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SUMMARY REPORT AND RECOMMENDATIONS

GOVERNOR'S
SURVEY ON
EFFICIENCY
AND COST
CONTROL
FEBRUARY 1968



**GOVERNOR'S
SURVEY ON
EFFICIENCY
AND COST
CONTROL**
FEBRUARY 1968

SUMMARY REPORT AND RECOMMENDATIONS

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**GOVERNOR'S SURVEY ON EFFICIENCY AND COST CONTROL
POST OFFICE BOX 931, SACRAMENTO, CALIFORNIA 95804**

GOVERNOR'S SURVEY ON EFFICIENCY AND COST CONTROL

P. O. BOX 931, SACRAMENTO, CALIFORNIA 95804

O. KENNETH PRYOR
Chairman

February, 1968

The Honorable Ronald Reagan
Governor of the State of California
Sacramento, California 95804

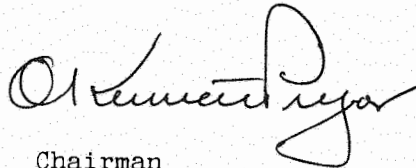
Dear Sir:

The members of the Governor's Survey on Efficiency and Cost Control are pleased to submit their report summarizing the results of a study of the state's operations. This project was conducted in accordance with your Executive Order, which is reproduced on the following page. The study was made during the past 10 months by over 250 volunteers from the private sector with the excellent cooperation of countless state employees.

This report is a condensation of the Survey's findings and recommendations, and does not purport to be complete in detail. However, it will give you, the Legislature and the public in general a clear idea of what can be accomplished when everyone works toward a common goal.

The men who devoted their time and talents to this undertaking have found personal reward in the feeling that they have contributed to better and more economical governmental operations and thus have performed a service to the public.

By order of the Executive Committee



Chairman

Executive Department

State of California

EXECUTIVE ORDER R2-67

In recent years, expenditures for state services have increased at a rate far in excess of population growth, resulting in a critical current excess of expenditures over available revenues.

I consider it vital to the economic health and prosperity of California that state government be conducted in the most business-like and economical manner, and that the people of this state be assured that their tax dollars are spent wisely.

At the last meeting of the Governor's Council, I announced an impending study designed to help the departments evaluate existing programs and adjust them to the level of current revenue. Prominent leaders of business and industry have in the public interest volunteered to conduct intensive research of the current programs and procedures of state government as a contribution to our determined effort to provide essential services at a cost the taxpayer can afford to pay thereby lessening the burden of government.

By virtue of the authority vested in me as Governor of the State of California, I am, therefore, initiating on this date, the Governor's Survey on Efficiency and Cost Control, and appointing O. Kenneth Pryor as Chairman. The survey has retained Warren King & Associates, Inc. as consultants to the program. I authorize the survey to make such studies and investigations as they consider necessary to determine how the services of the State of California may be provided its citizens in the most efficient, expeditious, and economical manner, and to that end, further authorize them to select and retain as their agents and assistants such executives and experts from business and industry as are skilled in the conduct of private enterprise.

With the initiation of this survey, I further direct each officer and employee of this state to furnish the consultants and their representatives complete information concerning their respective agencies, departments, and subdivisions thereof, and to give the consultants and their agents every assistance in the performance of their duties.



Richard Reagan
GOVERNOR

ATTEST: *Frank J. [Signature]*
SECRETARY OF STATE

Bert Clinton

**GOVERNOR'S
SURVEY ON
EFFICIENCY
AND COST
CONTROL**
FEBRUARY 1968

CONTENTS

FOREWORD

GOVERNOR'S SURVEY ROSTER

Section 1

EXECUTIVE AND CONSTITUTIONAL OFFICES

- 1 An Overall Perspective
- 3 Governor's Office
- 4 Department of Finance
- 7 State Controller
- 11 Public Utilities Commission
- 12 Franchise Tax Board
- 13 Department of Justice

Section 2

GENERAL SERVICES

- 17 Department of General Services
- 17 Automatic Data Processing
- 18 Systems Analysis and Management
Planning
- 19 Office of Administrative Procedure
- 20 Office Services Division
- 21 Records Management
- 23 Office of State Printing
- 24 Fleet Management
- 25 Office of Procurement
- 30 State Personnel Board
- 32 Communications Division
- 33 Office of Architecture and Construction
- 36 Property Acquisition Division

- 37 Office Planning and Utilization
- 39 Building and Grounds Division
- 41 California State Police
- 41 Office of Local Assistance

Section 3

REGULATORY AND PROTECTIVE

- 43 Secretary of Business and Transportation
- 44 Department of Public Works
- 49 Department of Motor Vehicles
- 53 California Highway Patrol
- 59 Military Department
- 60 California Disaster Office
- 60 Department of Alcoholic Beverage Control
- 62 Alcoholic Beverage Control Appeals Board
- 63 The San Francisco Port Authority
- 64 Office of the State Fire Marshal
- 65 California Horse Racing Board
- 65 Department of Professional and Vocational
Standards
- 66 Department of Investment
- 70 Department of Insurance
- 72 District Securities Commission
- 72 Division of Aeronautics

Section 4

NATURAL RESOURCES

- 75 Secretary for Resources
- 76 Department of Water Resources

- 83 Department of Conservation
- 89 Department of Agriculture
- 94 Department of Harbors and Watercraft
- 94 Department of Parks and Recreation
- 96 Department of Fish and Game
- 98 Reclamation Board
- 99 Colorado River Board

Section 5

HUMAN RESOURCES

- 101 Secretary of Human Relations
- 102 Department of Employment
- 104 Department of Industrial Relations
- 106 State Department of Social Welfare
- 109 State Department of Public Health
- 115 Office of Health Care Services
- 118 Department of Mental Hygiene
- 121 Department of Veterans Affairs
- 123 Department of the Youth Authority
- 125 Department of Corrections
- 126 Human Relations—ADP

Section 6

EDUCATIONAL RESOURCES

- 129 Coordinating Council for Higher
Education
- 130 The University of California
- 135 State Colleges of California
- 137 State Department of Education

Section 7

SPONSORS

**GOVERNOR'S
SURVEY ON
EFFICIENCY
AND COST
CONTROL**
FEBRUARY 1968

FOREWORD

This report documents the findings and recommendations of a most successful joint study venture conducted by government and the private sector. The success of this project can already be measured in terms of accomplished improvements in the state government operations of California. In addition, further positive benefits will continue to accrue in future years, providing lasting advantages to all citizens and all sectors of the state's economy.

The Governor's Survey

To insure the effectiveness and efficiency of any operating or administrative function, continued effort, constant controls and periodic management reviews are essential. Otherwise, inefficiencies in the form of unnecessary activities, wasteful procedures and excessive duplication soon become a part of recognized operating procedures. In a business organization, this is detrimental to profits. In government, it means available funds are not used in the most advantageous manner. Therefore, the quality and quantity of services rendered do not reflect the full benefits expected of each tax dollar.

Early in 1967, Governor Ronald Reagan realized it would be sound business practice to conduct an immediate examination and evaluation of the management and administrative practices in all operating sectors of California state government. In magnitude and complexity, this represented an enormous undertaking. However, the potential benefits seemed to offer outstanding opportunities for improvement. Therefore, the decision was made to initiate and complete this task as quickly as feasible.

To carry out this program, Governor Reagan sought and obtained the full cooperation of state employees as well as the wholehearted support of the business community in California. As the vehicle for implementation, the Governor's Survey on Efficiency and Cost Control was officially established by Executive Order.

The Governor's Survey consisted of more than 250 highly-qualified executives, management specialists and professional people. To accomplish its objectives, the Governor's Survey devoted over 17,000 man-days to this undertaking. Normally, such talent could not have been retained on a project basis. However, business and industry furnished these executives on a full-time volunteer basis. In addition, many companies and individuals made monetary contributions to defray the expenses of the study. In fact, this entire project was conducted without cost to the state.

Much of the success of this joint venture can be attributed to the excellent working relationship established between state employees and the Governor's Survey. The response of state employees was immediate in supplying needed background material. Many beneficial improvements have resulted from ideas and suggestions presented by state employees.

Survey scope

This concentrated study of management methods covered the day-to-day operations and long-term plans of over 60 individual departments and functions of state government. The studies encompassed practically all state expenditures under an annual budget of more than \$5-billion.

To conduct this study effectively, state government operations were divided into seven areas, with a study team headed by a member of the Survey's Executive Committee assigned to each. Survey team members were instructed to confine their efforts to a review of organization structures and management practices. They did not attempt to evaluate the effectiveness of specialized professional activities such as teaching or patient care and treatment.

Survey benefits

All determinations involved a cost vs. value appraisal of management and administrative practices. Where financial savings have been

suggested, the quality of services would not be sacrificed.

Overall, about 2,000 specific recommendations for improvement were made and discussed with appropriate department directors. Some were presented orally. Others were documented in memoranda or working papers, then communicated to appropriate state employees for action. Many suggestions have already been implemented, and plans are being made to accomplish others.

Full implementation of the Survey team's recommendations could mean large potential savings if accepted and appropriate action is taken by the Administration and the Legislature.

The recommendations could reduce costs and avoid expenditures of general and special funds by an estimated amount of \$233-million annually and generate a one-time saving of \$22-million. In addition, recommendations have been made to reduce, or forego altogether, planned expenditures for facilities in the amount of \$153-million. Also, the Survey team has suggested the long-term deferment of other capital expenditures amounting to approximately \$118-million.

Besides the savings in state funds, there could be reduced costs and cost avoidance in county and local funds of \$67-million annually and in federal funds of about \$92-million annually.

The suggested program for improvement is complex and time-consuming and can only be accomplished over a period of years. In some areas, for example, systems analysis, program budgeting and automatic data processing, additional costs will be incurred before the potential savings can be realized.

This opportunity for service has been a unique and stimulating experience. However, it is only the first step in what should be a continuing effort to insure the best use of state funds. It is anticipated the overall impact of this program will be reflected in future internal state operations and in the efforts of state employees.

O. Kenneth Pryor, Chairman

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**GOVERNOR'S
SURVEY ON
EFFICIENCY
AND COST
CONTROL
FEBRUARY 1968**

SECTION 1

**EXECUTIVE AND
CONSTITUTIONAL OFFICES**

EXECUTIVE AND CONSTITUTIONAL OFFICES

This initial report section reviews the operations and organization of the Governor's Office, the overall executive and administrative organization, the Department of Finance, the constitutional Offices of Controller and Department of Justice as well as the Franchise Tax Board and Public Utilities Commission.

The recommendations concerning the executive and administrative organization envision a long-term accomplishment. This should provide sufficient flexibility in organizational concepts to permit the state to meet the needs of a rapidly expanding and chang-

ing economy. Reviews of the Governor's Office and other organizational entities envision short-term changes to immediately improve communications and define responsibilities.

This group of reports encompasses budget expenditures of about \$52-million annually and employment of about 5,350. Even more significant, this group exercises direct or indirect control over the major portion of total state expenditures. Therefore, their effectiveness is reflected in the performance of the entire state government.

AN OVERALL PERSPECTIVE

Among all states, California has a unique position in terms of growth and natural resources. In the past decade, population has increased 39%, from 14.2-million to 19.7-million, while total employment figures indicate a rise of 34%, from 5.5-million to 7.4-million. During this same period, the number of state employees rose from about 101,000 to 172,000, up some 70%. Furthermore, general fund expenditures increased 172% from \$1.1-billion to over \$3-billion.

These statistics clearly indicate the expansion of government functions in California have been disproportionately high when compared to population growth and the increase in the productive segment of the economy—the total work force. The Governor's Survey found several reasons for this imbalance. For example, current operating methods of budgeting and staffing tend to perpetuate a faster growth rate in government services, employment, expenditures and taxes than population or economic expansion warrant.

Appraisal of performance

The Governor and major administrators review a multitude of plans and budgets each year calling for greater expenditures. The usual reasons for these increases are greater workloads as well as a public demand for more services. However, most budgets do not specify desired objectives or goals, nor

do they offer measures of performance or cost-benefit ratios. Therefore, it is impossible to evaluate individual projects, compare programs by meaningful, quantitative values or rank them on the basis of results. Furthermore, budgets prepared at the department level seldom reflect an improvement in effectiveness or a decline in activity.

Further complications arise when new programs of major proportion are started without adequate planning, established administrative controls or full realization of anticipated costs. As a result, programs themselves create administrative problems in the process of relieving social and economic weaknesses. This situation causes further disruption in organization structures and communications.

Recommended action

The application of better planning methods and modern management techniques to government operations can provide a means of controlling growth and allocating resources so optimum service can be provided at a more reasonable cost. Many of these established and advanced planning techniques have been recommended in this report. However, specific statistical data must be generated for their application. For example, projections of population, income and related statistics should be developed for a

10-year period to provide knowledge of the anticipated tax base of the state. On the basis of these figures, a decision must be made regarding whether the present percentage of tax compared to total income will be maintained, raised or lowered. Determination of the desired tax base then establishes a working figure on the total financial resources available for state expenditures.

As a further step in effective management planning, the costs of every existing program in state government should be projected for 10 years. These projections should include fixed costs such as interest and bond retirements, as well as anticipated figures on the minimum amounts of money needed to provide necessary services. Deducting the fixed and essential elements of all programs from anticipated total revenues identifies the funds available for discretionary distribution by the executive and legislative branches.

Criteria for selecting which programs should receive further support and the amount of allocations must then be developed. Such judgments should consider which programs are essential as well as which will pay for themselves directly or through increasing the tax base.

Improving working relationships within the overall executive and administrative organization would increase operating effectiveness. This could be accomplished by extending the present grouping of existing departments and agencies into logical, homogeneous structures. The present agency communications concept is intended to accomplish this goal to some degree by reducing the number of people reporting directly to the Governor.

The Governor and his Cabinet have recently drawn up preliminary plans for a realignment of departments within the four agencies, each to be headed by a Secretary who would be a member of the Cabinet. These preliminary plans have been submitted to the Commission on California State Government Organization and Economy for comments. It is anticipated that a final plan will be submitted to the Commission and to the

Legislature for final approval as early as possible in 1968.

Even though the present organization is working well, the Survey team believes, over a period of time, it should eventually be expanded to six major agencies so as to provide a single responsibility for similar functions without creating an overly wide span of control. A grouping could be made to bring together the planning and coordination of neglected or expensively proliferating functions such as ADP and fleet management.

For communication purposes, all education matters should be directed through an education coordinator. However, individual segments within the agency structure should retain their ability to communicate directly with the Governor when necessary.

Responsibilities of the agency administrators should be made clear. The enabling statutes could be interpreted to authorize agency administrators to exercise line responsibility between the Governor and individual departments of the executive branch. The present administration has assumed that agency administrators should perform a policy making, communicating and coordinating function rather than exercising direct line authority. This organization arrangement extends the administrator's role to include cabinet responsibility. As such, the administrators have responsibility for implementing the Governor's policies and programs through the component units of their agencies. Any uncertainty of line relationship and authority of the administrator group should be resolved.

Later sections of this report recommend changes in individual agency and departmental organizations. These suggestions should be implemented independently of overall changes at the executive and administrative level. However, coordination is necessary to insure effective operation.

To help achieve smoother operations, Executive Assistant Administrators should be created within each agency. Much of an administrator's duties involve external matters,

thus leaving insufficient time for his administrative functions. There seems to be no way to relieve administrators of these extraneous burdens. Therefore, an Executive Assistant could assume responsibility for many day-to-day operating agency functions. This practice is already in effect in at least one agency and is working well. In addition, a minimum but adequate staff should also be provided to keep the administrator informed on day-to-day operations and major policy matters.

Administrators should be fully involved in planning and budgeting processes. A principal obstacle to this is the unclear channels of administrative management. Departments prepare their individual budgets and review them with Department of Finance. If accepted, they become a Department of Finance budget rather than one to which the agency administrators and the Cabinet are committed.

To further aid administrators in establishing fiscal stability, program budgetary techniques and performance measurements should be established for all projects. To classify project costs as fixed, essential or discretionary does not mean that economies are not attainable within the framework of a project. Program budgeting is a step toward gaining these economies. Performance measurement is an equally important step in the evaluation of executive performance.

Another step in establishing better overall financial control involves development of an improved cost accounting and management information reporting system. This will offer strong support and guidance to a departmental program budgeting system for use throughout all agencies and departments. To avoid unnecessary and cumbersome paperwork and reports, a management by exception approach should be considered as part of this system.

Many departments of the various agencies have engaged in program budgeting efforts over the past several years. Some have progressed further than others. However, in the absence of strong direction in this area,

the concept of program budgeting appears to differ in a number of respects by individual departmental applications.

To round out the capabilities of the executive branch, a Management Systems Agency should be organized. This would create a planning, organizing and systems-developing group to take the long-range view and establish policy governing internal state government procedures. Included in its function should be management planning, work measurement, management information systems and systems analysis. The fragmented capabilities of ADP for the state could also be centralized here.

Other regrouping of departments concerned with public protection and regulatory activities as well as natural resources should be considered.

Recommendations presented in later sections of this report will provide substantial savings when implemented individually. However, the full benefits of long-range economical operations will depend on the ability of executive and administrative offices to utilize these broad recommendations to generate new ideas. The reorganization structure suggested in this section is a long-term goal. Recent actions taken by the administration are, in effect, a first step toward this long-term goal.

GOVERNOR'S OFFICE

Operations within the Governor's Office provide staff services for effective administration of the state's business, planning for the future and administrative coordination of the individual activities of state agencies. In addition, the Governor presents the state budget and means of financing it to the Legislature. He makes legislative proposals and appoints various state officers and members of many boards and commissions. The Governor's Office staff totals 86 and has a budget of \$1.2-million.

Appraisal of performance

As with every executive having great responsibility, the Governor is dependent upon a

capable and efficient staff. Therefore, it is worthwhile to continually seek opportunities for improving office functions.

Recommended action

The following suggestions are intended to clarify reporting relationships and to point out opportunities for improved effectiveness. A key recommendation would revise the organization of the Governor's Office to clarify the roles of the organizational elements. Also, the present Cabinet should be expanded to include a legislative coordinator, the Lieutenant Governor and the Educational Secretary.

Another recommendation would require the Secretary of Education to report to the Executive Secretary and act as a liaison between the Governor's Office and the Department of Education, the Coordinating Council for Higher Education, the Trustees of the State Colleges and the Regents of the University of California.

In addition, steps should be taken to place the Governor's daily schedule in his hands no later than the afternoon of the day before its application.

Further, the research library should be transferred to the Position Research unit. This unit should provide information to assist in answering inquiries about statements previously made by the Governor.

In the area of office functions, all automatic typing equipment in the Correspondence unit should be moved into the room with the addressograph and letter stuffing machine. Operators of this equipment should report to a working supervisor responsible to the Office Manager.

Additionally, a control system is needed for the Governor's mail which is distributed to staff secretaries and administrative agencies or departments. Also, standards to control the staff level in the Office Services units should be developed and job descriptions prepared for each position on the staff with the agreement of each incumbent and his superior.

DEPARTMENT OF FINANCE

The Department of Finance is responsible for performing six activities—financial management of state government, manpower and cost control, analysis of new legislation, coordination of state planning, state economic development and management of public lands.

The department's manpower and budget for the year ending June 30, 1968 are 507 positions and \$6-million. Its most important functions relate to responsibilities for financial management.

Appraisal of performance

There is a need to provide continuous leadership and supervision in the solution of financial management problems brought about by the rapid growth and increasing complexity of state government operations.

Recommended action

If the following recommendations are implemented, total annual savings of approximately \$648,000 could be realized.

A number of important recommendations deal with a reorganization of the department to improve supervision, eliminate unnecessary positions and increase overall effectiveness. Among other things, these recommendations would:

- Establish a Division of Program Evaluation and Cost Control in the Department of Finance.
- Transfer the control activities of the Accounting and Fiscal Management and Systems section from the Department of General Services to the Department of Finance.
- Reduce the staffing in the State Planning Office.
- Restructure the five organizations that promote California's business, industry, commerce and tourism.
- Transfer the State Lands Division from the Department of Finance to the Department of Conservation.

- Remove the Director of Finance or his representative from boards and commissions which are non-essential to financial policy-making.

Additional important recommendations would:

- Introduce a supervisory development program to provide backup personnel for key supervisory positions.
- Augment the clerical staff of the Fiscal Control section and extend use of ADP methods to compile budget estimates.
- Contract for expert skills deemed necessary to meet unanticipated, urgent and important financial management problems.
- Obtain formal endorsement on program budgeting from the Governor and both Houses of the Legislature.
- Reactivate the Deputy Directors' Program Budget Committee.
- Assign responsibility for developing program-budgeting cost-accounting to Accounting and Fiscal Management.
- Centralize responsibility for financial management in the Department of Finance.

All fiscal matters, including accounting, budgeting and financial reporting pertaining to all state agencies, should be the responsibility of the Department of Finance. The State Controller should continue to establish controls over, and process, all disbursements, both payroll and claims. The State Controller should supply the Department of Finance with information required. Finance should not actually operate the accounting system by direct line supervision of any installation of processing equipment and its operators. It should be empowered, however, to specify its accounting requirements and be able to obtain reports and data according to its needs, in terms of timeliness, kinds and accuracy.

- Install a comprehensive financial reporting system.

The Department of Finance should establish a financial management information reporting system capable of providing other levels of management with a comprehensible insight into the state's financial condition. The information contained in these reports should be "calendarized" by quarters and estimates should contain comparisons to actual experience.

- Include the timing of proposed expenditures in the Governor's budget.

In the present budget documents, data is shown with a limited time horizon. Yet many decisions related to each prospective year's budget also have significant implications for a number of future years. However, these implications cannot be obtained from the budget document itself. The present support and local assistance budget displays only annual data. With a longer time horizon incorporated in all budget documents, particular programs and activities as well as construction projects can be viewed in terms of their "total" cost.

- Present to the Governor essentiality and priority recommendations on competing and non-competing programs.

Because it is impossible to adequately fund all programs, executive management must weigh the relative needs, costs and benefits of programs as they relate to each other. The justification of the Governor's budget should not be a result of judging the merits of each program in isolation from all other programs or on the basis of incomplete facts.

- Restructure the presentation of the Governor's budget.

As presented, the Governor's budget contains such an unwieldy amount of detail that it is most difficult for the Legislature to make sense of it from policy and objective viewpoints.

The Governor should submit to the Legislature a sufficiently general program budget to permit the Joint Legislative Budget Committee as a whole to consider it. Based on this consideration, the committee could publish

guidelines for more intensive examination by the various subcommittees.

To achieve the simplification and alterations proposed by this recommendation would require the Legislature to enact sufficiently broad appropriations on a program basis. It might also require the Legislature to be willing to allow the Governor and his agency administrators to make justified sub-program appropriation transfers and reallocations.

- Discontinue publishing of the "Budget Supplement."

The information shown in this publication is readily available as a machine tabulation. Individual departments, the Budget Division, the Legislative Analyst, and others could be provided with copies of these machine-produced reports in whatever quantities are necessary.

- Delegate more responsibility to the other departments and agencies, and issue policies and guidelines to help them make their own financial decisions.

The size, scope and complexity of state government seem to have outpaced the department's development of streamlined financial control techniques. As a consequence, many decisions on minor transactions are made by Finance while multi-million dollar programs go practically unquestioned or are unduly delayed.

Although some delegations have been made in specific agencies, the department should examine and evaluate the necessity and effectiveness of the current level of review of transactions carried out by the Budget Division.

- Establish realistic contingency reserves within the total state budget, and allow departments to more reasonably negotiate for additional funds during the fiscal year.

The Department of Finance should adopt a better management concept of the intent of budgets. The budgets should be considered as an estimate with an acknowl-

edgement of the need for realistic latitude for contingencies. The overall contingency for a department should be derived through statistical methods such as variance analysis, and should not be the sum of each section or division's variance. In case of doubt, the decision should be on the side of prudence.

- Improve the documentation of financial analyses and decisions.

Too often, the department's communications are oriented around phone calls, scratch paper, informal notes, incomplete files, and particularly the vast knowledge and experience of key, upper-level department managers. For the most part, budget analyses are in the form of sketchy outlines and brief hearing agendas.

- Develop more effective control and review techniques for capital outlay projects.

The Department of Finance plays a predominant role in the selection of projects which will undergo preliminary planning. It also influences the submission of project proposals to the Public Works Board. Periodic reviews and approvals are required by Finance, but it has not published any guidelines. The Finance workload peaks and authorizations are released to agencies erratically. Conflicts between the department and the agencies are not brought to the Public Works Board to arbitrate disputes. The effect of the numerous reviews and approvals by Finance is that the flow of work is significantly delayed, criteria may be changed at many points, and Finance's control of the Public Works Board meeting agenda lengthens the time required before issues are recognized.

- Simplify contract procedures and controls by Department of Finance and Department of General Services.

The contract approval process generally requires from 12 to 90 days. A few contracts are approved in less time and a number exceed 90 days. The processes are additive, because the contracts flow through the two

departments consecutively, rather than on a concurrent basis.

STATE CONTROLLER

The State Controller, an elected official, has two areas of responsibility. He is the head of the Controller's Office and holds membership on 20 state boards, commissions and committees. The most important are the Board of Equalization, Franchise Tax Board, State Lands Commission, Pooled Money Investment Board and Board of Control. The Controller's Office employs 604 staff members and has a current budget of \$4.7-million. It is divided into three principal groups with similar functions. They are fiscal control, tax administration and fiscal affairs of local governments.

Appraisal of performance

In each area of its conglomerate activities, the Controller's Office has demonstrated an awareness of the need for efficient operations. An increase in staff and dollar expenditures of less than the state average indicates the success this office has achieved through improved methods in the face of generally increasing costs.

However, in the fiscal control area there appears to be duplication of the work performed and certified by the authorizing agency. Certain activities can be performed more expeditiously by the submitting agency. The ADP capabilities in the Disbursements Division are markedly under-utilized. Further, there has been too little effort devoted to developing new applications.

In the tax administration area, there has been overstaffing to meet peaks of activity. The controversial inheritance and gift tax appraiser system requires considerable attention if progressive reforms are to be effected. In addition, the fiscal affairs-local government program offers opportunity for improvement through organizational realignments.

The disparate nature of the function of the Controller's Office poses management problems that do not exist in a more homogeneous

organization. Particularly at odds are the fiscal control and tax administration activities. It is difficult to find cogent arguments to support this grouping of functions under one administrative head.

Recommended action

The Governor's Survey found opportunities for reducing costs over \$600,000 annually. All improvements deal with the three principal functions and are grouped accordingly.

Division of Audits

The Constitution and statutes require that no money be withdrawn from the State Treasury except as authorized by law pursuant to an appropriation by the Legislature and upon warrant drawn by the State Controller after the legality and validity have been verified. In order to accomplish its objectives, the division is comprised of the Bureau of Claim Audits (CAB) and the Bureau of Field Audits (FAB).

Recommended action

Much has been said about duplication of audit effort by the Office of the Controller. Personnel of various state agencies have, in many cases, performed a similar audit of expenditures. The duplicate claim checking by CAB is not essential to an adequate system of internal accounting control over state expenditures. Therefore, one key recommendation would authorize the administrative head of the respective agencies to approve claims prior to payment and reduce the pre-audit function of the Controller to sampling and testing.

Another major recommendation would initiate audits of state school building aid programs as soon after notice of completion as possible and formalize the findings promptly in a complete report to the School Aid Bureau (SAB).

At present, there is a delay of from two to four years from completion of construction until the final completion report is rendered. Further, the report of FAB is not rendered

until it is reviewed, corresponded about and passed upon by the Office of Local Assistance (OLA). It should be possible for FAB auditors to complete their work and reach conclusions from OLA and SAB perusal without referring their findings back and forth between governmental units before wind-up. Any disputed items, at the time of audit, can be commented upon and left for OLA follow-up and disposition as appropriate.

Acceptance of this recommendation would expedite audit work, reduce correspondence between agencies and enable OLA and FAB to promptly identify areas of differences in expenditure of school aid funds.

Accounting Division

The principal functions and responsibilities of this division are to maintain the control accounts covering the receipts, disbursements and balances of all state funds. It audits and designates funding for all deposits into the State Treasury and prepares various financial statements covering repayment of state school building apportionments. Furthermore, the division enforces various laws relating to unclaimed money or property and administers the Judges' Retirement System.

Recommended action

The Governor's Survey made several recommendations designed to increase the efficiency of the Accounting Division by improving methods. Some of these would:

- Improve information retrieval from the computer.
- Eliminate duplication of records.
- Eliminate unnecessary steps in processing of remittance advices.
- Transfer to the Department of Fish and Game the follow-up and collection of fish and game case reports.
- Improve and expand the use of existing ADP equipment.

Disbursements Division

The division performs the State Controller's responsibility to draw warrants on the State

Treasury. It maintains the uniform state payroll system and provides automatic data processing services to other divisions of the State Controller's Office. Receipt, batching, control and auditing of ADP processing and storage of source documents prepared by other agencies to initiate preparation of general disbursement warrants are responsibilities of a general control section within the ADP organization.

The division's ADP computer center in Sacramento is the only facility in the state which serves the Office of the Controller and its divisions. The center's function is to develop procedures and process data requested by the divisions and approved by the Controller and Chief of Disbursements. Most applications are financial in nature with emphasis on payroll, general disbursements and fund accounting.

Recommended action

The potential for improvement in machine and personnel utilization and efficiency appears to be great. The ADP organization and computing equipment are capable of increasing machine utilization approximately 100% by addition of a third shift each day and by operating seven days a week. Since the equipment is owned by the state, additional operating costs, other than the personnel required, would be slight. Specific key recommendations this division would do the following:

- Abolish district disbursement offices, transfer essential functions to the Disbursements Division to be performed on a centralized basis by an ADP office and eliminate all non-essential functions.
- Establish an integrated ADP financial management information system utilizing the Disbursements Division's ADP center.
- Establish the existing ADP facilities in the Division of Disbursements as an ADP service center for disbursements and administration.

Several agencies are conducting studies to determine specifications for establishing

their own ADP centers. Capital costs and lead time will be large before they are operating efficiently which can easily be two or more years. Moreover, their establishment will have marginal justification, if at all, and will conflict with the Governor's directive establishing the Office of Management Services in the Business and Transportation Agency.

The Division of Disbursements' ADP center is already established and has much unused ADP capabilities. It also has an adequate nucleus of trained personnel which can be augmented as necessary to assume new functions. By using the ADP center in Disbursements as a service unit, there would be a saving in most capital costs for the proposed, but not installed ADP equipment.

Inheritance and Gift Tax Division

The division has responsibility for administration and collection of inheritance and gift taxes as provided under the Revenue and Taxation Codes. Key to this function is the Inheritance Tax Appraiser (ITA), an appointee of the State Controller who is non-civil service and serves without tenure. The Controller is required by statute to appoint at least one appraiser in each county; many counties have several. These appointees constitute a panel from which the probate court must select an appraiser for each case to be probated.

For the last fiscal year, inheritance tax revenues totaled \$106.6-million and gift tax proceeds amounted to \$7.8-million.

Recommended action

A key recommendation would secure reforms in the present inheritance tax appraiser system. These goals suggest only persons with demonstrated qualifications should be allowed to appraise assets whose value is not readily ascertainable. Administrative procedures should be established for reviewing the work of persons selected for this position to assure the necessary degree of uniformity. The basis on which a person may be removed from the position should be clearly defined and established.

This approach would reduce likelihood of abuse. It might create the possibility of increased administrative costs because a larger number of civil service appraisers and clerical personnel may be required to handle a comparable number of cases. Such a development can be controlled by installing improved reporting, clerical methods, controls and the like.

From a long-range standpoint, a study should be undertaken to determine whether a fundamental change should be made in the death tax concept in the state. Aside from questions of relative equity of the state's inheritance tax versus the federal estate tax approach, use of the latter approach would afford great opportunities for cost reductions in administration. Appraisements obtained by the decedent's estate to satisfy federal revenue agents could probably also be used for preparing the state return. Tax calculation procedures would also be greatly simplified.

A number of other important recommendations for this division would suggest doing the following:

- Initiate a program for assuring that uniform operating procedures are adhered to on a state-wide basis.
- Standardize handling of documents pertaining to the decedent.
- Encourage establishment of a state-wide training program for ITAs under the aegis of the Inheritance Tax Appraisers Association.
- Eliminate compensation to inheritance tax appraisers under the Revenue and Taxation Code.

Compensation accounts for some 6% of the appraisers' total gross income. These fees, totaling about \$190,000 annually, appear to be used by the Controller as a subsidy to appraisers with lower gross earnings. The need arises because of the light workload in the less populous counties. If appraisers were appointed on the basis of workload rather than geography, there would be no

need for this supplemental form of income. It is likely the Code does not preclude the Controller from appointing the same individual to act as the appraiser in more than one county. Therefore, every effort should be expended to limit appraisers' compensation to probate appraisal fees. The anticipated savings would be approximately \$190,000 per year.

Tax Collection and Refund Division

The division administers the fuel tax refund to certain non-highway users and collects the off-setting state and local sales taxes. In addition, the division keeps accounts and collects delinquent taxes for six taxes which are assessed by other agencies.

Recommended action

Significant recommendations for this division would:

- Adopt a policy permitting a longer in-process time for handling fuel tax refund claims during peak periods.
- Reduce the number of positions in the operation unit and office audit unit of the Fuel Tax Refund section.

An important recommendation would study amending or repealing the motor vehicle transportation tax. Presently, the tax covers only vehicles for hire and is based on their operating revenues. Its intent is to tax operators of heavy equipment which travel on the roads to cover the cost of maintaining these routes. However, it excludes 454,507 state-registered vehicles weighing 4,000 pounds and over. Of this number, about 20% or 85,590 are for hire and, therefore, subject to the tax. The revenue produced amounts to \$17.3-million annually. Consideration should be given to raise this amount of money by imposing a tax on all heavy trucks. Therefore, it would seem more equitable for the cost of the tax to be shared by all users. On a proportionate basis, this could reduce the taxes for trucks now being assessed and would impose a nominal tax on those not now being assessed.

Tax-Deeded Land Division

The prime purpose of this division is to foster the return to local tax rolls of properties which have become subject to sale because of delinquent taxes.

Recommended action

The significant recommendation here would eliminate the Tax-Deeded Land Division as an organizational entity and transfer its remaining functions to the Local Government Fiscal Affairs Division.

Local Government Fiscal Affairs Division

Prescribed duties of this division provide a measure of control over methods of accounting used by local entities, assure the validity of reporting expenditures of cities and counties for streets and roads, including gasoline tax audits and collect, compile and publish fiscal reports of various entities of local government.

Recommended action

Improvements in this division can be obtained by:

- Combining the gas tax review audit group with the field audit group of the Audits Division.
- Stepping up development of a uniform system of accounts for California cities.
- Developing uniform system of accounts for school districts.
- Transferring the remaining duties of the Tax-Deeded Land Division to the Division of Local Government Fiscal Affairs.

Administrative Services Division

This division assists the Controller in administration of his statutory duties. It provides accounting, filing, personnel and other miscellaneous office services for the other seven divisions.

Recommended action

The proposed recommendations for this division would result in a reduction in authorized positions, a reduction in record storage

costs and a better utilization of present ADP equipment. The recommendations would:

- Discontinue maintenance of duplicate sets of personnel records.
- Utilize the Office Services capabilities of General Services.
- Convert to open shelf files in the Central Services section.
- Reduce retention periods on records.

Several additional recommendations are aimed at better utilization of ADP equipment. They would reduce clerical staff needs and improve performance and accuracy.

PUBLIC UTILITIES COMMISSION

The Commission has the responsibility for regulating some 1,500 privately-owned public utilities and certificated transportation companies and over 16,000 permitted for-hire truck operators. It also represents California interests in proceedings before federal regulatory agencies and federal courts. The Commission is an administrative agency with both quasi-legislative and quasi-judicial powers.

Well-qualified professional and semi-professional personnel are required to meet the broad scope of regulatory and statutory functions of PUC. The Commission employs 484 professional and semi-professional personnel to handle these functions. An additional 286 clerical employees provide necessary support services. The budget for fiscal 1967-68 is approximately \$10.9-million. Of this, \$5.8-million will be financed from the General Fund and \$5.1-million from the Transportation Rate Fund.

Appraisal of performance

The six operating divisions of the Commission have become strong and united over the years to meet day-to-day demands and provide continuity of operations. This has resulted in a high degree of autonomy. Personnel are intelligent, knowledgeable in their respective fields, dedicated to their work and perform their assignments capably and diligently.

Recommended action

Suggested improvements are directed toward increased speed in rendering decisions, improved utilization of manpower, increased efficiency and elimination of needless duplication of effort and responsibility. If implemented, they offer the opportunity of saving approximately \$893,000 annually. Recommendations covering the PUC as a whole would do the following:

- Adopt a total management information system.
- Establish an effective manpower control system by developing engineered work standards.
- Eliminate duplication of effort and overlapping responsibilities between divisions and between branches.
- Make greater use of prehearing conferences.
- Require advance distribution of exhibits, affidavits or prepared testimony where appropriate.
- Re-examine the present procedure for review of decisions.
- Reduce the number of supervisors by combining and eliminating jobs.

Legal Division

The Legal Division represents PUC in proceedings at all levels in both state and federal courts as well as before federal agencies. An important part of the federal litigation involves oil and gas producers and pipeline corporations.

Recommended action

The suggestions concerning activities for which this division is either completely or partially responsible would:

- Assign a staff counsel to commission hearings to minimize representation by personnel of other divisions.
- Transfer at least two attorneys to the Los Angeles office.
- Establish a stenographic pool within the

Legal Division and establish work performance standards for its members.

- Determine if it would be advantageous to contract with private printing firms for all legal printing.
- Study the feasibility of a central law library at the State Building in San Francisco.

Division of Examiners

Each petition or case filed with PUC is assigned to a Commissioner. He arranges for the processing of the petition or case through public or informal hearings. The appropriate divisions of the Commission provide testimony and evidence, legal services and technical reviews. The Commissioner presents his proposed decision to the full Commission. An affirmative vote of three Commissioners is required to accept the proposed decision as final.

Recommended action

One suggestion would require hearing officers to make timely determinations in advance of or during hearings to avoid unnecessary delays.

Another recommendation would require hearing officers to reject repetitious and irrelevant evidence.

Transportation Division

This division regulates the activities of companies engaged in for-hire transportation of passengers and property.

Recommended action

Suggestions pertinent to this division would do the following:

- Review and revise all fees charged by the Commission to reflect increased costs.
- Establish a filing fee for petitions to amend permits and certificates of public convenience and necessity. A fee of \$150 is charged for the original permit. If a similar \$150 fee were charged for every petition to amend a permit or certificate, approximately \$240,000 in additional an-

nual revenue would be generated. This change would require legislative action.

- Eliminate duplicate efforts and overlapping responsibilities between Rate and Engineering Economics branches.
- Abolish the mobile surveillance unit.
- Study the minimum rate structure to determine if rates are too high.
- Reorganize the Special Studies branch.

In the present organization of the Special Studies branch, employees of the Engineering Studies unit, the Programming and Data Processing section and the Traffic Studies unit report to two supervisors. This organization should be changed so each employee is responsible to only one supervisor.

FRANCHISE TAX BOARD

The Franchise Tax Board consists of the Controller, the Director of Finance and the Chairman of the Board of Equalization. It administers the state's personal income, bank and corporation tax laws. An executive officer is appointed by the board and substantially all of its powers are delegated to him. The board's staff has approximately 1,200 permanent and 235 temporary employees. Current budget totals approximately \$13-million.

Appraisal of performance

Administration of the personal, bank and corporation tax laws for the state is a rapidly growing activity. From 1950 to 1964, the number of Californians reporting state income tax returns increased from 3.8-million to 14.6-million.

The board is taking a forward-looking approach to these problems. Advancements are being made in utilization of ADP, instituting the work measurement program and encouraging employee rotation.

Recommended action

Implementation of improvements could increase employee efficiency and reduce operating costs by \$500,000 annually. Key recommendations of the Governor's Survey include:

- Obtain larger and more efficient facilities for headquarters operations.
- Reduce scope of the work measurement program after one year unless results dictate otherwise.
- Extend audit and compliance enforcement activities.
- Eliminate alphabetical filing of income tax returns by using block filing and ADP for indexing.
- Charge a \$5 handling fee for each dishonored check.

DEPARTMENT OF JUSTICE

This department includes the legal activities of the constitutional Office of the Attorney General plus the criminal identification, investigation and statistical reporting responsibilities of the Division of Law Enforcement.

Appraisal of performance

In recent years, the department has faced a dramatic increase in workload, 90% of which is beyond its control. Federal and state court decisions in criminal matters, growing crime rates and increasing state population indicates this trend will continue.

The 1967-68 budget authorizes 1,491 positions. Of these, 59 are allocated to general administration, 539 to the Office of the Attorney General (259 of which are attorneys) and 893 to the Division of Law Enforcement. The net budget is about \$15.8-million.

There is a need for major and rapid changes in operation and organization to carry out the department's missions efficiently and economically. More effective action must be taken in the areas of long-range planning, recruitment and retention of key personnel, supervision, definition of objectives and use of automated systems. Management analysis capability must be enlarged and made available throughout the department.

Recommended action

Specific recommendations for improvement should ultimately produce a net annual sav-

ings of over \$1-million, primarily generated from the Division of Law Enforcement. This should be realized over the next five years. Immediate annual savings should amount to \$433,000 but in the first year will be offset by a required expenditure of \$487,000, including a one-time outlay of \$105,000. Major savings will result from modified procedures and automated systems which will reduce future manpower requirements.

The Office of the Attorney General has a high reputation state-wide and nationally. It must maintain this position in order to attract and retain qualified lawyers. Suggestions made should accomplish this result and increase productivity and efficiency to justify any cost involved.

Immediate steps should be taken to enhance recruitment and retention of high caliber lawyers. The ability of the office to handle a workload which has increased 250% in five years depends on the capability of legal personnel, adequate supervision and increased flexibility. Salary structures were generally not made a part of the survey scope, but the department specifically requested that the survey team comment on the job classifications and salary structure in the Office of the Attorney General and its effect upon employee attrition. The condition found was sufficiently serious to warrant recommendations to correct apparent inequities and establish certain new job classifications.

A new classification is recommended to reward exceptional lawyers who otherwise have no advancement except to positions requiring administrative duties. Often their real value to the state is greatly diminished and manpower costs increased by such moves.

A new class of intermediate working supervisors is also recommended. In addition, the career executive assignments should be extended through the section head level.

The salary compaction that exists at the section head level and above should be relieved.

The cost of these changes is estimated at approximately \$50,000 a year. This should be more than compensated by improved morale, reduced attrition and added recruitment incentive. In order to implement this recommendation, the department must show initiative in improving liaison with the Department of Finance, Legislative Analyst and State Personnel Board whose cooperation is vital.

Procedures should be simplified and assignments diversified. The increase in workload has centered primarily in the field of criminal law. The criminal load of 6,000 cases is about four times the volume five years ago. This imbalance results in the assignment of new recruits to writing criminal briefs and presents serious threats to the continued acquisition and retention of top lawyers. The office should explore all possibilities for simplifying the handling of criminal writs and appeals. Split assignments between criminal and civil work should be instituted and reallocation of deputies among offices and sections made wherever possible to relieve workload imbalances.

Steps should also be taken to improve communications, time reporting and training. Inter and intra-office communication through frequent meetings and extension of written information and advice should be stressed. Accurate daily timekeeping by attorneys on a quarter-hour basis should also be immediately adopted. The Los Angeles orientation program for new recruits should be installed in the other offices. The possibility of a short-time exchange program for young lawyers between the office and district attorneys' and county counsels' offices should be explored. In addition, more attention should be paid to recruitment from out-of-state law schools.

An in-depth organizational and operational study of the office should be conducted by a competent management consulting firm aided by office personnel and outside voluntary consulting lawyers. The present organizational structure, established in 1952, should be examined in detail in view

of the dramatic growth in activity. This would cost an estimated \$50,000. Meanwhile, the duties of the geographical office heads should be redefined and strengthened in some areas and limited in others. Certain sections can be consolidated and reorganized. Also, a central depository for information concerning fraudulent activities should be established as an adjunct to the Bureau of Criminal Statistics under proper safeguards to assure confidentiality.

There is a need to improve the use of non-legal personnel, facilities and equipment. Increased flexibility in use of legal stenographers is urgently needed while the clerical staff is seriously deficient in numbers. It should be increased by about 8 to 10 new positions. The added annual cost of about \$50,000 would be more than offset by improved operating efficiency. Additional electronic tape typewriters and dictating units should be acquired. A capital expenditure of as much as \$50,000 is needed to bring the office up to modern standards.

Other requirements include a central filing system for each office and a library index file for significant briefs and legal memoranda. Also, office facilities should be consolidated and arranged so men working in the same fields are located near each other. Planning should begin for future office requirements. In line with these plans. Operational studies are required to develop improved systems and procedures on a continuing basis.

The Division of Law Enforcement should be reorganized to place the Deputy Director on the same level as the Chief Assistant Attorney General. Grouping similar functions under common direction provides strengthened supervision and clear lines of authority and communication. All investigative and enforcement activities should be directed by a person oriented to law enforcement. The information, identification and criminal analysis functions should be supervised by someone with a business management background. The new organization will remove communication and operational barriers,

provide the flexible structure necessary to implement other improvements and reduce annual operating costs by an estimated \$64,000.

The staff of the Management Analysis section should be strengthened to implement in-depth organizational, operational and procedural studies embracing automated systems, training and standards. These proposed studies should produce net annual savings of approximately \$507,500.

Present computer programming work for the former Bureau of Criminal Statistics and Modus Operandi section of the Bureau of Criminal Identification and Investigation should be suspended. The present conversion lacks sound planning and centralized coordi-

nation. Also, programs being developed are mainly direct conversions of existing incompatible manual systems. A thorough management and systems study is required to devise an overall efficient plan. The result would be a future cost avoidance of at least \$125,000.

Revision of the present systems and procedures for compiling, retaining, and disseminating criminal information and elimination of inefficient processing of records are needed. Also, pooling clerical services and investigative equipment as well as reducing the number of undercover automobiles used by civil investigators would improve efficiency. Implementing these recommendations should result in net savings of \$218,800 per year.

**GOVERNOR'S
SURVEY ON
EFFICIENCY
AND COST
CONTROL**
FEBRUARY 1968

SECTION 2

GENERAL SERVICES

GENERAL SERVICES

Implementation of the recommendations of the 17 reports in this section will have a major impact on General Services, as presently constituted. Strengthening of state-wide functions of procurement, fleet management, records management and facilities planning and space utilization is contemplated.

The administration of General Services is aggressively taking steps to imbue this phi-

losophy at all levels and has already made many improvements. However, the organization structure can be improved through the combination of certain functions and realignment of others.

At present, General Services has an annual operating budget of approximately \$55-million and is authorized to employ about 4,200 people.

DEPARTMENT OF GENERAL SERVICES

Individual reports on units in the present Department of General Services recommend expansion in scope and control of major activities. To carry out these objectives it is proposed that the role of General Services be changed from a housekeeping department and elevated to agency status for developing and implementing essential internal government services.

Under the proposal, it will act as the state-wide operating agency for motor vehicles, communications and printing. With the proposed addition of the Personnel Board, the major functions dealing with the internal requirements of the executive branch will be combined under one management control. However, to preserve the necessary checks and balances, finance, overall planning and ADP policy have been excluded from the proposed agency organization.

Appraisal of performance

The traditional role and philosophy of General Services will have to undergo a change if it is to achieve the effectiveness expected. Greater benefits can accrue from long-range planning and centralized state-wide control of internal service operations.

Recommended action

To coordinate, control and operate essential internal state-wide activities, major reorganization of the present department will be required. The most significant changes would:

- Establish a Building Management Depart-

ment composed of Office Planning and Utilization, Property Acquisition, Buildings and Grounds, Architecture and Construction, Office Services and Security Guard functions.

- Organize the Operations Department by combining communications, fleet management and printing.
- Set up the Personnel and Supporting Services Department to be composed of the materiel function, records management, data processing service center, insurance, merit award and personnel.

The Office of Administrative Procedure primarily conducts public hearings involving activities licensed by the state. Therefore, this organization belongs more logically in the proposed Regulatory and Protective Agency. Similarly, the Office of Local Assistance, basically a money loaning activity for school building programs, should be transferred to the Department of Finance.

AUTOMATIC DATA PROCESSING

Administrators of state government at all levels must have appropriate and timely information on which to base decisions. They cannot plan or direct operations efficiently without such information. For this reason, a state-wide master plan on management information systems should be developed to obtain such information efficiently and economically. Modern scientific techniques should be utilized.

California has failed to develop meaningful guidelines or a master plan for state-wide Management Information Systems (MIS) and Automatic Data Processing (ADP). This has resulted in an uncoordinated proliferation of ADP equipment and a failure to realize their full potential.

Findings of the Governor's Survey indicate that future annual savings of at least \$26-million can, over a period of time, be achieved through better procurement and control of the state's ADP activities and management information. As the state's activities grow, the annual savings could be several times this figure. When the total information requirements are considered, the effective planning and operation of an information system becomes a task of great magnitude and complexity.

Appraisal of performance

Despite the recognition of the needs and many efforts to meet them, there still exists no suitable organization to implement a master plan for state-wide information processing systems.

Recommended action

The Governor's Survey team recommended several steps to develop the necessary state-wide program of information management. These steps would do the following:

- Call on the Governor to issue a firm policy statement endorsing the concept of a state-wide information processing system, and encouraging all state employees and organizations to support the efforts of the Management Systems Office.
- Provide for effective communication between MSO and the various governmental agencies. As a part of this process, certain ADP committees would work closely with MSO. Others, however, could be disbanded and their functions transferred to MSO.
- Halt the uncoordinated acquisition of ADP equipment until a comprehensive master plan is developed.

- Revise Sections 4800 to 5999 of the State Administrative Manual so they become the controlling document covering all information processing systems.
- Prepare a master plan for all state information processing systems. The objective should be an orderly program of consolidation for efficiency and economy. This should lead to applications and installations that are most beneficial to all agencies in the state—and not just one department.

Improvements underway

As a result of a foregoing recommendation, the Governor already has issued an executive order establishing the Office of Management Services to be responsible for information processing systems in the state.

SYSTEMS ANALYSIS AND MANAGEMENT PLANNING

The present Systems Analysis Office and the Management Planning Office are both treated in this section. Their combination into a Data Processing Service Division in the Department of General Services is highly recommended.

The Systems Analysis Office designs and installs some state-wide accounting systems, supervises certain state financial and business policy regarding ADP and accounting activities and reviews ADP equipment contracts. During 1967-68, the office will operate with an authorized staff of 46 employees and a budget of \$733,500.

The Management Planning Office provides assistance to General Services and other selected departments in developing policies, organization, systems and procedures and data processing services. It also furnishes guidance and instructions through such projects as departmental manuals, the State Administration Manual, Board of Control rules and administrative orders. Staffing for 1967-68 is authorized at 60 employees with a budget of \$628,000.

Appraisal of performance

The Management Planning Office pursued a multitude of projects which have resulted in \$692,000 savings in the past year. The cost-benefit ratios vary greatly among these projects. For example, \$543,000 of the savings came from projects on which only \$13,000 was spent. On other projects, costs actually exceeded benefits. Therefore, project selection and control need improvement.

The Systems Analysis Office has provided substantial savings for each dollar spent in the past year and has performed well in many areas. However, there is a need to improve cost accounting and economic analysis capabilities. In addition, there are no effective controls over the letting of software contracts by state departments. The office's efforts to establish state-wide coordination and control over ADP applications and equipment procurement have not been successful. This is partially because the work was undertaken unilaterally without fully taking into account the need to satisfy all user departments.

Recommended action

The suggestions proposed by the Governor's Survey will offer opportunities for saving over \$4.5-million of Department of General Services and other agency expenses.

- A Data Processing Service Division should be established in the Department of General Services, incorporating the existing Systems Analysis and Management Planning units.

Pursuant to the Governor's Policy Statement of October 11, 1967 and his Executive Order of November 2, 1967 on automatic data processing, a Data Processing Service Center should be established in the Department of General Services. This center should implement the policies of the Automatic Data Processing Policy Committee. It should incorporate the present Systems Analysis Office and the Management Planning Office and operate in coordination with the Office of Management Services. It should be titled a division instead of a center.

- Computer-related personnel and activities should be reassigned to existing or proposed entities according to their nature.

The computer-related staff of the present Systems Analysis organization and related units in other state departments should be integrated as appropriate into units of the new Data Processing Service Division. A comprehensive training program to develop an adequate force of systems analysts and programmers should be undertaken. This should not entail an increase in total manpower.

Policy and top-level planning activities for ADP, the State Federated Information System (SFIS) and coordination and control over computer hardware and software contracting and purchasing activities should be transferred to the new Office of Management Services. DPSD should continue to perform the basic research required by OMS for its top-level planning.

Those activities in the present Systems Analysis operation that involve development of uniform accounting procedures should be transferred to the Department of Finance.

- Management Planning activities should be reassigned to existing or proposed entities according to their nature.

The Management Analysis unit of Management Planning should be transferred to the Office of the Director of General Services. Also, the ADP planning activities should be transferred to the Office of Management Services. ADP programming activities should be assigned to the Computer Programming unit of the new Data Processing Service Division and ADP operations activities should be moved to the Computing Services unit of the new division.

OFFICE OF ADMINISTRATIVE PROCEDURE

It is the function of the Office of Administrative Procedure to provide hearing officers for all cases referred to it by appropriate state agencies. Where requested, the office

will provide personnel to record and reproduce a verbatim transcript of each hearing. A report of the findings or recommendations is then submitted to the appropriate agency. In addition, the Office of Administrative Procedure has the responsibility for codification and research of all state agencies' rules and regulations as they are detailed in the Administrative Code.

The present organizational structure calls for a manpower level of 62 positions. The proposed budget for 1967-68 is \$1.1-million. OAP has permanent offices in Sacramento, Los Angeles and San Francisco. The hearing officers and reporters also travel extensively and conduct hearings elsewhere throughout the state.

Appraisal of performance

The office appears to offer an economical hearing and review procedure for the people who deal with the state agencies. The hearing officers seem capable of giving the respondent a fair and impartial hearing without undue pressure from the agency involved. Having the hearing officers come from a separate department outside the agency involved is more equitable and economical than the former system where each agency had this function.

Hearings are conducted in a judicial atmosphere. Generally, the hearing rooms are adequate. However, the need for rearrangement and better utilization of space is apparent. For example, in the Los Angeles building where OAP's office is located, other agencies such as the Fair Employment Practice Commission, the Conciliation Service and the Public Utilities Commission maintain extensive separate hearing rooms. None is fully utilized.

Recommended action

The Office of Administrative Procedure has recently taken steps to reduce its costs by a total of nearly \$80,000 per year including the elimination of two positions. However, there appear to be opportunities for further economies.

Suggestions by the Governor's Survey offer a potential savings of \$300,000 annually. Significant improvements would involve the following:

- Conducting research with the regular staff instead of the present research staff.
- Conducting all hearings in the present permanent offices of the OAP.
- Eliminating recording hearings by stenographers and utilizing tape recordings instead. (This would require permissive legislation.)

OFFICE SERVICES DIVISION

Office Services of the Department of General Services provides reproduction services, office machine maintenance, mail and messenger service and related functions to agencies whose work load does not warrant independent service units. It also assists agencies which operate service units by absorbing work beyond their capabilities. In addition, it negotiates master contracts for rental and maintenance of office machines.

Appraisal of performance

Proposed budget for 1967-68 is \$923,000 and total employment is 74. Because of the peaks and valleys of its work, this section could handle substantially more volume with the same machinery and personnel.

Recommended action

Reproduction service is commonly duplicated by other agencies. Therefore, it was the focal point of suggested improvements. Implementation will result in anticipated savings of approximately \$580,000 per year.

All reproduction and auxiliary services now being performed by various agencies in the state should be merged into the Office Services Division of the Department of General Services. Potential savings through the reorganization of all agencies' reproduction facilities should total \$300,000 per year.

Another recommendation suggests the State Rehabilitation Service institute job retraining in the work of reproduction. The

state is currently paying \$1,500 plus subsistence to private trade and job training schools to train each recently discharged prisoner or unemployable school drop-out in needed skills. In addition, the division should redefine differences in offset processes and printing.

The Administrative Manual should be changed to raise the number of impressions from 15,000 to at least 30,000 that can be reproduced by offset within the division before the job must be sent to the State Printer. The type of work processed on offset or duplicating machines can usually be more economically handled in the local unit. Currently, work must be mailed and processed in Sacramento, then returned. Sometimes, a job is over a month in transit. A more economical method of reproducing such work would save \$25,000 per year.

Reproduction and microfilm equipment purchase requests should be coordinated and controlled through General Services. This office should have authority to disallow requests and recommend alternate methods of accomplishing reproduction. Annual savings of about \$49,000 can be achieved.

The use of silver recovery units in photo laboratories should be studied. The increasing price and scarcity of silver makes it worthwhile to recover the metal content of chemicals used in photographic laboratories. Annual savings of \$12,000 are expected.

Furthermore, anhydrous ammonia units should be installed in areas of heavy reproduction of whiteprint operations. Ammonia processing of copies is economical. Annual savings of \$4,800 are possible.

RECORDS MANAGEMENT

Records Management is an administrative function. It concerns planned control of records and information from their creation to final disposition. In addition, it has responsibility for forms coordination and management programs. At present, there are 12 employees in the State Records Service Division of the Department of General Services.

Appraisal of performance

Within any agency, the only forms controlled are those which are usually processed through its Management Analysis groups. Those for use by an individual unit are not controlled. It is estimated that there are 60,000 individual forms. The division has not been involved in reviews of filing systems or equipment other than filing cabinets.

Recommended action

Savings of general and special fund monies attainable through adoption of the Survey team's recommendations could amount to an estimated \$2.1-million annually, plus a one-time saving of \$227,000. In addition, they could result in avoiding certain capital expenditures of \$910,000 and deferring \$350,000 for a long period of time.

The following recommendations cover suggestions for improvements and savings.

The records retention schedules for all agency centers should be up-dated and consolidated with the schedules of the new State Records Center in Sacramento. On a state-wide basis, an estimated 60,000 cu. ft. of records would be transferred to the Records Center. This would produce estimated annual savings of \$174,000 in filing space and equipment. In addition, \$50,000 can be saved annually through destruction of needless records. Further consolidation within the new center will provide an annual savings potential of \$135,000.

A complete survey of forms should be made and improved procurement techniques developed. This survey should be coordinated and directed by the division, but carried on by individual agencies. Careful examination of procurement practices and stronger controls over design, printing and use of new and old forms could reduce annual expenditures by approximately \$500,000. Furthermore, the authority for approving acquisition of microfilm equipment and methods and procedures related to its use should be centralized in this division. Proper control and review of microfilming

equipment could save an estimated \$275,000 annually in equipment and personnel time.

The division should cancel existing department schedule certifications and establish a more meaningful system of filing equipment controls. It should also place a moratorium on file cabinet purchases to assure maximum use of surplus equipment. This division has no knowledge of filing study activities of other agencies. A moratorium on the purchase of filing equipment and better utilization of surplus equipment will produce an estimated savings of \$350,000.

The present employer alpha-index files should be converted to microfilm in the Accounting and Tax Division, Department of Employment. The 1.5-million cards in this file can be easily identified through indexing and limited to three microfilm reader stations for viewing and searching. The present system costs \$152,000 annually for personnel, space and equipment. A microfilm system could be established and maintained for \$28,000 annually. This would result in a net savings of about \$124,000.

The present microfilm jacket system for adoption records in Department of Social Welfare should be eliminated and the transfer of records to the State Records Center should be rescheduled. The present microfilming program is not necessary. Records should be sent to the Records Center earlier than presently scheduled. Savings potential of \$131,000 can be realized through implementation of a more effective system of transfer and retention.

A system for purging record folder files in the Bureau of Criminal Identification and Investigation, Department of Justice, should be developed and existing double-deck files should be employed in lieu of the proposed mechanized retrieval system. At present, over 3.2-million criminal record files are maintained by this bureau. They occupy almost three miles of shelving space. The department is currently considering use of a system which would retain the documents in their original form and store them for mechanized

retrieval. This system is priced at \$1-million. It would appear more practical to consider a double decking concept of shelving. This would provide additional space and, in the shifting, permit necessary purging. Such a decking system would cost considerably less than the mechanized equipment. While the mechanized retrieval system has not been budgeted, any comparable system would be in the same price range. Thus, an estimated cost avoidance of \$750,000 is possible through this action.

All semi-active and inactive files should be transferred from the Franchise Tax Board to the State Records Center. This would release office space valued at \$24,000 per year, warehouse space at \$2,800 per year and equipment at \$13,000. Transferring an additional year's personal income tax returns to the center should also be considered. This would net an additional potential space saving valued at \$17,000 per year and would release equipment valued at approximately \$53,000.

The microfilm proposal and related purging activities in the Department of Education should be cancelled. The department has expended \$160,000 on microfilm equipment and supplies which have been in a warehouse for the past year and not used. The equipment and supplies should be turned over to General Services for more gainful use. The purging of files for microfilm purposes should be stopped. Implementing these recommendations will realize a one-time savings potential of \$350,000 and make equipment which is valued at \$160,000 available to other departments.

Additionally, the employee roster file in the office of the Personnel Board should be eliminated. A total of 26 employees is used to maintain the historical records, which are the responsibility of the Director of General Services. This cost, plus associated computer time, floor space and filing equipment, represents an estimated payroll cost of \$200,000 per year for personnel that could be saved by phasing out the function.

OFFICE OF STATE PRINTING

The Office of State Printing provides services to agencies, the Legislature and public schools. It operates the Legislative Bill Room and distributes documents to libraries throughout the state. Legislative printing embraces special reports and printing of bills, forms and journals. State printing for other agencies includes forms, directives, annual reports and pamphlets. Textbook printing involves production of the majority of elementary textbooks which have been specified by the Board of Education.

The plant is a modern industrial building with 254,000 sq. ft. of floor space and 40,000 sq. ft. of warehouse for storage of paper. For 1967-68, the office's operating budget will be close to \$19.9-million. Its staff is authorized at 1,038 employees.

Appraisal of performance

Time required to produce and deliver printing jobs is much greater than is normal in private industry. Comparison with ratios provided by the Printing Industry of America indicates that a reduction of manpower is attainable.

Recommended action

Annual savings of about \$3.2-million over several years will be realized when the suggestions are implemented.

The office should modernize its printing approach for the Legislature's needs. An investigation of new types of duplicating equipment should be made for use in production of legislative printing. The office is seriously considering conversion to photo composition and high speed production. However, there is no clear program on either direction or approach. No action should be taken until all of the latest equipment and techniques are carefully analyzed. Savings potential, through reorganization of the legislative bill printing process, is approximately \$1-million annually.

If the estimate on a job by State Printing is over \$200, an agency should be allowed

to obtain competitive bids from industry. Potential annual savings of about \$750,000 are indicated.

In addition, the office should contract out business cards, rubber stamps and library binding and give small printing jobs to the prison. Private industry and the prison can perform these functions in a more economical manner. Annual savings through a reduction of personnel would amount to approximately \$233,000.

The State Printing Office should create an equipment purchasing committee to review proposals for new equipment, quality control and standards for composing room production. It should be comprised of experienced industry men selected by the Governor or appointed by local trade associations and report jointly to the Governor and the Legislative Analyst.

Purchase of a four-color web press should be delayed and major capital expenditures deferred until a policy decision on objectives and methods of operation is developed.

Furthermore, printing reproduction and duplicating functions carried out in other agencies should be examined. Nearly every department has some form of duplicating equipment and many have extensive installations. Evidence indicates the man-year costs run into millions of dollars and are, to a large degree, unnecessary.

A work improvement and measurement program should be instituted. Low utilization of equipment and manpower and continuous build-up of printing offices makes a work measurement program desirable. Also, areas of responsibility and authority and assignment of duties should be analyzed.

Overlapping in duties and responsibilities exists throughout the Printing Office and plant. By redefining areas of responsibility, the administrative staff can be reduced by one and possibly two positions. Other administrative personnel could be reduced by about 20 employees by tightening control and reassigning duties. Estimated annual

savings of \$188,000 will accrue from these actions.

For greater economy, the office should phase out 31 copyholders, 10 positions in receiving and shipping, five machine shop personnel and four foremen from its major operating departments. Combined savings from these actions are estimated at over \$400,000 annually.

FLEET MANAGEMENT

This state-wide operation involves over 40 state departments and an estimated 26,000 wheel and track motor vehicles. The total budget for all state-wide fleet operations is estimated at \$55-million for fiscal year 1967-68. About 3,000 employees are directly involved in over 200 garages and maintenance centers. In terms of replacement requirements, approximately 3,000 cars and light trucks have been purchased in each of the last three years.

There are eight principal departments that operate fleets of wheel and track vehicles. They are General Services, California Highway Patrol, Conservation, Public Works, Fish and Game, Water Resources, Agriculture and Parks and Recreation.

Each of these eight departments administers a separate state-wide garaging and maintenance operation. The Department of General Services is charged with the responsibility of renting cars to other government departments. However, many state agencies have their own fleets. When requirements exceed the number of cars in their own garage, they rent from General Services.

Appraisal of performance

The state uses a decentralized system of organization for its fleet management operation. It does not have a central focal point for development of overall policy and supervision of fleet operations, maintenance and replacement.

A survey of numerous industrial and governmental fleet operations shows no one is operating at a lower cost than does General

Services for an equivalent type of service. Despite this, opportunities still exist for achieving better efficiency and cost control.

Recommended action

The Governor's Survey found opportunities for saving more than \$4-million annually in fleet management costs. One key recommendation would establish a Fleet Management Division within the Department of General Services and an Advisory Committee composed of representatives of the four principal fleet user agencies.

This division is needed to develop a management control and coordination system and exercise authority to effect potential savings. The proposed organization is illustrated by the chart on next page.

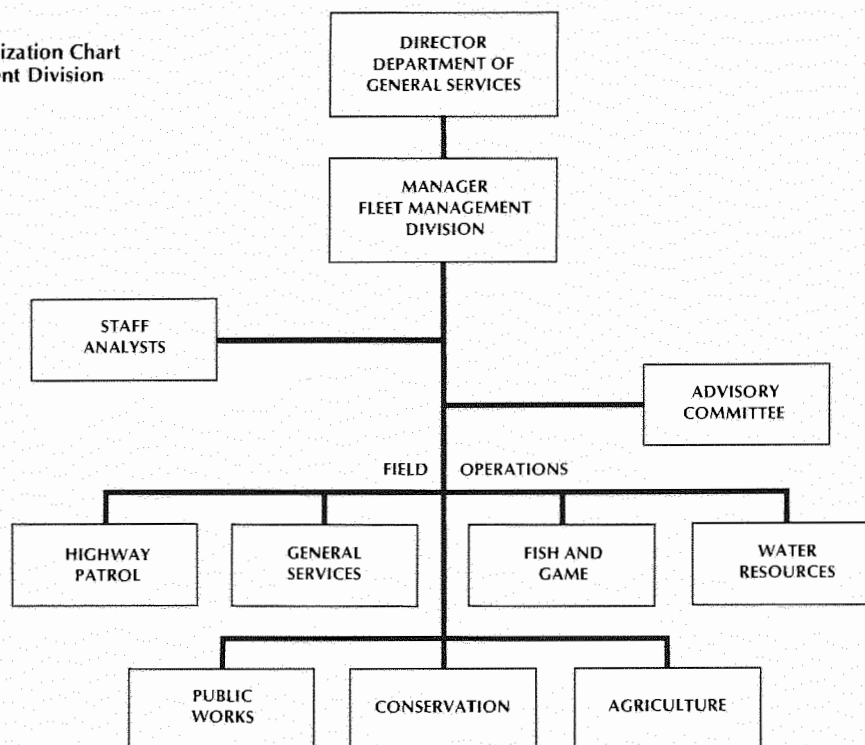
The Advisory Committee on Fleet Management is needed to improve communications among and between the principal user agencies, to provide guidance to the manager of the Fleet Management Division and to ensure state-wide coordination of procurement, operations and maintenance. It will be composed of the Secretaries, or their delegated representatives, of Resources, Business and Transportation, Health and Welfare and Agriculture.

The manager of the Fleet Management Division would establish a program to develop state-wide fleet management policies and controls as well as supervise all state motor vehicle operations.

Another recommendation is to develop and implement a program to secure potential savings and benefits from additional pooling of vehicles, garages and services.

With many of the state's 160,000 employees traveling in 16,000 passenger cars, the economies of automotive pools to service these needs are readily apparent. The number of state vehicles can be reduced 10% or more without affecting the state's transportation needs. Each vehicle thus eliminated would save the state approximately \$530 per year. This sum represents the fixed charges

**Proposed Organization Chart
Fleet Management Division**



per car for depreciation, insurance, storage, administration and capital expenses. Annual savings of \$850,000 to \$1.1-million are indicated.

An important improvement would be the development of procedures to identify idle equipment that can be readily moved to an area of need. In many instances, equipment is idle for a month or more. In particular, heavy equipment often is used on a seasonal basis. In addition, vehicles in good shape often can be put into one of the low-mileage services at the completion of a normal period of usage.

The first step in effectively achieving such economies is to develop a program utilizing the vehicle management information analysis system to identify idle equipment quickly. Methods for both temporary and permanent transfer are needed. These procedures should also insure that proper maintenance is carried

out on transferred equipment. If these means are developed, over \$2-million annually can be saved from better utilization of equipment.

Other significant recommendations would:

- Encourage additional use of private automobiles where paying a mileage allowance is more economical than providing a state vehicle.
- Develop programs to reduce accidents, which cost over \$6-million annually.
- Investigate the potential savings available by purchasing new vehicles from the U. S. General Services Administration.

OFFICE OF PROCUREMENT

The Office of Procurement exists to provide coordination and control over purchasing and related services for all state agencies except the University of California. In carrying out

this function, it has an obligation to the agencies, the business community and taxpayers to assure purchase expenditures are made in an atmosphere of open competition. The primary goal is to fulfill the state's material and related service needs at the lowest cost consistent with required quality. The Office has three basic areas of operation: purchasing, warehousing and distribution and traffic.

Appraisal of performance

Purchasing activities for various state departments are highly centralized and are controlled by the Sacramento office. However, warehousing and distribution, which includes reutilization of surplus property, is limited to a relatively few common items. The Traffic Division is mainly concerned with auditing of freight bills and filing of loss and damage claims against carriers. Accordingly, the Warehousing and Traffic Divisions have the opportunity to contribute materially to reducing costs to the state. This is contingent upon a major enlargement of their responsibilities.

Recommended action

If improvements recommended by the Governor's Survey are fully implemented, an estimated annual savings of \$16-million and a reduction in present inventories of \$13.6-million could be realized.

As one of the first steps, it is recommended the organizational structure be changed. Charts of both the present and proposed organization are shown on next page. The change in title from the Office of Procurement to Office of Materiel is proposed to show the broader scope of its responsibility.

Purchasing

The purchasing program includes converting agency requisitions into competitive bid invitations, getting these invitations out to suppliers who have indicated an interest in supplying the state, and making awards. Basic rules stipulate all purchases over \$25 shall be controlled by the Office of Procurement. Purchases in excess of \$1,000 must be pro-

cessed by formal competitive bidding, except in cases of emergency. Sealed bids are received and publicly opened. Less formal procedures apply on purchases between \$25 and \$1,000. While centralized control is maintained, considerable authority to obtain material has been given to the using agencies.

Purchases amounted to about \$140-million in 1966, including an estimated \$5-million placed directly by departments, under the \$25 delegation.

Purchasing offices are organized on a commodity specialization basis with individual buyers reporting either to a principal buyer or a Deputy State Purchasing Agent. Personnel staff in Sacramento is 68; in Los Angeles, 23; and in San Francisco, 25 for a total of 116 purchasing employees.

Appraisal of performance

The Director and Deputy Director of General Services and the State Procurement Officer are newly appointed. They are in the process of initiating changes in policy and operating methods.

Purchasing has not yet assumed its proper role in effectively and economically satisfying the state's requirement for materials, supplies and equipment.

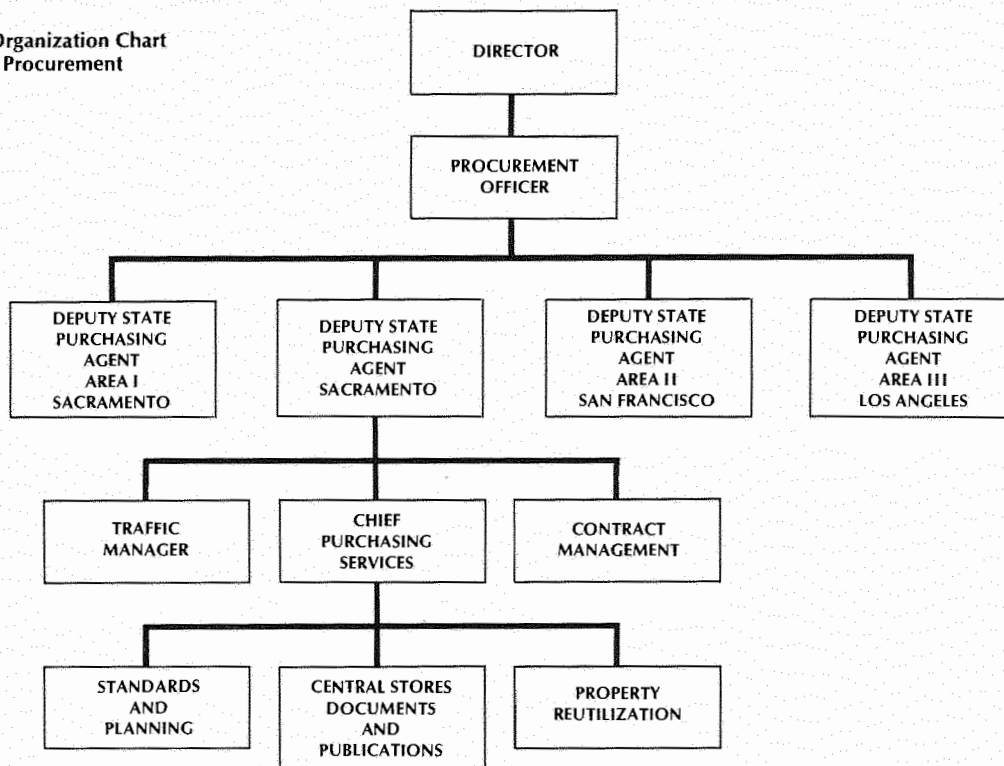
Organizational concepts have not kept abreast of the growth and changing conditions in the state. The present structure is top-heavy with supervisors and lacks required flexibility. While working relationships with state departments and vendors appear satisfactory, procurement personnel should have more face-to-face meetings with state agencies to gain a better appreciation of their needs and problems.

Communications within the Office of Procurement were rated poor in most areas. There has been insufficient training of personnel and a deficiency of meaningful management information at all levels.

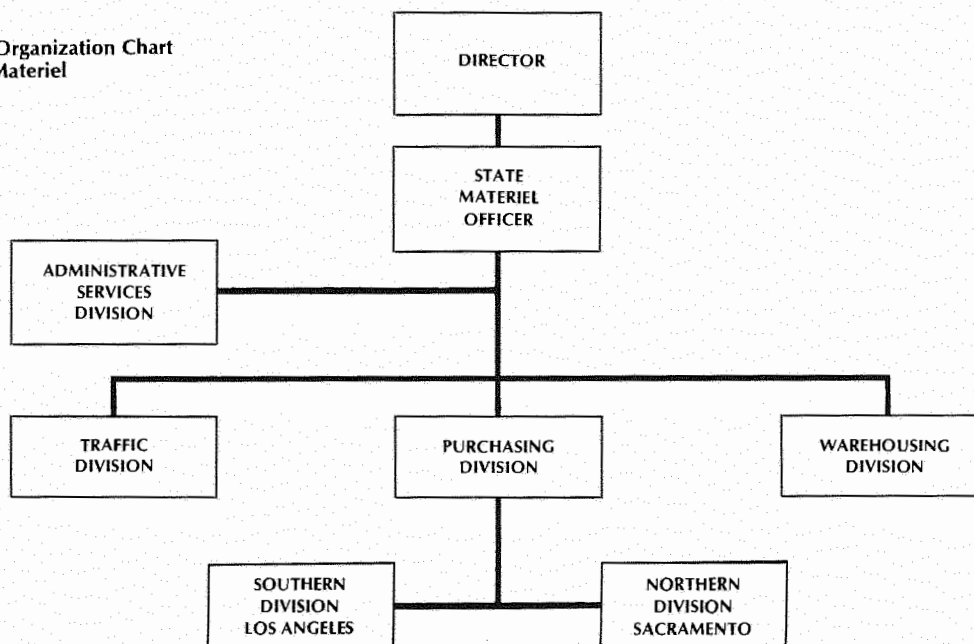
Recommended action

The suggestions made by the Governor's Survey, when fully implemented, should result in

Present Organization Chart
Office of Procurement



Proposed Organization Chart
Office of Materiel



savings to the state of \$10-million annually in the purchasing area. However, much of this savings will be realized only if other state departments revise their budgets and reduce actual expenditures correspondingly.

Of the improvements recommended in the purchasing area, three offer the opportunity to save \$1-million or more. They involve:

- Expanding the scope of the present consolidated purchasing program and taking full advantage of the state's buying volume. However, this must be supported by adequate standardization, quality control, value analysis and cost reduction programs. Full implementation would provide annual savings of \$6.9-million.
- Developing and installing an inspection and quality control program. Immediate steps are required to prevent acceptance of poor quality material by the state. This kind of program could provide an estimated \$1-million in annual savings.
- Permitting the use of open-end or need type contracts. Savings, estimated at \$1-million annually, are based on the ability to permit advance and orderly purchasing action for known requirements in any new budget year. Further savings will accrue through lower prices and reductions in the large volume of small orders.

Other significant improvements in the purchasing area involve:

- Reorganizing the Sacramento office.
- Activating an aggressive state-wide standardization program.
- Inaugurating a cost reduction program to consolidate purchasing, standardization and quality control procedures.
- Adopting a new common commodity and a common vendor coding system.
- Activating a training program.
- Streamlining the bidding process.

Warehousing and Distribution

General Services operates warehouses for handling commodities commonly used by

state departments and makes needed rules and regulations for proper and economical purchasing. These commodities are obtained in substantial volume for resale to the agencies at a savings. It also handles state documents and publications for sale to the public and distribution to selected libraries as well as reusable surplus equipment from state departments.

There are two general types of state warehousing. One is performed by General Services to handle commodities common to more than one agency or department. The other is performed by each agency to handle commodities for its own use.

The present manpower level in the General Services warehouses, including property reutilization, is 46 positions. Currently, because of a serious backlog of unfilled orders, four temporary positions are being filled.

Total space occupied in some 140 warehouses of various departments throughout the state amounts to about 2-million sq. ft. at an annual cost—leased or owned by the state—of nearly \$1.5-million. Average inventory carried is over \$30-million and cost of operation, in terms of salaries for over 700 employees, exceeds \$4-million annually. Other expenses amount to about \$2-million.

General Services warehouses are located in Sacramento, Los Angeles and San Francisco. Other state departments have warehouses located where they have operating units.

Sales to departments during 1965-66 were \$4.1-million for 1,917 line items. The bulk was office and janitorial supplies and standard forms. A catalog of stocked items is compiled and distributed to using departments.

Stock ordering and distribution of items in the three General Services warehouses are controlled at Sacramento. All requisitions are received and forwarded to the warehouse location from which orders are filled. Statistics on the warehouse operations; namely, inventory, disbursements and operating costs, are maintained on a punch card data processing system.

The warehouse in Los Angeles takes 24 to 48 hours to fill a requisition. San Francisco takes 7 to 19 days and Sacramento about 40 days. Currently, all three warehouses are out of stock on 8% to 10% of items ordered.

Appraisal of performance

Centralized warehousing has been adopted by the state only to a limited extent. Each department has its own warehouses to handle its material. Generally, lighting is sufficient and modern materials handling equipment is being used.

With the concept of centralized warehousing limited to common-use supply items, only an estimated 5% of total material warehoused moves through the three General Services facilities. Centralized warehousing results in substantially less capital tied up in inventories and fewer warehouse personnel. Furthermore, the system requires less storage space, reduces transportation costs, permits greater standardization of products stored and provides cost reduction through volume purchases. It also permits concentration of effort and talents toward improving warehousing operations.

With each department responsible for its own warehousing, there is little standardization of operating procedures, equipment and facilities. General Services, for instance, has different pallet sizes, rack styles and operating procedures within its own organization.

Most departments keep perpetual inventory records and reconcile periodically with a physical inventory. However, few have been able to make use of the computer for controlling inventories.

Recommended action

Great economies can be realized by changing from a fragmented department warehousing concept to a state-wide centralized system. The recommendations of the Governor's Survey, therefore, have two objectives. The first is concerned with immediate changes to improve the existing organization structure. The second deals with changing to a centralized warehousing system.

One recommendation offers the opportunity for a savings conservatively estimated at \$4-million annually. It involves the closing, on an orderly basis, of intermediate warehouses now serving as redistribution points. Other significant recommendations in the area of warehousing involve the following specific actions:

- Closing the San Francisco warehouse and centralizing operations in Sacramento and Los Angeles.
- Installing a data processing system to provide up-to-date information.
- Establishing a Warehousing Division reporting directly to the Office of Materiel.
- Centralizing control of all state warehousing under General Services.
- Establishing, in General Services, an office equipment supply pool to get maximum equipment utilization.

Traffic

Traffic services consist of providing the most economical modes of transportation in line with service requirements, utilization of carriers that provide the best service and knowledge of packaging requirements and tariffs. Also, they consist of classifying commodities shipped or received, handling of loss and damage claim service and issuing of consolidation and distribution instructions.

There are six employees headed by a Traffic Manager. His staff consists of a senior rate clerk, two traffic rate clerks and two typists. Proposed funds for 1967-68 show salaries totaling \$52,936. The office is located in the Department of General Services in Sacramento.

Appraisal of performance

Traffic is not adequately providing the state with economies in transportation or cost controls. The three rate clerks are devoting most of their time to auditing freight bills rather than controlling costs of transportation. Both activities are important. However, controlling transportation costs would save the state

many times the amount saved through freight bill audits.

Recommended action

Specific recommendations made for improving the traffic area are designed to minimize the expensive and small shipments of goods by individual departments throughout the state. The Traffic organization, with freight movement data available, is in a position to prescribe the most economical methods of shipment. Full implementation of these suggested improvements should yield annual savings of approximately \$2.1-million. Significant recommendations would involve doing the following:

- Restructuring the organization and staffing it with a manager, three cost analysts, a senior rate clerk, a rate clerk and two typists.
- Arranging to have an outside firm audit freight bills under \$50.
- Shipping materials between departments on a prepaid basis to permit freight consolidations and allow the most economical modes of transportation.
- Providing state departments with published routing instructions.
- Assigning responsibility for obtaining public warehousing for all state departments to Traffic.

STATE PERSONNEL BOARD

The State Personnel Board (SPB) is responsible for the administration of personnel functions of civil service employees except those in the state colleges and University of California. The board controls permanent appointments and promotion in accordance with a general civil service system based upon merit, efficiency and fitness, as ascertained by competitive examination. To perform its functions, the Personnel Board and staff is divided into nine sections. The 1967-68 manpower authorization of the board is 501. Its modified operating budget is approximately \$4.6-million.

Appraisal of performance

Much of the board's hearing time is occupied by relatively minor issues that should be resolved at a much lower level. Appeals involving the qualification appraisal panel are prime examples.

The periodic wage and salary surveys conducted by the staff do not disclose a complete comparison of state compensation with that of outside employers. A more realistic comparison would include fringe benefits as well as compensation.

The present personnel system needs additional techniques, policies and practices to motivate the employee. The employee has minimal incentive to demonstrate his competence, motivation or good personal professional traits.

Recommended action

The Governor's Survey estimated annual potential savings of over \$2.3-million can be realized by various departments through implementation of the following recommendations.

A management-by-objective program should be established and the performance review program reorganized. Employees should be given definite goals and objectives to govern performance and measure accomplishments. Also, adequate space, curriculum and facilities should be provided for management training. This need has been given high priority and thorough documentation in previous management reports. Such a facility might be part of a higher educational institution in Sacramento, San Francisco and Los Angeles or be guided by the Training Division of the Personnel Board. As a part of this program, a performance review should be reorganized as an effective management tool.

The automated personnel transaction data communications (APTDAC) program should be re-evaluated. Objectives of the APTDAC project should be re-defined in terms of immediate potential payoff in efficiency, time, money and man-hours. The broad planning

and guidance of the APTDAC program should be coordinated and controlled by the newly established Office of Management Services.

Salary increases to professional and office employees should be awarded on a merit basis. The state should operate under a merit concept of salary adjustments as used by most successful private concerns. Here, increases are based only on merit and not on cost of living or seniority.

For greater efficiency, the State Personnel Board should eliminate custom-written tests and replace them with SPB-developed, standardized tests wherever possible. Last year 1,629 separate examinations were given. Some 67% of these involved custom-written tests. A typical examination can require as many as 81 individual steps between determination of need for a new list and certification from that list. With this heavy orientation toward individual examinations, approximately 50% of the budgetary and manpower efforts of the board are presently consumed by examination processes.

A single standard form should be developed for employment development appraisals (EDA) applicable to broad classes of work. Currently, individual EDA forms are developed for each new class that comes under the program. This creates a continuous and unnecessary workload in addition to the needless proliferation of forms. Forms analyst duties could be very profitably assigned to a staff member.

Written tests for most higher level promotion examinations should be replaced by employee developmental appraisals. As a minimum goal, written tests for intradepartmental promotions within a class series should be eliminated and EDA's used. This shift would improve selection decisions and contribute to better job performance. It would also reduce the workload of the SPB. In addition, a \$3 filing fee for examinations should be established. Those persons who file for examinations for practice or for highly speculative reasons would be somewhat discour-

aged. Between \$200,000 and \$300,000 per year might be realized from these fees.

The board should devote its meeting time to important policy issues and delegate routine but time-consuming matters to its staff.

A different title should be established for the staff of the board. Changing the official name of the staff function for the five-man personnel board to State Personnel Department or similar title would eliminate current confusion. There are presently two meanings to the title Personnel Board. One refers to the five-man board itself and the other to the 500-man staff.

The wage and salary administration of civil service employment should be overhauled. In making wage and salary exchanges, the compensation package should be used for comparisons. It should be based on the total cost of the employee to the employer, whether government or private, and should include not only pay, but insurance benefits and the like. Furthermore, the number of job classifications for state service should be reduced. General classes should be established and specific qualifications should be added for particular positions when this is absolutely necessary. This would save an enormous amount of paper work.

Because of its importance, the Personnel Board should issue a policy statement on personal safety and establish and support a coordinated safety program. The promotion of safety and its coordination for the state should be increased from a single-man operation to at least four persons. This would increase the payroll expense by some \$50,000 per year. The goal should be to decrease accident costs as well as the frequency rate by 15% a year until the safety program is functioning at an acceptable level. The goal, if achieved, could result in estimated savings of over \$1-million in each of the next five years by eliminating lost time and other injury costs.

The ADP training program should be expanded and placed under the guidance of the newly created Office of Management Services. The expected large expansion in

ADP use will result in an increased need for technical training of programmers and concept training for managers. Currently, there are programs under way in both these areas. However, they should be submitted to the Office of Management Services for re-evaluation. If full use of ADP were to be initiated, it is expected that more than 500 programmer trainees would be hired over the next five years. There are about 6,000 managers who would benefit from exposure to the present Course J.

A mandatory retirement age of 65 should be set for all state employees. The state allows its employees to work until they become 70. This is inconsistent with general practices in industry, which commonly has a retirement age of 65.

A review should be made of the use of the authorized total of 25 minutes per day of work break by all employees. Vending machines or coffee carts should be made available in the work areas. The cafeterias should be open for meals only.

There should be no per diem allowance for travel of less than 24 hours' duration but employees should be entitled to recover out-of-pocket expense when overtime is involved. The authorized dinner allowance of \$3.50 now paid to department employees who work overtime is equitable. Reducing the present per diem to the authorized dinner allowance should easily effect a savings of 20% of the travel budget. This would mean a savings potential of \$184,000 in the department. State-wide savings are estimated at approximately \$1-million after complete implementation.

The pay procedure should be revised. State pay practices should be studied and changed to coincide more closely with industry practices. This matter is not entirely a Personnel Board responsibility, since the pay procedure problems range all the way from accounting practices to unnecessary employee inconvenience. In addition, the criteria for determining workload and budget justification should be revised.

The Personnel Board should implement a manpower validation and work measurement program similar to the program installed by the Franchise Tax Board. Use of the validated workload criteria derived from work measurement studies should establish division, unit and individual performance standards. This, plus the elimination of the unnecessary preparation of statistical data, offers a total potential savings of 15% to 25%. It represents a reduction of about \$300,000 per year.

COMMUNICATIONS DIVISION

The Communications Division is responsible for assisting all state agencies in determining the most appropriate and economical communications systems and services for efficient agency operations. Equipment and services include wire communications such as telephone, teletype, closed circuit television and sound systems. Additionally, it encompasses forms of electromagnetic transmission such as radio, telemetering, television, broadcasting and microwave.

The division provides 24-hour emergency repair service and routine preventive maintenance for the state's radio and microwave equipment. In addition, it provides technical advice to the Budget Division of the Department of Finance in reviewing communications equipment budget requests and purchase estimates.

Created by the California State Communications Act of 1947, the division's functions encompass the proper controlled use of allocated radio frequencies, representation before the Federal Communications Commission and coordination of communications systems created by local government jurisdictions. Further, it provides economical management of communications systems through engineering, installation and maintenance services that are as low or lower than those paid by other comparable governmental or large commercial users.

The division's budget for fiscal 1967-68 provides for 157 authorized positions and

total expenditures of \$2-million. This does not include billings of telephone companies which amount to almost \$15-million annually.

Appraisal of performance

Its duties lie principally in the engineering of the mobile radio and microwave systems owned and operated by the public safety agencies and in providing installation and maintenance services for this equipment. User agencies are sometimes critical of the division's performance and point out that charges made for services do not compare favorably with those available to large commercial users. Some of these complaints may be motivated by the aspirations of several agencies for authority to create their own communications service organization. For example, the Division of Highways has a communications department and does not use the full services of the Communications Division.

In the area of telephone services, the division provides technical advice and direction of the state-wide network (ATSS), the large Centrex system and arranging for bulk purchases of circuits (Telpak). The details and extent of telephone service at the level of the individual user have been delegated largely to agency personnel with budgetary and administrative authority.

A clear definition of the state's communications policy and the role of the Communications Division is needed. There is a recognition and acceptance, in varying degrees, of Communications Division's responsibilities for appropriate and efficient communications. However, there is confusion regarding what control it can or should exercise in achieving the economic management of state communications systems.

Recommended action

The Survey's recommendations are expected to save the state several million dollars annually. A basic suggestion is to redefine the scope of the division to give it authority to develop and enforce policies and procedures to assure the effective operations of all com-

munications services. It is estimated that coordination and control over requests for equipment and service alone would save \$750,000 annually.

Separate switchboard systems should be consolidated wherever it is economically feasible. Some of the 280 systems throughout the state could be merged with others to advantage. The division could see that this is accomplished with fairness for assured service to all agencies. Consolidating small switchboards into fewer automatic dialing systems would increase the economic feasibility of their becoming a part of the ATSS network. Thus, substantial savings in long distance toll charges would accrue.

The Survey team made several important money-saving recommendations of a technical nature. They included the use of intrastate and interstate WATS at major switchboard functions, installing toll diverting equipment at locations which remain off the ATSS network and merging the University network of nine campus locations into the state ATSS with seven switching centers.

Recommendations relating to the state's mobile radio system, which includes over 14,000 units, would:

- Authorize only the purchase of completely transistorized mobile radio transmitters and receivers to reduce maintenance costs.
- Achieve greater standardization in mobile equipment through design and purchase specification techniques.
- Confine installations of mobile radios to vehicles assigned principally to personnel whose duties are operational and for whom such equipment is essential.

OFFICE OF ARCHITECTURE AND CONSTRUCTION

The Office of Architecture and Construction (OAC) is a unit of the Department of General Services. The prescribed function of OAC covers three distinct fields of activity.

Planning and Design Services provides other state agencies with planning and design capability for capital outlay programs and projects, principally for buildings and miscellaneous engineering services which are of a consulting nature.

Construction Services inspects construction and administers construction contracts. It also supervises the performance of day-labor work on restoration projects and certain minor construction programs.

Schoolhouse Services checks drawings of private architects for the construction of public school buildings and supervises the construction of such buildings.

In addition to these three operating units, OAC also has an Administrative Services section which provides office services to the other sections. It handles matters such as accounting and details of construction contract administration.

With certain exceptions, state agencies are required by law to refer design and construction projects to OAC. Exempted from this requirement are the University of California, the state colleges, Department of Water Resources and San Francisco Port Authority. Projects amounting to less than \$5,000 may be administered by other agencies without referral to OAC. Projects costing between \$5,000 and \$65,000 may be handled by the initiating agency with OAC concurrence.

The design and construction of public school buildings, including alterations and additions whose cost exceeds \$10,000, must be supervised by OAC under the provisions of the portion of the Education Code commonly known as the Field Act. Hence, designs for all such construction are submitted for review by OAC.

Planning and Design Services is the largest group within OAC, having 402 employees as of January, 1967. Construction Services had 165 employees, Schoolhouse had 83 and Administrative Services had 91. Recent reductions in work force, particularly in the Los Angeles office, have reduced the staff of the

Planning and Design section to 346 and Administrative to 74 employees.

There is a downward trend in operating expenses of OAC principally because of reduction in personnel. Operating expenses of OAC for fiscal year 1965-66, for example, were \$10.8-million compared to \$10.2-million submitted with the Governor's adjusted budget for 1967-68. Direct personnel costs (payroll and benefits) represent approximately 85% of OAC's total expenses.

Appraisal of performance

Planning and Design Services is greatly overstuffed in proportion to present and projected workloads. The reduction of force by attrition, now underway, is much too slow to bring about a balance with a reasonable projection of future workload. The situation will be aggravated if capital outlay projects involving OAC fail to materialize.

The present organization and administration of Planning and Design seems to have more layers of supervision than is required. Effective manpower control is handicapped by the difficulty of making accurate forecasts of future workload.

Inspection of field construction projects, as presently handled by OAC, costs substantially more than is required to assure conformance to plans and specifications. Much of this unnecessary cost is due to excessively rigid legal requirements covering state construction projects. Some of it is due to present practices in administering construction contracts.

Current practices in supervising design and construction of school buildings go far beyond the work required to meet the original intent of the Field Act—to assure the structural safety of school buildings. In addition, the procedure for review of drawings submitted by private architects is not designed to encourage private and licensed architects and engineers to assume full responsibility for complying with all legal requirements in school building design. These factors combine to produce excessive costs.

In the administrative area, excessive amounts of paperwork, lack of efficient systems, proliferation of reports of questionable value and failure to make optimum use of automatic data processing, all combine to produce high costs.

Recommended action

Several areas offer opportunities for both savings and more efficient operation. The total savings obtainable by the implementation of proposed changes would amount to an estimated \$3.2-million annually. Of this, \$200,000 would represent county funds. Recommendations of the Governor's Survey would accomplish the following:

- Reduce manpower to the level required to handle the minimum anticipated workload. Retain outside architects for requirements in excess of what can be met by the reduced staff.

In common with most architectural and engineering offices, OAC suffers from radical changes in workload from time to time, depending upon the availability of funds for construction of state buildings and other facilities and the manner in which use of these funds is programmed by the state agencies involved. In a private firm, it is normal practice to hire additional men and to lay them off, in accordance with the need for manpower as dictated by the workload. However, a state agency such as OAC with Civil Service employees does not have the flexibility of a private firm in adjusting its manpower requirements to meet the variations in demand.

There will be substantial fluctuations in the state's requirements for architectural and engineering services. Unless OAC is staffed to handle only the minimum anticipated level of work, money will be wasted whenever the workload drops below the level for which the organization is staffed.

Total savings from implementation of this recommendation and the two recommendations which follow are estimated at \$2.45-million annually.

- Reduce the cost now incurred in preparing preliminary drawings by using less expensive means of defining a project for budgetary purposes and by reducing the number of projects for which preparation of such drawings are authorized.

About 30% of the productive time in Planning and Design is devoted to preparation of preliminary drawings. A considerable portion of this time—from 25% to 50%—is wasted because many proposed projects are not authorized for construction and some are authorized only after extensive changes to the original drawings.

- Improve manpower planning and control by developing better methods for forecasting of workload, both long and medium-range; by increasing emphasis on manpower control as an integral part of the line supervisors' responsibilities; by improving techniques used for manpower planning and scheduling and by developing a manual to guide agencies and departments in their forward planning of capital outlay projects.

Effective manpower planning and control is vital to efficient operation of any architectural and engineering organization. Even with a reduced staff, manpower will be wasted unless future requirements can be anticipated and personnel assignments scheduled to meet job requirements. This will permit utilization of the time and talents of each individual. Improvement in existing approaches to the problems of manpower planning and control is both possible and desirable.

- Increase effectiveness of Planning and Design by revising the organization structure to eliminate excessive supervision. Pinpoint authority and responsibility, combine small organizational units doing related work and provide more flexibility in handling the different types of design projects.

A good start in improving OAC's organizational effectiveness was made not long ago when management instituted the team concept in handling design projects. Implemen-

tation of the recommendations in this area should help appreciably in remedying these defects and could save \$232,000 annually.

- Revise the present requirement for full-time inspection by state inspectors of construction projects, by requiring the contractor to call for inspection as it is needed.

Current procedures result in extremely inefficient use of construction inspectors. The contractor can be relied upon to call for inspection as needed because the state will not pay for work not accepted. Estimated savings are \$152,000 annually.

- Amend the Field Act if necessary to limit the scope of responsibility for supervision of design and construction of school buildings to structural safety. This will eliminate the extra expense of double-checking all school plans for details relating to mechanical and electrical work and provisions for fire and panic.

Because school buildings must be designed by professionally qualified and licensed architects and engineers and code requirements governing design are adequate and specific, it is debatable whether the expense of double-checking the designs is justifiable. At present, however, continuation of the checking of buildings for structural safety appears warranted; partly because school buildings are inherently more susceptible to damage by seismic forces than are many other types of buildings, and partly because the exposure of children in large groups justifies special precautions against structural failure.

These reasons do not justify the double-checking now being done for mechanical and electrical installations and the provisions for fire and panic. The checking of construction by state inspectors should be adequate to detect any error or oversight. It is anticipated that savings of \$100,000 annually could be realized.

- Take steps to assure that, when plans for school buildings are submitted to OAC for checking, the plans have been thor-

oughly reviewed by the architects and engineers responsible for the design and have been signed by them to certify the completeness and accuracy of the finished drawings.

Current practice in OAC permits school building plans to be submitted for review before they are signed by the responsible architect or engineer. This practice permits abuses by allowing an architect to use OAC as a "checking service." By insisting that the architect's office complete its design responsibilities before submitting the plans for checking, OAC can reduce its expense by an estimated \$67,000 annually.

- Conduct an intensive survey to eliminate duplication of record keeping, eliminate redundant and little-used records and reports and improve the flow of essential data for management information and control. Concurrently, expedite research into data processing applications for OAC, to the end that automatic data processing is utilized for all applications where it is economically advantageous.

OAC has a tremendous amount of paperwork, some of which appears of questionable value. Many records and reports outlive the purpose for which they were created. The proposed survey should effect not only a substantial reduction in this paperwork, but should also result in better and more timely data for management control purposes.

- Conduct a survey of salaries of all technical positions in OAC for the purpose of keeping them in line with those paid in private industry for comparable work.

PROPERTY

ACQUISITION DIVISION

It is the responsibility of the Property Acquisition Division to acquire private lands for state purposes, manage these lands prior to their use and maintain evidence of the state's title to such lands. The division can also dispose of lands no longer needed and review real estate transactions of other agencies

when the Department of General Services' approval is required.

The Property Acquisition Law subjects all state land acquisitions to control by the Public Works Board, unless expressly exempt. Obtainment programs currently exempted are those of the University of California, Departments of Water Resources and Public Works, the Reclamation and Wildlife Conservation Boards and Division of Highways. On behalf of the Public Works Board, the division selects and acquires real property for use by the state.

Manpower planning of the division was set at 99 positions when the fiscal 1966-67 budget was originally submitted. However, present manpower totals 90. The proposed budget for 1967-68 is approximately \$1.2-million. The Property Acquisition Division has permanent offices in Sacramento and Los Angeles.

Appraisal of performance

With few exceptions, the division appears to be well organized. Its staff is desirous of attaining a high degree of efficiency. In addition to encouraging continuous study and allowing personnel to attend training seminars, the Chief Land Agent has rotated his force to provide it with a good background in all phases of operations. A workload measurement and staffing standard system has also been implemented. More experience in its use will help in determining manpower requirements on a realistic basis.

Recommended action

Improvements and savings can be achieved through increased liaison with state agencies, changes in certain departmental policies, increased delegation of authority and certain organizational changes. Recommendations of the Governor's Survey, when implemented, will eliminate the requirement for nine positions from the previously authorized but unfilled total of 99 and result in an estimated cost avoidance of approximately \$75,000 per year.

OFFICE PLANNING AND UTILIZATION

The state has approximately 8.36-million sq. ft. of office space to house 54,000 of its office employees, excluding the University of California and state colleges and institutions. Of this total, 3.3-million sq. ft. are leased. The remainder involves space in state-owned buildings.

The Facilities Planning Division assigns and reassigns space in state-owned and leased buildings, forecasts future space needs and develops basic state leasing policies to obtain optimum space use. In addition, it maintains an inventory of existing state-controlled office space, negotiates leases of real property for state use and approves leases negotiated by other agencies.

The division is organized into three sections of Advance Planning, Leasing and Space Utilization. It has a total staff of 22 and an anticipated budget for 1967-68 of about \$359,000.

Appraisal of performance

Although the department has responsibility to acquire, assign, operate, maintain and manage all real office building property for the state government, effective control is not exercised. Facilities Planning has been organized, to a large extent, on a service basis rather than on a management coordination and control basis. Currently, it controls only about 50% of the state's property management functions. The prime reason for its inefficient space management is the lack of centralized control.

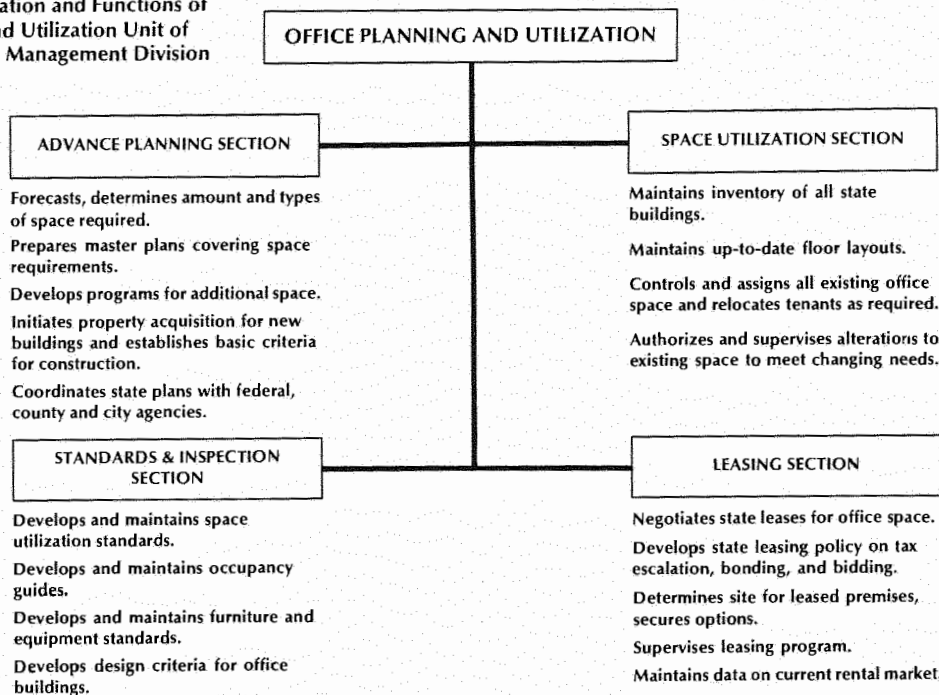
Recommended action

As a result of task force studies, it is estimated \$9.3-million in annual savings can be realized. The recommendations suggest:

- Total management responsibility for planning and operational management of office buildings should be centralized.

The Department of General Services should serve as the landlord for state office

**Proposed Organization and Functions of
Office Planning and Utilization Unit of
Proposed Building Management Division**



space. The users of the office space should act as the tenants. Daily management of buildings, including maintenance and office services, should be the responsibility of a proposed Building Management Division within the Department of General Services. An office planning and utilization group in this proposed division should control and assign space. It should be responsible for arranging the moving of tenants within a building or from one building to another to meet the combined needs of all state units.

Implementation of this recommendation will lead to better space utilization for an average annual savings of approximately \$7.5-million per year for 10 years. In addition, after three or four years, savings of \$400,000 could probably be realized through lower lease rental rates.

- An organization within the proposed Building Management Division should be

developed to carry out the responsibilities and to exercise the authority for the management, coordination, planning and allocation of office space.

A suggested organization-function chart for this unit is shown above. It indicates the responsibilities proposed for each sub-division of the unit. The present Facilities Planning Division forms a logical nucleus on which to build the new group. However, Facilities Planning does not currently have all the personnel required to carry out the activities outlined in this report.

Much of the work involved in planning and constructing new office facilities is done on a piecemeal basis. Each agency acts independently of other agencies in initiating acquisition of new office space. To centralize responsibility and authority for these activities requires an organization which is adequately staffed in numbers and in skills.

There should be a reduction in total work force since much of the work and many of the personnel can be transferred from other agencies. This will result in savings of \$600,000 per year in salaries and expenses.

- Management information should be developed for the Office Planning and Utilization unit to carry out effective planning and control activities.

Layout plans showing existing requirements of offices and unoccupied space would make it possible to analyze the type of additional space required. Substantial savings in alterations can be made by matching the space to the function.

- All existing assignments of office space should be reviewed using the approved occupancy standards as criteria.

This should result in reassigning space and relocating agencies to make the most efficient use of the areas available, with due regard to the operating needs of the agencies involved. At present, agencies are allocated space equivalent to the amount they now occupy plus the added amount required to take care of five years anticipated growth. Until this growth materializes, the state is wasting space and money. Offices should be reassigned to meet only present needs in conformity with approved standards.

- A system for planning to meet future office space needs of all state agencies should be developed.

Without a master plan which is continually adjusted to reflect changing conditions, it is impossible to know how expenditures can ensure suitable office space will be available for the most efficient and economical operations of state government. A master plan would be extremely useful to the Finance Department, the Governor and the Legislature in determining why, when and where state buildings should be constructed. Such a plan should be projected on both five and 10-year forecasts, then kept current on a yearly basis. Consideration should be given to building modern, modulized and open-

type office buildings to reduce the state's use of leased space to 1-million sq. ft. This could lead to estimated savings of \$1.5-million per year in lease costs plus a reduction in leasing personnel of \$126,000 per year.

For every additional 1-million sq. ft. that is better utilized, an increase of 1% in the efficiency of its occupants will result. This will realize savings of about \$700,000 per year.

- Construction of new office buildings should be initiated when the need has been established, and the entire project coordinated by the Office Planning and Utilization unit.

When construction of new office buildings is required, the basic project data on location, size and special features should be prepared. This suggestion is based on the fundamental concept that one state agency must be given the responsibility and authority to act as the "owner" of all state buildings.

- Periodic inspections of office space should be made to assure conformance to approved space standards.

The purpose of these inspections would be to obtain comments and suggestions for improving space utilization. They should also provide reference information in developing and revising space standards, furniture requirements, occupancy guides and office design features. Only partial inspection of space—approximately 1 out of 7 offices—is currently being carried out because of lack of manpower.

BUILDING AND GROUNDS DIVISION

This division provides custodial services, operating and maintenance of heating and cooling equipment, general repairs, elevator operation and telephone services to 54 office buildings under its jurisdiction. This does not include structures of the University or the State College system. Most are in Sacramento, Los Angeles, San Francisco, Oakland, San Diego, Fresno, San Bernardino and Stockton.

The amount of service furnished varies. Total services are provided to General Fund buildings. It is supplied to "special fund" buildings requesting total service and to "public building construction fund" structures where operation and maintenance are under the jurisdiction of General Services.

Of the total budget proposed for 1967-68, \$9.2-million represents manpower, of which approximately one-half is for janitors and janitor foremen.

Appraisal of performance

Custodial service personnel show a lack of interest in their work. There is a serious lack of planning and scheduling by supervisory and management personnel. Absence of adequate direction is the main problem with the state's janitorial program.

The division currently delegates authority to the building managers without sufficient training review, follow-up and coordination. This results in a loss of flexibility, absence of standardization and lack of enforcement of divisional policies.

For similar service, the state's hourly billing rates are 7% to 10% higher than those of commercial operators in hourly labor costs. If a factor for the state's apparent lower efficiency is introduced, the relative differential in billing rates rises to over 20%.

Recommended action

The custodial program should be reorganized and a centralized building cleaning approach should be developed. The reorganization should establish cleaning requirements for all state-owned buildings, establish cleaning frequencies and evolve standard methods and job procedures. It should also develop scheduling and assign work by individual job assignments, establish programs to train employees and develop methods of control, reporting and performance evaluation. Implementation of the recommendations can lead to estimated annual savings of \$1.2-million.

The division should develop efficient standards for custodial functions and methods.

Two factors that should be used in the evaluation of efficiency are square footage covered per custodian and the minimum necessary standards of cleanliness for state buildings. Here, the division seems to fall below par in relation to other governmental and private office buildings.

The level of cleanliness is low. This is mainly due to lack of programming and worker motivation. The square footage covered should be at least 14,000 per man. The division staffs on the basis of only 11,000 sq. ft. per custodian.

Productivity of the division's janitors should be increased through improved motivation and supervision. The division should develop formal on-the-job training programs, provide better opportunities for advancement, establish a merit award system to acknowledge achievement and furnish uniforms to encourage higher caliber janitors to apply.

Responsibilities for servicing all state-owned buildings, regardless of how funded, should be consolidated. Overall efficiency would best be served by placing all building maintenance and janitorial functions in the proposed Building and Management Division of the Department of General Services. Substantial savings can be achieved by using the advantages available to a central, specialized service department.

The specialist system should be used for cleaning large state-owned buildings. Such staffing is made up of specialists. For example, trashmen empty and wipe ashtrays and waste receptacles, floormen sweep and dust tile or hard surfaced floors and vacuum men clean carpeted areas.

The merits of subcontracting custodial services now performed by custodians should be studied. Current court interpretations of the State Constitution make it questionable whether an agency can subcontract to private industry any work which can be accomplished by a civil service job classification. A study should be initiated to determine the merits of this policy with respect to building maintenance.

The Assistant Chief should be assigned responsibility for determining what items should be stocked. The stores' operations in Sacramento, San Francisco and Los Angeles do not satisfactorily provide for material needs of building managers and craftsmen. There is a lack of uniformity and standards on what supplies should be kept in stores.

CALIFORNIA STATE POLICE

The California State Police (CSP) is primarily concerned with the protection of state buildings and grounds. This 144-man organization has a budget of \$1.1-million.

Appraisal of performance

Protection services are not supplied economically or efficiently. Service is provided where it is not needed in some cases. In others, the level of service is inadequate. Also, this agency is performing some functions not intended for the State Police.

Recommended action

As a result of observations made by the Governor's Survey, it is estimated that \$182,000 in annual savings can be realized. Also, one-time savings of approximately \$82,000 are available.

Criteria and standards should be established for determining the level of protective services. Presently, no such standards exist. Individual state agencies budget for protective services at the level desired. This has resulted in excessive protection in some instances.

The division should provide personnel training consistent with positions to be filled. There has been a tendency to overtrain. Training for security guard positions should be limited to firearms and basic security courses. Reducing the period of training from five to two weeks would save an estimated \$12,000 annually.

The division should discontinue patrolling undemolished buildings on rights-of-way for the Division of Highways. The CSP has a

contract with the Los Angeles District, Division of Highways, to provide a one-officer patrol of unoccupied state-owned structures on proposed highway routes. However, CSP coverage is not effective. The Division of Highways should install alarm devices or contract with private patrol agencies, which charge rates considerably under those imposed by the CSP. This would save \$60,000 annually.

Local police should be relied on to provide motor patrol protection to state buildings during the late night and early morning hours.

The CSP presently guards state office buildings day and night. Alarm installations, wired to local police departments, can effectively work in place of the assigned police.

If local authorities extend night patrols to protect state installations, savings of approximately \$82,000 are attainable after allowance of \$10,000 for alarm installations.

The division should discontinue the 24-hour guard service at the Governor's unoccupied mansion. This should provide estimated savings of \$18,000 annually.

OFFICE OF LOCAL ASSISTANCE

The Office of Local Assistance serves as staff to the Local Allocation Board. This board is made up of two senators, two assemblymen and the Directors of Education, Finance and General Services.

The function of the Local Allocation Board is to disburse funds, in the nature of loans to local school districts in accordance with provisions of the State School Building Aid Laws, and to disburse funds under other assistance programs. Bond issues for these purposes, totaling \$1.836-billion, have been passed by the electorate since 1949.

The Office has three units and activities are divided between Sacramento and Los Angeles. The Los Angeles office processes state school building aid applications from the southern California area. All other activities of the department are conducted out of

the Sacramento office. The 1967-68 budget, which is funded out of the sale of school building aid bonds, is approximately \$1.1-million for staffing 93 positions.

Appraisal of performance

There are numerous areas for improved efficiency and cost control. Undetermined savings could be achieved by formulating detailed building specifications, general conditions, standard appraisal formats, standard form construction and site development contracts, title reports, agreements between school districts and architects.

Recommended action

Suggestions of the Governor's Survey would do the following:

- Upgrade employee qualifications of the Field Services section.

OLA should require a bachelor's degree in a field of engineering directly related to construction plus a minimum of three years of directly related experience after completion of education. Equivalent experience should not be accepted in place of a degree.

- Require the state to be a signatory to all contracts for construction of schools or for any work in excess of \$5,000.

It should be unlawful to pay public money for any work performed without an executed contract. This is consistent with the Constitution which places the burden of responsibility for construction of schools on the state government and will require legislative action.

- Consolidate the functions of the representatives of the Bureau of School Planning and the Office of Local Assistance.

This will enable a school district to obtain consistent consultation on construction and management of school projects.

- Establish district-wide application procedures and maintain district-wide files on school facilities in each district.

Districts applying for state school building aid should make only one annual application, accompanied by a five-year plan which is updated annually. The greatest savings would arise because local school districts would be forced to make five-year plans and detailed district-wide proposals. Further, it will help eliminate overlapping use of population or attendance projections and allow more critical evaluation of plans.

- Require architects and engineers working on state-aided projects to maintain time cards on all office and field work.

The architect's fee, agreed upon beforehand, and expressed as a percentage of the total job cost, should be the upper limit for his services. This should shorten total architectural and engineering time and reduce fees by approximately 50%.

- Prepare a revised square foot cost schedule on no more than five categories of construction for use in estimating.

At present, there are 17 separate construction categories. A school district architect should be required to specify the systems required for lighting, heating, air conditioning, ceiling and floor. The systems should be specified according to broad cost-wise specifications recommended by OLA. By instituting greater uniformity among documents, better cost-experience records can be accumulated.

**GOVERNOR'S
SURVEY ON
EFFICIENCY
AND COST
CONTROL**
FEBRUARY 1968

SECTION 3

REGULATORY AND PROTECTIVE

REGULATORY AND PROTECTIVE

To effectively evaluate operations of the regulatory and protective services in the state, the Governor's Survey made detailed evaluations of 16 departments, agencies and boards. This section contains review data and suggestions for improving operations of individual departments concerned primarily with business, transportation, motor vehicles, public works, insurance and investment. All of these departments protect the interest of the state's citizens.

Their diverse operations were examined in detail. Reporting varies from activity to activity depending upon the number of significant recommendations and complexity of operations. As a result, major emphasis is directed at the Departments of Public Works,

California Highway Patrol and Motor Vehicles. Other reports cover the Business and Transportation Agency, Disaster Office, Professional and Vocational Standards, District Securities Commission, Military Office, Alcoholic Beverage Control Board, Horse Racing Board, Alcoholic Beverage Control Appeals Board, Division of Aeronautics, The San Francisco Port Authority, Office of the Fire Marshal and the Departments of Insurance and Investment.

The agencies discussed individually on the following pages are currently accountable for total budget expenditures in excess of \$1.1-billion annually. The number of permanent personnel assigned to the regulatory and protective units exceeds 36,000.

SECRETARY OF BUSINESS AND TRANSPORTATION

In early 1967, the scope of this agency was expanded and renamed—The Office of the Secretary of Business and Transportation. Formerly, only the Departments of Public Works, Motor Vehicles and the California Highway Patrol were included in this function. Now, departments dealing with various aspects of business have been added.

The Transportation Agency organization includes the Administrator, his assistant and two clerical positions operating on a 1967-68 budget of about \$80,000. To adequately fulfill his responsibilities, the Secretary has borrowed personnel from departments within his group to act as staff. The Administrator also acts as a member of the Bay Toll Crossing Authority and member of the Bay Area Transportation Study Commission. He is also on several inter-governmental committees.

Appraisal of performance

This agency has required departments to establish realistically tight budgets to insure improved efficiency. Other responsibilities have been dealt with quite effectively considering the very diverse and heavy workload

and the circumstances under which the staff was assembled.

Recommended action

To implement further improvements, a clear definition of the authority, responsibility and accountability of the Office of the Secretary of Business and Transportation is needed. On the basis of this information, the Secretary can then proceed to establish an adequate organization to effectively deal with all assigned responsibilities. A total of 16 separate departments report to the Secretary. Transferring of some non-related functions and combining others would help reduce this span of control.

On an agency-wide basis, improvement should also be made in the accident reporting system currently used in California. It involves three departments, the cities, counties and the federal government. The three state departments are the Highway Patrol, Motor Vehicles and Public Works. This reporting system is complex and only partially satisfactory particularly where property damage is involved. Streamlining the procedure could

save an estimated \$400,000 annually when implementation is complete.

DEPARTMENT OF PUBLIC WORKS

The Department of Public Works is one of several departments which report to the Secretary of Business and Transportation. It is responsible for design, construction and maintenance of California's highways and bridges. The department's authorized 1966-67 programs amounted to about \$1-billion. Of this amount, about \$156-million was for subventions, \$70-million for personnel for highway maintenance and \$183-million for administration and engineering. The remainder was spent for capital outlay such as acquisition of rights-of-way and construction programs.

Departmental administration provides overall direction of the activities of the Highways, Bay Toll Crossings and Legal Divisions. In addition, it acts as the staff function for the California Toll Bridge Authority and the California Highway Commission. Its annual budget of \$1.3-million is charged to the State Highway Fund, except for an annual contribution of \$10,000 from the Bay Toll Crossings Revenue Fund. It is authorized 92 positions.

Appraisal of performance

The Director and his immediate staff, until recently have been almost exclusively concerned with external relations and end results of division activities. Not enough attention has been given to day-to-day operations. There is also a need to lower operating costs and develop sound engineering economics in the divisions.

Good management principles dictate that the Director should have the staff and necessary information to fulfill his responsibility as chief executive officer of the department. The head of each division should be the chief operating officer.

Recommended action

The Governor's Survey made extensive recommendations regarding the department

and especially the Division of Highways. If all recommendations were implemented, potential savings would be \$26.1-million annually. There would also be a one-time saving in capital expenditures of \$1.6-million. Additionally, suggestions were made which would increase revenues by \$2-million.

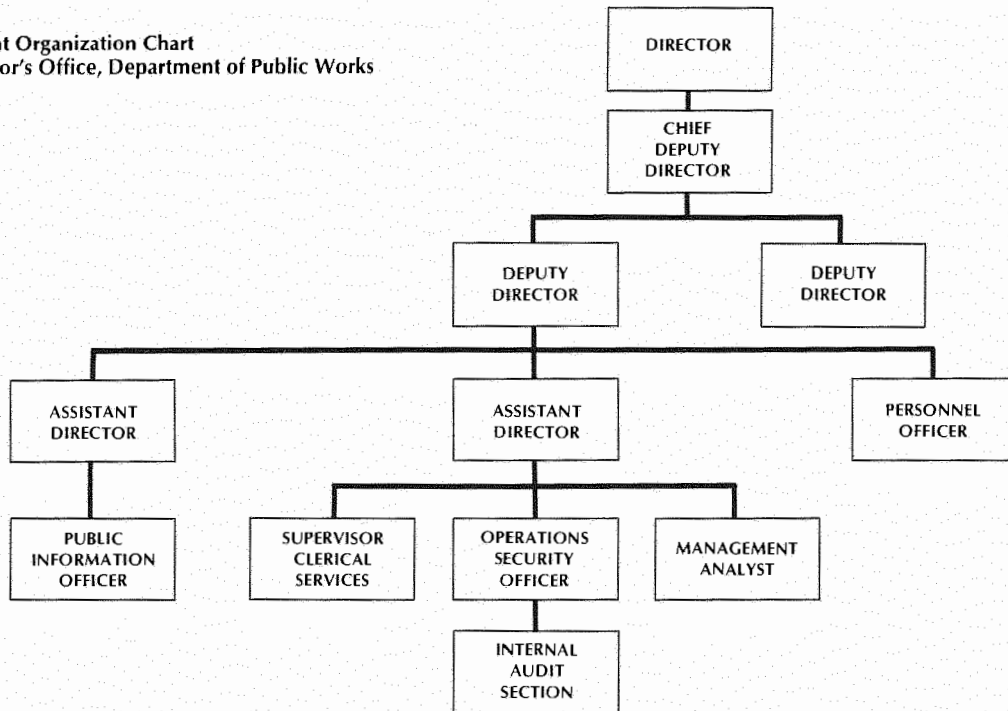
The following suggestions refer specifically to functions and operations of the Director's office. The present organization chart is shown at the top of the next page.

A key recommendation would revise the organization of the department, transferring non-operating functions from the divisions to the office of the Director. For a more cohesive department, the Director should have direct control of all functions involving external relations, departmental organization, personnel policies and fiscal control. To accomplish this, certain units which are now assigned to operating divisions should be re-assigned to the office of the Director. The proposed organization chart for the department is shown at bottom of next page.

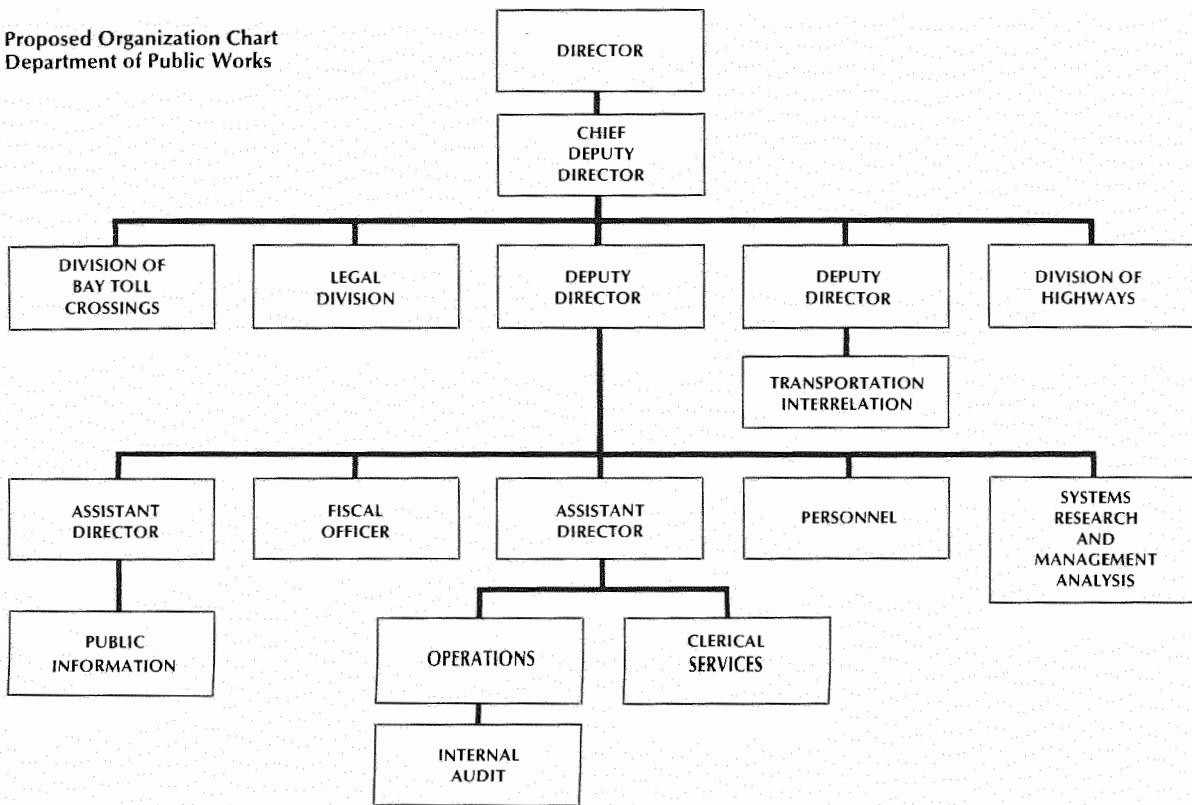
A second department-wide recommendation would establish a staff function to study the interrelationship between the various forms of transportation. It is becoming apparent there is an important relationship among various forms of transportation. This is evidenced, for example, by the establishment of the U. S. Department of Transportation. Public Works is currently participating in 11 regional planning studies. Therefore, the deputy charged with interrelation of transportation activities should keep the Director informed about these matters. Any permanent agency within the state charged with responsibility for continuing study of transportation should be placed in this department. Present and proposed studies should be critically examined to assure that utilization of the data derived is sufficient to justify study costs.

A third department-wide recommendation would maintain tight control on additional hiring by use of ceilings on either total number of jobs or total money available.

Present Organization Chart
Director's Office, Department of Public Works



Proposed Organization Chart
Department of Public Works



Division of Highways

The Division of Highways, with more than 16,500 employees, is the largest of the three units reporting to the Director of Public Works. The division is responsible for planning, design, preparation of plans and specifications issued to prospective bidders, analysis and award of contracts, maintenance of highways and related matters.

Recommended action

A major recommendation would revise organization structure and responsibility of functions reporting to the Deputy State Highway Engineer—Administration. Such a change would provide the needed levels of supervision and management controls.

A recommendation that offers a great cost saving would eliminate mandatory requirements for labor, material and performance bonds and give the State Highway Engineer authority to determine, on an individual project basis, the circumstances that warrant additional cost of bonds for specific contractors or projects. Contracts for projects of less than \$50,000 averaged only 1.4% of total dollars during the last four years. The risk of loss from default is, therefore, quite low while the bond rate for such small contracts is nearly double that for larger contracts. Elimination of the requirement for these bonds would yield a net annual saving of approximately \$1.35-million.

Another recommendation offering multi-million dollar savings would develop an effective manpower control system through establishment of engineered work standards. Work measurement studies could effect savings in clerical work forces, janitorial and maintenance forces, survey crews, material laboratory and reproduction operations, totalling up to \$2.2-million per year.

One suggestion made by the Governor's Survey would reduce the number of Division of Highways' sedans and pick-ups and allow employees who make occasional trips to use their private autos. There is an over-abundance of state-owned sedans and pick-ups

within the division. The proposed merger of Bridge and Highway field forces should bring about a reduction in pick-up requirements. It is suggested the division's 5,344 units be reduced by 800 vehicles. At \$2,000 each, this would save \$1.6-million on a replacement basis.

Another key recommendation would extend Highway Maintenance Superintendent's and foremen's territories and institute a work measurement program. Where studies have been made in private industry, they have resulted in 25% to 30% savings in personnel. If a minimum 10% saving could be made by the division, the amount would be approximately \$5.8-million per annum.

A suggestion to charge for all transportation and encroachment permits would allow this service to be self-supporting. Transportation permits allow equipment to be moved on the highways and require policing by the California Highway Patrol. Cost of these permits should be borne by the users, not the public at large. Furthermore, bond requirements should be examined with the view of eliminating a source of considerable paper work. Encroachment permits also benefit the user rather than the public. During fiscal 1966-67, the division issued 94,997 transportation and 12,033 encroachment permits. Making this service self-supporting would result in savings of \$1-million per year.

The proposed plan to merge landscape projects with highway maintenance work offers a great potential savings. Landscape forces are used as separate units, except when their services are utilized with maintenance personnel in repairing excessive storm damage. The Personnel Board should change the classification of landscape foremen and workers to permit integration of these forces. Better utilization of the groups should be made, particularly during rainy months of the year, when landscape work requires minimum attention. Streamlining and programming highway maintenance work should realize estimated savings in excess of \$5-million per year.

In addition to the preceding recommendations, each of which can offer substantial savings, the Governor's Survey offered other suggestions involving the Division of Highways. Each contributed to the overall possible savings of \$26.1-million in the Department of Public Works. These added recommendations deal with:

- Consolidating clerical forces into stenographic and typing pools.
- Establishing cost reduction programs.
- Establishing better management information systems.
- Improving the utilization of ADP.
- Simplifying internal policy procedures.
- Reducing the non-productive time of department employees.
- Consolidating field forces.
- Streamlining paperwork procedures.

The Equipment Maintenance Department cares for all highway maintenance equipment and rents it to the Maintenance and Construction Departments at rates sufficient to support the entire cost of its operation. Its present working force totals 664 employees in administration, production and engineering functions. It maintains approximately 11,500 pieces of equipment. Recommendations for improving operations and procedures within the department could effect annual savings estimated at \$393,000, if implemented.

One recommendation would replace passenger cars and pick-ups when major repairs are required, regardless of accumulated mileage. With this program, usually only inspection, preventive maintenance and minor repairs are necessary during the vehicle's life. Such a program has been in use in a major public utility fleet of approximately 5,000 passenger cars and half-ton trucks for 17 years. The annual total cost per mile for this fleet has not changed during the 17 year period. Estimated annual savings in repairs now made on vehicles which are approaching replacement, and on low-mileage vehicles

kept in service after they should have been replaced, is approximately \$200,000.

Other key recommendations for the division would:

- Install a new shop record system for control of maintenance and repair.
- Reduce the number of passenger cars in use by increased use of pooling. Pooling could be increased to an average of 50% and the total number of passenger cars reduced by 15%. Based on 375 vehicles, each driven 15,000 miles, annual savings of \$90,000 can be attained.
- Reduce the stock of equipment.
- Change the color specifications for passenger cars. The color now used on Division of Highways passenger cars becomes almost invisible under poor lighting conditions and presents a driving hazard. It is suggested the specifications for new cars be changed to any light color. Experience with commercial fleets has proved successful.

Legal Division

The division provides legal services for the Highways and Bay Toll Crossings Divisions.

Recommended action

One suggestion for the division would eliminate promotional examinations. Through the years, promotional examinations have been abolished in all grades up to attorney IV. However, an oral and written test is required for promotion to attorney IV and assistant chief. An employee development appraisal process is now used for promotion from junior counsel through grade III. A panel—composed of the Chief, the Sacramento Deputy Chief and the Legal Division Personnel Officer—judges an applicant for promotion on the basis of written appraisals from two of his immediate superiors and his annual performance reports. Use of this system for grade IV and assistant chief promotions would permit the division to exercise greater flexibility at a lower cost.

A second key recommendation would reduce appraisal costs on acquisitions. Property sought for highway acquisition purposes is appraised by a right-of-way staff appraiser. Under procedure established by the department, staff appraisers operate in teams and each appraisal is reviewed. Where the appraisal on interstate projects is in excess of \$100,000, the U. S. Bureau of Public Roads requires a second appraisal.

It is present policy of the department to make two staff appraisals on state projects exceeding \$100,000. However, there is no statutory or other requirement to do so. The right-of-way chief justifies use of two appraisers on two grounds. First, it is often impossible to determine whether there will be federal participation. Second, it would be inequitable to property owners to use two with some and one with others.

Only one staff appraisal could be made on property acquired when state highway use is identifiable at time of acquisition. During fiscal 1965-66, the state acquired 200 parcels appraised at over \$100,000 each. A total of 82, or 41%, were used for highway purposes. A single appraisal would have saved approximately \$82,000.

Another recommendation involving appraisers would maximize the use of staff appraisers as expert witnesses in condemnation litigations. The present policy of the division is to have two outside appraisers testify at the trial, or at least be prepared to do so.

The standard fee paid by the state for an outside appraiser is \$100 per day. Last year, outside appraisers were paid fees amounting to \$896,610. Use of staff appraisers in place of outside appraisers last year would have saved approximately \$188,000.

Division of Bay Toll Crossings

Policy and fiscal decisions concerning state toll bridges are made by the Toll Bridge Authority. The Division of Bay Toll Crossings has been assigned the responsibility of carrying out directions of the authority concerning toll crossings.

Recommended action

One key recommendation for this division would establish and apply work measurement standards for all grades of employees. Production records are not being kept, even on letter-writing and typing functions. Some averages and minimums have been specified but are not enforced. A work measurement program should be adopted without delay in the Administration unit, which has 118 support positions. The experience of private industry indicates that labor cost savings of at least 10% are to be expected from an effective program. A 10% saving in this area would amount to \$140,000 per year.

Another recommendation would consider the discontinuance of commuter books on all bridges except the Richmond-San Rafael. The number of commuter tickets issued is relatively small in comparison to total non-commuter use of bridge facilities. The work involved in handling these books is quite costly. Further, when cash fare for autos and commuter ticket rates are closer in price, use of commuter books might be discontinued on that bridge.

Abolition of commuter tickets would avoid delays, particularly around the first of each month when they are bought in quantity. Also, it would eliminate the necessity for increasing tolls. Implementation should result in reduction of three employees for a saving of \$24,000 per year and printing costs of approximately \$50,000. In addition, revenues would be increased by over \$1-million annually.

The Governor's Survey also recommends that tolls at the various bridges, with exception of Richmond-San Rafael should be doubled and the charge should be collected only one way. This would allow free passage in one direction. The arrangement would have to be compatible on other bridges to guard against making toll-free circuit tours. This would reduce the probability of accidents in one direction at each bridge, speed up traffic and save an estimated \$1.13-million per annum in employees wages.

Several additional recommendations involve reducing the number of state-owned automobiles used by the division, contracting for janitorial services, streamlining the accounting procedures, eliminating unnecessary paperwork and realigning certain positions for greater effectiveness.

DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) performs several functions, but its two major responsibilities are the issuance and control of drivers licenses and the registration of vehicles, including collection of statutory fees. Some DMV employees are concerned with administration and enforcement of the Financial Responsibility Laws, the Driver Improvement Program, Smog Device Laws and the Implied Consent Law. In addition, other tasks have recently been assigned to DMV by legislative action.

A measure of the DMV workload is illustrated by the increase in the number of motor vehicles registered (including trailers) and outstanding drivers licenses in recent years. Registration of motor vehicles rose from about 8.7-million in 1960 to 11.7-million in 1966 while the number of drivers licenses jumped from 7.95-million in 1960 to 10.4-million in 1966.

The department's operating budget for fiscal year 1967-68 is approximately \$41-million. It will have an authorized staff of approximately 6,800 employees.

DMV is in the process of automating the vehicle registration and driver license files by use of an electronic data processing system known as Automated Management Information System (AMIS). Additional expense and subsequent savings resulting from this conversion are shown on the chart on next page.

Appraisal of performance

In general, there is a tendency to accumulate vast archives to meet any and all contingencies which might develop. In this effort to resolve a relatively small percentage of problem cases, excessive costs are incurred.

Personnel, timekeeping and payroll procedures are cumbersome and expensive. However, improvements in these areas must usually originate with other state agencies.

In particular, two practices result in large economies. First, although considerable overtime work is necessary, at most only straight time rates are paid, never premium rates. In fact, many employees are not paid at all for overtime but are given compensatory time off. Neither is there any premium pay for second or third shift work.

Second, DMV makes efficient use of permanent intermittent employees. These are people who have passed required civil service examinations but who prefer part-time work. Thus, they are paid only for hours actually devoted to DMV duties.

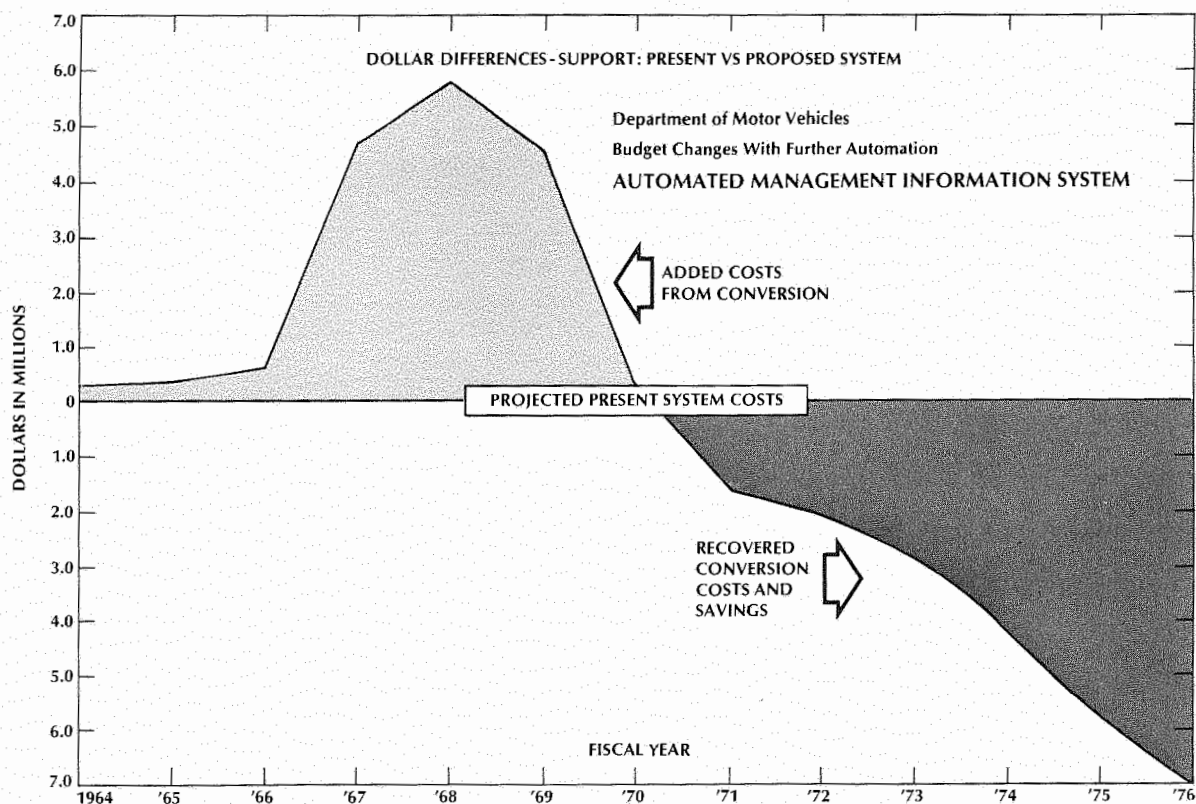
Recommended action

The Governor's Survey made recommendations that offer the opportunity of saving \$4.3-million in one-time cost reductions, plus a continuing annual savings of \$8.9-million. There will, however, be a one-time cost of approximately \$500,000.

Pertinent to the entire department, the feasibility of eliminating the layer of management just below Division Chief should be studied. At present, each Chief has not more than four assistant chiefs or other subordinates. Each assistant chief supervises no more than two or three section heads. If the eight assistant chiefs were eliminated, no Division Chief would have more than five subordinates. This could result in an annual savings of approximately \$147,000.

Data compiled by the department in March, 1967 predict a substantial savings will be realized after conversion to AMIS is completed. These indicate cumulative expenditures will reach a maximum of \$16.5-million in 1969-70. After that, AMIS will produce a cumulative savings of \$23.8-million by 1975-76. Savings are anticipated subsequent to 1976 of at least \$7-million annually.

Advancing the annual registration period by one month could result in the collection of



an additional 25% (\$90-million) in December instead of after the first of the year. Additional interest of \$185,000 would be earned by this change.

Improvements underway

DMV now occupies two buildings in Sacramento while the California Highway Patrol now occupies a third unit in this complex (CHP "A"). It moved into a fourth structure (CHP "B") in August, 1967. Because of present plans for DMV to take possession of CHP "A", the new three-story CHP "B" unit will not be adequate for CHP's needs. Thus, a 10-story facility has been designed for erection adjacent to the "B" building.

It has been proved to the DMV Director and the CHP Commissioner that the proposed 10-story building is not needed before

1980 and probably will never be needed. Until at least 1980, DMV's space requirements can be met by utilization of the area being vacated by Social Welfare plus the large area now covered by files. In turn, DMV can withdraw its request for CHP "A", leaving that structure in CHP's possession. Resulting savings will be \$4.3-million plus annual maintenance, utility and interest avoidance of \$400,000. Costs for refurbishing CHP "A" will be \$500,000.

This recommendation was originally made in June, 1967 and was immediately accepted and acted upon by the Governor and officials of the departments involved.

Administration Division

The Division of Administration provides a wide variety of staff functions within DMV.

Recommended action

By establishing an effective manpower control system through development of a work measurement program, the department could realize estimated potential savings of over \$4-million. This same approach would reduce the number of janitorial employees from 95 to 66 by conforming with normal building maintenance criteria used by commercial service companies. This would save approximately \$125,000 per year.

A concerted effort should be made to reduce excessive sickness absenteeism. Reduction of sick leave by one day per employee, per year, would have resulted in an annual saving of \$143,000.

Division of Registration

The primary responsibilities of this division are issuance, cancellation and revocation of vehicle registrations and issuance of certificates of ownership; collection of the use tax on vehicles; administration of the Health and Safety Code relating to installation of smog devices on motor vehicles and maintenance of vehicle records.

Recommended action

Key suggestions would do the following:

- Augment misuse penalty on dealer transactions from \$3 to \$5.

This \$3 fee, established in 1953, is not adequate to cover cost of uncovering misuse transactions, field investigations and collections. If the penalty were increased to \$5, and if violations continue at the present rate, there would be an increased annual revenue of \$713,200.

- Increase transfer fees and fees for duplicate registration and ownership certificates and duplicate plates.

A study by Management Analysis indicated actual cost for transfers are \$2.83, duplicate certificates \$2.40 and duplicate plates \$2.84. This suggests present fees should be increased from \$2 to \$3 to cover costs. With approximately 3.1-million appli-

cable transactions per year, revenue would be increased by \$3.1-million.

- Discontinue the keypunch unit of data processing in July, 1968.

Work now being performed by 182 keypunch operators will, in July, 1968, be performed by 96 key entry operators on 48 video-interrogators. During annual registration renewal, keypunch operation costs increase approximately 80%. The total annual cost of keypunch is about \$1.9-million. The equivalent cost with video-interrogators, including temporary increase during annual registration renewal, will be about \$1.2-million. Annual savings of more than \$600,000 are indicated by this change.

- Discard engine number file and alpha file when AMIS becomes operational.

Implementation of this suggestion will result in annual savings of approximately \$448,000. In addition, modify processing procedures of duplicate registration items. This could result in an annual dollar saving of about \$79,500.

Division of Drivers Licenses

Primary duties and responsibilities of this division are administration and enforcement of the Vehicle Code and other related laws, establishment of standards for road-testing of drivers and written driver tests used by the Field Offices Division. Additionally, it enforces the Financial Responsibility Law, administers the Driver Improvement Program, maintains the manual and electronic storage files for state-licensed drivers and collects statutory fees.

Recommended action

Several recommendations were provided by the Governor's Survey. Key suggestions would include:

- Institute a procedure and methods study to improve efficiency and reduce waste in this division.

This should be done by personnel from Management Analysis. Each 1% reduction

in payroll costs would result in a savings of about \$100,000. The Survey team believes potential savings could total as much as 5% to 10% over a given period.

- Implement a more effective mail brief service involving suspension and revocation actions.

Each successful brief service handled by field examiners costs about \$12.50. A forceful mail program may reduce the number of cases presently being handled by field investigators. Annual savings in the area of \$150,000 could be anticipated.

- Increase present drivers' license fee from \$3 to \$5 for normal application processing while another \$5 driver examination fee should be imposed on original or late renewal applications.

Study project 403, performed by the Administration Division, indicates the cost of issuing drivers licenses without a driver's test approximates \$4.69 each. It costs \$7.75 when a driver's test is required. A \$2 increase in basic fee would result in added revenue of \$4.6-million per year. An additional \$5 driver examination fee would add income of \$4.4-million. This added \$5 fee should not apply to elderly people or those taking examinations at DMV's specific request. A total increase in revenue of close to \$9-million could be anticipated.

- Require companies to supply drivers license numbers on record requests or charge an additional \$0.30 to cover cost of processing.

Of the 520,000 insurance and credit company inquiries per month, approximately 10% fail to include drivers' license numbers. These inquiries must be processed at a cost of approximately \$0.30 each. The costs should be passed on to the recipients. This would result in added income of \$187,200 per year.

- Charge a fee for reinstatement of a suspended or revoked drivers license.

Nearly all the operating costs of the Driver Improvement and Financial Responsibility

sections should be borne by the violators and not by the general motoring public. A specific fee should be based on further study of costs. However, a \$10 fee would produce income of approximately \$1.3-million annually.

- Phase out 45 driver improvement analyst positions by increasing scheduled hearings from 27 to 36 per week.

It has been determined that field DIAs have sufficient time for 36 hearings per week instead of 27. This would significantly reduce the number of field DIAs required with an annual savings of \$445,000.

- Eliminate non-moving violation abstracts from drivers' license files except where they have a direct bearing on future license issuance.

Approximately 25% of the 450,000 filed abstracts of violations are non-moving infractions. If these violations are eliminated from the files and other violations recorded in the Data Center, savings would approximate \$102,300 annually. Implementation will require legislative action.

- Revise the procedure for processing financial responsibility accident reports SR-1 and SR-60.

To do so along the lines suggested by the Governor's Survey would produce a savings in salary and benefits of \$174,240. Adding cost of space at \$12,300 and printing of SR-60 forms at \$3,000, a net savings of \$189,540 could be realized.

Division of Field Office Operation

Responsibility and duties of the division include registering of motor vehicles and trailers and the collection of fees; processing dealer's and salesmen's license applications; examining driver applicants and participating in surveys for acquisition of field office quarters and lease negotiations.

Recommended action

By eliminating the Los Angeles numeric file when AMIS becomes operational, an annual saving of \$197,000 will accrue. Abolishing

the Los Angeles numeric file was under consideration prior to this study. The Director must initiate this action at the proper time to realize the savings.

The elimination of field offices where areas can be served by travel crews should also be investigated. Net saving, including cost of travel crews, would be at least \$113,000 per year.

Compliance Services Section

The Compliance Services section licenses and regulates vehicle dealers, manufacturers, transporters, salesmen, dismantlers and driving schools.

Recommended action

It has been suggested that a study be made to determine the feasibility of dispensing with brief services by field investigators and establishing Highway Patrol access to AMIS. The savings through eliminating this brief service could amount to as much as \$400,000 annually on the basis of last year's cost. Legislation or a favorable court decision might be required. Concurrence of the Highway Patrol would, of course, be necessary to put the plan into effect.

Legal Services Section

This section performs many duties. Its main functions include trial of administrative cases and reply to Writs of Mandate, analysis of proposed and enacted legislation pertaining to motor vehicles and drivers, as well as writing new legislation for DMV. Additionally, it reviews proposed contracts, leases, purchase orders and the like before they are transmitted to General Services.

Recommended action

A key suggestion would reduce some of the current workload to free lawyers' time for pressing legal matters. At present, all proposed contracts, purchase orders and lease agreements must be approved by the staff prior to transmittal to General Services. Legal Services should review only contracts

of \$1,000 or more. Approvals of lesser contracts should be assigned to the originating organizations.

CALIFORNIA HIGHWAY PATROL

The California Highway Patrol has the responsibility for assuring safe and efficient use of highways. As of June, 1967, the patrol had a complement of 4,376 uniformed and 1,342 civilian personnel. Personnel services represent approximately 78% of total expenses.

CHP patrols more than 700 miles of freeways in urban areas, 12,000 miles of state highways and over 70,000 miles of county roads. Its budget for fiscal 1967-68 is approximately \$75.5-million.

Appraisal of performance

It is difficult to appraise the current operations of the patrol because two current programs have created extraordinary burdens. The first, resulting from legislation in 1965, increased the motor vehicle registration fee and directed that the increase be used to double the size of the uniformed force. Thus, training facilities and personnel of the department are feeling the impact of a sharp temporary increase in workload.

The second program is a departmental study on the correlation between staff level in a given highway section and frequency of accidents. Results of an earlier study, "Operation 101," indicates a significant reduction of accidents is to be expected when a large number of "on-view" officers is deployed in an area. These results are currently being tested by deployment of 500 officers in six urban areas which are the major accident centers. This study has created temporary but serious overburdening of facilities.

The sudden influx of officers was not accompanied by adequate support planning in facilities and communications. There is a need for integrated methods and systems planning for both law enforcement and clerical personnel. Manual and mechanized procedures should be standardized.

Recommended action

More effective and responsible accounting is required to provide management with performance comparisons. Control of vehicle costs, sick leave, disabling injuries and court time are a few of the problems. With minimum additional effort in application of data processing, information would be forthcoming to alleviate them. It is estimated by the Governor's Survey that potential annual savings of \$4.1-million can be achieved. In addition, a one-time net savings of approximately \$4.7-million may be realized. To obtain these savings, the CHP may incur annual costs of approximately \$389,000. Significant recommendations of the Governor's Survey would do the following:

- Modify the organizational structure of the California Highway Patrol. Charts of both the present and recommended organizations are shown on next page. These changes would produce an annual saving of \$56,000. Of greater benefit would be improved management control.
- Utilize electronic and mechanical devices to assist in reducing highway accidents.

Excessive speed is the cause of 32% of all accidents on our state highways. CHP would deal with this problem more effectively if the restriction on using speed control devices were removed. Consideration should be given to allowing CHP to use radar and vascar devices to increase efficiency of speed limit enforcement.

- Reduce accident report form 110 to one page for property damage accidents.

There is need for revamping the report form used for property damage accidents. The form is long, requiring three to five pages. In 1966, the CHP submitted 136,289 accident reports after investigation. Of this total, 78,026 did not result in either death or bodily injury. Average time spent by officers investigating each accident was 2.25 hours. This investigation time represented approximately \$1.2-million in salary expense. By adopting a one-page report, investigation

given to 57% of accidents reported would be substantially reduced. Anticipated annual savings of \$281,000 in investigative time by officers does not include clerical time.

- Reduce the non-essential time in court spent by CHP officers.

Traffic officers spend approximately 27,000 hours per month in court. For the fiscal year 1966-67, the CHP incurred overtime costs of over \$1.5-million. It is estimated by area commanders that testimony is required in only 20% of the cases.

Implementation of this recommendation should result in a 15% to 20% decrease in overtime due to court time. Annual savings of \$222,000 are anticipated.

Operational Planning and Analysis Division

Basic functions of the division include development of operational plans and special studies relating to department programs, traffic activities, field operations and highway safety. In addition, it includes design, programming and operation of electronic data processing systems, provides photography, art, audio-visual and other related technical services.

The CHP is currently operating two computer systems. One is the Automated Statewide Auto Theft Inquiry System known as Auto-Stat. About 1,000 to 1,400 transactions and 12,000 inquiries are handled each day. The second produces accident enforcement patrol summaries for the field commanders, statistical reports, National Crime Information Center processing and miscellaneous administrative and fiscal processing.

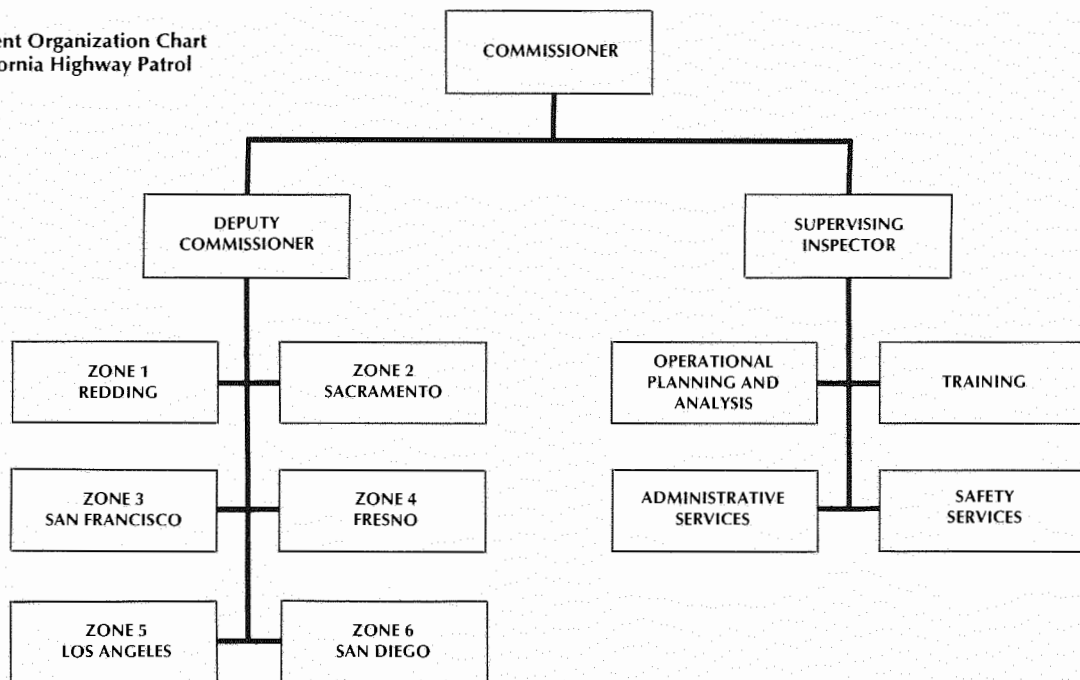
Recommended action

Key suggestions pertaining to operations would:

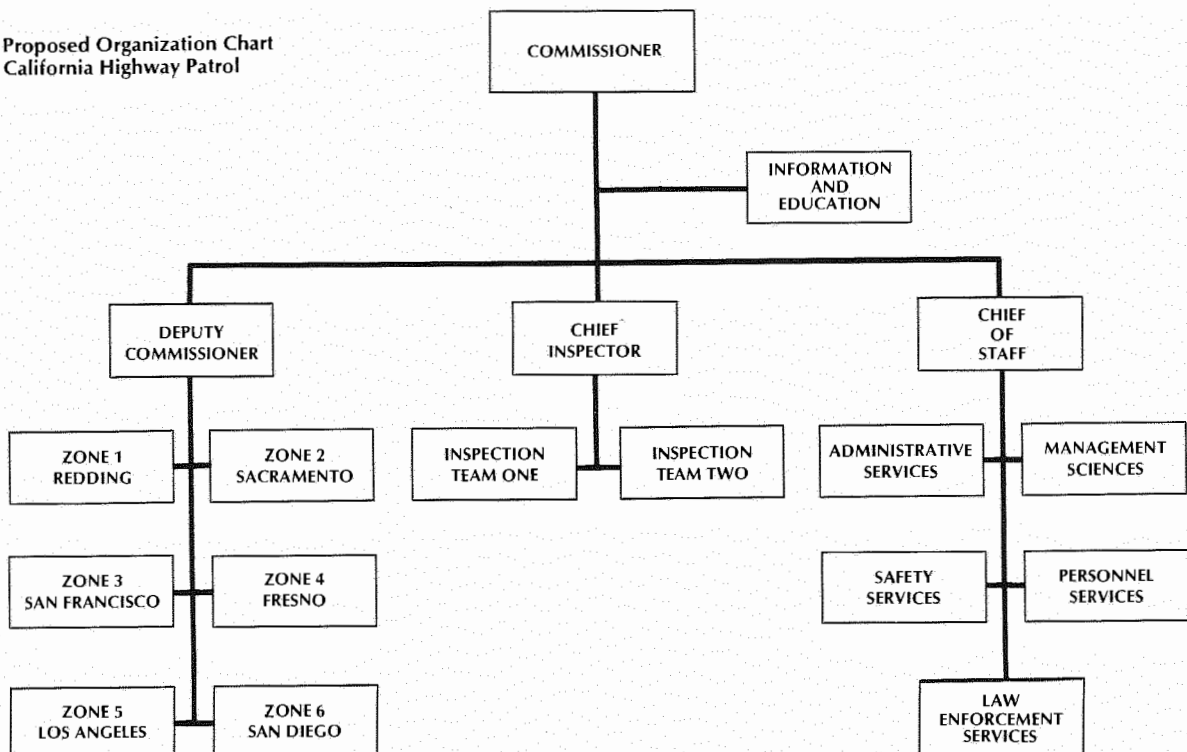
- Improve the control procedures over the data processing input.

Significant problems are being experienced in the field offices due to errors in data processing output documents. These errors

**Present Organization Chart
California Highway Patrol**



**Proposed Organization Chart
California Highway Patrol**



are often discovered much later by field officers who keep manual records. Resolution of errors discovered subsequent to production of final monthly reports is often difficult. Experience in industrial computer installations indicates that lack of adequate input controls is a major cause of data processing errors. Proper batch controls accompanying documents received each day by data processing will make it possible to resolve differences as they occur.

- Study the Departments of Motor Vehicles, Highway Patrol and Justice to determine the most efficient location for master files and computer logic associated with Auto-Stat.

There would be logic in having only one central computer system. Such an installation would remove difficulties involved in interfacing multiple systems. Also, it would eliminate the cost and other difficulties involved with duplicate data files.

Administrative Services Division

The division has responsibility to direct and coordinate the activities of the 10 sections. Each unit is headed by a section commander. Seven of the heads report directly to the Division Commander. The accounting, budget analyst and internal auditor commanders report through the Fiscal Officer.

Recommended action

Some suggestions for Administrative Services would:

- Explore the feasibility of utilizing county auditors by California Highway Patrol.

To insure fines are collected and to guard against embezzlement and collusion, the patrol maintains two sets of records. One is kept in the area and the other at headquarters. These records are in addition to those maintained by the counties which collect the fines.

The feasibility of using the county auditor's records should be explored. Where the CHP is convinced that a satisfactory internal control system exists, the audit could be

limited to a review. If an adequate county audit system is not available, the CHP should maintain records at the area level and institute audit and inspection controls. An appraisal of each county audit system is required. Potential savings are in excess of \$100,000 per year over a period of years.

- Install comprehensive controls for administration of the CHP Workmen's Compensation program for uniformed personnel.

Under provisions of the Workmen's Compensation Act, uniformed members of the CHP are eligible for service disability leave with full pay in lieu of temporary disability payments. The disability frequency rates for the CHP, when compared with the state average, points to a high rate of job-related disabling injuries. During 1966, the CHP experienced 500 lost-time injuries, totaling 18,227 employee days. This is equivalent of approximately 65 full-time traffic officers or a salary cost of \$625,000.

One zone is having success in reversing the trend through a program to curb the number of injuries. This type of program could be implemented throughout the state and become a useful rewarding tool in combating lost-time injuries. It is felt a minimum of a 30% reduction in the number of days lost could be realized if management's control of the program was strengthened. A substantial effort should be made to obtain the interest and involvement of non-management personnel. Estimated annual savings of \$180,000 can be anticipated.

- Provide guns and grant uniform allowances.

The Motor Vehicle Fund should purchase guns and provide them to traffic officers. By purchase in large volume, revolvers would cost \$60 each. During 1967-68, approximately 960 traffic officers will be appointed. This would cost \$57,600. In succeeding years, 400 cadets annually would be provided with guns at cost of \$24,000. Also, a uniform allowance of \$100 should be made upon appointment.

However, there should be an understanding that the entire amount would have to be repaid if the employment period was less than two years. Initial cost would amount to \$96,000 per year. After one year, all present traffic officers should be eligible for similar allowances and receive the remuneration each two years thereafter. At the authorized staffing of 5,226 officers below the rank of supervisory inspector, annual costs would be \$261,330. Total annual costs for these items would be approximately \$285,300.

- Modify present accounting and data processing procedures for producing the monthly expenditure report to provide management with motor vehicle and motorcycle costs per mile.

At present, the patrol does not have the capability to control vehicle maintenance costs because they are not presented in proper detail. Data processing is presently keypunching all information needed to prepare area detail cost reports with the exception of the three-digit area code.

With the addition of monthly area vehicle mileages by class of vehicle, to be supplied by Motor Transport, data processing has the input data required to produce the reports. Estimated annual maintenance savings from improved controls will amount to \$250,000.

- Delay acquisition of motorcycles and discontinue purchase of shotguns.

CHP's budget for 1967-68 indicates that 196 new motorcycles are scheduled to be purchased. These will cost \$364,000. As of July 30, 1967, there were 219 new motorcycles in stock. Implementation would produce a cost avoidance of \$364,000. In addition, the budget provides for the acquisition of 571 shotguns at a total cost of more than \$81,000. However, the patrol already has more shotguns than it needs. Some 55 shotguns received over one year ago remain unopened in their original packing cases in one area office. In another, shotguns have been issued to traffic officers who store them in their homes. These excess weapons should be returned to the warehouse.

- Improve overall efficiency of the microwave system.

This network was installed as emergency equipment and should be promptly improved. The facilities of several state agencies are used. Therefore, cost of improvements would have to be borne by each agency in a proportionate manner.

- Merge small dispatch centers into more efficient large operations and install modern communications equipment.

By comparisons with installations in other major police departments, small CHP radio dispatch equipment and operations are antiquated and outmoded. Large dispatch centers in the more populated areas would permit a temporarily overloaded dispatcher to be relieved by another at an adjoining console. CHP officials estimate six large installations, each costing \$250,000 would be required. This represents a one-time cost of \$1.5-million and would permit direct CHP 24-hour service over most of the state.

- Establish a common set of radio frequencies accessible state-wide to every patrol vehicle.

In pursuit work, road block, civil disturbances, natural disasters and extraordinary traffic situations, direct two-way communication between vehicles is presently impossible on a state-wide basis. Some adjoining areas are assigned different radio channels and have no one channel in common. This limits effectiveness in quick reaction situations. To rectify this condition, CHP estimates it would cost \$250,000 to purchase and install multiplex receivers and crystals.

- Re-evaluate plans to construct a shop and stores building in Los Angeles and an additional Motor Transport shop in Sacramento.

CHP's proposed 1967-68 and estimated 1968-69 capital outlay budgets include a projected expenditure of \$1.1-million for construction of a shop and stores building in Los Angeles. The proposed building is to be used for equipping vehicles which are going

to be assigned in southern California. By equipping these vehicles in Los Angeles, CHP would avoid freight and delivery costs of \$30,000 annually. A projected cost avoidance of \$30,000 annually is not, in itself, a sufficient reason for a capital outlay of \$1.1-million. They do not presently plan to proceed with the projected building.

Additionally, CHP's proposed 1967-68 and projected 1968-69 budgets include an estimated expenditure of \$625,000 for the erection of a Motor Transport shop in Sacramento. The existing Motor Transport shop at Sacramento is adequate. Therefore, expenditure of \$625,000 cannot be justified for such a building at this time.

- Discontinue policy of hiring personnel to provide janitorial services at field offices and contract with commercial maintenance companies for this service.

The patrol employs 90 janitors state-wide and maintains 229,808 sq. ft. at an annual cost of \$516,230. This represents more than twice the anticipated cost of contractual service. Annual state-wide savings of more than \$276,000 can be realized by implementation of this recommendation.

Safety Services Division

Basic functions of the division include inspection of private and commercial vehicles, including school buses; guiding safety regulations and procedures through public hearings; licensing of school bus drivers; testing and approving automotive devices and equipment; providing surveillance for sale of approved automotive devices; furnishing traffic safety information and operating CHP's Auto Theft Information Center.

Recommended action

Some of the key suggestions for Safety Services would:

- Modify the staffing of passenger vehicle inspection teams.

There is no reason to staff the teams with five police officers. Lower-rated civilian tech-

nicians should be recruited for the actual registration and vehicle inspection portion of the program. Two patrol officers would be assigned to each team to be responsible for traffic control and law enforcement activities. The civilian specialists would be permanent. They would build up greater proficiency than uniformed officers, who are not permanently assigned. By reducing traffic officer personnel from five to two and hiring two civilian technicians, the staff of each team would be lowered to four. With 60 teams, estimated annual savings of approximately \$850,000 should be realized.

- Equip each inspection team with one high-mileage Class A vehicle plus a small equipment trailer.

The teams currently are using two Class A vehicles. By providing a small trailer to carry equipment, one less Class A vehicle would be required per team. When on-site, the trailer would be detached. This will allow use of the vehicle for law enforcement duties. Annual savings of over \$103,000 will result.

- Increase the testing fees charged to manufacturers who submit motor vehicle devices for approval.

During the past fiscal year, 1,197 items were tested. CHP studies indicate approximately seven hours of engineering time is spent per item. The patrol is not being reimbursed for this expense. Average cost in engineering amounts to \$6.75 per hour. Testing costs per item to the manufacturer should be increased by 50% in order to recover the costs. Increased revenue would save the taxpayers about \$100,000 annually.

Training Division

This division of CHP plans, directs and coordinates the training program for cadets and career officers. A departmental training council, consisting of headquarters and field management personnel, identifies and recommends plans and programs. In recent years, emphasis has been on the training of cadets and in-service training has been abandoned.

Recommended action

Key suggestions for Training would:

- Re-examine plans to construct a new Academy.

The present Academy is adequate for the present and the next five years. Due to growing neighborhoods surrounding the facility, it may be necessary to relocate the pistol ranges and high-speed auto course. The Academy has facilities for 360 men on a 52-week basis. It provides a potential of 18,720 resident-student weeks. With 12 cadet classes of 80 each scheduled yearly for a total of 11,520 weeks and in-service training periods of two weeks for 1,600 officers, there is a balance of 4,200 weeks before full capacity would be reached.

Nevertheless, construction of a new Academy was recommended in February, 1967. It assumed the need to train 1,200 cadets annually for 16 week periods. Further, the study found there was need to have the pistol ranges and auto course as an integral part of the grounds. While such a complex would be ideal, the gain would not be worth the cost.

- Reduce size of cadet classes, lower basic training period from 16 to 12 weeks, provide cadets with on-the-job training and discontinue motorcycle training for CHP candidates.

By reducing the number in cadet classes from 120 to 80, greater personal attention could be provided, more individual participation would be forthcoming and better trained cadets could reach the field in a shorter time. Under the proposed plan, 12 classes of 80 each would result in 960 trained officers. To train this number in 16 weeks would cost \$2,375 per cadet. By reducing the period to 12 weeks, cost per cadet would be \$1,780. Total savings would amount to \$570,000 per year.

- Increase emphasis on in-service training.

Except for recent cadets, most CHP officers have not been to the Academy for at least four years. The patrol should match its efforts to train new officers with efforts to

provide additional training to those already in the service. To provide a two week training period for 1,600 officers annually would cost approximately \$102,000 exclusive of instruction costs.

MILITARY DEPARTMENT

The Military Department consists of the Adjutant General, the Office of the Adjutant General, the State Military Reserve, the Army and Air National Guard, and the California Cadet Corps.

The department supplies military units for federal mobilization missions and performs such tasks as required by the Military and Veterans Code or as directed by the Governor.

The Military Department plans to operate in 1967-68 on a budget of approximately \$4.3-million and a staff of 374. The federal budget allows an additional \$43-million to the department. Over the past five years, there has been a gain of only one state-supported employee.

Appraisal of performance

While the federal government provides 2,600 full-time employees, it does not furnish all personnel required, nor does it supply housing. This housing responsibility consumes 63% of the department's budget. Within its limited resources and the prescribed cooperation with the National Guard and the federal government, the Military Department carries out its functions in an efficient manner.

Recommended action

Suggestions of the Governor's Survey covered the following areas:

- Implementing a long-range plan to house the department and its units. There have been no permanent headquarters, and the present building is not appropriate for further long-term lease.
- Continuing the present maintenance procedures, which are excellent, and providing capital outlay funds for performing

deferred maintenance to protect its facilities.

- Making a total data processing system study by a qualified state agency.
- Establishing a Data Processing section within the Administrative and Personnel Division.

CALIFORNIA DISASTER OFFICE

The prime responsibility of the California Disaster Office is to plan, complete and coordinate state-wide programs for emergency relief conditions. The office also is delegated to provide leadership and assistance to other state agencies and local governments in developing an effective state of readiness.

The office's 1967-68 budget was approximately \$1.1-million plus \$846,000 to be derived from federal sources. The office has reduced its budget to \$1-million which will have some impact on federal funds.

Appraisal of performance

The office has done an outstanding job. The innovations for saving time and improving work quality in the calibration of radiological instruments is one instance. It has developed an emergency communication network and also innovated special applications of surplus equipment to law enforcement and fire rescue areas.

Recommended action

The findings of the Governor's Survey were aimed at increasing effectiveness, rather than reducing costs, since the department has already reduced its budget. Some of the key recommendations would:

- Strengthen planning and coordination of law enforcement activities with the National Guard.
- Study the automation of accounting records.
- Integrate the office's merit system with the state system. Separation of this merit system from the rest of the state's Civil Service System causes confusion. It makes

filling of positions with qualified candidates difficult. Legislative action will be required.

Improvements underway

The Director has taken steps to reduce costs by eliminating, reassigning and reorganizing staff functions for improved efficiency. The Disaster Office and the Department of Public Health have agreed to the transfer of the Medical and Health Division. This is in keeping with the policy of not carrying out functions assigned to existing organizations.

Charts of the present organization, along with the proposed organization being implemented by the office are shown on next page. The new organization reduces the budget and appears to place proper emphasis on the mission of the office.

DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

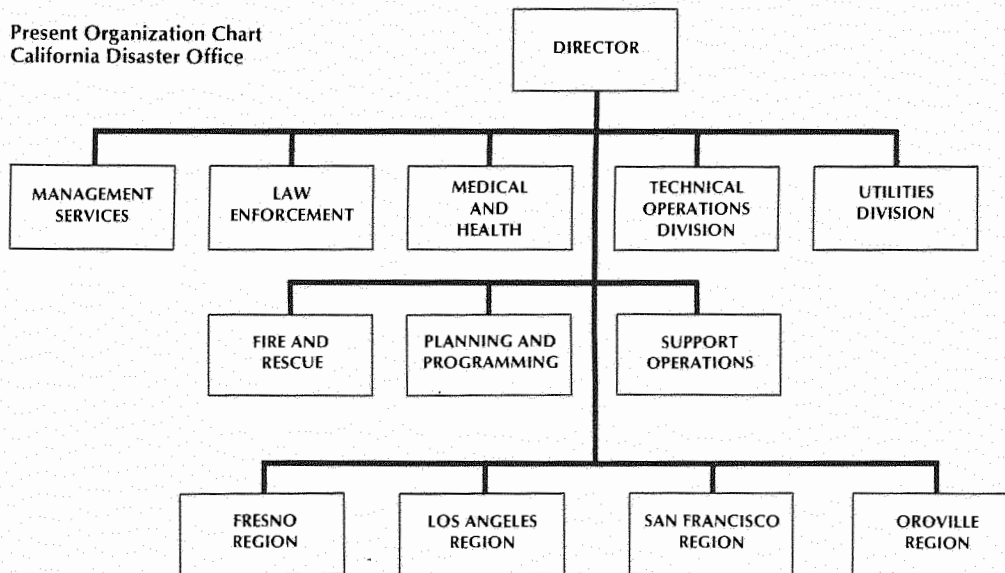
This department administers and enforces state liquor laws. It has the responsibility to license the manufacture, importation and sale of alcoholic beverages in California. Additionally, the department is charged with administration and enforcement of the Alcoholic Beverage Control Act.

ABC is responsible for allocation of 90% of renewal, transfer and offer-in-compromise fees to the cities and counties where licensees are located. The remaining 10% is deposited in the General Fund.

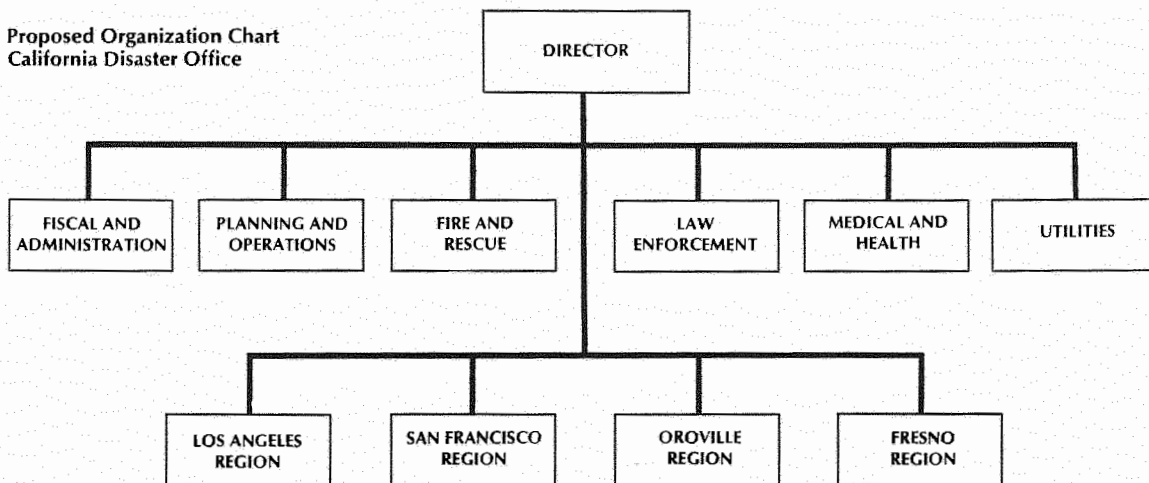
The department is currently functioning with 438 authorized positions although its 1966-67 budget contemplated 462. The headquarters office accounts for 74, and 364 are stationed in the area and district offices. Of the latter, 225 are investigative personnel. The department's budget for fiscal 1967-68 is \$5.18-million, less reimbursements of \$20,000. License and other fees collected amounted to almost \$15-million during fiscal 1966-67.

Approximately 44% of departmental effort is devoted to issuance and renewal of

**Present Organization Chart
California Disaster Office**



**Proposed Organization Chart
California Disaster Office**



45 different types of alcoholic beverage licenses. At present, there are approximately 48,000 in effect.

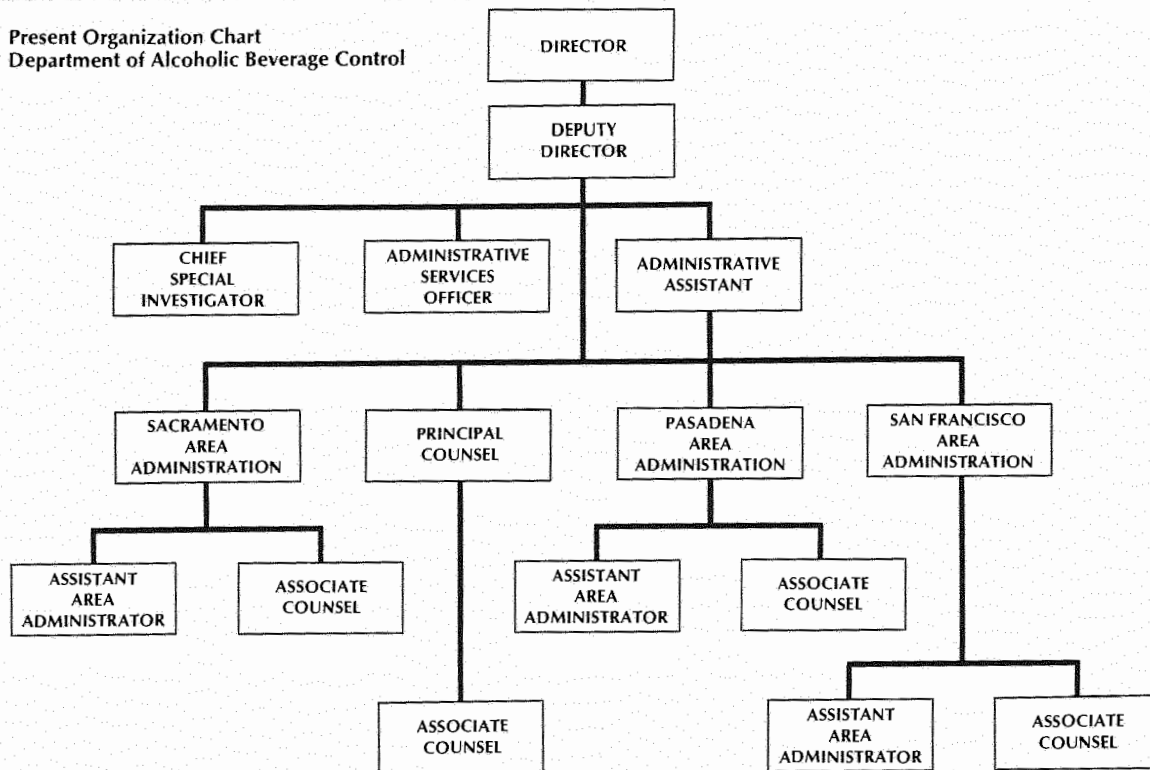
Appraisal of performance

The department's internal control procedures have been designed to provide maximum assurance that any dishonesty or mistakes will

be disclosed. However, there are indications some procedures are more elaborate than may be necessary.

In the area of administration, record maintenance and licensing, the department has not utilized the latest technological advances and laborsaving techniques. While maintenance of complete records is mandatory,

**Present Organization Chart
Department of Alcoholic Beverage Control**



there is duplication of information. There is also a lack of communication between various levels of authority and compliance activity appears to be inadequate.

Recommended action

Suggested improvements recommended by the Governor's Survey offer an estimated annual savings of \$184,000 plus the more efficient use of personnel and improved service to the public. Partially offsetting these savings is an estimated \$42,000 annual expenditure needed to implement the recommendations.

Several recommendations concern a reorganization of the department to eliminate unnecessary branch offices, reduce the overly-high degree of supervision, and streamline clerical procedures. Charts of both present and proposed organization are shown above and on the next page.

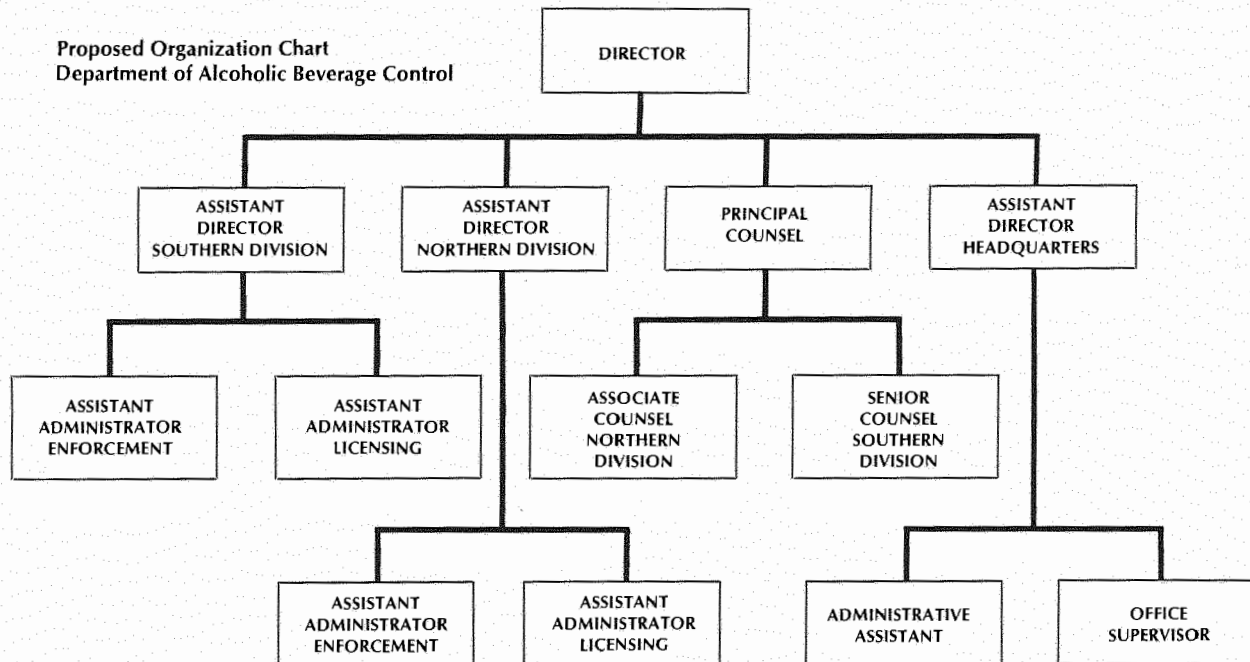
The department should also prepare to utilize electronic data processing facilities. This would reduce current costs of tabulating services and clerical help.

The report also urges that consideration be given to a complete revision of the Alcoholic Beverage Control Act. The function of the department is restricted and delayed by the statute which it must administer and enforce. A proliferation of license types, inadequate and illogical license fee structures, excessive notice requirements and cumbersome provisions for additional fees, result in unnecessary administrative effort.

ALCOHOLIC BEVERAGES CONTROL APPEALS BOARD

The Alcoholic Beverage Control Appeals Board was established for the purpose of providing an independent and separate ad-

**Proposed Organization Chart
Department of Alcoholic Beverage Control**



ministrative review of appeals from decisions of the Department of Alcoholic Beverage Control. Its 1967-68 budget is approximately \$129,000. The three member board is supported by a staff of four.

Appraisal of performance

During the past four years, the board has considered and decided an average of 238 cases annually. About 15% of such cases are appealed to the courts. The average elapsed time between date of filing an appeal with the board and the date of its decision is 171 days. When an appeal is filed, the appellant is given 10 days notice to pay for the cost of a transcript of the initial hearing before the Office of Administrative Procedure. There appears to be no reason why the period from date of receipt of a transcript to date of the board's decision cannot be reduced.

Recommended action

The primary recommendation of the Governor's Survey was for the Constitutional Revi-

sion Commission to conduct a comprehensive and objective study to determine whether the Appeals Board should continue to exist or be abolished.

THE SAN FRANCISCO PORT AUTHORITY

The San Francisco Port Authority (SFPA) has the responsibility for administering all state lands and facilities comprising the San Francisco waterfront. It provides and maintains facilities to serve the needs of San Francisco maritime and fishing industries. This involves planning, designing and constructing new terminal facilities, maintaining, repairing and replacing existing facilities and dredging. It operates a switching railroad; manages commercial and industrial properties; collects rents, wharfage and dockage charges; and develops, promotes and administers programs to increase the economic usage of the port and its traffic advantages.

The SFPA is a self-supporting state agency. It has successfully operated for approximately 100 years without recourse to tax funds. During this period, it has developed shipping and cargo handling facilities currently valued in excess of \$350-million along the San Francisco waterfront. It operates 42 active piers and loads and discharges approximately 200 ships per month.

There has been a downward trend in the number of personnel employed by the Authority in recent years. In 1955-56, for example, the SFPA employed a total of 508 personnel compared to 395 during 1966-67.

Appraisal of performance

The performance record of the SFPA is very good. While total tonnage handled has decreased, the decrease has been in high volume, low value products generating low profit margins. Current and forecasted business is increasingly higher in average value and profit margins. These increased earnings reflect effective sales effort, cost control and intelligent pricing.

The SFPA appears to be operating under policies completely consistent with the objectives of efficiency and cost savings. It is to be commended for having initiated these policies several years ago.

Recommended action

The Governor's Survey made recommendations for specific improvements which offer estimated benefits of \$100,000 annually. However, a number of the recommendations promise additional savings of indeterminate amounts.

Key improvement recommendations suggest doing the following:

- Accelerate the development of the non-maritime waterfront areas administered by the SFPA.
- Review and adjust upward the rental rates for all commercial tenants to make them competitive with similar rates on private properties.
- Introduce a number of operating efficiencies to reduce the costs of the State Belt Railroad, such as eliminating unneeded trackage.
- Reorganize the Engineering Division for more effective operation and the reduction of staff where possible.
- Establish the position of European Trade Development Manager to strengthen the SFPA position with this important, and growing, source of revenue.
- Study and compare procurement and stores procedures with recommendations made in the Procurement section of General Services.

OFFICE OF THE STATE FIRE MARSHAL

The Office of the State Fire Marshal was established in 1923. Originally, its function was to protect life and property from fire and enforce laws relating to fires and fire protection. Since its creation, the Marshal has been charged with a variety of additional responsibilities of regulation and enforcement. The office has 86 authorized personnel and a budget of about \$960,000 for fiscal 1967-68.

Major effort is directed to enforcement of minimum standards in certain public buildings as established by the Health and Safety Code. This is accomplished by examination of design plans and site inspections of schools, nursing homes, hospitals, public auditoriums, correctional institutions and state-owned buildings, except exempt educational facilities.

Inspection of dry cleaning establishments, in which flammable or toxic liquids are used, is another responsibility of the office. Also, it administers and enforces the transportation of flammable fluids. Almost 10,000 tank trucks are inspected biannually.

Statutes require the Marshal to license manufacturers, importers, exporters, whole-

salers and retailers of fireworks, as well as pyrotechnicians. The last category includes technicians using pyrotechnics in radio, theatrical, television and public displays.

Appraisal of performance

The major asset of the Office of State Fire Marshal is a complement of experienced and well qualified dedicated employees. Present methods and procedures have created a backlog of work. As a result, arson investigation has not been vigorous enough.

The organization of the Marshal's office reflects a mixture of staff and line responsibilities. Channels of authority are not definitive, and the combined headquarters and district office in Sacramento is inadequate.

Recommended action

The Governor's Survey submitted recommendations aimed at eliminating the problems of this function. Some of the improvements would save \$197,000 but these savings should be absorbed by reassignment of existing personnel to functions which would permit the office to fulfill its responsibility. The principal suggestions would do the following:

- Revise the organizational structure to separate line and staff functions to provide for more effective supervision.
- Relocate both the administrative staff and branch offices to reduce non-productive travel time and provide more efficient utilization of available personnel.
- Transfer the licensing and inspection of flammable liquid tank trucks to the Highway Patrol, which is already conducting quarterly safety inspections of commercial vehicles.
- Revise and improve standard operating procedures to increase productivity and eliminate unnecessary paperwork.

CALIFORNIA HORSE RACING BOARD

The California Horse Racing Board supervises all race meetings in the state where

pari-mutuel wagering is conducted. As of August, 1967, the board employed a total of 18 people, five in licensing, seven in investigative and six in administrative functions. Its proposed operating budget for fiscal 1967-68 of approximately \$235,000 was based on anticipated revenues of over \$53.7-million from horse racing.

The headquarters office of the board is in Los Angeles. It also maintains two mobile offices in northern and southern California during race meetings.

Appraisal of performance

The regulatory and control functions of the board are stringent to guard against illegal actions and regulatory violations among race track employees. Compliance with the detailed rules and regulations is materially accomplished by the associations' own security forces, aided by the Thoroughbred Racing Protective Bureau. The small staff of the board's investigators relies significantly on enforcement activities furnished by the industry itself.

Recommended action

Expanded racing operations, as authorized by the California Horse Racing Act of 1967, make improvements in licensing procedures and filing systems mandatory. The major recommendation of the Governor's Survey emphasized simplifying and improving these procedures.

DEPARTMENT OF PROFESSIONAL AND VOCATIONAL STANDARDS

In the interest of public health, safety and welfare, the department integrates business activities of 23 boards, five bureaus, two commissions and five committees under which individuals and facilities are licensed and regulated.

The department serves the interests of the public by licensing only persons and firms with demonstrated abilities to perform services for the public. It prevents unauthorized

practices upon the public and disciplines those licensed who fail in their public trust. During 1967-68, the department plans to operate with a staff of 734. Its budget is \$12.6-million.

Appraisal of performance

The professional and occupational interests are served by the current method of operation. However, the department has been weakened by turnover in the Director's position and lack of standard procedures. Strong effort should continue to be made to demonstrate to the boards that benefits can result from following legislative intent, i.e., that operations other than those for passing candidates and revoking licenses should be assigned to the department rather than to the board.

The data processing activity has made considerable progress, but several boards still use manual systems. Also, the Division of Investigation has only partially centralized the inspection and investigative services.

Recommended action

Virtually all recommendations for improvement offer the opportunity for substantial savings. Total implementation should result in an estimated cost reduction of \$2.1-million annually. Some of the more important recommendations would do the following:

- Reorganize staff functions to provide more efficient clerical and administrative support in the proposed organization.
- Centralize all similar clerical and cashier functions within the Division of Administration.
- Plan remodeling of office, eliminate inefficiencies in the assignment of office space and increase rental charges.
- Develop work standards to determine proper staffing.
- Reduce administrative expense by phasing out positions, using department counsel, using information clerks and increasing the span of control in administrative positions.

- Evaluate examination techniques and practices.

DEPARTMENT OF INVESTMENT

The Department of Investment was created in 1929 to coordinate divisions with the common purpose of licensing individuals or companies to engage in financial transactions or to assist others in discharging of financial obligations.

The department currently consists of the Superintendent of Banks, Commissioner of Corporations, Commissioner of Insurance, Commissioner of Real Estate and Commissioner of Savings and Loans. This group holds periodic meetings to discuss matters of common interest. With no administrative staff, the department has no specific operational responsibilities.

Appraisal of performance

In view of the diverse complexities of the divisions represented, the current practice of using the department as a public forum serves no useful purpose. The department and its activities do not incur any appreciable costs to the taxpayer.

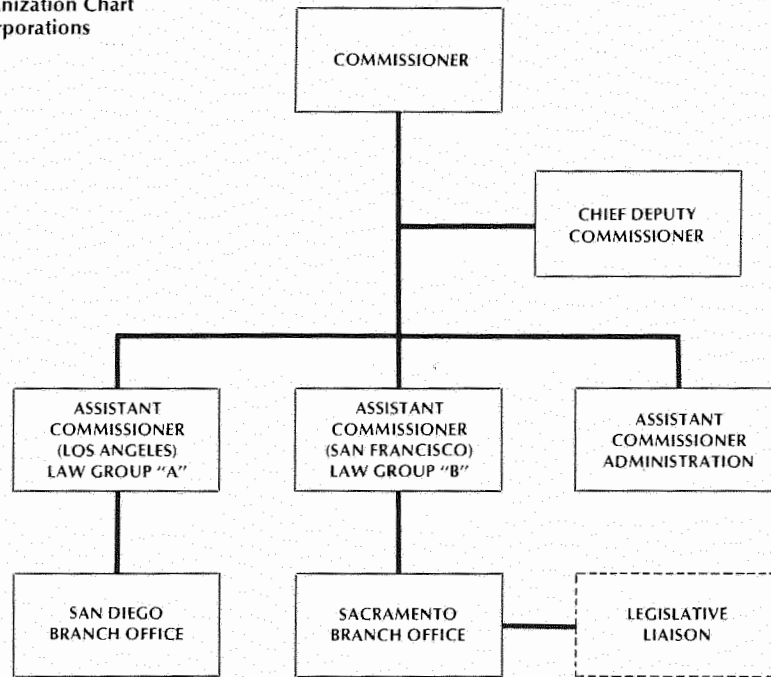
Recommended action

No action should be taken toward combining the divisions or abandoning the departmental framework. The recommendations for each division should be implemented. If these steps are completed, a study should be made to forecast the probable advantages of creating an actual Department of Investment. The recommendations on individual divisions offer the opportunity of saving \$1.9-million annually.

Division of Corporations

This division regulates the sale of securities of corporations except for those specifically delegated by law to another regulatory agency. The divisional budget for fiscal 1967-68 is approximately \$3.5-million. Total personnel in the four offices is 403.

**Proposed Organization Chart
Division of Corporations**



Appraisal of performance

The division provides the public with service and protection required by law. It is suffering from administrative inefficiencies, outmoded operating practices and lack of organizational control. Within the past few months, the division has taken steps to reduce operating costs through attrition. Combined with the following recommendations, this could provide annual savings of \$947,000.

Recommended action

The Division of Corporations is taking steps to place administrative functions at the point of highest workload and create reporting responsibilities by function instead of along geographical lines. The proposed organization chart is shown above. This reorganization eliminates considerable duplication of files, standardizes and leads to uniform administrative decisions. Annual savings esti-

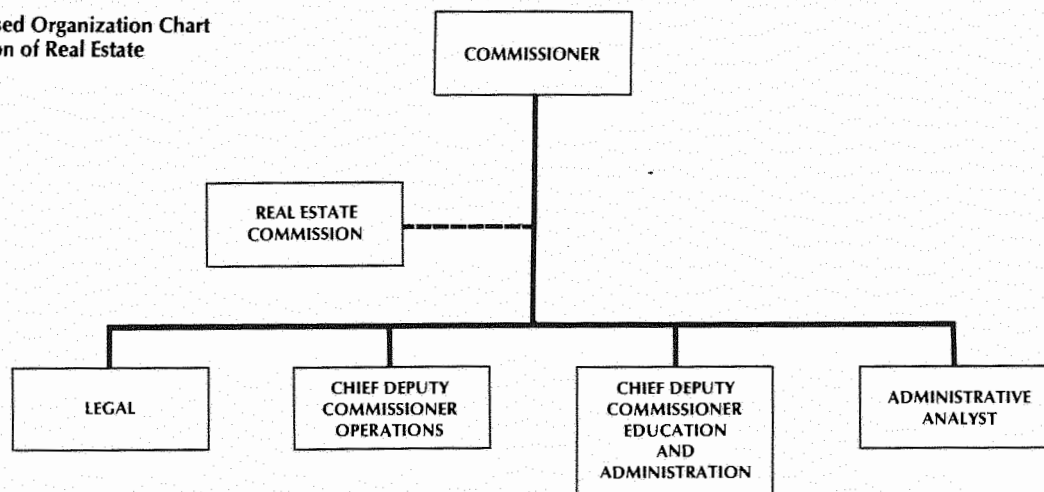
mated at \$144,000 could be derived from a reduction in clerical help, communications, stationery, supplies and travel.

The Survey team suggested revising the statutes which require duplication of S.E.C. procedures. The state now should take advantage of the federal government examination procedures and simplify routines for single issuees, to bring current statutes up-to-date with the national market. A modern regulatory operation can provide better service to investors and industry. Estimated annual savings could be as much as \$500,000.

Division of Real Estate

This division protects the public in matters pertaining to sale, purchase or lease of real estate, and mineral, oil and gas rights. It also supervises the offering of subdivided properties and real property securities. In addition,

**Proposed Organization Chart
Division of Real Estate**



it furthers the professional orientation of the real estate business by assisting in the advancement of related education and research.

The division is currently operating with 258 employees. Its budget of approximately \$3.6-million, includes \$480,000 for an education fund.

Appraisal of performance

The division is performing its prescribed function well. A reduction in the number of licenses issued, however, has adversely affected the budget. Therefore, a \$10 increase for a four-year license has been requested. In addition, the Legislature has been asked to permit the transfer of a surplus accumulation from the Recovery Fund to the Real Estate Fund.

Recommended action

The following recommendations would permit greater economy and operating efficiency. Annual savings of \$667,000 are estimated.

The most significant recommendation would make organizational changes to pro-

vide greater operating economies and establish a framework for future service to the public. The organization structure illustrated above shows a proposed division strength of 228 employees. Major changes in the program include closing of the Oakland office, temporary closing of the Santa Ana office, realignment of the legal and audit staffs, provision for opening of offices in San Jose, Thousand Oaks and Redding and direct control of operations and policy. Also included is the appointment of a Chief Deputy Commissioner of Operations and a Chief Deputy Commissioner of Education and Administration. Total personnel savings are estimated to be close to \$386,000.

Another recommendation would reduce office space to conform with stipulated allocations. Release of excess footage should produce annual cost savings of \$70,000. New standards, issued since this report was written, increase savings by about 20%.

Additional savings can be made if the department would improve supply control of printed materials. This can be done by reducing inventories, setting low limits of on-hand

publications and producing smaller quantities. Actual printing expense for 1965-66 was \$96,000. The budget for 1967-68 is \$95,000 for these publications. This budget should be reduced to \$65,000.

A number of recommendations concerning procedure have been offered by the survey team. Although they do not offer massive savings individually, the cumulative total is impressive. These suggestions include developing standardized form letters, eliminating unneeded files, simplifying license classifications, releasing unused office space, developing uniform office procedures, increasing the use of ADP equipment, standardizing reports and lowering communications expenses.

Division of Savings and Loan

This division regulates the state licensed Savings and Loan Associations and their branches. It insures financial soundness and safety and legality of their operations. It also registers and supervises holding companies or individuals which own or control savings and loan associations.

Principal activities of the division are concentrated with processing applications, performing annual examinations of licensed associations, conducting test appraisals of real property, providing information services to associations, approving firms engaged to conduct annual and special audits of associations and establishing various reserves on associations' books to reflect potential or actual losses.

The fiscal 1967-68 budget called for 204 personnel-man years. As of July, 1967, the division employed 185 persons.

Financial support of the division is derived from the Savings and Loan Inspection Fund. It is based on percentage assessments against assets of regulated savings and loan associations. Additional revenue is acquired from miscellaneous fees, penalties and other sources. The division's modified 1967-68 budget is \$2.7-million. Estimated income from all sources will be close to \$2.75-million.

Appraisal of performance

The division's organizational structure has certain weaknesses due to lack of clearly defined lines of authority. Management is aware of the need for improved organization and analytical tools to assist in effectively regulating the savings and loan industry. Toward this end, the division is conducting a study to increase its effectiveness.

Recommended action

A key recommendation would modify the division's organizational structure as shown in the chart on the next page. This would retain strong, independent regional offices in Los Angeles and San Francisco under the leadership of two Assistant Commissioners; reorganize the examination sections by redefining duties and clarifying lines of authority; broaden scope of the present Report Analysis section by adding related functions; create an effective administrative function headed by a single administrative officer and provide safeguards for ensuring division-wide adherence to policies and standards.

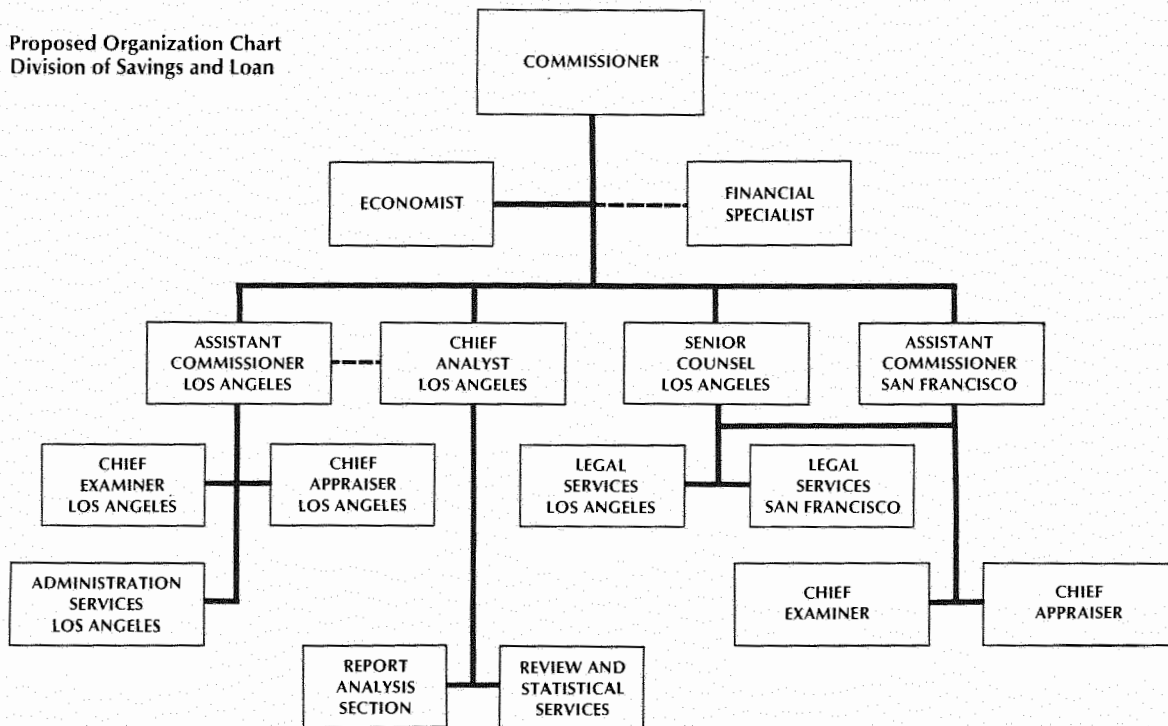
Several additional suggestions offer the opportunity to increase effectiveness of the division while reducing costs. These involve reassigning duties, releasing excess floor space, simplifying reports and improving communications.

State Banking Department

The State Banking Department regulates state-chartered banks, trust companies and their banking and trust business. Principal activities of the department are processing applications for new bank charters or branches of existing banks, mergers, consolidations and the like.

As of July, 1967, the department employed 82 persons. Its financial support is derived from the State Banking Fund. Additional revenue also is derived from fees and surplus money investments. Income for 1967-68 is estimated at approximately \$1.25-million. Expenditures of \$1.3-million are anticipated. The deficit will be covered by an

**Proposed Organization Chart
Division of Savings and Loan**



accumulated surplus of more than \$700,000 in the State Banking Fund.

Appraisal of performance

Through cooperation with the Federal Deposit Insurance Corporation and Federal Reserve Bank, joint examinations are conducted by the department and those agencies. This eliminates unnecessary duplication. It also results in more comprehensive examinations of regulated banks and trust companies than otherwise would be possible. The chief weakness of the department is the lack of an effective training program intended to improve the quality of the examining staff.

Recommended action

The Governor's Survey recommends developing a formal training program for all examiner personnel. The program must be subject to continuing modernization and review

and both present and newly-recruited examiners should be required to participate. Under the leadership of the Chief Deputy Superintendent, a procedural manual should be developed and utilized in formal classroom instruction.

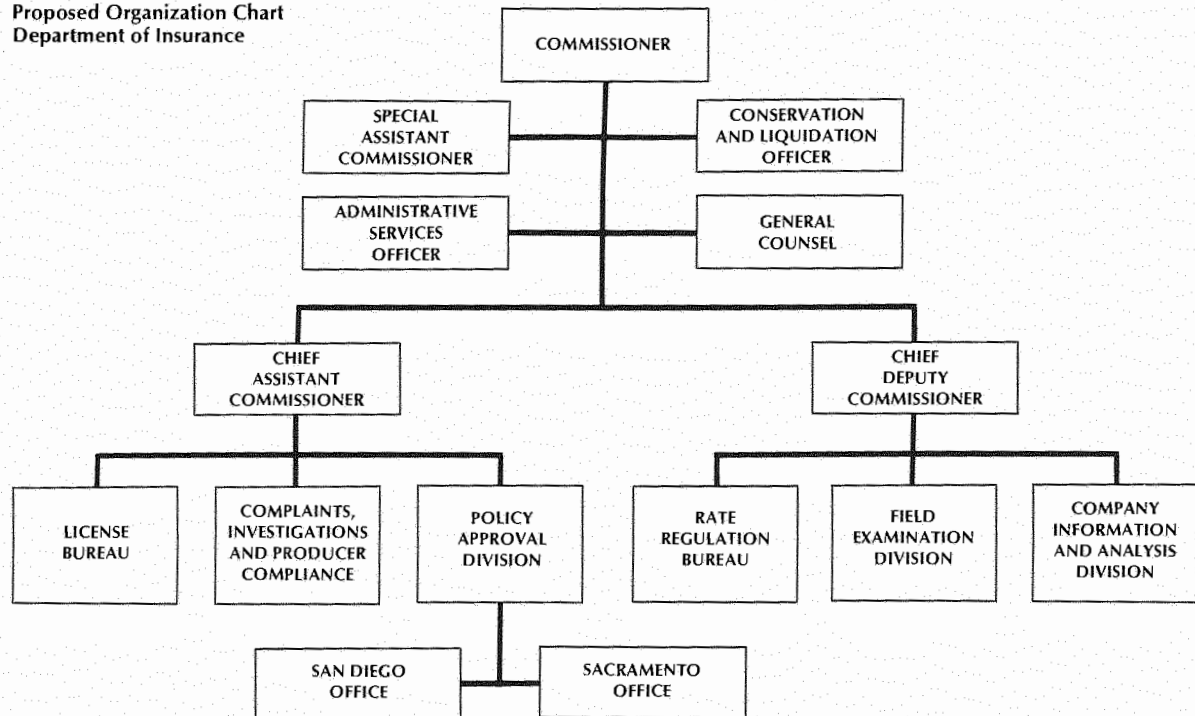
A second key recommendation urges the department to utilize college recruitment to fill vacant, but authorized examiner positions.

A number of recommendations offer increased efficiency by simplifying present procedures, reducing the proofreading of examination reports, eliminating duplicate files, reducing office space and charging for weekly bulletins.

DEPARTMENT OF INSURANCE

This department certifies insurance companies and monitors security transactions and mergers of such companies. It regulates

**Proposed Organization Chart
Department of Insurance**



operations, including conservatorship and liquidation of insurance companies, for protection of the public. Further, the department regulates and licenses companies and individuals who engage in the sale of insurance and performs certain work relating to assessment and collection of insurance premium taxes. These taxes exceed \$100-million per year.

The department has, through tradition, undertaken extra-curricular activities in the form of assistance and advice to legislators and other executive branches of the government. Examples are work relating to the Baldwin Hills Dam disaster and the Watts riot.

The original 1967-68 budget called for 328 positions. However, the final budget has been adjusted to 315. Total expenditures for fiscal 1967-68 are slightly more than \$3.6-million.

The department is operated under a special insurance fund which was established in 1929 to account for fees, fines, penalties, taxes and other revenues collected by the Commissioner. This fund is expended in administration and enforcement of the Insurance Code and other insurance laws.

The headquarters of the department in San Francisco has a staff of 191 employees. An autonomous office, located in Los Angeles, has 123. In addition, branch offices, each with seven people, are maintained in Sacramento and San Diego. Work of the department requires its examination staff to travel throughout California as well as to many other states.

Appraisal of performance

The U. S. Congress has granted power of regulation of insurance companies to individual states although the industry is primarily

inter-state. This arrangement led to formation of the National Association of Insurance Commissioners. The association provides guidelines to be followed by all member states in this regulation. The Field Examination Division is almost completely reliant on the audit and reporting procedures set down by the National Association of Insurance Commissioners.

Recommended action

Suggestions of the Governor's Survey offer the opportunity for potential savings of \$250,000 annually in the department. Significant improvements for the department propose:

- Reorganizing the department to achieve more uniform state-wide policies and reduce supervisory requirements to provide ultimate annual savings of \$35,000. The proposed organization chart is shown on the preceding page.
- Reducing the amount of office space now under lease by vacating the space now occupied in San Francisco and moving into smaller quarters, preferably in a state building.
- Re-aligning the tax assessment and collection functions.
- Re-examining the policies and procedures being followed in the Producer Licensing Bureau.

DISTRICT SECURITIES COMMISSION

The Commission is charged with the supervision of prescribed fiscal and operating affairs of irrigation, water and water-storage districts and other local entities. Its prime responsibility is to prevent excessive indebtedness that could result in default.

The Commission has its office in San Francisco and receives support from a staff of 11 employees. It operates on an annual budget of approximately \$175,000. The Commission has a fee schedule which is set to cover estimated cost of operations.

Appraisal of performance

The Commission appears to be fulfilling its prescribed responsibilities. The administrative staff can be reduced. However, consolidation into another department should be considered.

Recommended action

The primary recommendation of the Governor's Survey was to consider the transfer of the Commission's functions to the Division of Corporations where similar functions are performed for mutual water companies. Others would reduce the size of the Commission, decrease the volume of paperwork and reassign responsibility of certain on-site inspections. Annual savings of \$10,000 are indicated.

DIVISION OF AERONAUTICS

The Division of Aeronautics has the responsibility for fostering and assisting the development of aeronautics, as well as coordinating these activities with the federal government and political sub-divisions of the state. It enforces rules, regulations and laws relating to aeronautics. In addition, it exercises control over proposed airport and heliport sites, building sites, structures, natural growth and public utility facilities deemed to be hazards to air navigation. Further, it must report all known aircraft accidents to appropriate federal agencies and preserve and prevent removal of damaged aircraft during federal investigations.

Appraisal of performance

The division appears to be substantially understaffed with a dedicated group of employees working significant amounts of overtime to meet peak workloads. Offices are substandard and impair effective operation. These conditions apparently will be rectified by fiscal year 1967-68 budget granting six additional positions and approval of more suitable office quarters. Its current operating budget is approximately \$274,000 for a staff of 17 employees.

Recommended action

Legislation which became effective November 8, 1967, promises to solve some of the division's organizational problems observed by the Governor's Survey. Among other things, it attaches the division directly to the Transportation Agency. It is suggested that a Deputy for Transportation, Department of Public Works, be appointed to coordinate the overall transportation problem for the Transportation Agency. Logically, the Division of Aeronautics should report to this agency.

A key recommendation is the development of an up-dated State Airport Master

Plan. The last plan was developed in 1947 and is now obsolete. Adequate peripheral airports are germane to the highway and parking problems involved in major metropolitan airport operations. Outside consulting services should be employed to develop this plan. It should be coordinated closely with plans of the Division of Highways, Bay Toll Crossings, rapid transit, airport and other long-range transportation proposals. It is estimated at least \$150,000 will be needed to develop the plan. The project should be started as soon as possible. A target date of not later than the end of 1968, should be set for its completion.