated expenditures for the current year.

The level of service is expected to remain the same as for the current year.

We recommend approval of the budget as submitted.

Total state revenue from horse racing for Fiscal Year 1955-56 is estimated at \$23,717,770. The table on the following page shows the distribution by fund for 1955-56.

Distribution by Fund of State Revenue From Horse Racing

<i>Year</i>	<i>Total pari-mutuel pool</i>	<i>Fair and Exposition Fund</i>	<i>State College Fund</i>	<i>Wildlife Restoration Fund</i>	<i>Capital Outlay and Savings Fund</i>	<i>General Fund</i>	<i>Total state revenue</i>
1945-46	\$414,094,075	\$16,585,164	---	---	---	\$6,172,894	\$22,758,058
1946-47	349,664,050	14,005,562	---	---	---	5,075,238	19,080,800
1947-48	356,923,225	14,287,884	\$816,252	\$3,000,000	---	2,073,313	20,179,449
1948-49	303,017,750	12,138,675	988,674	3,000,000	---	1,165,150	17,292,499
1949-50	284,127,592	11,384,103	694,106	3,000,000	---	345,644	15,473,853
1950-51	288,625,822	11,565,792	889,179	---	---	3,809,125	16,264,096
1951-52	357,551,294	14,334,163	1,079,899	1,000,000	\$1,000,000	2,628,546	20,042,608
1952-53	362,251,950	14,691,383	1,293,004	1,000,000	1,000,000	3,140,622	21,125,009
1953-54	403,316,532	16,103,163	1,185,168	1,000,000	1,000,000	3,223,769	22,647,202
*1954-55	410,000,000	16,557,000	1,378,000	---	---	5,650,000	23,807,400
*1955-56	417,000,000	16,670,000	1,332,000	---	---	5,600,000	23,717,770

* Estimated.

**Department of Investment
DIVISION OF BANKING**

ITEM 221 of the Budget Bill

Budget page 828
Budget line No. 7**For Support of the Division of Banking From the State Banking Fund**

Amount requested	\$382,697
Estimated to be expended in 1954-55 Fiscal Year	359,032
Increase (6.6 percent)	\$23,665

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$16,689	\$16,689	---	828	70
Operating expense	4,973	4,973	---	829	19
Equipment	2,003	2,003	---	829	26
Total increase	\$23,665	\$23,665	---	829	33

RECOMMENDATIONS

Amount budgeted	\$382,697
Legislative Auditor's recommendation	380,597
Reduction	\$2,100

ANALYSIS

The request for support of the Division of Banking for the 1955-56 Fiscal Year is budgeted at \$382,697. This represents an increase of \$23,665 or 6.6 percent over estimated expenditures for support in the current year.

The major portion of the proposed increase represents salaries and related expenses of three additional examiner positions requested on a work load basis at the existing level of service.

We recommend approval of the item as budgeted with the exception of the sum of \$2,100 requested for the replacement of two automobiles.

(Budget page 829, Line 24.) In order to achieve the maximum benefits of fleet ownership, central maintenance and pool operation we recommend that this amount be deleted from the budget and that an appropriate adjustment be made by the Department of Finance to permit the furnishing of automotive service by the Department of Finance through pool operation or assignment of automobiles as needed.

Some indication of the growth of the banking industry of the State since 1950 is reflected in the following statistics:

**Number of Banks and Dollar Volume of Assets and Loans Under Supervision
of the Division of Banking as of June 30th**

	1950	1951	1952	1953	1954
Number of banks	107	116	121	122	124
Number of branches	198	213	221	231	245
Assets (millions)	\$3,706	\$3,936	\$4,256	\$4,529	\$4,874
Loans (millions)	\$1,258	\$1,576	\$1,647	\$1,926	\$2,047

Percent Increase, 1954 Over 1950

Banks	15.9%
Branches	23.7%
Amount of assets	31.5%
Amount of loans	62.7%

Division of Banking—Continued

As shown above the banking business in the State continues to grow. The division anticipates that several more banks and branches will come under state supervision in the budget year.

The Division of Banking is supported from revenues derived from fees and assessments levied on state banks and trust companies. Un-budgeted surplus in the State Banking Fund is estimated at \$670,692, as of June 30, 1956.

**Department of Investment
DIVISION OF CORPORATIONS**

ITEM 222 of the Budget Bill

Budget page 830
Budget line No. 7

For Support of the Division of Corporations From the General Fund

Amount requested	\$735,646
Estimated to be expended in 1954-55 Fiscal Year.....	692,047
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Increase (6.3 percent)	\$43,599

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$52,203	\$52,203	---	831	15
Operating expense	2,958	2,958	---	831	34
Equipment	831	831	---	831	41
Reimbursements	-12,393	-12,393	---	831	49
<hr/>		<hr/>		<hr/>	
Total increase	\$43,599	\$43,599	---	831	51

RECOMMENDATIONS

Amount budgeted	\$735,646
Legislative Auditor's recommendation	733,546
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Reduction	\$2,100

ANALYSIS

The request for support of the Division of Corporations represents an increase of \$43,599 or 6.3 percent over estimated expenditures of \$692,047 in the 1954-55 Fiscal Year.

The proposed increase for the division is based on the cost of doing business at the existing level of service with anticipated increase in work load and a backlog of work to be brought up to date.

To compensate for added work load in the budget year, the division has requested additions of six technical and five clerical positions. The need for the positions is justified on this basis as is indicated in the following statistics which reflect continued growth in the securities business, and on the basis of regulation of other fields of financial business in the State.

Division of Corporations—Continued

Comparative Data on Revenues, Expenditures and Securities Activities

<i>Fiscal Year</i>	<i>Revenue</i>	<i>Expenditures</i>	<i>Securities activities applications</i>
1950-51	\$845,300	\$600,000	17,600
1951-52	932,500	664,100	20,400
1952-53	1,000,236	778,700	22,000
1953-54	1,120,200	780,800	24,500
1954-55*	1,215,700†	825,200†	26,500
1955-56*	1,303,400†	881,200†	28,600

* Estimated.

† Sums of \$133,118 and \$145,511 in 1954-55 and 1955-56, respectively, are treated in the budget as reimbursements, but for comparative purposes they are treated as revenue in the table.

As shown in the statistics above, securities activities applications will have increased by 11,000 units or 62.5 percent in the five-year period. Comparisons of revenues and expenditures show that in the 1950-51 Fiscal Year revenues exceeded expenditures by \$245,300, whereas the estimate for 1955-56 indicates that revenues are expected to exceed expenditures by \$422,200. It is noted that this is the only agency within the Department of Investment that operates from the General Fund.

Additional work required in the regulation of other fields of financial activities under the supervision of the division includes the responsibility of examining annually the business of personal property brokers and small loan brokers, credit unions and industrial loan companies as required by law. In addition, the division is authorized to examine the business of certain escrow agents and check sellers and cashers. These fields have grown considerably during the past five years as can be shown by an increase of 23 percent in the number of personal property brokers, an increase of 72 percent in the number of industrial loans companies and 14 percent in the number of escrow agents, while the number of credit unions has practically doubled during the same period of time.

There appears to be no indication of a decline in the securities and loan business in the ensuing year and, in view of present trends, we recommend approval of the budget for the division with the exception of \$2,100 requested for the replacement of two automobiles which is explained as follows:

In line with a policy recommendation by this office affecting all automotive units, both additional and replacement, it is recommended that:

1. Funds for these items be deleted from the agency support budgets.
2. The Department of Finance request an augmentation of their budget to enable them to procure sufficient vehicles and to provide the agency with necessary transportation services through a fleet management program in the automotive management section.
3. The Department of Finance make necessary revisions in the support budgets of the agencies to delete direct related automotive operating expenses and provide an offset item for automobile mileage to permit the agency to reimburse the Department of Finance on a mileage basis for the fleet service.

DEPARTMENT OF INSURANCE

ITEM 223 of the Budget Bill

Budget page 832
Budget line No. 7

For Support of Department of Insurance From the Insurance Fund

Amount requested	\$1,413,619
Estimated to be expended in 1954-55 Fiscal Year	1,381,697
Increase (2.3 percent)	\$31,922

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$28,907	\$28,907	---	838	9
Operating expense	—627	—627	---	838	10
Equipment	5,192	5,192	---	838	11
Change in reimbursements	—1,550	—1,550	---	838	15, 16, 17
Total increase	\$31,922	\$31,922	---	838	19

RECOMMENDATIONS

Amount budgeted	\$1,413,619
Legislative Auditor's recommendation	1,412,419
Reduction	\$1,200

ANALYSIS

The request for support of the Department of Insurance for the 1955-56 Fiscal Year proposes expenditures totaling \$1,413,619. This represents an increase of \$31,922 or 2.3 percent over the estimate of expenditure in the current year.

The budget for the department is predicated on continuation of the present level of service with requests for one additional position and the extension of one position allowed on a one-year basis in the current year. Both positions are in the senior investigator classification.

We concur in the request for extension of one position for another year to take care of the backlog of work in the licensing division. In addition to increased work load in the licensing process, the division prepares and revises training manuals, approves training courses and compiles written tests. This work is being brought up to date to conform to changes in insurance coverage and new legislation.

The need for the additional position of senior investigator is based on additional work in the investigation unit of the Compliance and Legal Division and increased work load in the Conservation and Liquidation Division. The latter division contracts for its investigatory services and legal work, other than the services of the Attorney General, with the Compliance and Legal Division. It is noted that the cost of the additional position is budgeted as being offset by reimbursements. We recommend approval of the position. However, it is noted further that the Management Analysis Section of the Department of Finance is presently preparing a study of the activities of the investigation unit, and in view of this we recommend that the position be approved tentatively until the results of the study are known.

The recommendation for a reduction of \$1,200 from the agency's budget is explained as follows:

Department of Insurance—Continued

Included in the request for equipment is the sum of \$1,200 for the replacement of one automobile.

In line with a policy recommendation by this office, affecting all automotive units, both additional and replacement, it is recommended that:

1. Funds for these items be deleted from the agency support budgets.
2. The Department of Finance request an augmentation of their budget to enable them to procure sufficient vehicles and to provide the agency with necessary transportation services through a fleet management program in the automotive management section.
3. The Department of Finance make necessary revisions in the support budgets of the agencies to delete direct related automotive operating expenses and provide an offset item for automobile mileage to permit the agency to reimburse the Department of Finance on a mileage basis for the fleet service.

An indication of growth of the insurance industry of the State may be shown in the following table of statistics covering the period 1950 to 1954.

Year	Expenditures	Gross revenues	California premiums	Premium tax to general fund	Admitted insurers
1950	\$901,000	\$1,231,500	\$1,256,000,000	\$25,323,700	686
1951	960,200	1,102,100	1,416,134,000	29,176,800	692
1952	1,025,700	1,240,900	1,644,512,000	34,326,300	682
1953	1,173,800	1,431,400	1,852,628,000	38,000,000 *	691
1954	1,252,800	1,594,500	2,000,000,000	40,000,000 *	700

* Estimated.

As shown in the table above, premiums are estimated at two billion dollars for 1954, or an increase of approximately 744 million dollars over 1950, while premium tax to the General Fund is estimated at 40 million dollars or approximately 14.7 millions dollars or 58 percent more than that for 1950.

The Department of Insurance is supported from the Insurance Fund which shows an estimated surplus of \$2,000,000 as of June 30, 1956. Any amount in excess of \$2,000,000 in the fund at the end of a fiscal year is transferred to the General Fund.

**Department of Investment
DIVISION OF REAL ESTATE**

ITEM 224 of the Budget Bill

Budget page 839
Budget line No. 7

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

Amount requested	\$964,068
Estimated to be expended in 1954-55 Fiscal Year.....	890,608
 Increase (8.2 percent)	 \$73,460

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$62,606	\$43,486	\$19,120	840	18
Operating expense	13,729	9,229	4,500	840	47
Equipment	—2,875	—3,575	5,700	840	55
 Total increase	 \$73,460	 \$44,140	 \$29,320	 840	 57

Division of Real Estate—Continued

RECOMMENDATIONS

Amount budgeted -----	\$964,068
Legislative Auditor's recommendation -----	931,598
Reduction -----	\$32,470

ANALYSIS

The request for support of the division in the 1955-56 Fiscal Year represents an increase of \$73,460 or 8.2 percent over the estimate of expenditures in the current year.

The budget for the division provides for increases in work load and catching up a back log of work. To compensate for this the division has requested three deputy commissioners and six clerical positions. We concur in the request for these positions and related expenses as budgeted.

A request is made for four more deputies to provide for a more intensive enforcement program. We believe this to be an enrichment of service and fail to find sufficient justification of need and therefore recommend that the request be disallowed. This would reduce the budget request by \$29,320 and place the expenditures more in line with anticipated revenues for the year.

We recommend further that the request for replacement of three automobiles be deleted from the budget for the division. This recommendation is explained as follows:

Included in the request for equipment is the sum of \$3,150 for the replacement of three automobiles.

In line with a policy recommendation by this office, affecting all automotive units, both additional and replacement, it is recommended that:

1. Funds for these items be deleted from the agency support budgets.
2. The Department of Finance request an augmentation of their budget to enable them to procure sufficient vehicles and to provide the agency with necessary transportation services through a fleet management program in the automotive management section.
3. The Department of Finance make necessary revisions in the support budgets of the agencies to delete direct related automotive operating expenses and provide an offset item for automobile mileage to permit the agency to reimburse the Department of Finance on a mileage basis for the fleet service.

Some indication of the work of the division and cost of regulation of the real estate industry of the State may be reflected in the following statistics:

<i>Fiscal Year</i>	<i>Total expenditures</i>	<i>Total revenues</i>	<i>Total licensees</i>	<i>Total subdivision filed</i>
1949-50 -----	\$557,871	\$642,169	90,455	1,878
1950-51 -----	581,325	668,323	94,429	1,680
1951-52 -----	672,983	626,546	98,361	1,750
1952-53 -----	756,804	729,991	105,730	2,418
1953-54 -----	885,297	761,736	112,025	2,542
1954-55* -----	936,499	804,461	118,787	2,669
1955-56* -----	1,014,654	839,439	125,914	2,802

* Estimated.

As indicated above the number of licensees are expected to reach 125,914 in the budget year. This represents an increase of 39.2 percent in the six-year period while the number estimated for 1955-56 is ex-

Division of Real Estate—Continued

pected to increase 6 percent over 1954-55. The total of subdivisions is shown to increase 49.2 percent in the six-year period and is estimated to reach 2,802 in 1955-56 or an increase of 5 percent over 1954-55. Expenditures for support of the agency are shown to increase 81.9 percent in the six-year period and 8.3 percent for 1955-56 over 1954-55, while revenues are shown to increase 30.7 percent in the same six-year period and 4.3 percent for 1955-56 over 1954-55.

In view of the foregoing figures it is apparent that at the ratio of revenues to expenditures the surplus in the Real Estate Fund is being gradually depleted. However, estimates for the fiscal year ending June 30, 1956, show that there is expected to be a surplus amounting to approximately \$938,000.

Department of Investment
DIVISION OF SAVINGS AND LOAN

ITEM 225 of the Budget Bill

Budget page 842
Budget line No. 7

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

Amount requested	\$259,899
Estimated to be expended in 1954-55 Fiscal Year	210,986
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Increase (23.2 percent)	\$48,913

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$39,188	\$39,188	---	842	61
Operating expense	5,233	5,233	---	843	19
Equipment	4,492	4,492	---	843	27
<hr/>		<hr/>		<hr/>	
Total increase	\$48,913	\$48,913	---	843	34

RECOMMENDATIONS

Amount budgeted	\$259,899
Legislative Auditor's recommendation	256,449
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Reduction	\$3,450

ANALYSIS

The request for support of the Division of Savings and Loan in the 1955-56 Fiscal Year represents an increase of \$48,913 or 23.2 percent over the estimate of expenditures in the current year.

Statistics indicate a comparatively sharp rise in the number of savings and loan associations anticipated for the 1955-56 Fiscal Year. To compensate for additional work to be done in the supervision and regulation of the additional associations and the increase in work load due to expansion of the associations now under state regulation, the division is requesting four semisenior examiner and two senior appraiser positions.

We concur in the request for support of the division with the exception of the replacement of one automobile and the proposed purchase of two additional automobiles. This recommendation will reduce the item for support by a total of \$3,450, which is explained in the following paragraph.

Division of Savings and Loan—Continued

The budget request for equipment includes an item of \$1,050 for the replacement of one automobile and an item of \$2,400 for the purchase of two additional automobiles. (Budget page 843 lines 24, 25). In order to achieve the maximum benefit of fleet ownership, central maintenance and pool operation, we recommend that these sums be deleted from the budget and that an appropriate adjustment be made by the Department of Finance to permit the furnishing of automotive service by the Department of Finance through pool operation or assignment of automobiles as needed.

Some indication of the growth of the savings and loan business under state regulation is reflected in statistics which show that during the period 1950 to 1955 the number of associations and branches will increase by 49 and 43 respectively. The sharpest rise occurs between 1954 and 1955 with the number of associations expected to increase from 129 to 162, or about 25 percent, and the number of branches expected to rise from 57 to 73, an increase of 28 percent. The division anticipates also that the dollar volume of assets will rise from \$1,450,000,000 in 1954 to approximately \$1,750,000,000 in 1955. This represents an increase in assets of 21 percent for the year.

The Division of Savings and Loan is supported from revenue derived from fees and assessments levied on the savings and loan business. Assessments are based on amount of assets and are geared to the annual expenses of the division.

**Department of Professional and Vocational Standards
BOARD OF OSTEOPATHIC EXAMINERS**

ITEM 226 of the Budget Bill

Budget page 844
Budget line No. 8

**For Support of Board of Osteopathic Examiners From the
Osteopathic Examiners' Contingent Fund**

Amount requested	\$47,987
Estimated to be expended in 1954-55 Fiscal Year	41,959
Increase (14.4 percent)	\$6,028

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$3,580	\$3,580	---	844	47
Operating expense	2,298	2,298	---	844	68
Equipment	150	150	---	844	71
Total increase	\$6,028	\$6,028	---	844	73

RECOMMENDATIONS

Amount budgeted	\$47,987
Legislative Auditor's recommendation	47,987
Reduction	None

**Board of Osteopathic Examiners—Continued
ANALYSIS**

Expenditures proposed for the 1955-56 Fiscal Year are \$47,987, an increase of \$6,028 or 14.4 percent over estimated expenditures for the current year.

The major items of increase are to cover a proposed new clerical position for the Los Angeles office and to cover additional printing costs occasioned by the publishing of a roster.

Estimated revenues approximate estimated expenditures for 1955-56 with an estimated surplus of \$61,812 as of June 30, 1956.

We recommend approval of the budget as submitted.

**Department of Professional and Vocational Standards
BOARD OF PILOT COMMISSIONERS**

ITEM 227 of the Budget Bill

Budget page 846
Budget line No. 7

**For Support of Board of Pilot Commissioners From the
Pilot Commissioners' Special Fund**

Amount requested -----	\$13,363
Estimated to be expended in 1954-55 Fiscal Year -----	13,099
<hr/>	
Increase (2.0 percent) -----	\$264

Summary of Increase

	Total increase	INCREASE DUE TO			Budget page	Line No.
		Work load or salary adjustments	New services			
Salaries and wages -----	\$264	\$264		---	846	38

RECOMMENDATIONS

Amount budgeted -----	\$13,363
Legislative Auditor's recommendation -----	13,363
<hr/>	
Reduction -----	None

ANALYSIS

Expenditures for the 1955-56 Fiscal Year are estimated at \$13,363, an increase of \$264 or 2.0 percent over the estimated expenditures for 1954-55.

Pursuant to Section 1159 of the Harbors and Navigation Code all surplus in excess of \$6,500 in the Pilot Commissioners Special Fund as of June 30th of each year is transferred to the General Fund. It is estimated that this surplus will amount to \$31,303 as of June 30, 1956.

We recommend that the budget be approved as submitted.

DEPARTMENT OF PROFESSIONAL AND VOCATIONAL STANDARDS

Departmental Administration

(Expenditures and revenues are not carried into the budget totals since the assessments against the various boards and the rent receipts for the building have been included as Expenditures in the budgets of the respective boards and agencies.)

For Support of the Departmental Administration From the Professional and Vocational Standards Fund

Amount requested	\$426,182
Estimated to be expended in 1954-55 Fiscal Year.....	425,358
<hr/>	
Increase (0.2 percent)	\$824

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages.....	\$9,470	\$9,470	---	850	75
Operating expense	-9,137	-9,137	---	850	76
Equipment	491	491	---	850	77
<hr/>		<hr/>		<hr/>	
Total increase.....	\$824	\$824	---	850	79

RECOMMENDATIONS

Amount budgeted	\$426,182
Legislative Auditor's recommendation	426,182
<hr/>	
Reduction	None

ANALYSIS

Proposed expenditures for the 1955-56 Fiscal Year are estimated to be \$426,182, an increase of \$824, or 0.2 percent over estimated expenditures for Fiscal Year 1954-55.

Two new positions are requested:

1 Semisenior accountant	\$4,980
1 Intermediate typist-clerk	2,840

These positions are justified by increased work load occasioned by the setting up of new boards during recent years.

A decrease of \$10,826 is reflected in maintenance and operation of buildings.

We recommend the establishment of an investigative pool as well as a stenographic and clerical pool.

The accompanying tables show the total number of positions in these classifications as well as their distribution among the respective boards. We believe that substantial savings can be effected, not only in distribution of personnel but, in the case of the investigative pool, in travel, automotive equipment, and automobile operation.

We recommend approval of the budget as submitted.

Departmental Administration—Continued

Investigative Staff—Authorized and Proposed Positions
Budget, 1955-56 Fiscal Year

Board	Number of positions and salary range			
	Supervising inspector \$395-\$481	Special investigator \$376-\$458	Inspector \$325-\$395	Inspector: pharmacy \$415-\$505
Board of Accountancy -----		3		
Board of Architectural Examiners ---		2		
Board of Dental Examiners -----		2		
Board of Dry Cleaners ----- 2			11	
Board of Funeral Directors and Embalmers -----		2*		
Bureau of Furniture and Bedding Inspection ----- 2			18	
Board of Medical Examiners -----		8		
Board of Registered Physical Therapists -----		4		
Board of Licensed Physical Therapists -----		6		
Board of Nurse Examiners -----		2		
Board of Optometry -----		1		
Board of Pharmacy -----		2		10
Board of Private Investigators and Adjusters -----		2		
Structural Pest Control Board -----		3		
Board of Examiners in Veterinary Medicine -----		1		
Board of Osteopathic Examiners ---		2		
Board of Barber Examiners -----			7	
Board of Chiropractic Examiners ---		2		
Board of Registration for Civil and Professional Engineers -----		5		
Contractors License Board ----- 4		50		
Board of Cosmetology ----- 1			11	
Cemetery Board -----		1*		
Totals -----	9	89	47	10

* Field representatives.

Departmental Administration—Continued
Clerical Staff

	<i>Number of authorized and proposed new positions 1955-56 Fiscal Year</i>	<i>Number of temporary help positions 1955-56 Fiscal Year</i>
Board of Osteopathic Examiners -----	2	0.4
Board of Pilot Commissioners -----	1	.1
Departmental Administration -----	16	.7
Division of Administrative Procedure -----	7	.4
Board of Accountancy -----	5	2.8
Board of Architectural Examiners -----	1	.8
Board of Barber Examiners -----	4.5	.3
Cemetery Board -----	1	.1
Board of Chiropractic Examiners -----	1	1.5
Board of Registration for Civil and Professional Engineers -----	13.5	2.4
Contractors License Board -----	31.3	2.8
Board of Cosmetology -----	10.8	.8
Board of Dental Examiners -----	2	.8
Board of Dry Cleaners -----	.7	.8
Board of Funeral Directors and Embalmers -----	1	.2
Bureau of Furniture and Bedding Inspection -----	6.9	.4
Board of Guide Dogs for the Blind -----	0	.1
Board of Landscape Architects -----	1	.2
Board of Medical Examiners -----	11.5	2.7
Board of Nurse Examiners -----	12	.5
Board of Optometry -----	1	.3
Board of Pharmacy -----	8	.4
Bureau of Private Investigators and Adjusters -----	.5	.2
Certified Shorthand Reporters' Board -----	1	.1
Board of Social Work Examiners -----	1	.6
Structural Pest Control Board -----	1	.3
Board of Examiners in Veterinary Medicine -----	0	.3
Board of Vocational Nurse Examiners -----	3	.4
Totals -----	151	21.4

Unbudgeted Surpluses

The following table shows the estimated unbudgeted surpluses in the special funds of the respective boards in the Department of Professional and Vocational Standards as of June 30, 1956. These total \$3,272,019. Of this amount \$1,961,803 is estimated will be on deposit with the State Treasurer.

The balance of \$1,310,216 represents investments in the Business and Professions Building by some of the boards. If the estimated repayments to the investing agencies are maintained, this obligation will be liquidated in approximately 10 years.

Estimated expenditures for all boards for the 1953-54 Fiscal Year total \$3,106,983.

It is recommended that the Legislature explore the possibility of placing a statutory ceiling on the amount which can be on deposit unbudgeted in each of these special funds at the close of each fiscal year.

The Legislature took similar action in the case of the Pilot Commissioners Special Fund when it enacted Chapter 1377, Statutes of 1947, which provided for all moneys in that fund in excess of \$6,500 at the

Departmental Administration—Continued

close of June 30th of each year shall on the order of the Controller, be transferred to the General Fund of the State.

The amount designated to be carried over in each fund should bear a direct relation to the normal annual operating expenses of each board.

Estimated Unbudgeted Surpluses, as of June 30, 1956

<i>Board</i>	<i>Investment in business and professional building</i>	<i>Investment in business and professional building annex</i>	<i>Current surplus exclusive of building investments</i>	<i>Total estimated unbudgeted surplus as of June 30, 1956</i>
Accountancy -----	\$18,451	\$90,396	\$289,187	\$398,034
Architectural Examiners ----	---	---	52,405	52,405
Athletic Commission -----	---	---	(21,875)	(21,875)*
Barber Examiners -----	3,430	---	30,712	34,142
Cemetery -----	---	---	26,190	26,190
Chiropractic Examiners ----	---	---	93,724	93,724
Civil and Professional Engineers ----	57,542	100,743	252,889	411,174
Contractors -----	33,719	87,959	134,258	255,936
Cosmetology -----	---	70,368	71,579	141,947
Dental Examiners -----	1,965	21,990	17,723	41,678
Dry Cleaners -----	---	---	154,302	154,302
Funeral Directors and Embalmers -----	2,942	8,796	35,710	47,448
Furniture and Bedding Inspection -----	14,987	184,713	38,747	238,447
Guide Dogs for the Blind -----	---	---	---	---
Landscape Architects -----	---	---	13,212	13,212
Medical Examiners -----	4,410	299,200	302,242	605,852
Physical Therapy Fund ----	---	---	22,559	22,559
Nurse Examiners -----	6,373	197,908	118,361	322,642
Optometry -----	---	---	11,005	11,005
Pharmacy -----	---	---	27,895	27,895
Private Investigators and Adjusters -----	7,568	96,756	68,196	172,520
Shorthand Reporters -----	---	---	32,470	32,470
Social Work Examiners ----	---	---	51,184	51,184
Structural Pest Control ----	---	---	38,922	38,922
Veterinary Medicine -----	---	---	25,844	25,844
Vocational Nurse Examiners --	---	---	17,849	17,849
Yacht and Ship Brokers -----	---	---	34,638	34,638
Totals -----	\$151,387	\$1,158,829	\$1,961,803	\$3,272,019

* Subject to transfer for the maintenance of veterans' home in accordance with Section 18634 of the Business and Professions Code. Surplus shown is not included in totals.

Department of Professional and Vocational Standards

DIVISION OF ADMINISTRATIVE PROCEDURE

ITEM 228 of the Budget Bill

Budget page 852

Budget line No. 7

For Support of the Division of Administrative Procedure From the General Fund

Amount requested -----	\$94,721
Estimated to be expended in 1954-55 Fiscal Year -----	94,265

Increase (0.5 percent) -----	\$456
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Division of Administrative Procedure—Continued

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages-----	\$1,339	\$1,339	---	854	8
Operating expense -----	—575	—575	---	854	9
Equipment -----	—206	—206	---	854	10
Less:					
Increased reimbursements from other agencies -----	—102	—102	---	854	15
Total increase -----	\$456	\$456	---	854	17

RECOMMENDATIONS

Amount budgeted -----	\$94,721
Legislative Auditor's recommendation -----	94,721
Reduction -----	None

ANALYSIS

Proposed expenditures for the 1955-56 Fiscal Year are budgeted at \$94,721 from the General Fund, an increase of \$456, or 0.5 percent over Fiscal Year 1954-55.

Work load of cases remains at approximately the same level.

Of the total amount of \$163,492 expended for administration of cases, 60 percent or \$98,095 is reimbursed from the special fund agencies which they serve. The balance, \$65,397, together with the amount of \$29,324 estimated to be expended by the Codification Division, totals the proposed amount to be appropriated from the General Fund.

We recommend the adoption of the budget as submitted.

Department of Professional and Vocational Standards

BOARD OF ACCOUNTANCY

ITEM 229 of the Budget Bill

Budget page 855
Budget line No. 8

For Support of Board of Accountancy From the Accountancy Fund

Amount requested -----	\$163,148
Estimated to be expended in 1954-55 Fiscal Year -----	158,240
Increase (3.1 percent) -----	\$4,908

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages-----	\$961	\$961	---	855	47
Operating expense -----	3,870	3,870	---	855	71
Equipment -----	77	77	---	855	74
Total increase -----	\$4,908	\$4,908	---	855	76

RECOMMENDATIONS

Amount budgeted -----	\$163,148
Legislative Auditor's recommendation -----	163,148
Reduction -----	None

Board of Accountancy—Continued

ANALYSIS

Proposed expenditures for 1955-56 are estimated at \$163,148 as compared with \$158,240 for 1954-55, an increase of \$4,908 or 3.1 percent. Increased printing costs account for a major part of the increase, with no change in the level of service.

Revenues are estimated to exceed expenditures by \$1,622 and result in an accumulated surplus as of June 30, 1956, of \$398,034.

We recommend approval of the budget as submitted.

Department of Professional and Vocational Standards

BOARD OF ARCHITECTURAL EXAMINERS

ITEM 230 of the Budget Bill

Budget page 857

Budget line No. 7

For Support of Board of Architectural Examiners From the Architectural Examiners' Fund

Amount requested	\$52,537
Estimated to be expended in 1954-55 Fiscal Year.....	46,371
<hr/>	
Increase (13.3 percent)	\$6,166

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages.....	\$3,418	\$3,418	---	857	44
Operating expense	1,828	1,828	---	857	70
Equipment	920	920	---	858	6
<hr/>					
Total increase	\$6,166	\$6,166	---	858	8

RECOMMENDATIONS

Amount budgeted	\$52,537
Legislative Auditor's recommendation.....	45,841
<hr/>	
Reduction	\$6,696

ANALYSIS

Proposed expenditures for the 1955-56 Fiscal Year are estimated at \$52,537, an increase of \$6,166 or 13.3 percent over the amount estimated be expended in current 1954-55.

The agency estimates a total of 2,300 licensees for 1955-56. This is an increase of 25 over the estimate of 2,275 for current 1954-55.

The work load investigation figures submitted are as follows:

	Actual 1952-53	Actual 1953-54	Estimated 1954-55	Estimated 1955-56
Complaints received—licensees ..	0	0	10	10
Investigations—licensees	5	0	5	5
Disciplinary proceedings	1	0	1	0
Complaints received—nonlicensees	613	491	780	850
Investigations—nonlicensees	587	493	760	830
Prosecutions—nonlicensees	5	7	20	30

The above work load figures do not justify the need for the two presently authorized positions of special investigator. There have been no complaints filed against licensees during the past two years. The agency submits no data on which they base their estimate of 10 cases each for the current year and for the 1955-56 Fiscal Year. Complaints

Board of Architectural Examiners—Continued

against nonlicensees dropped from 613 in 1952-53 to 491 in 1953-54. The ratio of five prosecutions to 587 investigations and seven prosecutions to 493 investigations indicates that a more thorough and careful screening of complaints would cut down the number of complaints warranting investigation to a point that one special investigator could more than handle the work load.

We recommend the elimination of one presently authorized special investigator at \$5,496.

Included in the request for equipment is the sum of \$1,200 for the acquisition of one additional automobile.

We recommend deletion of this amount.

In line with a policy recommendation by this office, affecting all automotive units, both additional and replacement, it is recommended that:

1. Funds for these items be deleted from the agency support budgets.
2. The Department of Finance request an augmentation of their budget to enable them to procure sufficient vehicles and to provide the agency with necessary transportation services through a fleet management program in the automotive management section.
3. The Department of Finance make necessary revisions in the support budgets of the agencies to delete direct related automotive operating expenses and provide an offset item for automobile mileage to permit the agency to reimburse the Department of Finance on a mileage basis for the fleet service.

**Department of Professional and Vocational Standards
ATHLETIC COMMISSION**

ITEM 231 of the Budget Bill

Budget page 859
Budget line No. 7

For Support of Athletic Commission From the Athletic Commission Fund

Amount requested	\$119,941
Estimated to be expended in 1954-55 Fiscal Year	120,283
Decrease (0.3 percent)	\$342

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	—\$538	—\$538	---	859	52
Operating expense	196	196	---	859	73
Total increase	—\$342	—\$342	---	---	---

RECOMMENDATIONS

Amount budgeted	\$119,941
Legislative Auditor's recommendation	119,941
Reduction	None

ANALYSIS

Proposed expenditures for the 1955-56 Fiscal Year are estimated at \$119,941, a decrease of \$342, or 0.3 percent below estimated expenditures for 1954-55.

Athletic Commission—Continued

With the proposed allocation in 1955-56 of \$65,000 for the support of the Veterans Home, the surplus in the Athletic Commission Fund as of June 30, 1956, will have dropped to an estimated \$21,875.

This commission is responsible for the direction, management, and control of professional and amateur wrestling and boxing matches held within the State. It is also responsible for licensing clubs holding such matches as well as all participants.

We recommend the adoption of the budget as submitted.

**Department of Professional and Vocational Standards
BOARD OF BARBER EXAMINERS**

ITEM 232 of the Budget Bill

Budget page 861
Budget line No. 7

For Support of the Board of Barber Examiners From the Barber Examiners' Fund

Amount requested	\$117,505
Estimated to be expended in 1954-55 Fiscal Year	116,215
<hr/>	
Increase (1.1 percent)	\$1,290

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$ 501	\$501	---	861	46
Operating expense	—331	—331	---	861	70
Equipment	1,120	1,120	---	862	6
<hr/>		<hr/>		<hr/>	
Total increase	\$1,290	\$1,290	---	862	8

RECOMMENDATIONS

Amount budgeted	\$117,505
Legislative Auditor's recommendation	115,405
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Reduction	\$2,100

ANALYSIS

Expenditures for 1955-56 are estimated at \$117,505, an increase of \$1,290, or 1.1 percent over estimated expenditures for 1954-55.

Estimated revenues for 1955-56 are expected to exceed expenditures by \$2,882, resulting in an accumulated surplus of \$34,142 as of June 30, 1956.

Included in the request for equipment is the sum of \$2,100 for the acquisition of two replacement automobiles.

We recommend deletion of this amount, in line with the policy recommendation by this office, for fleet management operations of vehicles as discussed under the item for Board of Architectural Examiners.

**Department of Professional and Vocational Standards
CEMETERY BOARD**

ITEM 233 of the Budget Bill

Budget page 863
Budget line No. 7

For Support of Cemetery Board From the Cemetery Fund

Amount requested	\$32,771
Estimated to be expended in 1954-55 Fiscal Year	24,993
<hr/>	
Increase (31.1 percent)	\$7,778

Cemetery Board—Continued

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages -----	\$4,660	\$4,660	---	863	45
Operating expense -----	1,739	1,739	---	863	70
Equipment -----	1,379	1,379	---	864	6
Total increase -----	\$7,778	\$7,778	---	864	8

RECOMMENDATIONS

Amount budgeted -----	\$32,771
Legislative Auditor's recommendation -----	31,571
Reduction -----	\$1,200

ANALYSIS

Proposed expenditures for the 1955-56 Fiscal Year are budgeted at \$32,771, an increase of \$7,778 or 31.1 percent above the amount estimated for 1954-55.

The major portion of this increase is for a proposed new position of Field Representative budgeted at \$4,512 plus related costs. The agency proposes to use this position for the conducting of investigations and for evaluating and auditing endowment care funds. The board presently has only two employes—an executive secretary and an intermediate stenographer clerk. The former is currently performing the duties proposed to be taken over by the proposed new position.

We recommend that the position be granted.

Estimated expenditures for 1955-56—\$34,092—will exceed estimated revenues of \$29,700 by \$4,392. Surplus in the Cemetery Fund as of June 30, 1956, is an estimated \$26,190.

Included in the request for equipment is the sum of \$1,200 for the acquisition of one additional automobile.

We recommend deletion of this amount, in line with the policy recommendation by this office, for fleet management operations of vehicles as discussed under the item for Board of Architectural Examiners.

Department of Professional and Vocational Standards
BOARD OF CHIROPRACTIC EXAMINERS

ITEM 234 of the Budget Bill

Budget page 865
Budget line No. 7

For Support of the Board of Chiropractic Examiners
From the Chiropractic Examiners' Fund

Amount requested -----	\$57,516
Estimated to be expended in 1954-55 Fiscal Year -----	57,580
Decrease (0.1 percent) -----	\$64

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages -----	\$453	\$453	---	865	41
Operating expense -----	751	751	---	865	66
Equipment -----	-1,268	-1,268	---	865	73
Total increase -----	-\$64	-\$64	---	865	75

Board of Chiropractic Examiners—Continued

RECOMMENDATIONS

Amount budgeted	\$57,516
Legislative Auditor's recommendation	57,516
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Reduction	None

ANALYSIS

Expenditures for 1955-56 are estimated at \$57,516, a decrease of \$64 over estimated expenditures for 1954-55 of \$57,580, or 0.1 percent.

The estimated revenues for 1955-56 are \$62,310 as against an estimated expenditure of \$59,265, an excess of \$3,045, bringing the accumulated surplus in the board's fund to \$93,724 as of June 30, 1956.

We recommend approval of the budget as submitted.

Department of Professional and Vocational Standards

BOARD OF REGISTRATION FOR CIVIL AND PROFESSIONAL ENGINEERS

ITEM 235 of the Budget Bill Budget page 867
Budget line No. 7

For Support of Board of Registration for Civil and Professional Engineers
From the Professional Engineers' Fund

Amount requested	\$213,164
Estimated to be expended in 1954-55 Fiscal Year	205,821
<hr/>	
Increase (3.6 percent)	\$7,343

Summary of Increase

	Total Increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	—\$30	—\$30	---	867	65
Operating expense	3,926	3,926	---	868	17
Equipment	3,447	3,447	---	868	25
<hr/>		<hr/>		<hr/>	
Total increase	\$7,343	\$7,343	---	868	27

RECOMMENDATIONS

Amount budgeted	\$213,164
Legislative Auditor's recommendation	211,064
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Reduction	2,100

ANALYSIS

Proposed expenditures for Fiscal Year 1955-56 are estimated at \$213,164, an increase of \$7,343, or 3.6 percent over the estimated expenditures for the current year.

- 1 Senior structural engineer (to June 30, 1956) (Budget page 867, line 59)
- 1 Senior civil engineer (to June 30, 1956) (Budget page 867, line 61)

\$7,728
7,356

The board desires these positions to handle the preparation and grading of examinations because of the difficulty of recruiting trained personnel on an intermittent basis.

The amounts estimated for the current year for Examination Commissioners and Expert Examiners on an intermittent basis have been reduced by \$8,500 and \$5,100 respectively in the proposed 1955-56

Registration for Civil Engineers—Continued

budget for a total reduction of \$13,600 as against the addition of \$15,084 for these two proposed positions.

The agency requests these positions on a temporary basis to June 30, 1956, so as to evaluate their work load at that time.

We recommend that these two positions be granted on this temporary basis.

Proposed expenditures for 1955-56 exceed estimated revenues by \$51,500, or 32.9 percent. The estimated surplus in the Professional Engineers' Fund as of June 30, 1956, is \$411,174, of which \$158,285 is invested in the Business and Professions Building and \$252,889 is in current assets.

Included in the request for equipment is the sum of \$2,100 for the acquisition of two replacement automobiles.

We recommend deletion of this amount, in line with the policy recommendation by this office, for fleet management operation of vehicles as discussed under the item for Board of Architectural Examiners.

Department of Professional and Vocational Standards

CONTRACTORS' LICENSE BOARD

ITEM 236 of the Budget Bill

Budget page 869

Budget line No. 7

For Support of the Contractors' License Board From the Contractors'

License Fund

Amount requested	\$682,496
Estimated to be expended in 1954-55 Fiscal Year	641,491
Increase (6.4 percent)	\$41,005

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$25,755	\$3,195	\$22,560	871	9
Operating expense	10,284	6,624	3,660	871	10
Equipment	4,966	-1,034	6,000	871	11
Total increase	\$41,005	\$8,785	\$32,220	871	13

RECOMMENDATIONS

Amount budgeted	\$682,496
Legislative Auditor's recommendation	655,610
Reduction	\$26,886

ANALYSIS

Proposed expenditures for 1955-56 are \$682,496; an increase of \$41,005, or 6.4 percent over estimated expenditures for 1954-55.

5 Special investigators (Budget page 870, line 44)

\$22,560

The agency states that the added positions are necessary because of an increase of 6,100 licensees estimated by June 30, 1956, an increase of 9 percent.

We recommend that three of the five proposed new investigator positions be not allowed, and the item reduced by \$13,536 plus related costs.

We recommend that the two supervising investigator positions presently in the budget on a temporary basis be granted on a permanent

Contractors' License Board—Continued

basis in order that the case screening process may be put on an accelerated level.

During the 1953-54 Fiscal Year, the agency closed a total of 9,837 cases with a staff of 45 investigators, an average of 218.6 cases per investigator. As of June 30, 1954, there was a backlog of 2,522 cases. If the number of cases filed by June 30, 1956 increases in proportion to the estimated increase in number of licenses, or 9 percent, the following work load figures for 1955-56 may be projected:

Estimated number of cases filed, 1955-56	10,740
Estimated backlog as of June 30, 1956 (2,522 plus 9%)	2,749
Total	13,489
Normal 30-day backlog	895
Total	12,594
Estimated cases to be closed (45 investigators × 218.6)	9,837
Total	2,757
Two additional investigators × 218.6 cases	437
Estimated backlog, June 30, 1956	2,320

We believe that this backlog can be wiped out and the agency put on a current basis by more careful and thorough screenings of cases submitted to it for investigation. During the first five months of 1954-55 Fiscal Year, only 8.7 percent of the cases filed with the agency were rejected, yet we find that during Fiscal Year 1953-54, of 9,837 cases accepted for investigation, 8,369, or 85 percent, did not develop sufficient evidence to warrant formal action—either an administrative hearing, or prosecution.

The above calculated backlog of 2,320 cases as of June 30, 1956, represents only 21.6 percent of the total cases anticipated to be filed in the 1955-56 Fiscal Year. We believe that this relatively small percentage of cases can be screened out of an anticipated 10,740 cases, of which 9,129 will not develop any evidence of a violation if the present screening level is maintained. If these 2,320 are screened out and not accepted for investigation, there will still remain a potential 6,809 cases which will never go to formal hearing. That is 63 percent of the total case load, a percentage considerably in excess of the ratio maintained by most enforcement agencies.

Proposed expenditures for 1955-56 exceed estimated revenues by \$67,130, or 10.3 percent. The estimated surplus as of June 30, 1956, will be \$255,936, of which \$121,678 is represented by investments in the Business and Professions Building and Annex, leaving \$134,258 as current. Should the proposed excess of expenditures over revenues continue, the current assets of the fund will be exhausted by the close of the 1957-58 Fiscal Year.

Included in the request for equipment is the sum of \$13,350 for the acquisition of five additional automobiles and seven replacement automobiles.

We recommend deletion of this amount, in line with the policy recommendation by this office, for fleet management operation of vehicles as discussed under the item for Board of Architectural Examiners.

**Department of Professional and Vocational Standards
BOARD OF COSMETOLOGY**

ITEM 237 of the Budget Bill

Budget page 872
Budget line No. 7

For Support of Board of Cosmetology From the Cosmetology Contingent Fund

Amount requested	\$185,722
Estimated to be expended in 1954-55 Fiscal Year	179,424
Increase (3.5 percent)	\$6,298

Summary of Increase

	INCREASE DUE TO			Budget page	Line No.
	Total increase	Work load or salary adjustments	New services		
Salaries and wages	\$4,690	\$4,690	---	872	51
Operating expense	713	713	---	872	76
Equipment	895	895	---	873	7
Total increase	\$6,298	\$6,298	---	873	9

RECOMMENDATIONS

Amount budgeted	\$185,722
Legislative Auditor's recommendation	185,722
Reduction	None

ANALYSIS

Expenditures are estimated at \$185,722, an increase of \$6,298, or 3.5 percent over estimated expenditures for 1954-55.

Merit salary increases and increased equipment requests account for the major portion of the increase.

Expenditures for 1955-56 are estimated to exceed revenues by \$4,091. The accumulated surplus for this board as of June 30, 1956, is estimated to be \$141,947.

We recommend approval of the budget as submitted.

**Department of Professional and Vocational Standards
BOARD OF DENTAL EXAMINERS**

ITEM 238 of the Budget Bill

Budget page 874
Budget line No. 7

For Support of Board of Dental Examiners From the State Dentistry Fund

Amount requested	\$86,456
Estimated to be expended in 1954-55 Fiscal Year	78,756
Increase (9.8 percent)	\$7,700

Summary of Increase

	INCREASE DUE TO			Budget page	Line No.
	Total increase	Work load or salary adjustments	New services		
Salaries and wages	\$4,080	\$4,080	---	874	47
Operating expense	3,739	3,739	---	874	73
Equipment	-119	-119	---	875	6
Total increase	\$7,700	\$7,700	---	875	8

RECOMMENDATIONS

Amount budgeted	\$86,456
Legislative Auditor's recommendation	86,456
Reduction	None

Board of Dental Examiners—Continued

ANALYSIS

Proposed expenditures for 1955-56 are budgeted at \$86,456, an increase of \$7,700 or 9.8 percent over estimates for the current fiscal year. The major portion of this increase is occasioned by the printing of the biennial directory and the increase of \$3,100 in the amount budgeted for board member per diem.

Attorney (part time) (Budget page 874, line 42) ----- \$3,480

We recommend the elimination of this position.

Three of the licensing agencies in this department have provisions in their budgets for the retention of attorneys on a contract basis in lieu of pro rata charges for services of the Attorney General as in the case of other licensing boards. These are the Board of Funeral Directors and Embalmers, the Board of Dental Examiners, and the Board of Osteopathic Examiners.

We repeat our recommendations for our analyses in prior years that the services of the Attorney General as a pro rata charge be budgeted in lieu of the retention of special attorney in these three agencies.

In line with this we recommend that the position of assistant counsel (part time) at \$3,480 be eliminated and that a pro rata charge for Attorney General services be budgeted.

Department of Professional and Vocational Standards

BOARD OF DRY CLEANERS

ITEM 239 of the Budget Bill

Budget page 876

Budget line No. 7

For Support of Board of Dry Cleaners From the Dry Cleaners' Fund

Amount requested -----	\$175,038
Estimated to be expended in 1954-55 Fiscal Year -----	179,488
Decrease (2.5 percent) -----	\$4,450

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages -----	\$3,076	\$3,076	---	876	58
Operating expense -----	4,346	4,346	---	877	14
Equipment -----	3,180	3,180	---	877	21
Total increase -----	\$4,450	\$4,450	---	877	23

RECOMMENDATIONS

Amount budgeted -----	\$175,038
Legislative Auditor's recommendation -----	162,762
Reduction -----	\$12,276

ANALYSIS

Proposed expenditures for the 1955-56 Fiscal Year are budgeted at \$175,038, a decrease of \$4,450, or 2.5 percent, below the amount budgeted in Fiscal Year 1954-55. This decrease is due to a nonrecurring item of \$10,000 budgeted in 1954-55 for research work conducted by the State Fire Marshal. Actually, the proposed budget represents an actual increase of \$5,500, or 3.3 percent, over the amount budgeted for 1954-55 for the regular recurring operations of the agency.

Board of Dry Cleaners—Continued

1 Supervising inspector (Budget page 876, line 47) (existing position)-----	\$5,772
1 Inspector (Budget page 876, line 51) (existing position)-----	4,404

We recommend that these positions be eliminated.

These two positions were authorized in the 1953-54 Budget on a one-year basis. This authorization was extended again for one year in the 1954-55 Budget.

The agency stated that they desired to achieve a program of three inspections per year per shop. Work load figures for 1953-54 show a total of 32,707 inspections or 3.27 inspections per shop per year. This is 9 percent above the agency program figure. With 10.8 actual filled positions, exclusive of supervising inspectors, there was an average of 3,028 inspections per man. To achieve the program of three inspections per shop per year, it would require only 29,763 inspections, or 2,976 per man for the 10 presently authorized permanent positions.

Included in the request for equipment is the sum of \$2,100 for the acquisition of two replacement automobiles.

We recommend deletion of this amount, in line with the policy recommendation by this office, for fleet management operation of vehicles as discussed under the item for Board of Architectural Examiners.

Department of Professional and Vocational Standards

BOARD OF FUNERAL DIRECTORS AND EMBALMERS

ITEM 240 of the Budget Bill Budget page 878
Budget line No. 8

For Support of Board of Funeral Directors and Embalmers From the Funeral Directors' and Embalmers' Fund

Amount requested-----	\$43,775
Estimated to be expended in 1954-55 Fiscal Year-----	42,942
Increase (2 percent)-----	833

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages-----	\$395	\$395	---	878	45
Operating expense-----	2,686	2,686	---	878	70
Equipment-----	-2,248	-2,248	---	878	8
Total increase-----	\$833	\$833	---	878	10

RECOMMENDATIONS

Amount budgeted-----	\$43,775
Legislative Auditor's recommendation-----	39,035
Reduction-----	\$4,740

ANALYSIS

Proposed expenditures for the 1955-56 Fiscal Year are budgeted at \$43,775 or a 2 percent increase over estimated expenditures for the current fiscal year.

Board of Funeral Directors and Embalmers—Continued

0.6 Assistant counsel (part time) (Budget page 878, line 42) — \$3,000

Three of the licensing agencies in this department have provisions in their budgets for the retention of attorneys on a contract basis in lieu of pro rata charges for services of the Attorney General as in the case of other licensing boards. These are the Board of Funeral Directors and Embalmers, the Board of Dental Examiners and the Board of Osteopathic Examiners.

We repeat our recommendations for our analyses in prior years that the services of the Attorney General as a pro rata charge be budgeted in lieu of the retention of special attorneys in these three agencies.

In line with this we recommend that the position of assistant counsel (part time) at \$3,000 be eliminated and that a pro rata charge for Attorney General services be budgeted.

Field representative (temporary to June 30, 1955) (Budget page 878, line 40) ————— \$4,740

This position was requested in the 1954-55 Budget on the basis of work load increase and the desire of the board to complete two inspections per year of each licensed premise. No data has been submitted as to the results obtained by the additional position. *Inasmuch as placing the program on a "two inspection per year" basis represents an increased level of service, we recommend that the position be eliminated.*

Proposed expenditures for 1955-56 as budgeted will exceed revenues by \$1,021, leaving an estimated accumulated surplus of \$47,448 in the Funeral Directors and Embalmers Fund as of June 30, 1956.

**Department of Professional and Vocational Standards
BUREAU OF FURNITURE AND BEDDING INSPECTION**

ITEM 241 of the Budget Bill

Budget page 880
Budget line No. 8

**For Support of Bureau of Furniture and Bedding Inspection From the
Bureau of Furniture and Bedding Inspection Fund***

Amount requested	\$218,429
Estimated to be expended in 1954-55 Fiscal Year	199,579
Increase (9.4 percent)	\$18,850

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	+\$9,043	+\$9,043	---	881	74
Operating expense	9,966	9,966	---	881	75
Equipment	—159	—159	---	881	76
Total increase	\$18,850	\$18,850	---	881	78

RECOMMENDATIONS

Amount budgeted	\$218,429
Legislative Auditor's recommendation	217,379
Reduction	\$1,050

Bureau of Furniture and Bedding Inspection—Continued

ANALYSIS

Expenditures are estimated at \$218,429. This is \$18,850, or 9.3 per cent above the 1954-55 level.

A substantial part of the increase in salaries and wages is contained in a proposed new position, Chief of Bureau, a position presently filled by the director of the department who, it is felt, is unable to continue in this function because of an increase in his over-all departmental duties.

A major portion of the increase in the category of operations is reflected in an item of \$5,000 for modernization of the laboratory occasioned by the advent of many new synthetic materials.

Expenditures for 1955-56 are estimated to exceed revenues by \$56,168 reducing the amount of the estimated surplus from \$294,615 as of June 30, 1955, to \$238,447 as of June 30, 1956. The surplus as of June 30, 1954 stood at \$330,878. If the estimated surplus of \$238,447 as of June 30, 1956 proves to be accurate, it would represent a 28 percent depletion of the fund in a two-year period.

Included in the request for equipment is the sum of \$1,050 for the acquisition of one replacement automobile.

We recommend deletion of this amount, in line with the policy recommendation by this office, for fleet management operation of vehicles as discussed under the item for Board of Architectural Examiners.

Department of Professional and Vocational Standards

BOARD OF GUIDE DOGS FOR THE BLIND

ITEM 242 of the Budget Bill

Budget page 883

Budget line No. 7

For Support of Board of Guide Dogs for the Blind From the General Fund

Amount requested	-----	\$863
Estimated to be expended in 1954-55 Fiscal Year	-----	881
Decrease (—2.0 percent)	-----	\$18

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Operating expense	----- —\$18	----- —\$18	----- ---	883	42
Total increase	----- —\$18	----- —\$18	----- ---	883	44

RECOMMENDATIONS

Amount budgeted	-----	\$863
Legislative Auditor's recommendation	-----	863
Reduction	-----	None

ANALYSIS

Principal items for this agency are temporary help and travel.

No increase in expenditures is proposed for 1955-56.

We recommend approval of the budget as submitted.

Department of Professional and Vocational Standards

BOARD OF LANDSCAPE ARCHITECTS

ITEM 243 of the Budget Bill

Budget page 884

Budget line No. 8

For Support of Board of Landscape Architects From the State Board of Landscape Architects' Fund

Amount requested	\$12,703
Estimated to be expended in 1954-55 Fiscal Year	13,086
Decrease (—2.9 percent)	\$383

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$190	\$190	---	884	42
Operating expense	—507	—507	---	884	65
Equipment	—66	—66	---	884	68
Total increase	—\$383	—\$383	---	884	70

RECOMMENDATIONS

Amount budgeted	\$12,703
Legislative Auditor's recommendation	12,703
Reduction	None

ANALYSIS

Expenditures for 1955-56 Fiscal Year are estimated at \$12,703. This is a decrease of \$383 compared with the 1954-55 estimated expenditure of \$13,086.

Revenues for 1955-56 are estimated at \$23,435 with expenditures of \$12,965 which will bring the surplus in this board's fund to \$13,212 as of June 30, 1956, as compared with an estimated surplus of \$2,742 as of June 30, 1955.

We recommend approval of the budget as submitted.

Department of Professional and Vocational Standards

BOARD OF MEDICAL EXAMINERS

ITEM 244 of the Budget Bill

Budget page 886

Budget line No. 7

For Support of the Board of Medical Examiners From the Medical Examiners' Contingent Fund

Amount requested	\$231,637
Estimated to be expended in 1954-55 Fiscal Year	204,387
Increase (13.3 percent)	\$27,250

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$12,033	\$12,033	---	887	20
Operating expense	11,186	11,186	---	887	45
Equipment	4,031	4,031	---	887	52
Total increase	\$27,250	\$27,250	---	887	54

Board of Medical Examiners—Continued

RECOMMENDATIONS

Amount budgeted	\$231,637
Legislative Auditor's recommendation	224,725
Reduction	\$6,912

ANALYSIS

Proposed expenditures for the 1955-56 Fiscal Year are estimated at \$231,637, an increase of \$27,250, or 13.3 percent, over estimated expenditures for 1954-55.

1 *Special investigator (Budget page 887, line 16)*..... \$4,512

We recommend that this position be deleted.

While case load figures appear to be heavy as to complaints filed, we believe that more careful screening and closer supervision over investigative staff can considerably reduce this work load without impairing enforcement efficiency. Figures submitted for 1953-54 Fiscal Year disclose that of 343 complaints received, a total of 147, or 42.8 percent were closed because of "not sufficient evidence" or "no jurisdiction." There were 17 convictions, or 53 percent from 32 criminal complaints filed.

This compares with the 1953 over-all average of 86.3 percent on convictions on all criminal cases filed throughout the State. This further points up the possibility that more careful initial screening of cases would result in the saving of many investigative man hours.

Included in the request for equipment is the sum of \$2,400 for the acquisition of two additional automobiles.

We recommend deletion of this amount, in line with the policy recommendation by this office, for fleet management operation of vehicles as discussed under the item for Board of Architectural Examiners.

Department of Professional and Vocational Standards

REGISTERED PHYSICAL THERAPISTS

ITEM 245 of the Budget Bill

Budget page 886
Budget line No. 7

For Additional Support of State Board of Medical Examiners From the Medical Examiners' Contingent Fund

Amount requested	\$9,242
Estimated to be expended in 1954-55 Fiscal Year	6,352
Increase (45.5 percent)	\$2,890

Summary of Increase

	Total increase	INCREASE DUE TO			Budget page	Line No.
		Work load or salary adjustments	New services			
Salaries and wages	\$1,602	\$1,602	---	---	887	70
Operating expense	955	955	---	---	888	11
Equipment	333	333	---	---	888	14
Total increase	\$2,890	\$2,890	---	---	888	16

Registered Physical Therapists—Continued

RECOMMENDATIONS

Amount budgeted	\$9,242
Legislative Auditor's recommendation	9,242
Reduction	None

ANALYSIS

This item authorizes the transfer of \$9,242 of the revenues from registered physical therapy fees to the Medical Examiners Contingent Fund pursuant to Section 2614 of the Business and Professions Code.

We recommend approval.

Department of Professional and Vocational Standards

LICENSED PHYSICAL THERAPISTS

ITEM 246 of the Budget Bill

Budget page 886
Budget line No. 22

For Support of the State Board of Medical Examiners From the Physical Therapy Fund

Amount requested	\$11,010
Estimated to be expended in 1954-55 Fiscal Year	9,679
Increase (13.8 percent)	\$1,331

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$2,254	\$2,254	---	888	46
Operating expense	-971	-971	---	888	67
Equipment	48	48	---	888	70
Total increase	\$1,331	\$1,331	---	888	72

RECOMMENDATIONS

Amount budgeted	\$11,010
Legislative Auditor's recommendation	11,010
Reduction	None

ANALYSIS

Proposed expenditures for 1955-56 are budgeted at \$11,010, an increase of \$1,331, or 13.8 percent over fiscal 1954-55 estimates.

This agency was authorized by the 1953 Legislature. The amount budgeted for operating expenses for their second full year of operations is considerably less than for 1954-55 but is offset by an increase in salaries by the proposed part-time special investigator budgeted at \$2,400.

We recommend approval of the budget as submitted.

Department of Professional and Vocational Standards

BOARD OF NURSE EXAMINERS

ITEM 247 of the Budget Bill

Budget page 890
Budget line No. 7

For Support of Board of Nurse Examiners From the Nurse Examiners' Fund

Amount requested	\$136,032
Estimated to be expended in 1954-55 Fiscal Year	138,694
Decrease (1.9 percent)	\$2,662

Board of Nurse Examiners—Continued

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	—\$2,091	—\$2,091	---	890	54
Operating expense	—740	—740	---	891	9
Equipment	169	169	---	891	15
Total increase	—\$2,662	—\$2,662	---	891	17

RECOMMENDATIONS

Amount budgeted	\$136,032
Legislative Auditor's recommendation	136,032

Reduction ----- None

ANALYSIS

Expenditures for the 1955-56 budget year are estimated at \$136,032 a decrease of \$2,662, or 1.9 percent.

A proposed new position of intermediate typist-clerk is requested, totaling, with related equipment, \$3,116. This amount has been offset by a reduction of \$5,634 in the item of temporary help.

We recommend that the budget be approved as submitted.

Department of Professional and Vocational Standards

BOARD OF OPTOMETRY

ITEM 248 of the Budget Bill

Budget page 892
Budget line No. 7

For Support of Board of Optometry From the Optometry Fund

Amount requested	\$34,756
Estimated to be expended in 1954-55 Fiscal Year	34,431
Increase (0.9 percent)	\$325

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$26	\$26	---	892	40
Operating expense	299	299	---	892	65
Total increase	\$325	\$325	---	892	73

RECOMMENDATIONS

Amount budgeted	\$34,756
Legislative Auditor's recommendation	34,756

Reduction ----- None

ANALYSIS

Expenditures for the 1955-56 Fiscal Year are estimated at \$34,756, an increase of \$325 over the estimated \$34,431 for 1954-55, or 0.9 percent.

As a result of the schedule of increased fees, the accumulated surplus in the board fund is estimated to be \$11,005 as of June 30, 1956; up 28.3 percent from the estimated surplus as of June 30, 1955.

We recommend approval of the budget as submitted.

Department of Professional and Vocational Standards
BOARD OF PHARMACY

ITEM 249 of the Budget Bill

Budget page 894
Budget line No. 7

For Support of Board of Pharmacy From the Pharmacy Board Contingent Fund

Amount requested	\$203,629
Estimated to be expended in 1954-55 Fiscal Year	199,711

Increase (2.0 percent)	\$3,918
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Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$160	\$160	---	894	51
Operating expense	4,204	4,204	---	894	75
Equipment	-446	-446	---	895	7
Total increase	\$3,918	\$3,918	---	895	9

RECOMMENDATIONS

Amount budgeted	\$203,629
Legislative Auditor's recommendation	200,479

Reduction	\$3,150
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ANALYSIS

Proposed expenditures for the 1955-56 Fiscal Year are budgeted at \$203,629, an increase of \$3,918 or 2 percent over estimated expenditures for 1954-55.

Major item of increase is for printing and increase in pro rata departmental administration with a decrease in salary savings.

Proposed expenditures for 1955-56 exceed estimated revenues by \$29,492. The surplus estimated to be in the Pharmacy Board Contingent Fund as of June 30, 1956, is \$27,895. If the present level of expenditures is maintained, there will not be sufficient in the fund to finance the board's operations for the Fiscal Year 1956-57.

Included in the request for equipment is the sum of \$3,150 for the acquisition of three replacement automobiles.

We recommend deletion of this amount, in line with the policy recommendation by this office, for fleet management operation of vehicles as discussed under the item for Board of Architectural Examiners.

Department of Professional and Vocational Standards
BUREAU OF PRIVATE INVESTIGATORS AND ADJUSTERS

ITEM 250 of the Budget Bill

Budget page 896
Budget line No. 7

For Support of Bureau of Private Investigators and Adjusters From the Private Investigator and Adjuster Fund

Amount requested	\$32,632
Estimated to be expended in 1954-55 Fiscal Year	30,934

Increase (5.5 percent)	\$1,698
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Bureau of Private Investigators and Adjusters—Continued
Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Operating expense -----	\$1,698	\$1,698	---	896	62
Total increase -----	\$1,698	\$1,698	---	896	67

RECOMMENDATIONS

Amount budgeted -----	\$32,632
Legislative Auditor's recommendation -----	32,632
Reduction -----	None

ANALYSIS

Estimated expenditures for 1955-56 in the amount of \$32,632 will be \$1,698 in excess of the estimated 1954-55 expenditures, or 5.5 percent.

Revenues for this board exceed expenditures with the accumulated surplus as of June 30, 1956, estimated to be \$172,520.

We recommend approval of the budget as submitted.

Department of Professional and Vocational Standards
CERTIFIED SHORTHAND REPORTERS' BOARD

ITEM 251 of the Budget Bill Budget page 898
Budget line No. 7

For Support of Certified Shorthand Reporters' Board
From the Shorthand Reporters' Fund

Amount requested -----	\$13,634
Estimated to be expended in 1954-55 Fiscal Year -----	12,853
Increase (6.1 percent) -----	\$781

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages -----	\$156	156	---	898	39
Operating expense -----	702	702	---	898	62
Equipment -----	—77	—77	---	898	65
Total increase -----	\$781	\$781	---	898	67

RECOMMENDATIONS

Amount budgeted -----	\$13,634
Legislative Auditor's recommendation -----	13,634
Reduction -----	None

ANALYSIS

Estimated expenditures for 1955-56 are \$13,634, an increase of \$781 or 6.1 percent over the estimated expenditures for 1954-55.

Revenues exceed expenditures with an accumulated surplus as of June 30, 1956 estimated to be \$32,470.

We recommend approval of the budget as submitted.

**Department of Professional and Vocational Standards
BOARD OF SOCIAL WORK EXAMINERS**

ITEM 252 of the Budget Bill

Budget page 900
Budget line No. 7

*For Support of Board of Social Work Examiners From the
Registered Social Workers' Fund*

Amount requested	\$19,447
Estimated to be expended in 1954-55 Fiscal Year	16,949
Increase (14.7 percent)	\$2,498

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$872	\$872	---	900	39
Operating expense	1,556	1,556	---	900	61
Equipment	70	70	---	900	64
Total increase	\$2,498	\$2,498	---	900	66

RECOMMENDATIONS

Amount budgeted	\$19,447
Legislative Auditor's recommendation	19,447
Reduction	None

ANALYSIS

Expenditures for the 1955-56 Fiscal Year are estimated at \$19,447, an increase of \$2,498 or 14.7 percent over the estimated \$16,949 for 1954-55.

The major portion of this increase is attributable to the printing of the biennial directory together with additional temporary help in connection with its preparation and mailing.

We recommend approval of the budget as submitted.

**Department of Professional and Vocational Standards
STRUCTURAL PEST CONTROL**

ITEM 253 of the Budget Bill

Budget page 902
Budget line No. 7

*For Support of the Structural Pest Control Board From the Structural
Pest Control Fund*

Amount requested	\$54,177
Estimated to be expended in 1954-55 Fiscal Year	56,943
Decrease (4.9 percent)	—\$2,766

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	—\$2,960	—\$2,960	---	902	45
Operating expense	194	194	---	902	69
Total increase	\$2,766	\$2,766	---	903	8

RECOMMENDATIONS

Amount budgeted	\$54,177
Legislative Auditor's recommendation	48,387
Reduction	\$5,790

**Structural Pest Control—Continued
ANALYSIS**

Proposed expenditures for the 1955-56 Fiscal Year are budgeted at \$54,177, a decrease of \$2,766 or 4.9 percent, compared with estimated expenditures for 1954-55.

1 *Special investigator (temporary) (Budget page 902, line 40) \$4,740*

We recommend that the position be eliminated.

The work load figures submitted do not at this time justify this additional special investigator position. The agency states that an investigator can complete approximately 12 cases per month. This totals 120 cases that should be handled in a five-month period by the two presently authorized investigators. The agency's report shows 123 complaints for the first five months of the 1954-55 Fiscal Year. We believe further that a more careful screening of complaints submitted would eliminate a number of cases that can never go to formal hearing. This conclusion is based on the fact that, of 128 cases closed during the first five months of the current fiscal year, only one case went to formal sanction.

Included in the request for equipment is the sum of \$1,050 for the acquisition of one replacement automobile.

We recommend deletion of this amount, in line with the policy recommendation by this office, for fleet management operation of vehicles as discussed under the item for Board of Architectural Examiners.

**Department of Professional and Vocational Standards
BOARD OF EXAMINERS IN VETERINARY MEDICINE**

ITEM 254 of the Budget Bill

Budget page 904
Budget line No. 8

**For Support of Board of Examiners in Veterinary Medicine From the
Veterinary Examiners' Contingent Fund.**

Amount requested	\$17,579
Estimated to be expended in 1954-55 Fiscal Year	16,213
Increase (8.4 percent)	\$1,366

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	—\$304	—\$304	---	904	40
Operating expense	1,362	1,362	---	904	63
Equipment	308	308	---	904	69
Total increase	\$1,366	\$1,366	---	904	71

RECOMMENDATIONS

Amount budgeted	\$17,579
Legislative Auditor's recommendation	17,579
Reduction	None

Board of Examiners in Veterinary Medicine—Continued
ANALYSIS

Expenditures for the 1955-56 Fiscal Year are estimated to be \$17,579, an increase of \$1,366 or 8.4 percent over the current year.

The major item of increase is in printing costs occasioned by the publishing of the biennial directory.

Revenues approximately equal expenditures with the accumulated surplus estimated to be \$25,844 as of June 30, 1956.

We recommend approval of the budget as submitted.

Department of Professional and Vocational Standards
BOARD OF VOCATIONAL NURSE EXAMINERS

ITEM 255 of the Budget Bill

Budget page 906

Budget line No. 7

For Support of Board of Vocational Nurse Examiners From the Vocational Nurse Examiners' Fund

Amount requested	\$40,102
Estimated to be expended in 1954-55 Fiscal Year	36,825
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Increase (8.9 percent)	\$3,277

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages	\$2,870	\$2,870	---	906	48
Operating expense	457	457	---	906	74
Equipment	-50	-50	---	907	6
<hr/>		<hr/>		<hr/>	
Totals	\$3,277	\$3,277	---	907	8

RECOMMENDATIONS

Amount budgeted	\$40,102
Legislative Auditor's recommendation	40,102
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Reduction	None

ANALYSIS

Expenditures for the 1955-56 Fiscal Year are proposed at \$40,102, an increase of \$3,277, or 8.9 percent over the estimated expenditures for the current year.

1 Intermediate typist-clerk (Budget page 906, line 406)..... \$2,772

This proposed new position is requested because of a sharp increase in the number of licensees. The original estimate for the current year was 5,750 licensees. The present registration is in excess of 8,000 and the agency estimates 9,500 by June 30, 1956. This increase would appear to justify the additional clerical position.

We recommend that the position be allowed.

The increased registration has placed the agency fund on a solvent basis. According to information received by this office, the estimated surplus of \$17,849 as of June 30, 1956 (Budget page 907, line 31), does not take into consideration that the agency still owes \$10,000 to the General Fund. The estimated surplus should be \$7,849.

We recommend that the amount budgeted be allowed.

Department of Professional and Vocational Standards

YACHT AND SHIP BROKERS COMMISSION

ITEM 256 of the Budget Bill

Budget page 908
Budget line No. 7

For Support of Yacht and Ship Brokers Commission From the Yacht and Ship Brokers' Fund

Amount requested	\$15,590
Estimated to be expended in 1954-55 Fiscal Year	15,486
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Increase (0.6 percent)	\$104

Summary of Increase

	Total increase	INCREASE DUE TO			Budget page	Line No.
		Work load or salary adjustments	New services			
Operating expense	\$104	\$104	---	---	---	---

RECOMMENDATIONS

Amount budgeted	\$15,590
Legislative Auditor's recommendation	15,590
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Reduction	None

ANALYSIS

Estimated expenditures for the 1955-56 Fiscal Year are budgeted at \$15,590, an increase of \$104 or 0.6 percent over estimated expenditures for 1954-55.

Revenues for 1955-56 are estimated to be \$657 less than proposed expenditures with accumulated surplus as of June 30, 1956, estimated at \$34,638.

We recommend approval of the budget as submitted.

PUBLIC UTILITIES COMMISSION

ITEM 257 of the Budget Bill

Budget page 910
Budget line No. 7

For Support of Public Utilities Commission From the General Fund

Amount requested	\$2,023,823
Estimated to be expended in 1954-55 Fiscal Year	1,986,095
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Increase (1.9 percent)	\$37,728

Summary of Increase

	Total increase	INCREASE DUE TO			Budget page	Line No.	
		Work load or salary adjustments	New services				
Salaries and wages	\$51,131	\$51,131	---	---	916	25	
Operating expense	-1,311	-1,311	---	---	916	26	
Equipment	4,041	4,041	---	---	916	27	
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Total increase	\$53,861	\$53,861	---	---	916	29	
Reimbursements	-16,133	-16,133	---	---	916	32	
<hr/>		<hr/>		<hr/>		<hr/>	
Net increase	\$37,728	\$37,728	---	---	916	35	

RECOMMENDATIONS

Amount budgeted	\$2,023,823
Legislative Auditor's recommendation	2,019,623
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Reduction	\$4,200

Public Utilities Commission—Continued
ANALYSIS

No new positions are included for the budget year, and there have been no increases over the number authorized by the Budget Act of 1954.

Our only recommended reduction in the amount requested for 1955-56 is the deletion of \$4,200 for the replacement of four automobiles, budget page 911, line 54, which is explained in a subsequent section of this analysis under that heading.

The difference between the amount budgeted for current year 1954-55 as authorized by the Budget Act of 1954 and that estimated to be expended for that year as shown in the 1955-56 budget, a net estimated saving of \$23,172, is derived as follows:

	1954-55		
	<i>As budgeted</i>	<i>Current estimates</i>	<i>Increase or (—) decrease</i>
Salaries	\$2,624,920	\$2,585,158	—\$39,762
Estimated salary savings	—77,500	—64,600	12,900
Net salaries	\$2,547,420	\$2,520,558	—\$26,862
Operating expense	320,491	320,491	---
Equipment	22,856	20,010	—2,846
Totals	\$2,890,767	\$2,861,059	—\$29,708
Reimbursements:			
Services to Transportation Rate Fund	—829,500	—822,964	6,536
Reporting service to litigants	—52,000	—52,000	---
Net totals	\$2,009,267	\$1,986,095	—\$23,172

A further analysis of the increase of \$37,728 requested for 1955-56 is as follows:

Salaries			
Merit salary increase		\$57,531	
Increase in salary savings		—6,400	
Total salaries			\$51,131
Operating expenses			
Printing		—\$1,566	
Rent—building space		—1,056	
Office		—454	
Subscriptions to publications		65	
Automobile operation		500	
Travel, out-of-state		1,200	
Total operating expenses			—\$1,311
Equipment			
Office—replacement		\$1,710	
Office—additional		1,371	
Automobile—replacement		960	
Total equipment			\$4,041
Total			\$53,861
Reimbursements from Transportation Rate Fund (Increase)			—16,133
Net increase			\$37,728

Public Utilities Commission—Continued

Travel expenses for the last four fiscal years were as follows:

	<i>In-state</i>	<i>Out-of-state</i>	<i>Total</i>
1952-53, actual -----	\$64,796	\$7,210	\$72,006
1953-54, actual -----	75,825	9,695	85,520
1954-55, estimated -----	85,850	5,800	91,650
1955-56, proposed -----	85,850	7,000	92,850

The increase for 1953-54 over 1952-53 of \$13,514 is due primarily to the elimination of passes on public carriers by those employees traveling on official business not related to the regulation of common carriers. Increases since are due to work load.

Automobile Replacements

The budget request for equipment includes \$4,200 for the replacement of four automobiles, budget page 911, line 54.

We recommend deletion of this amount with an appropriate adjustment of the agency budget by the Department of Finance to permit the payment of mileage for rental of cars from the state pool. We also recommend augmentation of the Purchasing Revolving Fund in an amount sufficient to permit the furnishing of adequate automotive service to the agency from the state pool either on a day-to-day basis or monthly assignment basis.

We are recommending similar adjustments in the budgets of other agencies where additional or replacement passenger vehicles are involved. This is part of an over-all recommendation looking toward the eventual centralized ownership of all state cars in order to achieve the maximum benefits to be derived from broad fleet ownership and control, central maintenance, and extension of pool operations to the extent feasible and economical, as explained in detail in a special section in this report. (Control Section 3.)

The four automobiles which it is proposed to replace are all in the Division of Administration, three in San Francisco and one in Los Angeles. In both these localities offices of the Public Utilities Commission are adjacent to state parking facilities at which state pools are operated which should make the use of state pool cars entirely feasible.

Subject to the foregoing adjustment, we recommend approval of the budget as submitted.

PUBLIC UTILITIES COMMISSION

ITEM 258 of the Budget Bill

Budget page 910
Budget line No. 21

For Additional Support of Public Utilities Commission From the
Transportation Rate Fund

Amount requested -----	\$1,670,964
Estimated to be expended in 1954-55 Fiscal Year -----	1,636,131
Increase (2.1 percent) -----	\$34,833

Public Utilities Commission—Continued

Summary of Increase

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and wages-----	\$10,903	\$10,903	---	918	8
Operating expense-----	16,056	16,056	---	918	9
Equipment-----	7,874	7,874	---	918	10
Total increase-----	\$34,833	\$34,833	---	918	17

RECOMMENDATIONS

Amount budgeted-----	\$1,670,964
Legislative Auditor's recommendation-----	1,662,264
Reduction-----	\$8,700

ANALYSIS

The budget as submitted provides for no new services and does not include any additional positions. There were no new positions added during the current year over those authorized by the Budget Act of 1954.

Our only recommended reduction in the amount requested for 1955-56 is the deletion of \$8,700 for new and replacement automobiles, which is explained in a subsequent section of this analysis under that heading.

The difference between the amount budgeted for the current year, 1954-55, as authorized by the Budget Act of 1954, or \$1,604,048 (Budget page 910, line 21) and the amount estimated to be expended for 1954-55, or \$1,636,131, shown on Budget page 910, line 25 of the current budget, or \$32,083, is the amount of the emergency authorization shown on Budget page 910, line 23 of the 1955-56 Budget. This is all accounted for by an increase in operating expenses as detailed in the following:

Rent for space in state-owned building (Budget page 916, line 62)-----	\$32,000
Printing-----	3,765
Postage-----	2,000
Rent for space in privately owned buildings-----	775
Pro rata general administrative charges (Personnel Board service, etc.)-----	763
Long-distance telephone toll charges-----	510
Automobile operation-----	290
Telephone exchange charges-----	150
Automobile mileage-----	100
Subscriptions to publications-----	27
Teletype and telegraph-----	—80
Travel, in-state-----	—500
Office-----	—1,180
Services rendered by General Fund-----	—6,537
Total-----	\$32,083

The first item is for rent of space in state-owned buildings occupied by personnel rendering services to the Transportation Rate Fund, who are included in the activities budgeted for the General Fund (Item 257). This rent has not previously been included as a cost of operation for the Transportation Rate Fund activities, and is properly so included. The other items are all due to work load adjustments.

A further analysis of the increase of \$34,833, in the amount requested for 1955-56, is as follows:

Public Utilities Commission—Continued

Salaries:	
Merit salary increases.....	\$12,007
Increase in salary savings.....	<u>—1,104</u>
Net salaries	\$10,903
Operating expenses:	
Services rendered by General Fund.....	\$16,134
Pro rata of general administrative charges.....	434
All other	<u>—512</u>
Total operating expenses.....	\$16,056
Equipment:	
Office—replacement	\$1,765
Office—additional	2,489
Automobile—replacement	1,220
Automobile—additional	<u>2,400</u>
Total equipment	\$7,874
Total	<u>\$34,833</u>

New and Replacement Automobiles

6 Replacements, Budget page 917, line 68.....	\$6,300
2 Additional, Budget page 917, line 69.....	<u>2,400</u>
Total	\$8,700

We recommend deletion of this amount with an appropriate adjustment of the agency budget by the Department of Finance to permit the payment of mileage for rental of cars from the state pool. We also recommend augmentation of the Purchasing Revolving Fund in an amount sufficient to permit the furnishing of adequate automotive service to the agency from the state pool either on a day-to-day basis or monthly assignment basis.

We are recommending similar adjustments in the budgets of other agencies where additional or replacement passenger vehicles are involved. This is part of an over-all recommendation looking toward the eventual centralized ownership of all state cars in order to achieve the maximum benefits to be derived from broad fleet ownership and control, central maintenance, and extension of pool operations to the extent feasible and economical, as explained in detail in a special section in this report. (Control Section 3.)

The vehicles requested are for use at the following locations:

Replacements:	
Los Angeles	2
El Centro	1
Santa Ana	1
Eureka	1
Redding	<u>1</u>
	6
Additional:	
Stockton	1
San Jose	<u>1</u>
	2

Subject to the foregoing adjustment, we recommend approval of the budget as submitted.