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

SECTION 4

NATURAL RESOURCES

NATURAL RESOURCES

The Natural Resources section includes findings and evaluations on nine individual entities charged with administering, conserving, protecting and developing the state's resources. This covers the Resources Agency plus the diverse activities of the Departments of Water Resources, Harbors and Watercraft, Agriculture, Conservation, Fish and Game, Parks and Recreation, the Colorado

River Board, the San Francisco Port Authority and the Reclamation Board. All of these functions except for Agriculture have direct or indirect reporting relationships with the Secretary for Resources.

Departments in this section have a combined budget for fiscal 1967-68 of over \$475-million. Total personnel is close to 13,000 employees.

SECRETARY FOR RESOURCES

The Resources Agency, established by statute in 1961, is headed by the Secretary for Resources, a member of the Governor's Cabinet. Reporting to this administrative function are five departments—Conservation, Fish and Game, Harbors and Watercraft, Parks and Recreation and Water Resources—as well as the Reclamation Board and Water Resources Control Board.

In addition, approximately 30 other boards and commissions are attached directly to the five departments of the agency. The Secretary also has communication and coordination responsibility for additional state government units, not officially part of the Resources Agency. These are District Securities Commission, Bay Area Conservation Development Commission, Department of Housing and Community Development and San Francisco Port Authority.

The present authorized staff consists of the Secretary, an assistant, resources planning coordinator, a federal resources projects coordinator and four clerical positions. Budgeted expenditures for fiscal 1967-68 are approximately \$244,000. Although the agency itself is small, its departments and boards have an aggregate staff of 12,000 and will spend nearly \$452-million this fiscal year.

Appraisal of performance

The Secretary for Resources is making every effort to meet administration objectives for the agency function and provide firm policy direction to all units of his agency without

becoming involved in day-to-day operations. However, demands on the Secretary's time are enormous. Therefore, it is difficult for him to fulfill the leadership and decision-making role expected by department directors and other key personnel.

Overall, the agency concept appears to have something less than uniform acceptance and understanding at different levels of administration. Department directors appear to differ in regard to their understanding of the official role of the agency, particularly with respect to the coordinating, directing and communicating functions. Thus, there are differences in opinion regarding the amount of line authority the Secretary and agency should exercise.

Recommended action

To help clarify organization relationships, administrative reporting status of several units under the Secretary for Resources' communications responsibility should be defined. At present, none of the entities in this category has a direct reporting relationship to the Secretary. This matter should be defined so proper accountability can be established.

On this same subject, the results of the study and evaluations of the Resources Agency boards and commissions made in 1965 by the Commission on California State Governor Organization and Economy should be evaluated further and appropriate actions taken. In summary, this report recommended

eliminating certain bodies, combining or reconstituting others and modifying or expanding still others.

To expedite information retrieval, a computer based report title-indexing system should be developed to serve the interrelated activities of departments within the agency. Initially, it should be kept at a demonstration project level. Total project cost would range from \$35,000 to \$50,000.

DEPARTMENT OF WATER RESOURCES

The Water Resources function is charged with determination of present and future water needs of the state, evaluation of available water resources and development of plans for matching resources to the needs. This includes design, construction and operation of facilities to implement the plans.

In addition, the Legislature by statute has assigned to the Department of Water Resources a wide range of related activities. These include supervision of safety in the design, construction and operation of more than 1,100 non-federal dams and reservoirs within the state, maintenance and operation of certain flood control facilities, assistance to local agencies and coordination with federal agencies.

The present responsibilities of the department are dominated by planning, designing and constructing the State Water Project. This is an expansible state-wide water conservation and transportation system.

The California Water Project is financed from the \$1.75-billion bond issue authorized for this purpose. Some additional funds are available from the Federal Central Valley Water Project construction fund and others. Non-project activities of the department are financed from the General Fund. Estimated expenditures for fiscal 1967-68 total \$369-million for the State Water Project and \$10.5-million for other activities.

In April, 1967 the department had authori-

zation for a total of 5,151 positions, of which 4,403 were filled.

Appraisal of performance

Great credit must be accorded the leadership demonstrated by the department in conceiving and defining the California Water Plan and for designing and implementing the California State Water Project. The current level of accomplishment in developing this \$2.5-billion facility, with a new organization under the limitations and restrictions of state government procedures, is remarkable.

For the past several years, the emphasis was directed almost completely towards building the California State Water Project to the highest quality on a prescribed time schedule. Cost has been a secondary consideration. The new Director is trying to alter this trend and bring costs into proper perspective with quality and time. However, it is difficult to change basic attitudes and this effort should be pursued with vigor.

Recommended action

The Governor's Survey team found opportunities for savings and improved efficiencies in several areas. The most significant areas were organization, program development and control, manpower control, project design and construction contract administration. The suggestions represent a potential \$80-million one-time saving plus \$6.6-million savings annually. A key recommendation would:

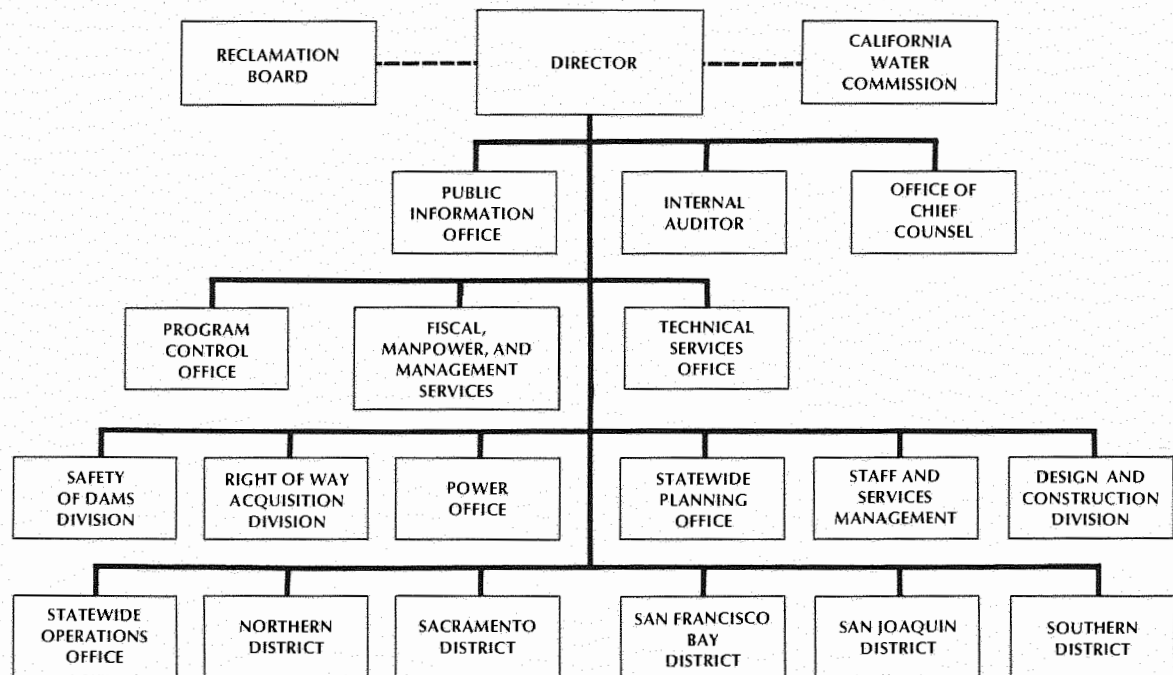
- Revise the Department of Water Resources organization structure. This will require the department to establish four separate, independent functional divisions. They are Design and Construction, Water System Operations, Planning and General Operations and Administrative.

Both the present and the proposed department organizational structure are shown on next page. Each individual division is covered in detail later in this report.

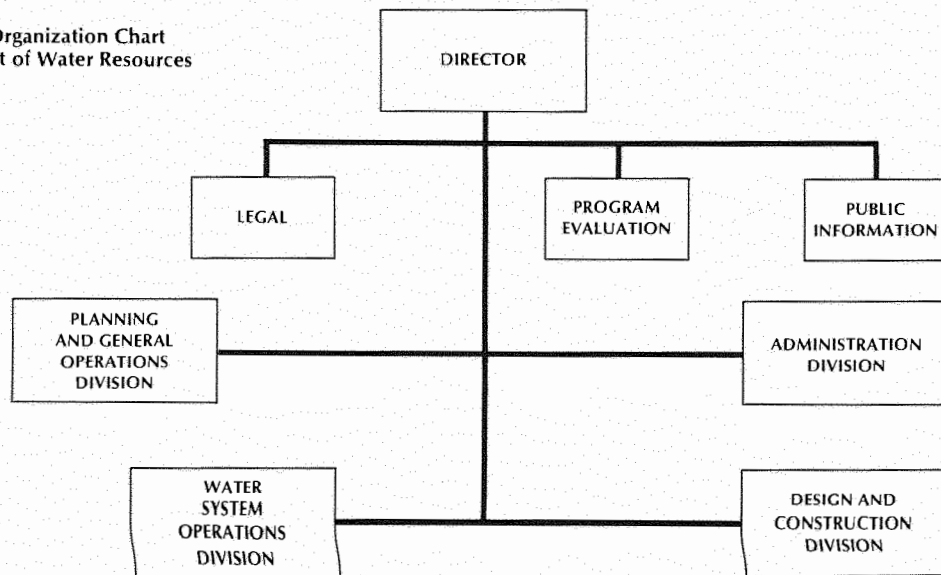
Another suggestion would:

- Develop and implement a five-year man-

Present Organization Chart
Department of Water Resources



Proposed Organization Chart
Department of Water Resources



power plan, with alternatives, at each level of the organization.

Planning and control of manpower is a key to cost reduction and efficient operation of the department. As the State Water Project reaches the transition stage from design and construction to actual operation, there is a need for a positive plan to reassign, relocate and reduce the staff.

It is not unreasonable to expect that a well executed plan of force reduction will result in an average 10% lower work force than presently projected over the next five years. Savings potential is in the order of \$2.5-million per year over the next five years.

It appears that, by 1972, some 2,500 positions now charged to the water project will have to be eliminated, transferred to the General Fund, charged to future projects not yet approved, or handled as a combination of these.

- Establish a program evaluation group to insure that only absolutely necessary programs are initiated and only essential portions of existing programs are continued.

The group should be headed by a highly qualified person, reporting to the Director. This would be the key unit in developing and maintaining basic standards of economy and efficiency for the department, insuring that real benefits exceed actual costs.

- Develop and adopt a system of planning-programming-budgeting which will serve as a guide for managing the programs of the department.

The department should initiate promptly procedures to convert the present program budget operation from a comptroller's to a manager's tool. This should enhance the Director's efforts to gain positive control over the department's operations.

Expected savings from the two foregoing recommended changes in management concepts are difficult to estimate. However, it is not unreasonable to anticipate reductions in the order of \$500,000 to \$1-million from the

department's planned budgets during the first year or two shake-out period. A substantial annual cost avoidance could be expected thereafter.

- Delegate authority to a low enough level in the organization so that required automatic review of proposals, changes and contracts by successive staff groups can be eliminated and staff assistance provided on an as-needed basis.

Authority to make decisions is held at too high a level. This suggestion will clarify authority and responsibility in the line organization and result in an improvement in decisiveness and efficiency. There will be a significant saving to the department by a reduction in the requirement for staff personnel.

Other key recommendations would:

- Reduce purchases of new automotive and mobile equipment and meet departmental needs by improved administrative procedures. The department already has found it possible to reduce the mobile equipment budget for fiscal 1967-68 from approximately \$2.08-million to \$1.81-million, for a savings of some \$270,000.
- Limit the department's two-way mobile radio equipped vehicles to approximately the present total number. Meet new requirements by reassignment from less critical service. As construction of the State Water Project is completed, the number of two-way radios in use should be reduced accordingly. The department already has found it possible to effect a savings of \$139,000. However, there are 181 additional units budgeted for fiscal 1967-68 at a cost approximating \$180,000. They should not be purchased.
- Work to impress an attitude of economy and efficiency in departmental personnel. There are a number of actions which may be taken to indicate to departmental personnel the seriousness with which the department administration views the objectives of efficiency and economy.

- Require local agencies to share substantially in the cost of any activity by the department primarily for the benefit of the local community. It is suggested a 50% financial participation by local entities would be appropriate. This should result in a more careful evaluation of cost-benefit relationships of proposed programs.

Water System Operations Division

The Department of Water Resources is immediately confronted with the problem of organizing for operation and maintenance of tremendous facilities being built under the California Water Project. Final organizational decisions and selection of key personnel are needed for the safe and efficient start of operations of the water system.

Recommended action

Establish immediately a Water Systems Operations Division to operate and maintain the State Water Project facilities and employ, at the earliest possible date, the individual to head this division. Modify further the present organizational plans to provide minimum staffing in the proposed Water System Operations Division. Implementation of this and the preceding recommendation would result in cost savings of \$2.5-million annually at the 1972 level of staffing.

Planning and General Operations Division

At present, planning activities are conducted more or less independently in the Statewide Planning Office, in Staff and Services Management and in each of the districts. There is coordination but no single line responsibility.

A number of activities of a more general nature are intertwined organizationally with functions of the State Water Project. Flood forecasting and levee maintenance are under state-wide operations, whose main concern is the State Water Project.

There are a host of services to other state and local agencies and commissions, many

required by statute, which must be provided by the department.

Recommended action

Establish a Planning and General Operations Division, providing central management of all planning and planning-related activities. This new division would discharge the many responsibilities of the department with respect to other agencies, to dam safety and to required operations other than those of the State Water Project. The proposed organizational plan is illustrated on next page.

Key suggestions would:

- Disband the group known as Staff and Services Management and redeploy the various elements.
- Cancel the present policy of decentralization and establish a new policy which returns the functions of the districts to the kinds indicated in Section 125 of the Water Code. The districts should expedite and communicate but, in general, the district manager should not have line responsibility for work performed in the district.

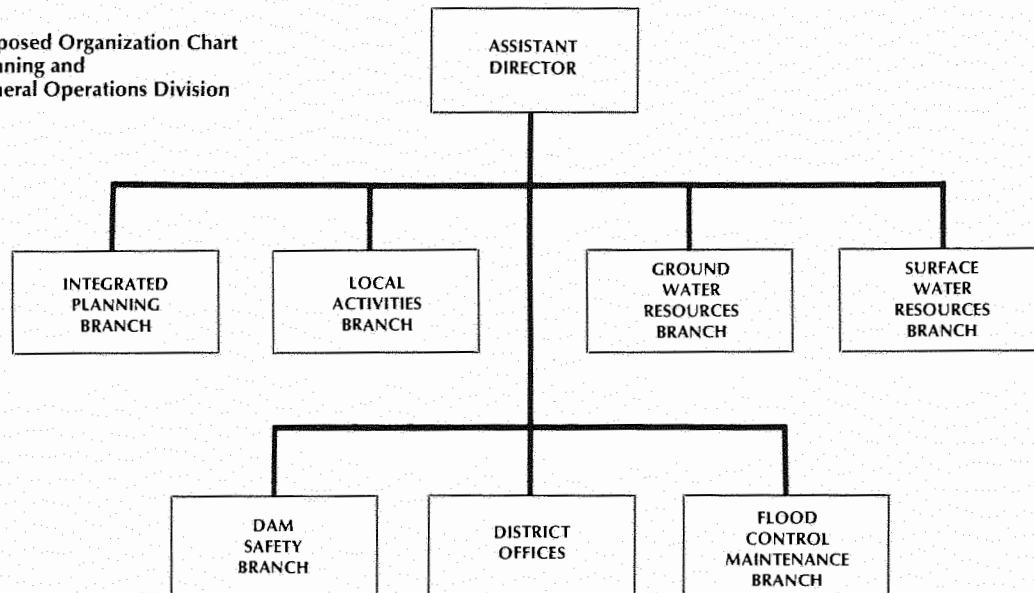
Even without changes in scope or elimination of duplicative programs, there is on the order of \$1-million annual savings which could be effected by eliminating the independent district concept, centralizing control and manpower in Sacramento and reducing total positions by about 76. It would cost approximately one year's savings to move the personnel involved, although good planning and attrition could reduce this.

- Study a possible extension of the fee schedule which now covers approval and inspection of new dam construction.

The present statute requires the Division of Safety of Dams to collect a fee from the dam owner only at the time approval is received for construction. These fees now aggregate about \$230,000 per year.

Following the Baldwin Hills Dam failure, the code was modified to provide a more intensive inspection program. The budget of the division has grown from \$449,000 in fiscal

**Proposed Organization Chart
Planning and
General Operations Division**



year 1963-64 to approximately \$1.12-million in fiscal year 1967-68. No charge is made to cover regular safety inspections carried out on 1,115 dams and reservoirs.

A study should be made of an inspection fee schedule under which cost of inspections would be borne by the dam owners. This would result in additional revenue to the department approximating \$893,000 per year.

Design and Construction Division

The Design and Construction Division has developed to its present complement of almost 2,000 positions during the past six years. It has been fragmented between Sacramento and the Southern District by the department's policy of decentralization. It has proliferated staff groups because of the lack of delegation of authority.

Recommended action

Major suggestions would:

- Reorganize, regroup and reassign the various personnel in the Design and Con-

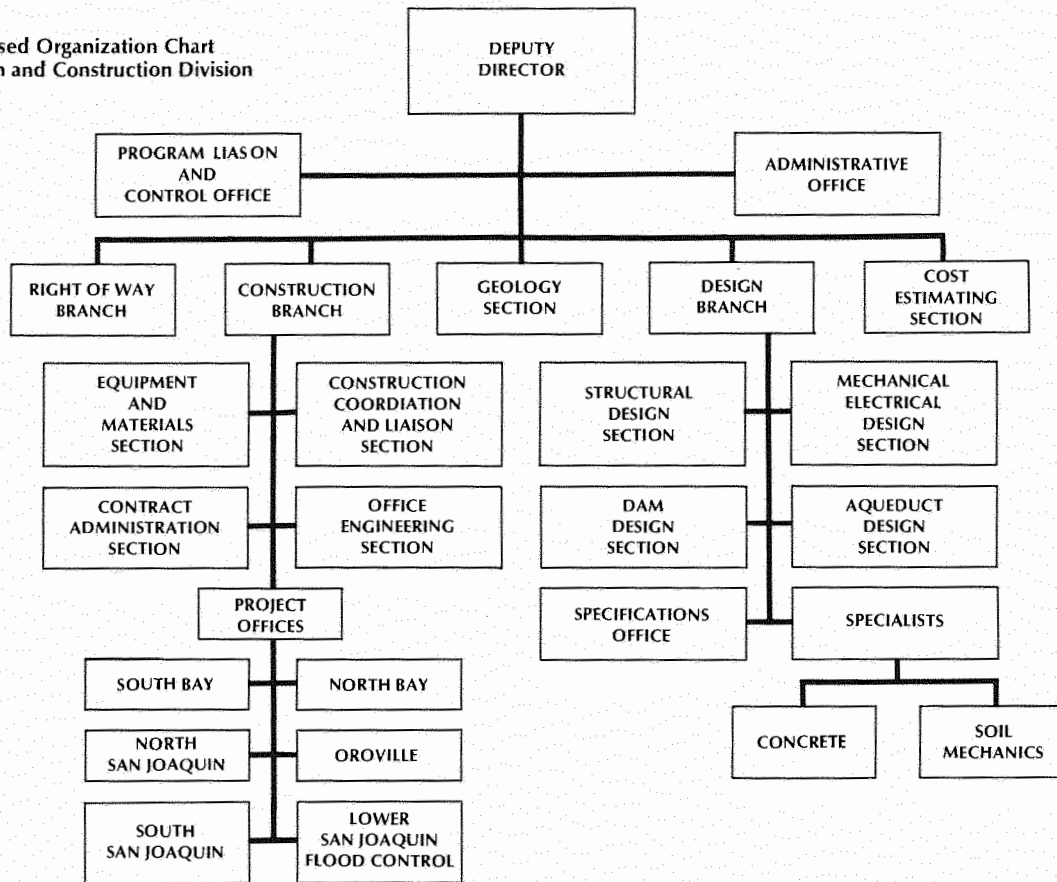
struction Division. A suggested organization chart is shown on next page. Without considering the efficiency that would be gained, estimated savings should be at least \$200,000 per year.

- Establish an independent board to review all current design and contemplated construction on the State Water Project and have it report to the Director.

Over-design observed in facilities finished or under construction suggest substantial savings can be realized on work still uncommitted. Given the authority to hold design specifications to a minimum, consistent with safety, functional requirements, future maintenance and acceptable appearance, such a board conceivably could save at least 6% of the \$1-billion yet to be spent. This would represent \$60-million, or about \$15-million per year, for the remainder of the project's construction period.

- Contract outside for sufficient engineering services in design, construction and surveys to avoid adding to the present

Proposed Organization Chart
Design and Construction Division



work force for replacement of losses due to attrition.

Because of the temporary nature of the department's present workload and the approaching period of force reduction, this practice should be more in evidence. At least \$50-million in design and \$150-million in construction could be contracted. A private contractor easily would save 2% on design and 3% on construction costs—over \$1-million per year—or a total of approximately \$4.5-million in four years.

- Include in the standard contract provisions a procedure for payment of costs of work performed under oral orders when such orders are confirmed in writing at

the earliest possible time. Clarification of these contract procedures should result in better relationships between the engineer and contractor, which in turn should result in lower bid prices. It would be possible to save from 0.5% to 1% of contract price, or \$500,000 to \$1-million per year.

- Increase the responsibilities and duties of the contractor on future projects and, if possible, on present contracts.

By following this recommendation, there would be a cost increase to the contractor. However, the amount would be small compared to the savings realized by the state. Probably the greatest advantage to the state

would be the ability to finish the water project without any more build-up of its surveying units. At least 50 positions could be stricken from the state's budget, with the contractor probably using 25 additional men. This could save the state an estimated \$250,000 per year.

- Reduce by approximately 60% the scope and budget allowance for writing and publication of the proposed history of the State Water Project.

Traditionally, government agencies have published the histories of their interesting and unique projects. The Department of Water Resources has started to write the history of the water project and, in order to publish the proposed 40 volumes, an expenditure of almost \$1-million is planned. A budget of \$400,000 should be enough to insure a first class publication and save \$600,000.

Administrative Division

The proposed Administrative Division would be responsible for administrative, technical and staff services supporting the main programs of the department. It would provide technical services such as laboratories, mapping, electronic data processing and staff functions including supply, office services, budgeting and accounting.

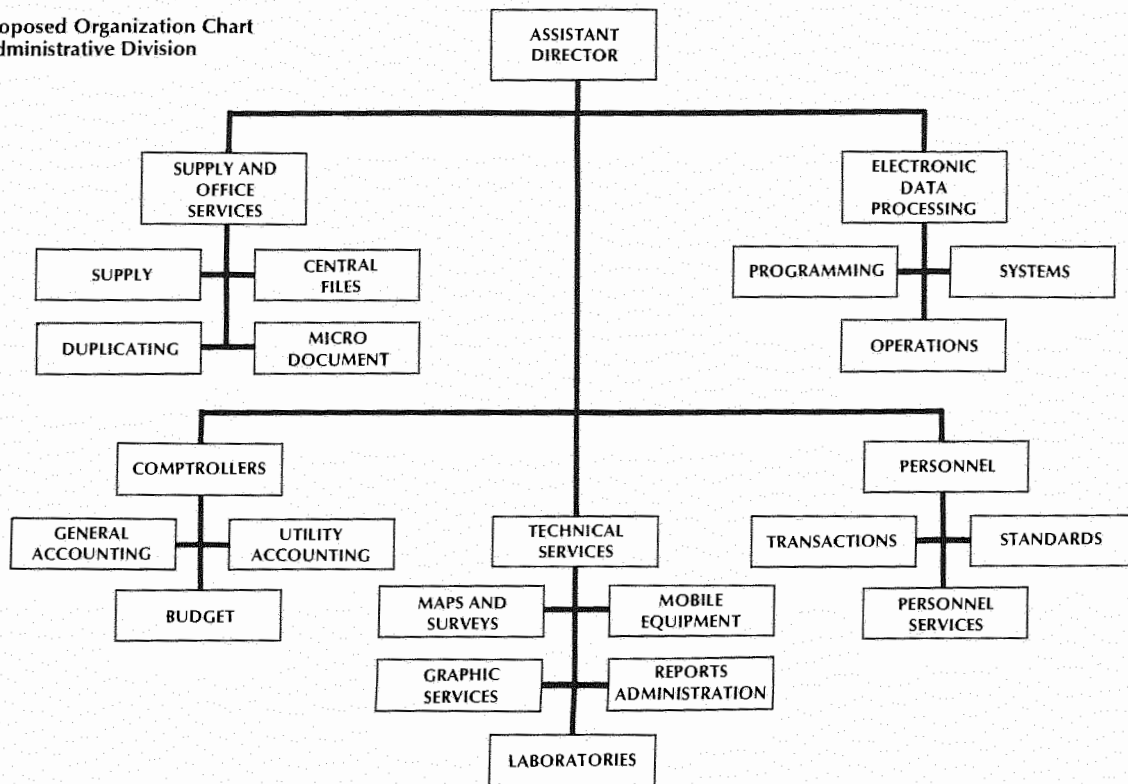
Recommended action

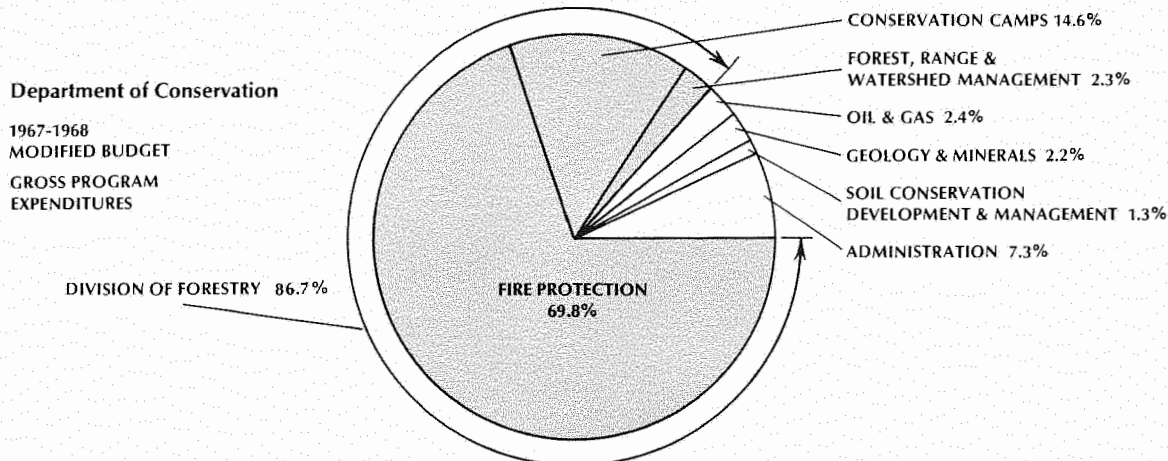
Key recommendations would:

- Consolidate administrative staff and support functions of the Department of Water Resources in the Administrative Division.

Although many forms of organization will accomplish the same objectives, the one suggested on the chart below provides a logi-

**Proposed Organization Chart
Administrative Division**





cal grouping of centralized staff and service functions within a reasonable span of control for the Assistant Director. The benefits derived from these proposed organizational changes should result in savings which have not been determined. However, they will provide better control and improved services.

- Require that costs involved in the acquisition of rights-of-way, easements and relocations required by state flood control projects be borne partly by the direct beneficiaries, instead of entirely by the state as is now the case.

It can be assumed that local participation in these costs would ensure more thoughtful evaluation at the local level of proposed projects and therefore better control of expenditures. If the Legislature were to enact a provision for 50-50 sharing of these costs, the state's budget could be reduced by as much as \$1.7-million annually.

DEPARTMENT OF CONSERVATION

The principal objective of this operating department is the conservation, protection and development of the state's natural re-

sources. These include its commercial timber and wildland forests, watersheds and rangelands, its mineral deposits and its soil resources. The department is organized into four divisions of Forestry, Mines and Geology, Oil and Gas and Soil Conservation.

The state has a complex series of policies that guide programs affecting its natural resources. They include measures for protection, education, research, taxation, regulation, assistance and direct management. The department's four divisions operate as nearly autonomous units in implementing these programs. Each division, except Oil and Gas, receives major policy direction from boards and commissions and authority from the Legislature in division-directed laws.

Gross operating expenditures authorized in the 1967-68 budget are \$44.8-million. After allowing for reimbursements and revenues, the net cost to the General Fund is estimated to be \$33.1-million. The 1967-68 budget authorized a department staffing of 3,608 man-years. The chart above shows the proportionate budget allocations within the department.

Appraisal of performance

Overall organization of the department is somewhat handicapped because of excessive administration levels. The line-staff relationship has become distorted, partially due to growth. The department should be reorganized into functional organizations with proper program budgeting, accounting and reporting. Its widespread operation and facility locations should be reviewed to ensure they reflect recent changes in population, resource conditions, operating techniques and travel systems.

The department has been active in seeking cost reductions and has lowered its initial budget requirements for the 1967-68 fiscal year by \$8.7-million, or 16%. This is in addition to the savings proposed in this report.

Recommended action

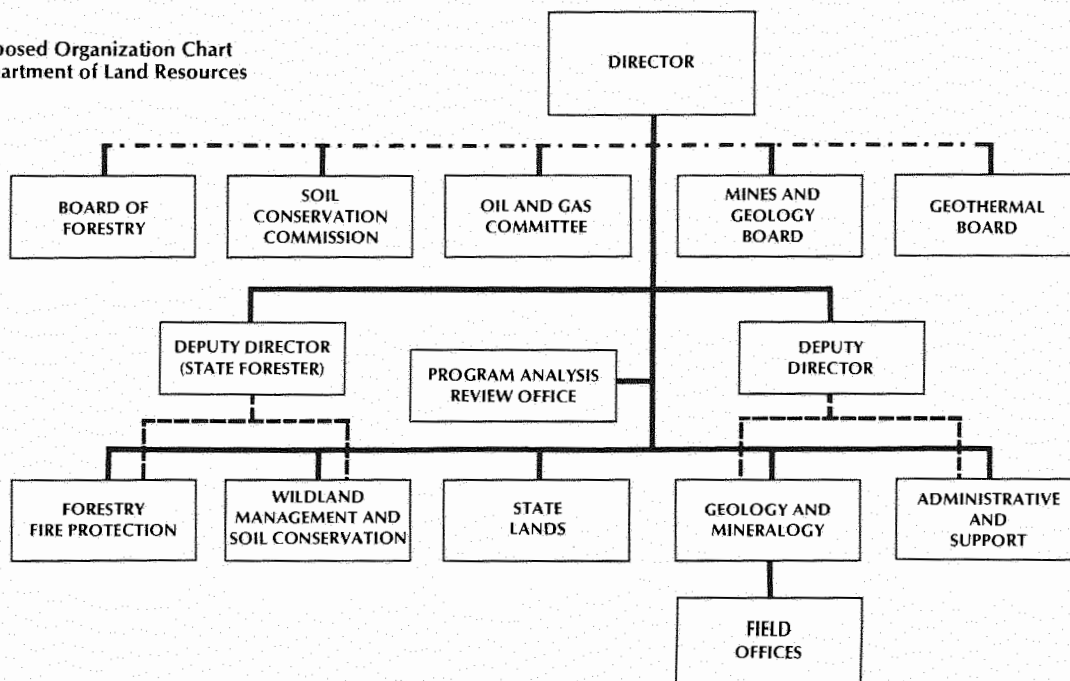
The Governor's Survey found there is an op-

portunity to save an estimated \$6.5-million annually, plus one-time saving of \$1.4-million.

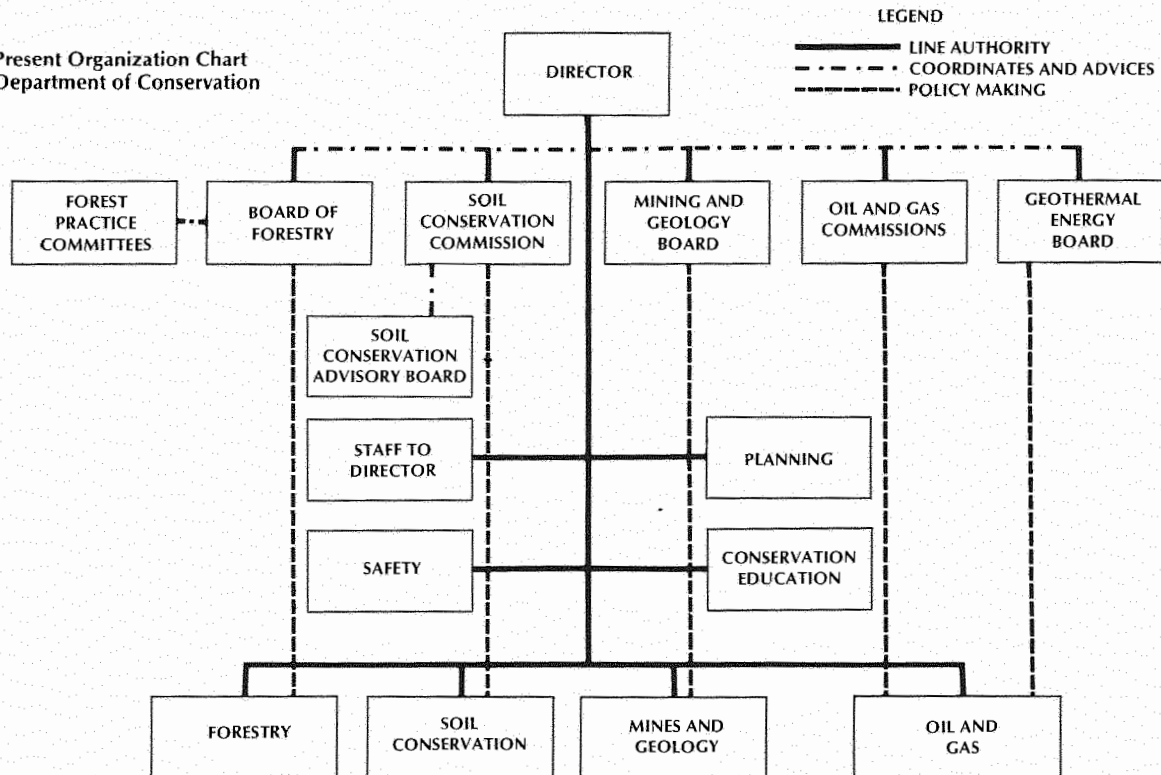
One recommendation calls for a reorganization of the department. The existing structure is an outmoded version of a line-staff organization. It should be rearranged to perform its assigned missions effectively and efficiently, based on the program manager concept. The Director should be authorized to develop a reorganization plan which the Governor may submit to the Legislature under the recently enacted executive reorganization procedure. It is suggested the following proposals be considered when planning the changes. These are depicted in the proposed organization chart shown below. A chart of the current organization is also shown on next page for comparison.

Recommendations are also made to negotiate greater cost recoveries of over \$5-million annually from federal and local govern-

Proposed Organization Chart
Department of Land Resources



Present Organization Chart
Department of Conservation



ments for providing forest fire protection and fighting of fires.

The Department of Conservation should be renamed Department of Land Resources. Its boards and commissions should serve in a policy, advisory and coordinative capacity, not administrative. A Program Analysis and Review Office, reporting to the Director, also should be established.

Programs currently in the Divisions of Forestry and Soil Conservation should be balanced, to segregate similar functions. The Division of Forestry should be retained. However, it should be streamlined into a more responsive fire protection unit with responsibilities for fire prevention, fire control on state lands and rural fire protection.

Other remaining functions of the Divisions of Forestry and Soil Conservation should be reconstituted into a Division of Wildlands Management and Soil Conservation. It should have responsibility for soil conservation, watershed planning, wildland soil and watershed management, brushland range advisory services, reforestation and forest nurseries, forest practice regulation, forest pest protection, management demonstration on state lands and conservation camps.

The Divisions of Oil and Gas and Mines and Geology should be consolidated into a single division, named the Division of Geology and Mineralogy. Its specific programs should determine geologic hazards, basic geology, mineral resources, regulation of

oil and gas operations, regulation of geothermal operations, subsidence abatement and atomic energy development.

The State Lands Division, now in the Department of Finance, should be assigned to the Department of Conservation as an operating division. It should report to the Director for administration and management under the policies of the State Lands Commission.

An Administrative and Support Division also should be established, in lieu of the present staff to the Director. Its responsibility would be to provide all department administrative services that are not decentralized.

Two additional Deputy Directors will be needed. Also, an Assistant Director for the Program Analysis and Review Office should be established. The position of Division Chief should be eliminated when the Division of Oil and Gas is consolidated with the Division of Mines and Geology. However, the eliminated position should be assigned to head the Administrative and Support Division.

When fully implemented, the proposed concepts could result in annual net savings of as much as \$500,000.

- Establish and implement a formal department-wide cost reduction program.

At present, no formal cost reduction program exists in the department. Neither has a state-wide Merit Award Program received full participation. This program should be reviewed and updated. An effective merit award system could be incorporated as a valuable part of a department-wide cost reduction program. The cost reduction goal for the department during fiscal 1967-68 and 1968-69 should be a 5% reduction in operating expenses. If achieved, it would yield an annual savings of \$2.4-million.

Key recommendations would do the following:

- Permit the Division of Forestry construction program to be carried out under sole control of the Director of the department through the building budget of the Department of Finance, without control by

the Office of Architecture and Construction.

Construction projects of the type originated to serve the needs of the Department of Conservation can be conducted more economically by the Division of Forestry than by OAC, a centralized single function agency with fixed overhead costs.

If the Division of Forestry, in construction projects, were completely removed from OAC control, it is estimated the savings would amount to at least 15% on new buildings. At last year's capital outlay level of \$5-million, annual savings would be \$750,000.

- Develop and institute complete program budgeting, cost accounting and management information systems.

The department has made several attempts at instituting a program budgeting system. These trials have not established a true system. Program managers have not been given responsibility or authority to accomplish desired objectives. This defeats a basic purpose of the program concept, which is to create single-person responsibility, authority and accountability for results at minimum cost.

An essential requirement for successful operation of such a program budgeting system is a complete cost accounting and management information system. This service must be provided so programs, management and alternative procedures can be evaluated.

- Reduce the department's budget-authorized positions where possible.

The finalized budget for fiscal 1967-68 provides a man-loading equivalent of 3,608 man-years. At the start of the fiscal year, however, the level was 3,518 man-years. It should be held to this level, or lower, during the fiscal period. Such a reduction of 90 man-years from the authorized level could result in a cost avoidance of \$542,000.

Division of Forestry

The Division of Forestry represents the state's interest in forest, range and watershed re-

sources on private lands, in federal and other matters pertaining to forestry and in the execution of state forest policy. Procedures are established by the State Board of Forestry and executed through the State Forester, Chief of the Division of Forestry.

The division is a highly-dispersed multi-purpose organization. In 1966, there were 2,547 employees. At the peak of the fire season, total employment including seasonal drivers and fire-fighters, reached 4,512. In addition, it supervises activities of 2,800 inmates and wards in Conservation Camps.

The division owns approximately 2,000 separate buildings, 2,050 wheeled vehicles, 2,800 radio units, over 3,300 miles of telephone lines and 16 miles of power lines. It also owns or has right-of-way control over some 3,600 miles of road and 63 bridges, fuel and fire breaks, water cisterns, helispots, air attack bases, state forest demonstration areas and other facilities.

The proposed budget for fiscal 1967-68 is slightly more than \$43-million. However, expected reimbursements and revenues in excess of \$10.2-million will reduce net expenditure to \$32.8-million.

Recommended action

Some specific recommendations in the Division of Forestry are worth examining in detail. They would do the following:

- Initiate a two-step program by the Governor and California's Congressional Representatives to obtain additional federal funds for fire protection.

The Clarke-McNary Act provides for financial grants-in-aid to states for protection of timber and watershed lands having national interest. A 50-50 matching grant was originally contemplated. Although Congressional authority for \$20-million is provided, the federal administration budgeted only \$11.8-million in 1966. Of this, California received \$1.1-million. If all funds authorized by Congress were budgeted, California would receive an additional \$900,000 in revenue.

When Congressional authorization of

funds is increased and implemented, California will be qualified to receive another \$1.5-million in revenue for a total of \$2.4-million.

- Negotiate for increased reimbursement from the U.S. Department of the Interior, Bureau of Land Management, for fire protection of federal lands.

The Division of Forestry protects two million acres of National Reserve lands for the U. S. Bureau of Land Management. This service costs California over \$2-million annually. Reimbursement under the present contract with the Bureau of Land Management is only \$500,000. Upon renewal of the existing annual contract for these services, a vigorous attempt should be made to recapture actual state expenditures. This would result in increased annual revenue of approximately \$1.6-million.

- Increase the charge to local governments for fire protection to reflect actual costs and initiate a study to determine the extent to which the state should contract with local governments for fire protection of heavily populated areas and industrial-commercial complexes.

The present local government fire protection contracts with 30 counties are based on the number of fire fighting personnel involved plus a 3% administrative charge. The administrative charge should be increased to a minimum of 10%. In addition, there has been inadequate contract cost accounting for materials and services. The division received \$5.5-million from contracts with local governments during 1966-67. Estimated cost of services under these contracts, however, was over \$6.2-million for a loss of \$750,000. Therefore, future contracts should be accepted on an actual cost basis.

- Increase fire cost reimbursement claim collection through improved legal and collection procedures.

The division performs fire control services which result in accounts receivable. These services are provided to federal agencies for certain federal lands, to other state agencies

for suppressing fires beyond their capability and to citizens and corporations where negligence can be proved for allowing a fire to start.

Annual collections presently amount to \$200,000. Amounts charged the U. S. Forest Service, Bureau of Land Management and negligent citizens, railroads and utilities appear to be too low to cover all costs. Adequacy of these rates should be reviewed. Improved procedures could result in increased collections of up to \$500,000 annually.

- Initiate negotiations for one or more additional Job Corps Camps to be operated by the division.

The division presently operates one Job Corps Camp completely reimbursed by federal funds. This camp provides conservation work and fire control capabilities valuable to Forestry's regular programs. Additional federally-financed camps could be handled without added administrative cost to the state.

Utilization of federally-financed Job Corps Camps would not require the state to make capital outlays. The value of work performed in such a camp, reimbursed by the federal government, could amount to as much as \$250,000 annually.

- Eliminate warehouse functions at the District Ranger units and the Conservation Camps.

Logistic controls should be established for centralized district warehouses which can handle the eliminated functions. Six of the 30 warehouse positions should be reassigned to district warehouses. The remaining 24 positions should be reassigned as fire control positions.

District Ranger unit, Conservation Camp and other district subsidiary warehouse facilities should be controlled to provide for only a two week supply of essential commodities, unless a larger stock is justified by isolation. This action should result in an annual saving of at least \$250,000.

- Eliminate purchase of site and construction of new buildings for Forestry District III and Fish and Game regional office.

The present Forestry and Fish and Game combined headquarters at Sacramento State College must be evacuated for college use. If the division were to construct its own quarters for Forestry District III, the site would cost \$300,000 and the building approximately \$900,000.

The Department of Fish and Game presently is planning to construct a building at its Nimbus Fish Hatchery. Additional space should be provided in that building, for which the Forestry unit would pay rent.

- Defer procurement of mobile radio communication equipment scheduled for purchase during fiscal 1967-68.

The Division of Communications, Department of General Services, has been requested by the department to purchase 369 mobile radio transceivers, base stations and remote radio control equipment. The equipment, which will cost approximately \$385,000, can be deferred during 1967-68. This would permit completion of a study of the feasibility of standardizing mobile radio communications for all functions of the Resources Agency.

Including the initial cost, deferring purchase of this equipment for one year would result in a cost avoidance in 1967-68 of approximately \$451,000.

- Reduce the number of specially-equipped sedans at division and district offices.

Currently, 176 sedans are equipped with radios, sirens, special lights, spotlights, special generator-alternators and other modifications. A survey of sedan utilization disclosed only 96 of these are essential for fire control, fire prevention and law enforcement. The remainder should be pooled for better utilization. Some sedans could be replaced with other special-purpose vehicles suitable to unique mission requirements. The total savings per replacement period would approach \$350,000.

- Defer procurement of microwave communication equipment.

A total of 87 microwave equipment components, consisting of mobile relay base and repeater station equipment, microwave terminals, antennas, multiplex channels and other equipment is scheduled for purchase during 1967-68. Acquisition should be delayed pending finalization of a microwave system study. Deferring this purchase would yield a total cost avoidance in 1967-68 of about \$297,000.

- Reduce fire detection and response time, together with future capital investments, by use of light aircraft for early detection and helicopters for early attack.

At present, the division has no light planes or helicopters under contract for use in fire control operations. Light fixed-wing aircraft should be used for earlier fire detection in lieu of tower-type lookouts. Their use could increase fire detection effectiveness without additional capital outlay.

The division's present plans call for acquisition of five additional fire stations costing \$84,000 for equipment and over \$186,000 for annual support functions. In addition, these also will require the purchase of 10 medium bulldozer-transport units at \$500,000 and annual support of \$242,000.

The use of eight helicopter crews, at an estimated annual cost of \$50,000 each, will minimize the need to implement the additional ground attack units. This should yield net savings of \$584,000 in capital outlay and \$28,000 in annual operating costs.

- Eliminate planned requirements for 89 additional foremen.

The division has planned an increase of 89 foremen for improving the utilization and effectiveness of inmates in conservation camps. The plan is valid, however, the increase in foremen is not justified.

The 89 foremen should not be hired because assistant camp superintendents can be phased out and reassigned as foremen. Furthermore, Ranger unit warehouse foremen

also can be reassigned as camp foremen. In addition, other foremen can be reassigned as a result of the reorganization of personnel. The annual cost avoidance, at \$9,350 per employee, would amount to approximately \$832,000.

- Minimize summer hires below existing allocation, based on weather and length of fire seasons.

For average anticipated fire conditions and length of fire seasons, tighter controls could result in annual savings in the order of \$700,000.

DEPARTMENT OF AGRICULTURE

The prime objectives of the department are to provide protection to consumer, producer and processor, to improve the whole agricultural economy in California and to assure a supply of food and fiber that is wholesome and of the proper quality.

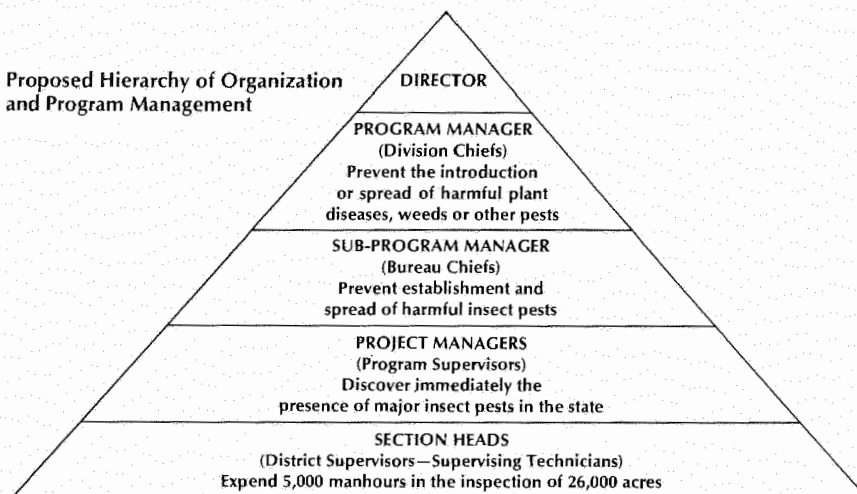
Expenditures by the department for fiscal 1967-68 are estimated at \$22.7-million. Another \$12.7-million will be spent by the counties for similar purposes. Much of the county expenditure comes under the supervision of the department. The current budget anticipates 1,501 permanent full-time positions for fiscal 1967-68. Another 2,000 temporary employees will swell the total to 2,088 equivalent man-years. County staffs, hired and paid by the counties, are in addition to the above numbers.

About 50% of the \$22.7-million is appropriated from the General Fund. The other half is derived from the Agricultural Fund which is supported by fees, licenses and other direct charges to the industry for services rendered by the department.

Appraisal of performance

Many of the responsibilities of the department are specified in the Agricultural Code. Restrictions imposed by the code frequently limit the ability of the department to adjust readily to the requirements of a rapidly changing agricultural industry. Despite the

**Proposed Hierarchy of Organization
and Program Management**



many differences in programs as to authority, funding and skills required, the department is responding to changes in operational structure and procedures initiated by the Director and his administrative team.

The department was reorganized in April 1967, into six divisions to replace the nine which had been created in 1960. However, the management complex is still top-heavy because the number of bureaus was not correspondingly reduced. The trend towards fewer but larger agricultural producers, as well as integrated industrial structures, is changing the workload of many bureaus. Therefore, it appears further reductions at management and clerical levels can be made without impairing the department's effectiveness.

Recommended action

The Governor's Survey presented recommendations that offer a total potential savings of \$4-million annually. Several of the recommendations involve the entire department, while others individually treat five of the six divisions within the department. The sixth, the Division of Fairs and Expositions, was already under an individual study by the department

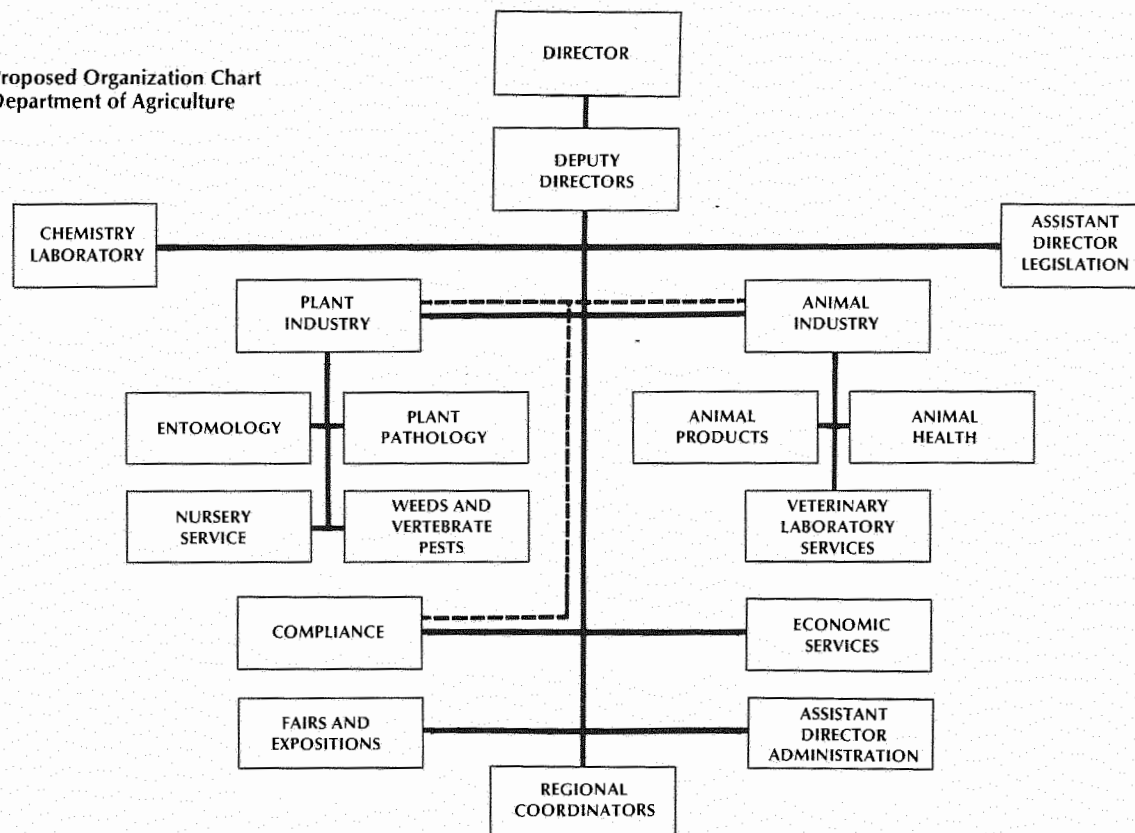
when the Governor's Survey was being made. Therefore, the latter has withheld its recommendations until results of the study are available.

The first general recommendation would develop a department organization compatible with its program objectives, then delegate authority to administer the programs and responsibility for accomplishing the objectives to the various levels of program management.

The figure above illustrates the hierarchy of a typical program. Effective management and progress reporting is possible at each level of the program structure. Authority and responsibility are delegated downward from the Director. Information needed for management decision-making is passed upward from the smallest activity. Actual costs can be compared with budget estimates at each level. Objectives are stated at each level, so performance can be measured. A suggested organization chart is shown on next page.

It is also recommended that the regional coordinators report to the Director and take a more active part in planning programs as well as protecting the interests of the coun-

Proposed Organization Chart
Department of Agriculture



ties. Also, efforts should be made to establish an equitable program for sharing with the counties the revenues from industry fees and licenses collected through county offices.

Other general recommendations suggest:

- An in-depth study of the savings and quality improvements possible through application of statistical sampling techniques to inspection operations.
- A critical review of immediate and long-range applications for automatic data processing in the department.

Division of Plant Industry

The division is charged with preventing the introduction into California of plant pests and protecting this segment of agriculture.

It is accomplished through detection, suppression and eradication programs.

It also administers regulations for registration and certification of deciduous fruit and nut trees, grapevines, strawberry plants, avocado nursery stock, seed garlic and seed potatoes. Vegetable and other agricultural seeds are sampled and tested to assure compliance with container labels. Supervision, coordination and technical assistance in these fields are supplied at the county level through the agricultural commissioners.

Recommended action

A key recommendation would discontinue all plant quarantine inspections at state borders and provide offsetting plant protection programs.

The state is paying a high price for marginal and questionable protection. Implementation of this suggestion, from a budgetary standpoint, would represent a net annual operational savings of approximately \$875,000. Additional cost avoidance in planned capital outlay for land and building facilities would average about \$350,000 annually for several years in the future.

Division of Inspection Services

The activities of the Division of Inspection Services are designed to protect and promote the welfare of the agricultural industry in California. It does this by enforcing laws and rendering services relating to inspection of products produced by farmers and products used by farmers in production of agricultural crops.

Recommended action

One key recommendation in this division would delegate responsibility to the Director for determination of minimum standards for fruit and vegetables and standard containers and packaging.

This would allow changes and modifications to be made upon application and recommendation by responsible grower-shipper groups and after favorable public hearing. Present Agricultural Code restrictions are not sufficiently flexible to recognize and take prompt advantage of improvements.

A second key recommendation would implement the Bureau of Shipping Point Inspection's proposals for reduction of fruit and vegetable inspection costs.

This bureau provides a service of voluntary inspection and certification, supported by fees, of fruits and vegetables moving by carload or truckload lots in interstate commerce. A small corps of permanent state employees is responsible for operating this program year around. However, the bulk of inspection work during the produce marketing seasons is performed by a force of up to 700 tempo-

rary employees hired each year on a seasonal basis.

Costs of the inspection service are high. This is due principally to application of administrative and other overhead charges prorated on the basis of total salaries and wages, as well as pension accruals which must be charged even for seasonal employees.

The proposed plan would permit the bureau to contract for the services of seasonal people without having to put them on the state's payroll as temporary employees. It would authorize the Director to cooperate with the U.S.D.A. in arranging for that agency to license and supervise the work of these contract inspection personnel. The bureau would collect the inspection fees and remit a portion to the U.S.D.A. for its service. The total net saving is estimated to be \$266,000 annually.

Another recommendation would establish a fee system to make seed inspection an industry-supported program.

Enforcement of the Seed Law is accomplished at present by General Fund expenditure. Similar programs in other agricultural commodities are supported by license fees or a quantity tax. The value of agricultural and turf seed planted each year in California is estimated to be in excess of \$30-million. A consolidated state program should not exceed an expenditure of \$200,000 which would represent only 0.67% of the total market value. Savings to the General Fund would amount to \$150,000 to \$200,000 per year, depending upon the final program.

Division of Animal Industry

The Division of Animal Industry is charged with the responsibility of protecting California's livestock and poultry from losses sustained due to disease. It also enforces measures to assure the public of a wholesome supply of foods of animal origin. In addition, it supervises an industry-financed protective service for livestock owners by recording brands and conducting inspections.

Recommended action

One recommendation in this division would combine the Bureaus of Meat and Poultry Inspection.

The trend toward federal inspection of meat and poultry slaughtering and processing plants and the closing of small plants due to economic pressures should lighten the workload of both units. The bureaus are organized in parallel structures, functioning in the same areas of the state. They use similar classifications of employees for similar duties.

Allowing a reasonable period of time for consolidation and training, it is felt that nine positions could be phased out. Estimated annual savings would be close to \$117,500.

Another recommendation would activate the Cattle Industry Advisory Committee appointed in 1965 by the Senate Fact-Finding Committee on Agriculture pursuant to Senate Resolution 185.

The committee assignment remains to be performed. The existing Code on Hide and Brands was last revised in 1947 and many changes have occurred in the cattle industry in the past 20 years. The industry pays almost \$1-million per year for the program of livestock identification. A section-by-section review of the existing code will be required to effectuate and safeguard the legal transfer of title in a convenient manner demanded by modern business practices.

A third recommendation in this division would provide uniform inspection for all milk and dairy products, the costs to be borne by the industry.

Currently, milk is inspected under three different systems with no uniform standards or criteria. It may be argued that inspection of milk and dairy products is for the protection of the public health and, therefore, a general obligation. However, the milk industry in California already is the subject of much regulation and the cost of this is considered in setting the prices of milk at various trade levels. There would be little noticeable effect on the price to consumers if the cost of

inspection was paid by the industry and added into the computations of pricing. Savings to the General Fund would approximate \$350,000 annually.

Division of Marketing Services

The Division of Marketing Services is charged with the responsibility of providing:

- Objective marketing information on sales of agricultural products at the producer, distributor and consumer levels.
- Meaningful data and forecasts on acreage and production of agricultural products.
- Advisory assistance in the administration of state self-held marketing orders and marketing programs.
- Enforcement and administration of the Produce Dealers Act and the Processors Law to protect persons engaged in the production of farm products.
- Administration and enforcement of the Milk Stabilization Law.
- Supervision of the activities of the Dairy Council.

Recommended action

One recommendation for this division would charge nominal fees for each subscription to the daily, weekly, monthly and annual reports issued by the Bureaus of Market News and Agricultural Statistics.

This would reduce mailing lists and provide funds for improved analysis of derived data. If a fee is instituted, subscribers such as government agencies and schools should continue to receive subscriptions on a non-fee basis. Additional annual revenues in excess of \$72,000 could be generated. Undetermined savings also can be anticipated on material, mailing list maintenance and printing costs.

A second key recommendation in this division would have the Bureau of Milk Stabilization develop a standard data product code for use by all segments of the dairy industry. It should also develop programs to utilize data processing capabilities in the milk in-

dustry to reduce the time required to make industry cost studies.

The industry is at a point where development of such standard ADP procedures for use by the entire industry would benefit all involved. Present variations in product identification, information presentation and information storage result in the need for tailored audits of each company and a loss of the capability of applying ADP efficiencies to the audits.

The Bureau of Milk Stabilization, working with and through representatives of the dairy industry, should take the initiative in this effort. Industry support should be readily available when expected audit cost savings and increased rapidity of cost audits are known.

DEPARTMENT OF HARBORS AND WATERCRAFT

The Department of Harbors and Watercraft is responsible for developing facilities to serve recreational boaters and for promoting safe use of boats and boating facilities. It provides financial and technical assistance to local agencies and assists in implementation of the Federal-State Harbors of Refuge plan.

The department also monitors activities, by, and promotes uniformity among, more than 100 state and local bodies which initiate or enforce regulations relating to boats and boating. A Harbors and Watercraft Commission establishes policy for the department.

Departmental income is derived from gasoline taxes, registration fees and investments. It amounts to about \$5-million annually. Operating expenses consume about 20% of this income. The remainder, some \$4-million, is added to the Harbors and Watercraft Revolving Fund.

The departmental operating budget has increased from \$830,000 in fiscal year 1965-66 to \$943,000 last year. For the current fiscal year, it has declined about 7%. Number of personnel has been reduced from 76 to 68 during the past year, reflecting primarily a decrease in clerical help.

Appraisal of performance

As a department, Harbors and Watercraft has been in existence a little less than one year. Its operations, however, were essentially identical when the department had divisional status under the Department of Parks and Recreation. Overall, the department appears to be carrying out its mission well. In its Boating Facilities and Waterways branch, the department provides a worthwhile function in guiding the projects of local political entities. The Boating Safety and Control branch has demonstrated its ability to promote safety and exercise regulation.

Recommended action

Suggestions of the Governor's Survey relate to organization and objectives of the department. These strongly suggest orientation of its operations and programs primarily to recreational boating and discouraging expansion into areas where duplication of efforts could result.

The recommendations aim at keeping overhead costs to a minimum and refraining from building unneeded administrative and service staffs. Estimated cost avoidance of \$20,000 per annum is anticipated.

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation is responsible for meeting some of the recreational wants of Californians through reservation of outdoor areas having special natural, historical, or recreational value. It also is charged with providing the facilities and services which enable the people to enjoy these areas.

To meet these objectives, the department acquires, develops, operates and maintains the State Park System, presently consisting of 203 units. The department plans recreational facilities to be constructed in conjunction with state water projects, as required by the Davis-Dolwig Act of 1961. It also administers assistance grants to local govern-

ments for acquisition and development of outdoor recreation areas.

In May 1967, the department had authorization for 1,253 permanent positions, of which 1,158 were filled. Additionally, 641 seasonal personnel were employed.

In response to the Governor's request for budget modifications, the department's support budget was reduced by about 8% during fiscal 1966-67 to approximately \$15.43-million. For the 1967-68 period, the support budget has been cut by 3.9% to approximately \$14.87-million. The rate of decrease slowed down because new park units were opened, requiring additional staffing.

Appraisal of performance

During the past decade, the department has grown in response to public demands for increased recreational facilities. Staff and field personnel have increased commensurately.

Planning and development functions appear to suffer for several reasons. The present organization, consisting of three regional planning offices, has become cumbersome. The final results are good but costly. This is due to duplication and apparent pressure for excellence which has brought about over-design.

Under the new Director, the department is focusing on organizational changes, particularly in the areas of planning and development, to strengthen operations. Efforts by the staff, devoted to a program budgeting system integrated with the new organizational structure, are beneficial.

Concerted efforts toward increasing revenues to place the parks on a more self-sustaining basis are based on sound concepts. The job done by the department in selling the public on the need to increase user fees is outstanding.

Recommended action

The Governor's Survey submitted recommendations for this department which could result in annual savings of over \$2.2-million.

Some of the principal actions would do the following:

- Permit the department to plan and supervise all state park construction projects. This would limit the role of the Office of Architecture and Construction to those services requested by the department.

A basic function of the department is to plan state park facilities for maximum benefits to users. To do this, its staff includes landscape architects, building architects and civil and mechanical engineers. They are experienced in unique applications of their professional specialties to these purposes. On the other hand, most OAC staff members are trained to different basic concepts in design and construction.

The net savings of this change probably would exceed \$1-million annually. However, it is entirely possible to save up to \$5-million per year if the department were to assume full responsibility for developing parks.

- Consolidate the planning staff into the Sacramento headquarters. This could provide a one-third increase in productivity, which would eliminate 22 positions and allow these people to be reassigned. This availability of people would eliminate the need to hire 22 additional people for a vital master planning job, at an annual cost of \$230,000.
- Re-examine the criteria for establishing and restoring historical monuments. It is of general interest to preserve historically significant locations. Therefore, programs should be initiated to determine what is historically important but limits on the degree of restoration should be imposed. Blanket acquisition and restoration cannot continue and still serve the public's best interest.
- Re-examine the program for the restoration of historical buildings. The cost to restore a building starts at \$45 to \$55 per sq. ft. In some cases, a replica construction would cost substantially less than restoration.

- Experiment with selective closing of parks and monuments during the off-season. This should permit reclassification of a number of permanent positions to permanent-intermittent, with potential savings of as much as \$200,000 annually.
- Dispose of all state holdings at Squaw Valley. Since there are competitive facilities, it is unwarranted that the state continue operation of this facility at a net loss of some \$300,000 per year plus forecasted major maintenance and capital expenditures.
- Establish definite goals for the elimination of unnecessary paperwork. A 50% reduction for Historical Parks and Monuments and a 25% reduction for Parks and Beaches seems realistic.
- Develop a complete cost accounting and management information system to meet the needs of managers at all levels.

Improvements underway

Legislation has been enacted to allow the state to dispose of Squaw Valley.

In addition, a program budgeting framework is being developed gradually by the department. The program budgeting structure should be based upon end products rather than on functional activities. Program managers should be assigned responsibility and authority to accomplish their program objectives.

Furthermore, the department recognizes the need to change its work relationship with the Office of Architecture and Construction and is taking steps to accomplish this.

DEPARTMENT OF FISH AND GAME

The Department of Fish and Game manages utilization and habitat of fish and wildlife resources of the state to insure that they are perpetuated for use and enjoyment by all people.

The Fish and Game Commission regulates the taking and possession of birds, mammals,

fish, amphibians and reptiles, except for those commercial purposes where regulations are fixed by statute. This five-member body formulates general policies for conduct of the department which is administered by the Director in accordance with policies set by the Commission.

The Wildlife Conservation Board is responsible for selecting and authorizing acquisition of land and water areas suitable for recreation and the preservation, protection and restoration of wildlife. It is empowered by the Legislature to authorize construction of facilities on property it has acquired, consistent with the purposes for which it was purchased.

The department's functions of law enforcement, fisheries and wildlife management are carried out through five regional offices and the Marine Resources Operations office.

Total expenditures for fiscal 1965-66 were approximately \$14.5-million. Estimated expenditures for fiscal 1966-67 are \$15.8-million. At present, the department has some 1,200 employees.

Appraisal of performance

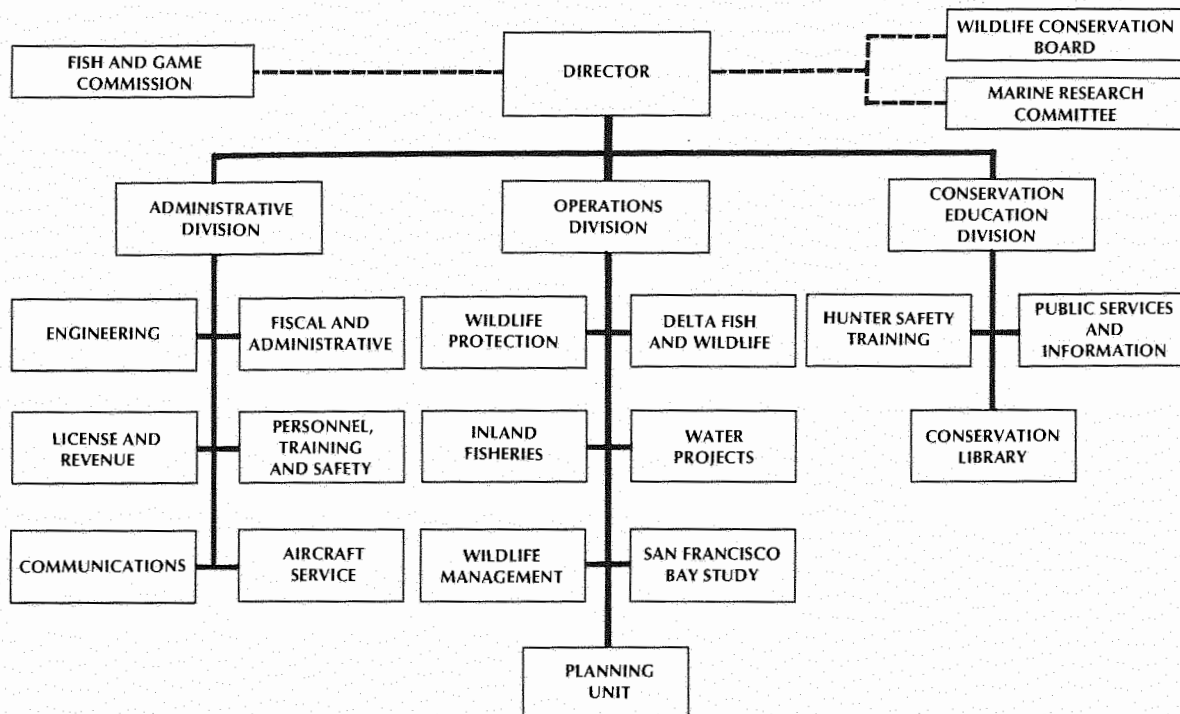
The department is among the more cost-conscious agencies in the state. This is reflected in a series of independently-generated economies within the past year which will reduce operating costs by almost \$100,000 annually. Although the magnitude of department problems has been increasing in proportion to the increase in state population, there has been a slight decrease of 23 operating personnel during the past decade.

Fishery operations, including fish hatcheries and stocking of lakes and streams, are handled in an effective and economical manner. The wildlife preservation and management program is effectively fulfilling its functions.

Recommended action

Even though the department is operating effectively, there are opportunities for improvements. The Governor's Survey suggested methods for improving the depart-

**Present Organization Chart
Department of Fish and Game**



ment organization, budgeting and operations. The chart above shows the present organization and the proposed organization structure is on the following page.

Organizational changes at the Deputy Director level are desirable. Some office procedures need improvement and certain facilities require additions and upgrading. There is also a need for better public relations and communications.

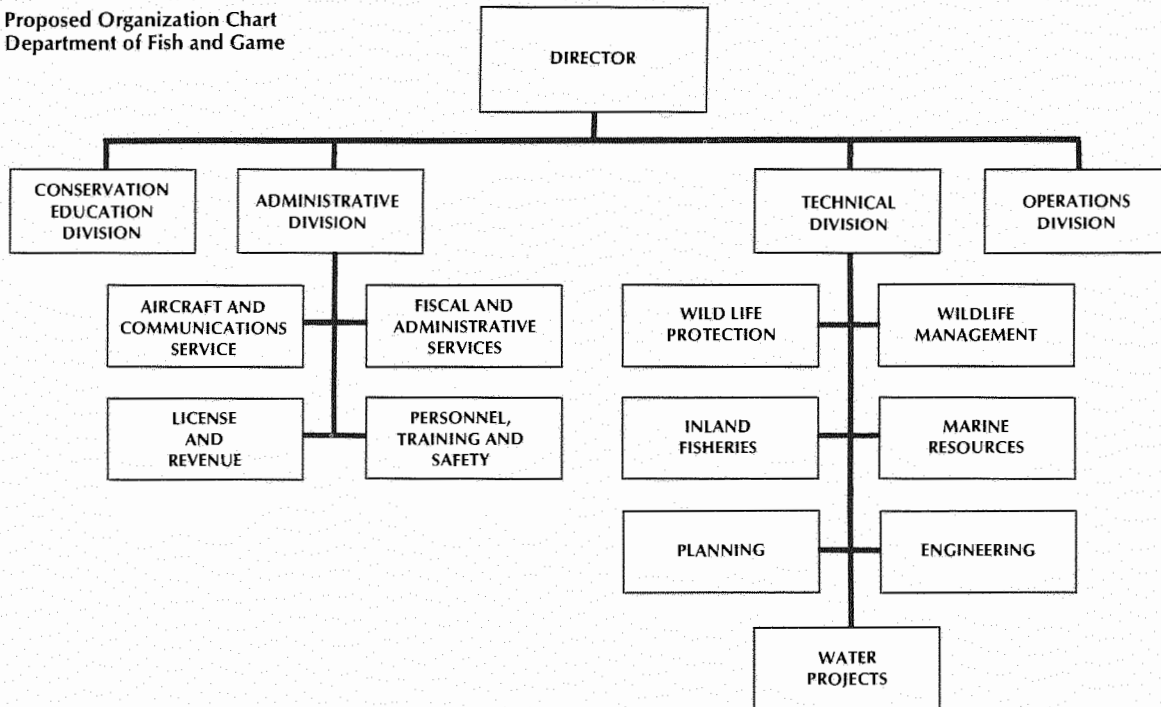
Program budgeting still is in a formative stage pending establishment of definitive ground-rules in this area by the Department of Finance. However, the department on its own initiative has made considerable progress in program budgeting implementation. Further development is necessary, including organizational adjustments, and automatic data processing methods should be used to

obtain more timely management information.

Certain costs of research and testing in connection with pollution control, commercial fishing programs and water project development review projects are now partly paid by hunters and fishermen through license purchases. Also, many non-hunters and non-fishermen enjoy the recreational aspects of fish and game management programs. Therefore, programs should be funded on a broader basis.

The department should continue with its development of a plan to equalize the cost of service to the commercial fishing industry with income therefrom. Costs of service to the commercial fishing industry exceed income by an estimated \$1-million per year. This differential is, in effect, paid by the sport fisherman and the hunter.

**Proposed Organization Chart
Department of Fish and Game**



RECLAMATION BOARD

The Reclamation Board has responsibility for managing the flood-control program in the Sacramento and San Joaquin River basins.

The board's operating budget averages \$1.2-million annually. Some 96 positions are authorized. In addition, nearly \$3-million is spent annually to acquire lands, rights-of-way and easements. Operating and acquisition costs are paid from the General Fund. The board realizes revenues of about \$500,000 annually from mineral and gas royalties, land rentals and the like. These revert to the General Fund.

Appraisal of performance

The Reclamation Board has an impressive record of accomplishments in managing the building and operation of an extensive flood control system throughout the region it serves. Its staff carries out their assigned

functions effectively and overhead costs have been kept minimal. However, backlogs of work have built up which are detrimental to the state's interest. Efforts are being made to clear these.

Recommended action

Estimated net savings from complete adoption of the recommendations of the Governor's Survey would amount to approximately \$700,000 annually. In addition, the state's exposure to potential future liability from flood damage may be reduced.

Key recommendations would:

- Dissolve the Reclamation Board as a state agency and reconstitute it as a regional body with jurisdiction for flood control management throughout the area now served.
- Transfer the staff of the present Reclamation Board to the new regional entity and

assign to it the statutory flood control functions of the Department of Water Resources.

- Encourage the present Reclamation Board and its proposed successor regional agency to continue to contract for appropriate services to eliminate the backlog of condemnation cases that has accumulated over a period of years.
- Urge the California Law Review Commission to address itself as expeditiously as possible to its current deliberations on the subject of inverse condemnation. It is essential to clarify the present situation concerning the state's liability for damage resulting from failure of flood control works.

COLORADO RIVER BOARD

The Colorado River Board of California has the statutory responsibility to protect the rights and interests of the state, its agencies and citizens regarding the water and power of the Colorado River system. Its budget for the current fiscal year authorizes 18 positions and total expenditures of \$250,000.

Appraisal of performance

The Colorado River Board represents essen-

tially southern California's interest and not those of the state as a whole. The board has done a commendable job of upholding these interests in the Colorado River in competition with other states having similar claims. However, a recent decision of the United States Supreme Court has allocated specific amounts of water to the states in the lower Colorado basin, thus limiting future controversy in this area.

There also is a need to insure that the board's views and actions are in agreement with the state's official position, as expressed by the Governor.

Recommended action

The improvements recommended by the Governor's Survey deal with the basic organization of the board and its possible absorption into another state agency. The principal recommendation would assign the Colorado River Board to the Resources Agency, responsible to the Secretary.

It is further recommended that consideration be given to eventual dissolution of the Colorado River Board as a state agency and absorption of its functions by the Department of Water Resources. Implementation of this recommendation could result in savings up to \$100,000 annually.

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

SECTION 5

HUMAN RESOURCES

HUMAN RESOURCES

The 11 organizations covered in this section are directly concerned with the health and economic welfare of citizens of California. Employment and Industrial Relations assist in providing job opportunities under proper working conditions plus financial assistance for those temporarily unemployed. The Departments of Corrections and Youth Authority care for and attempt to rehabilitate persons confined in correctional institutions so they can return to society as productive individuals. Public Health, Mental Hygiene and Medi-Cal contribute toward maintaining

and promoting physical and mental health. In addition, economic assistance is provided to state residents who find they are unable to provide for such care from their private funds.

The aged, abandoned, physically or mentally disabled and otherwise destitute who need support are aided through a variety of programs administered by Social Welfare. In addition, a special group who has served our country in the armed forces receives assistance through the Department of Veterans Affairs.

SECRETARY OF HUMAN RELATIONS

The Human Relations organization was established early in 1967 as part of the overall reorganization following the change in administration. This plan was designed to reduce the number of administrators reporting to the Governor. The position of Secretary of Human Relations was established and responsibility assigned either directly or for "communications on an interim basis."

Departments reporting directly include Public Health, Social Welfare, Mental Hygiene, Rehabilitation, Youth Authority, and Corrections plus Office of Health Care Services and the Air Resources Board. Interim reporting relations involve the Departments of Employment, Industrial Relations and Veterans Affairs as well as Office of Economic Opportunity, Service Center Program, Office of Atomic Energy Development and Radiation Protection and Commission on Aging.

Based on the 1967-68 budget, the support and assistance expenditures from state funds in the organization are some \$1.1-billion. The overall administrative cost is about \$416-million. Total expenditures controlled through this organization, including state, federal and local, amount to \$2.8-billion per year. There are approximately 39,000 employees in the units assigned to the organization.

Appraisal of performance

This organization has a tremendous scope and complexity. The size of the Secretary's staff, even including the loaned personnel, appears small and limited in function. Thus, it is hard to provide proper assistance in coordinating, analyzing proposals and developing overall plans.

Recommended action

Improvements in the overall organization for Human Relations could offer savings of close to \$4.3-million annually. Convert the existing Assistant Administrator position to Deputy Secretary in order to provide the necessary back-up and continuity for administration. Because of the sensitivity in certain areas, an extraordinary amount of time is required on public information activities and legislative contacts. It is highly desirable to have one position clearly assigned the responsibility to act for the Secretary of Human Relations in his absence.

A key suggestion would be to establish a Management Services staff to provide the Secretary with essential assistance, guidance and counsel on overall planning and analysis, methods and procedures, management information and data systems and organization planning.

In addition, a new Department of Health Resources should be organized to include the Divisions of Licensing and Certification, Planning and Construction and Health Manpower. Licensing and Certification would act as the central state agency for inspection, licensing and certification of health facilities for all purposes. The functions of planning, construction, licensing and certification of health facilities are now performed by 20 different bureaus. This results in duplication, lack of coordination and waste. Estimated savings, from centralization of these licensing and certification activities would be \$200,000 per year.

Planning and Construction would be responsible for coordinating the planning and construction of all health facilities. The present diffusion of responsibility for planning and supporting construction of hospitals causes over-supply, inadequate distribution and poor utilization of hospital and extended care facility beds in the state. Consolidation can result in estimated net annual savings of \$4-million in state funds.

Health Manpower would be responsible for setting standards, certification, stimulating training opportunities (in conjunction with the State Health Manpower Council) and approving and maintaining rosters of health personnel. Improved utilization of manpower would save an estimated \$100,000 annually.

DEPARTMENT OF EMPLOYMENT

The Department of Employment has responsibility for assisting in prompt employment of persons seeking work, helping employers obtain qualified workers and improving individual job opportunities through occupational training. It lessens hardships of the involuntarily unemployed through the Unemployment Insurance Program. Where lack of work is due to illness or injury not connected with their chosen profession, benefits are handled through Disability Insurance.

In addition, the department acts as an agent for a variety of federally financed

services relating to Job Corps, Neighborhood Youth Corps and referral of trainees to Manpower Development and Training.

The Department of Employment derives its principal financial support from the federal government. To a lesser degree, monies from the Disability Insurance Fund and the department's contingency fund contribute support. For fiscal year 1967-68, out of a total of \$80.9-million, federally reimbursed funds amount to about \$68.7-million. The department receives approximately \$10.7-million from the Disability Insurance Fund and \$1.5-million from the contingency fund. Total personnel for fiscal 1967-68 will be 8,238.

Appraisal of performance

Federal support and program ideas in the 1963-65 period resulted in redistribution of total departmental energy and effort from short-term goals in job placement to long-term manpower training and development. While the departmental staff increased 38% in this period, job placements declined 43%.

There is also evidence that job training and retraining could be improved. For example, in the period of September 16, 1961 through November 30, 1965, some 12,827 individuals were approved for retraining benefits. However, only 6,535 completed the program. Of these, 3,620 obtained jobs related to their training.

Recommended action

Proposed improvements are aimed at reaffirming the dominant purpose of the Department of Employment, which is matching available workers to unfilled jobs and preparing unoccupied workers for untenanted positions. Recommendations would develop a much more effective department as well as realize estimated annual savings of over \$20-million annually.

A key suggestion would maximize the placement effort. Placements in 1965 were down 17% compared to 1963. In addition, efforts should be made to increase manpower output. Placements per employment

service person in 1965 were 20% below the 1963 level. Raising this employee output to the 1963 level alone would produce a \$5.5-million saving in administrative costs. Therefore, a productivity improvement program would offer potential benefits throughout the entire department.

Another recommendation would be to increase control on benefit programs. Over \$1-million was paid out and not recovered in 1965-66 through overpayments in unemployment insurance. This suggests an immediate area for improved controls.

Efforts should also be made to resist new programs that hinder or slow down the placement effort. The 1963-65 period saw diffusion and diversion of the experienced placement staff to new programs. This is perhaps the greatest single contributor to the decreased effectiveness of the placement effort. In addition, the department should seek federally funded programs to support its objectives. The Management Improvement Cost Reduction Program (MICR) could fund research work measurement, quality control and related activities aimed at increasing yield of departmental effort.

The department should review organizational relationships of supervisors and employees to clarify responsibilities and eliminate unnecessary vertical levels of management. Also, a work measurement program should be implemented. Based on 1967-68 budget estimates, a work measurement program has the potential to produce annual savings of \$10-million. The success of work measurement within state government already has been demonstrated by a one-year pilot program in another major unit.

To reduce errors in transactions, the department should implement a statistical quality control program. By the nature of its programs, the department finds itself custodian over the accuracy of millions of transactions involving potential loss of money, time and good will. The current method of inspection is not as efficient as it might be. It permits an estimated 10% error to pass

through the department for a financial loss that approaches \$6.7-million annually. Based on industry experience, implementation of this control program would reduce error by about 50%.

Another suggestion would offer suitable employment as a substitute for disability awards in selected cases. This relates to individuals who were unemployed at the time of disability. In some instances, the disability might not incapacitate a trained and able individual for another assignment currently appearing on the inventory of job openings. Under these conditions, it would be advisable to offer such individuals a specific job in lieu of an award and return them to the labor market earlier. A modest 10% of the incapacitated, who were unemployed when the disability was incurred, may be able to accept suitable employment half way through the normal duration of their present awards schedule. Implementing this approach would achieve annual savings in excess of \$1.2-million.

Steps should be taken to eliminate the 21 district and four area offices of the Division of Disability and Hospital Benefits and consolidate these activities in Sacramento. In support of the consolidation, certain responsibilities of the Medical Division should be reduced and reassigned. This would result in annual savings of at least \$1-million.

A number of additional recommendations would lead to significant savings. More importantly, perhaps, they would increase the effectiveness of the department substantially. Among other things these suggestions would:

- Reorganize and reassign certain functions and eliminate overlapping positions.
- Reduce and control the number of reports generated.
- Improve routine office procedures and methods.
- Study the entire area of paperwork handling to find methods for making it more straight-forward and efficient.

- Combine all appropriate staff functions under the Management Analysis section and change the title to Management Systems and Planning. Also, have it report to the Deputy Director.
- Give the investment consultant greater authority and scope in management of the portfolio of the Unemployment Disability Fund and broaden investment opportunities to include securities of federal agencies.
- Develop remedial legislation to correct the financial exposure and operating inequities imposed upon the Disability Insurance Fund in its relationship with Workmen's Compensation insurance.
- Phase out two area public information offices now located in San Francisco and Los Angeles, then transfer responsibility for all departmental press relations and publicity to the Public Information Section in Sacramento.
- Improve controls on report origination, production and distribution as now administered in the Research and Statistics Section.
- Phase out the use of hearing reporters and substitute the use of electronic tape recorders in the Division of Appeals.
- Convert present employer alpha-index files to microfilm in the Accounting and Tax Division.
- Eliminate duplicate files in the Insurance Accounting group and reduce the office storage period.
- Institute a review of departmental clerical activities preliminary to formulation of a central services function.

DEPARTMENT OF INDUSTRIAL RELATIONS

The Department of Industrial Relations integrates work of separate agencies which share a common purpose. This includes fostering, promoting and developing the general wel-

fare of wage earners in California, improving working conditions and advancing their opportunities for economically rewarding employment.

Financial support for the department in 1967-68 consists of approximately \$21.3-million from the General Fund, \$58,000 from the Department of Employment Contingency Fund and \$795,000 of federal Manpower Development and Training Act appropriation. Personnel for this fiscal year will total 1,704.

Appraisal of performance

Several areas offer opportunities for improvement. One of these is the organization of the department. Here, changes could bring about much better coordination among the various activities. In addition, close attention to cost control could result in significant savings and increased productivity.

Recommended action

If fully implemented, findings of the Governor's Survey could result in a savings of \$7-million annually. One of the more significant proposals would establish standard measures of output for each division. Current workload and output approaches of performance evaluation should be improved. Too often they appear as once-a-year budgetary statistics rather than instruments of operating control.

An analysis and comparison of workload and staff indicates a program of productivity improvement would benefit the department in several ways. For example, it would provide an objective basis to effectively balance staff to workload. This would present a basis against which future alignment of duties and functions might be measured. In addition, a control system would furnish the Director with an objective tool for departmental management, particularly in areas of planning and performance. It would also provide an objective basis for cost vs. value analysis of services.

Another recommendation would utilize the flexibility of reorganization provided in the

Labor Code. The Labor Code gives the Director authority to change the department's organization. Furthermore, he can establish rules and regulations to achieve its purposes. Yet, a historic organizational environment exists in certain areas of the department where lines of authority and accountability between the Director and operating divisions are relatively weak. This should be corrected.

A work measurement program should also be established. The department has problems in administration because of the complexity and diversity of activities in each of its eight divisions. In addition, there is a certain lack of objectivity in matching workload to staff requirements. Details of a suggested plan have been provided to the department. Annual savings of more than \$1.5-million are estimated, after deducting salaries for three analysts.

A statistical quality-control program should be inaugurated. The department is responsible for the accuracy of thousands of transactions and administrative judgments involving potential for injury, loss of money, time and general good will. There is no formal program of quality audit to safeguard departmental activities. Experience with this type of program in industry indicates a potential 5% savings of total payroll through reduction of processing errors. Annual savings of about \$491,000 should be achieved after implementation.

Eliminating examinations performed by medical bureau personnel could save nine medical and seven clerical positions in the Division of Industrial Accidents (DIA). Physical examinations by bureau doctors should be eliminated in favor of examinations performed by independent medical examiners. Small medical staffs could be retained in Los Angeles and San Francisco for miscellaneous medical functions. This will phase out the practice of providing cost-free medical services in some offices. At the same time, it will establish DIA as a source of advice and adjudication, not specialized services related to a particular controversy. Estimated net

savings of this action would be \$200,000 annually.

The department should consider eliminating 92 hearing reporter and two supervisory hearing reporter positions in the Workmen's Compensation Appeals procedure and substitute 46 legal stenographers and tape recording equipment. It is an uneconomical use of manpower to have a reporter present at each hearing to make a complete record. Electronic recording equipment is available to perform this function in an accurate manner. In addition, the use of recording equipment will curtail the present hearing reporters' load by some 50%. The remainder can be performed by lower-rate legal stenographers. A net savings is estimated at \$600,000 for the first year. This reflects personnel shifts and purchase costs of capital equipment. In subsequent years, annual savings would approximate \$900,000.

There is an opportunity to phase out 23 senior legal stenographic positions in the Workmen's Compensation Appeals Board by purchasing dictating and transcribing equipment. Net savings, after purchase and amortization of necessary equipment, will approximate \$133,000 for the first year. Thereafter, the estimated annual savings would be close to \$182,000.

Revision of workmen's compensation administrative procedures to detect unnecessary filing, reduce the volume of benefit applications and simplify internal handling of applications will result in substantial savings. This proposal would help reduce the increasing volume of claims filed, moderate the problem of recycling claims within the system and help isolate other specific problems in processing. Savings are estimated, in consultation with the referees and DIA staff members, to range between \$500,000 and \$1.5-million annually.

Another opportunity for significant savings exists if the department reduces the volume of cases requiring WCAB hearings, by excluding recovery for injuries where permanent disability rating is less than 5%.

After implementation, the net estimated savings would be \$469,000 per year.

Other significant suggestions offered by the Governor's Survey would:

- Establish charges to self-insurers under Workmen's Compensation Insurance Laws to cover license and audit costs. Also, set similar license fees for professional compensation adjusters.
- Make the Chief of the Division of Fair Employment Practices the supervisor of the divisional activities and establish the FEP Commission as an advisory unit responsible to the Chief.
- Reorganize and strengthen the staff organizational and public relations activities in the Division of Apprenticeship Standards.
- Combine the Mineral Industries section with the Industrial section, Division of Industrial Safety.
- Reorganize the field offices of the Division of Industrial Safety based on the combination of functional specialties in one organizational unit.
- Increase penalty fees for failure to pay within the prescribed time for services performed by state inspectors of the Division of Industrial Safety.
- Consolidate the field force of the Division of Industrial Welfare with that of the Division of Labor Law Enforcement.
- Revise the policy of the Division of Industrial Welfare which requires investigations of all possible areas of violation when responding to specific complaints.
- Discontinue the requirement to write case histories after they have been closed.
- Reorganize the Division of Labor Law Enforcement field staff.
- Charge claimants a 10% fee for handling recovery claims through services of the Division of Labor Law Enforcement.
- Adopt eight major policy and practice changes in the Division of Labor Law En-

forcement in order to reduce the increasing caseload and handle it more efficiently.

- Require the employer to draw checks to the order of complainant and transmit them to the complainant via the DLLE representative.
- Reduce from four to two the basic records necessary when an applicant files with the Workmen's Compensation Appeals Board.
- Establish charges assessed to unsuccessful petitions for writs of review from the WCAB to the state courts, in amounts to compensate for cost incurred by the Legal Bureau in presenting the case.
- Establish the California State Conciliation Service as a line division in the Department of Industrial Relations and add five conciliators to the staff.
- Transfer 26 positions now in the Employment Payroll Statistics section to the Research and Statistics section of the Department of Employment, making the cost of 13 additional positions eligible for federal reimbursement.
- Eliminate 19 stenographic-clerical positions in the Department of Industrial Relations by consolidating services in a central stenographic group.

STATE DEPARTMENT OF SOCIAL WELFARE

The State Department of Social Welfare (SDSW) has broad objectives to improve human resources; maintain the needy; and protect children, the aged and handicapped from social abuses. It pursues its objectives through a multitude of programs which are jointly developed, funded and administered by federal, state, county and private welfare agencies.

The Social Welfare Department has 1,458 positions authorized for fiscal 1967-68. This is exclusive of personnel charged to Medi-Cal. The department's administrative budget

is close to \$21.8-million. Of the total, 728 positions and \$13.5-million are administrative expenses for the Division of Protective Social Services recently transferred from Mental Hygiene.

Appraisal of performance

The federal portion of public assistance funds disbursed in California has increased from \$197-million in fiscal 1958-59 to a budgeted \$482-million for fiscal 1967-68. This is an increase of 145% in 10 years. Underlying reasons for this trend are liberalization of existing federal programs in both eligibility and grant, introduction of new programs, increased population and depreciation of the dollar. Another basic reason is the increased awareness of available benefits on the part of potentially eligible recipients.

During this same period, the state's portion of public assistance jumped from \$187-million to \$407-million, an increase of 118%. The reason for this is obvious. The state has consistently matched federal increases on a relatively equal basis.

Aside from the Division of Protective Social Services and Medi-Cal personnel, SDSW sustained a 10% manpower reduction, primarily by attrition during the first part of 1967. A further manpower reduction of some 10% was ordered by legislative action in the 1967-68 budget.

A direct reduction in funding for SDSW staff might have a detrimental effect unless the program format is changed. It could actually result in a net increase in the total cost of public assistance programs. This may happen because primary functions of SDSW relate to control of methods, procedures and expenditures at the county level. Attenuation of the audit and consultation functions of the State Department of Social Welfare is likely to cause an increased rate of total expenditures.

Significant reductions in welfare expenditure can only be realized through major revision of welfare programs. This can be accomplished by the Legislature.

Recommended action

The greatest potential for increased efficiency and cost control in welfare programs exists at the county level and not in SDSW headquarters. Therefore, the recommendations of the Governor's Survey are primarily designed to enable SDSW to exercise better guidance and control over county spending of state and federal funds.

As an initial step, the department organization should be revised as shown on the chart on next page. Principal changes would:

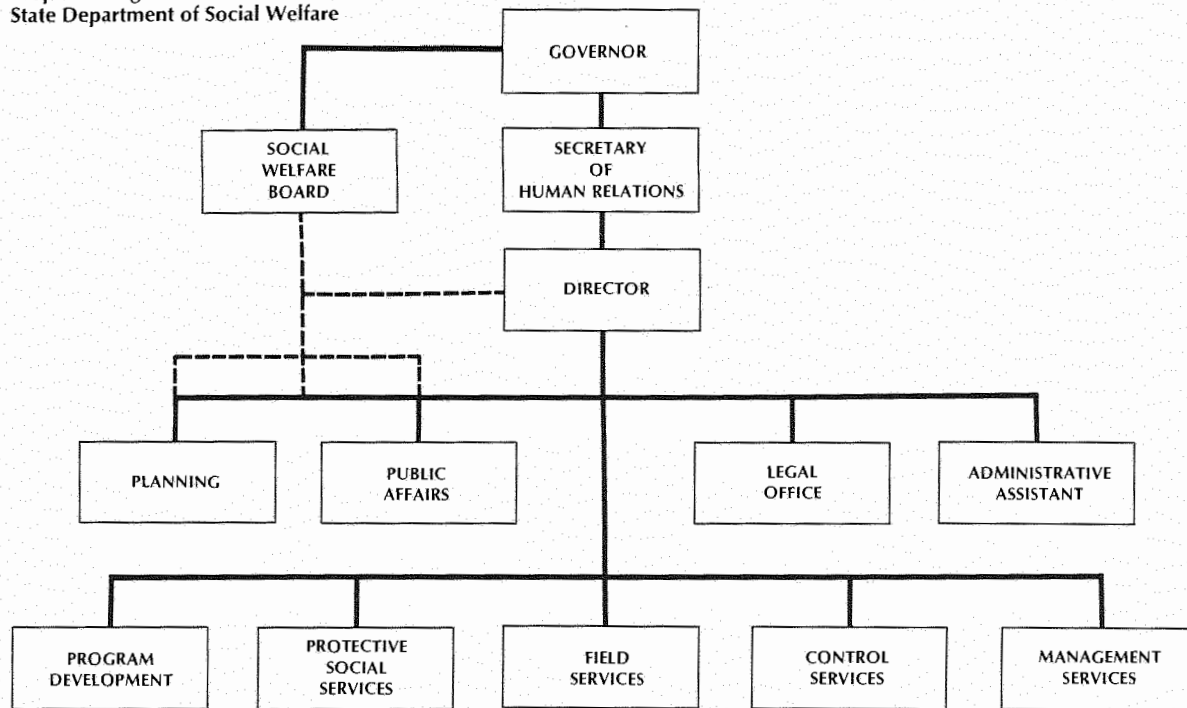
- Assign the Division of Protective Social Services to a branch reporting directly to the Director.
- Transfer the Medical Social Services Bureau to the Office of Health Care Services.
- Reassign the Training Bureau from Management Services to Program Development.
- Transfer the County Merit System Bureau from Management Services to Community Welfare.
- Establish a new Control Services branch reporting directly to the Director.
- Organize a Staff Planning unit reporting to the Director.

Another key suggestion would change the basis for reimbursement of county administrative costs. The estimated \$180-million for county welfare administration (all costs other than assistance) for fiscal 1967-68 will be shared by federal, state and county governments in the approximate proportions of federal, 52%; state, 8%; and counties, 40%.

The sharing proportions are specified for each program. In general, the total amount shared is the sum of actual amounts spent by counties. The plan provides no direct incentive to improve county operations. Furthermore, an actual reimbursement system encourages overstatement of costs which in turn require lengthy and costly audits.

The administrative costs per case in the higher-cost counties are about twice those in

**Proposed Organization Chart
State Department of Social Welfare**



the lower-cost counties. Since an analysis of the 58 county summary reveals no correlation between costs and county size or geographical location, a reasonable conclusion is that counties are widely divergent on services provided, administrative efficiency or claiming practices.

To correct this condition, the Governor's Survey recommends a change in the administrative reimbursement base from actual to standard costs. For each program action, each county would be reimbursed a predetermined, cost-engineered amount. The reduction in state funds could range from \$2-million to \$4-million.

Other significant recommendations for improvement would:

- Schedule an audit and review of a representative Los Angeles County district office.
- Restrict formal report on administrative reviews to major recommendations only.
- Improve timing on submission of administrative review reports.
- Improve procedures for follow-up and progress reports on recommendations.
- Establish appropriate procedures for the state's quality program independent of the federal program.
- Reinstate the 11 field-representative positions eliminated by the budget reduction of July 1, 1967.
- Inform county officials of all details of the new program, assure coordination with local operations and discuss program results with welfare supervisors.
- Establish positions of county representatives for the area offices and provide the necessary staff support.

- Establish a system for identifying all hospital patients for whom the state can obtain federal reimbursement.
- Initiate a work measurement program to develop job standards for licensing representatives.
- Install a work measurement program to develop manpower standards for the adoption sections.
- Develop a standard allowance per adoption action as a basis for reimbursement of county agencies.
- Establish a work measurement program for typing, filing and clerical services in the Administrative Services section of the area offices.
- Review the regulations governing determination of eligibility for public assistance programs.
- Establish a combined systems and work measurement study covering the DPSS clerical staff.
- Develop and adopt audit objectives and conduct field audits on a current basis.
- Consolidate the office and field audit function and adopt statistical sampling techniques.
- Establish formal controls over "presumptive eligibility" assistance payments.
- Establish an Employer-Employee Relations unit within the Merit Systems Bureau.

The remaining recommendations deal with the general operating efficiency of the department. They encourage better planning, modernized audit procedures, work measurement studies and simplification of the administrative processes.

STATE DEPARTMENT OF PUBLIC HEALTH

The State Department of Public Health (SDPH), in cooperation with local health departments, is responsible for prevention of disease, prolongation of life and promotion

of the physical health and mental efficiency of the people of the state.

The department's operating budget for fiscal 1967-68 is approximately \$89.4-million. Of this, \$52.1-million comes from state funds and \$37.3-million from federal funds. The present organizational structure of SDPH is shown on next page. Total authorized departmental manpower is 1,724 for 1967-68.

Appraisal of performance

Within the last several years there has been a notable shift in emphasis from service-oriented to research-oriented activities. A real question exists as to whether this is a desirable trend and whether basic research projects are properly a function of the Department of Public Health. A reorientation toward service to local agencies should be built into a redesigned organization and program for the department.

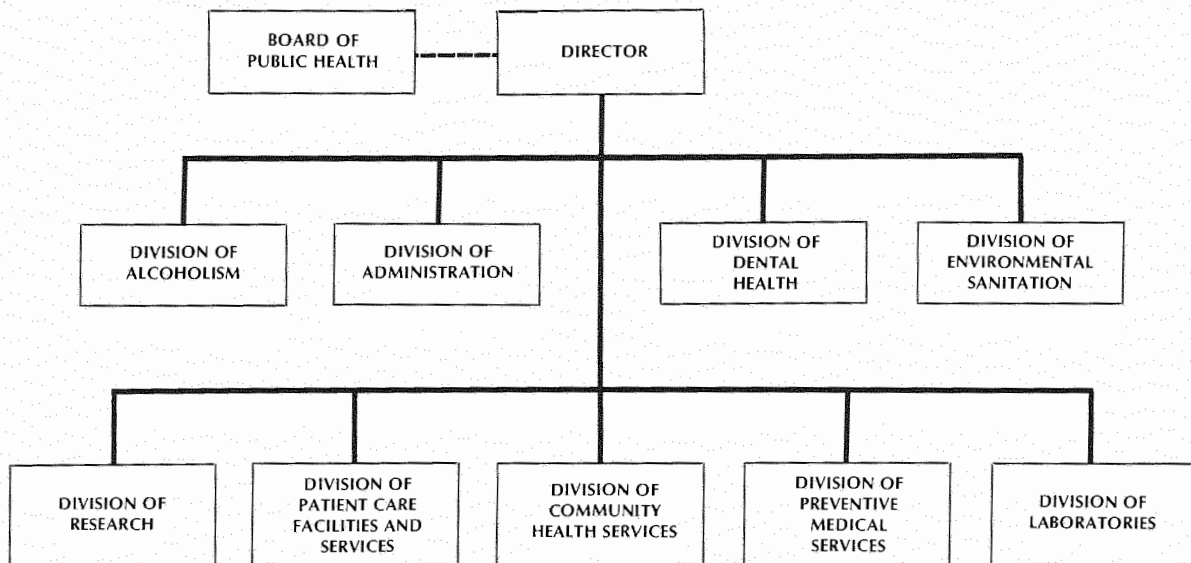
Recommended action

The recommendations presented throughout all sections of the Department of Public Health, after implementation, identify potential annual savings of more than \$3-million and a one-time saving of approximately \$6-million. As a first step in initiating improvements, the department's organization plan should be revised as illustrated in the chart on next page. This proposed reorganization is intended to improve efficiency, provide more direct lines of responsibility and authority and change the department from a research-oriented organization to one more concerned with supporting local health agencies.

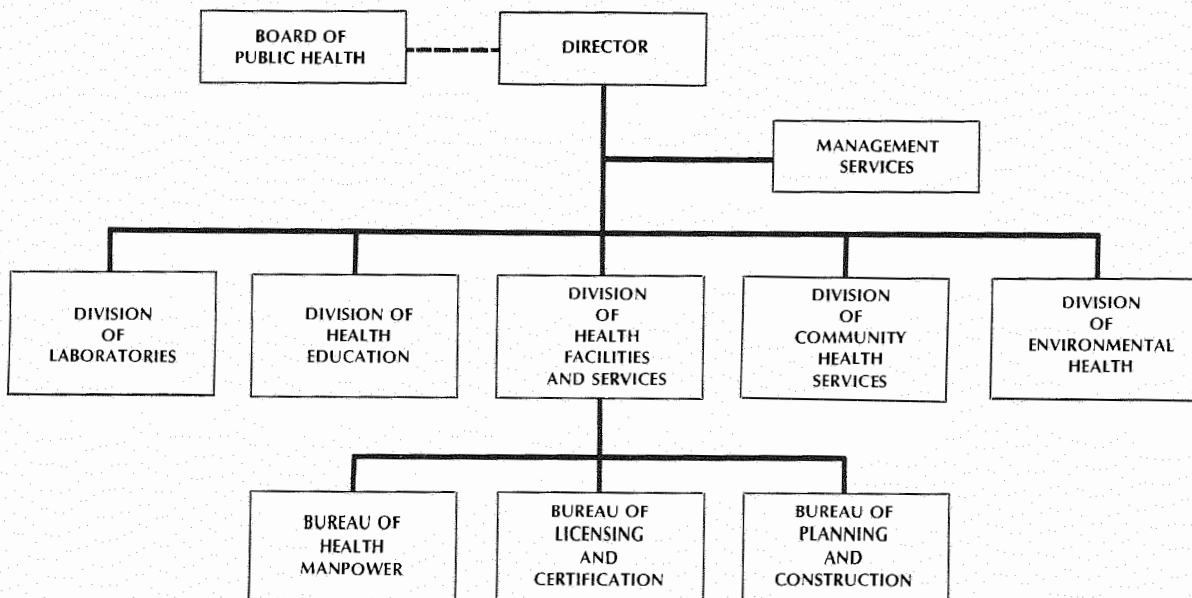
A Management Services unit responsible to the Director should be established soon. The suggestion is made primarily to improve operating efficiency. It will also replace two separate organizations, research and administration, with a single unit. Estimated annual cost savings of about \$102,000 will be realized from reduction in personnel.

A master plan should be created for the development of statistical health data to meet department needs. To achieve the

**Present Organization Chart
Department of Public Health**



**Proposed Interim Organization
Department of Public Health**



benefits of efficiency and lower costs, all personnel handling health data should be combined in a single staff group. Consolidation should be expedited, but carefully planned to assure continuity of essential services and optimum utilization of available skills. Immediate savings will be realized plus additional benefits each year thereafter.

Another recommendation would install a management information system. It should include a program budget and accounting system closely coordinated with allocation of responsibilities of the unit supervisors.

Division of Administration

The authorized staff of this division during 1966-67 was 287 positions, or about one-fifth of the state-supported manpower for the Department of Public Health. Except for the Bureau of Vital Statistics, the division is essentially a staff service group. This activity should be merged into the proposed Management Services unit.

Recommended action

Operations more suited to other sections should be transferred to them. The Management Analysis unit should move to the proposed Management Services staff, the Public Information unit combined with an over-all public information function at a higher level or merged into the Division of Health Education, and the record-keeping functions of Special Projects unit merged into the Accounting and Payroll unit. Savings of approximately \$30,000 annually will result from this action.

Stenographic, typing, filing and miscellaneous clerical work should be combined. Consolidating such work into a Central Clerical Service unit should result in higher levels of performance and less requirement for space and equipment. The five separate units in the Los Angeles area regional office providing stenographic, typing and clerical-filing services should also be consolidated into a Central Clerical Service unit. Savings totaling \$235,000 annually are possible.

A work measurement analysis program should be established and maintained to review performance and set uniform work standards. It should be possible to effect estimated savings of \$800,000 per year through increased productivity and lowered manpower requirements.

Two rented buildings and rented space in a third building in Berkeley should be released and all functions consolidated in the state-owned headquarters building. Through application of recently approved state standards and transfer of some functions to Sacramento, approximately \$197,000 per year can be saved.

The purchasing procedures currently in effect should be revised to reduce the clerical costs of preparing purchasing documents and make sure the lowest possible prices are achieved for the department.

The work on licenses, certificates and registrations in the Bureaus of Licensing and Certification should be processed electronically and the payroll procedure should be simplified. Through utilization of electronic data processing equipment, the clerical staff could be reduced to yield anticipated savings of approximately \$27,500 per year. Payroll simplification will generate an additional potential saving of about \$22,000 annually.

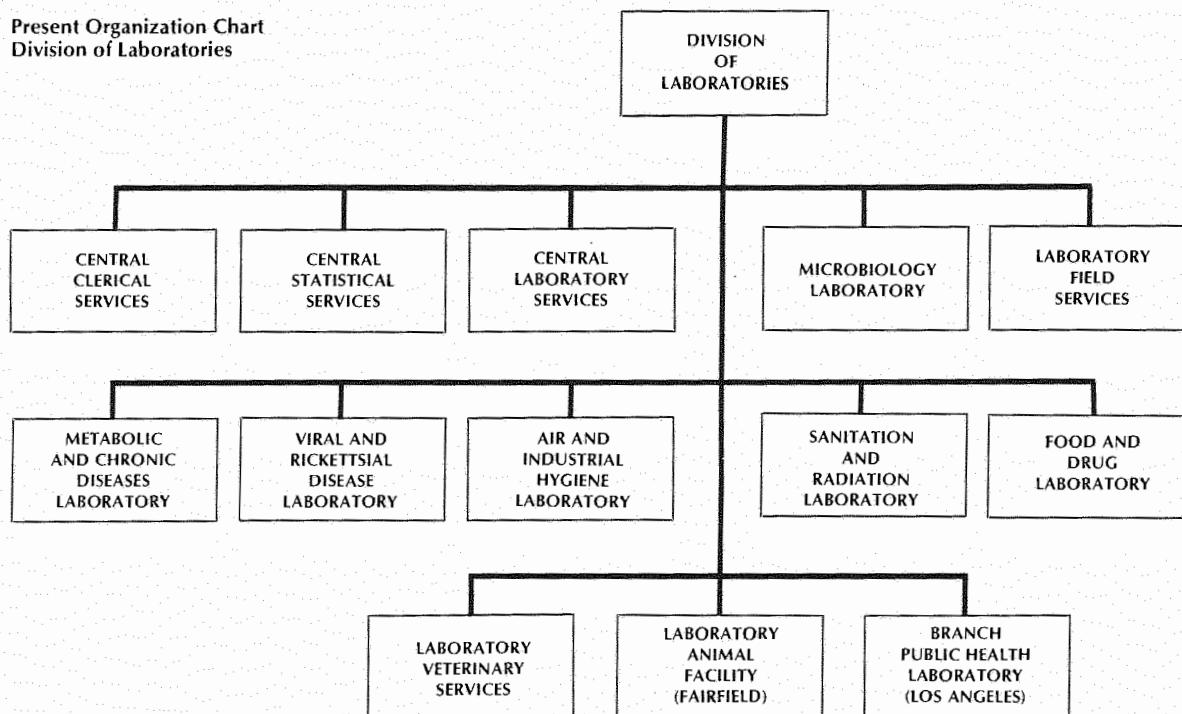
Bureau of Vital Statistics

The Bureau of Vital Statistics presently acts as the state registrar of vital statistics and performs data preparation, analysis and study functions for the department.

Recommended action

The bureau should be reorganized to operate as a registration unit. Implementation would phase out the requirement for two associate public health statisticians, two assistant public health statisticians, one associate social research analyst, one assistant social research analyst, five intermediate clerks and one junior clerk. It is estimated net annual savings will be approximately \$120,000 after implementation is complete.

Present Organization Chart
Division of Laboratories



Another suggestion would eliminate much of the review and audit procedure conducted by the Current Registration unit. The Health and Safety Code provides that the state shall carefully examine certificates received from local registrars for completeness. This responsibility should not be divided and the local registrar should be held accountable for correct certificates. Elimination of the redundant review requirement would save approximately \$13,000 annually.

Division of Alcoholism

Division activities are primarily in planning and education, with emphasis on defining problems and developing the most suitable approaches for solution. This division has a staff of nine.

Recommended action

The division should be transferred to the Division of Community Health Services. Such

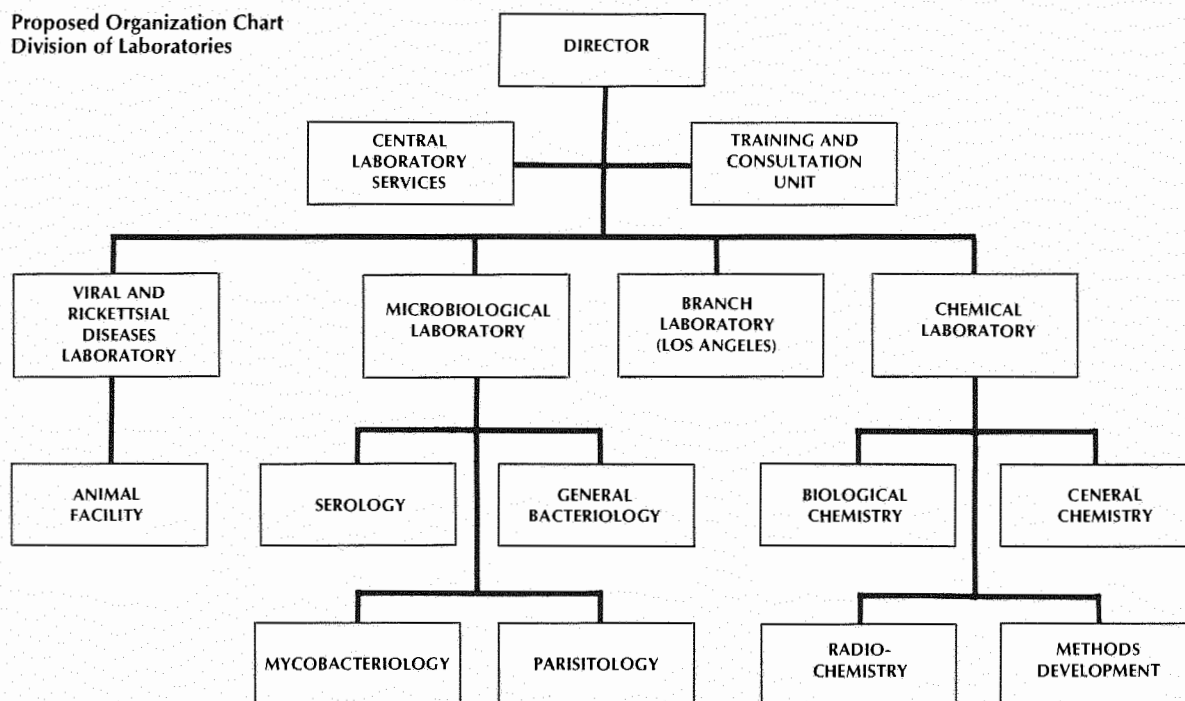
placement should permit closer coordination between this and other programs related to local subventions. It would also consolidate state and county health department relations.

Division of Laboratories

The division provides laboratory support to the several operating units within the department. It also serves as a reference laboratory for local health jurisdictions, private laboratories and individual physicians.

The Division of Laboratories has authorization for 387 positions. Of these, 247 are state funded while 140 are federally funded and assigned to research and special project activities. There is no clear-cut separation, either physically or administratively, between the employees conducting research and those doing routine production-type determinations. This tends to create a research orientation for the entire division. The present organization chart is shown above.

**Proposed Organization Chart
Division of Laboratories**



Recommended action

The division should be reorganized to provide four laboratories and two service units. This represents a continuation of the consolidation of laboratories along functional lines. A chart of the proposed reorganization is shown above. Implementation of this recommendation will produce annual savings of \$96,500.

The Air and Industrial Hygiene, Food and Drug, Sanitation and Radiation, and Metabolic Disease Laboratories should be consolidated into one Chemical Laboratory with sections of radio-chemistry, biochemistry, general chemistry and methods development. Allowing for unusual situations, the combined central chemical laboratories should be able to fulfill their responsibilities with about 40 of the present 51 chemists. Consolidation of the chemical laboratories could also realize savings by more efficient use of expensive equipment. Estimated savings of \$112,000 annually can be achieved.

The chief of each laboratory should be required to report periodically to the Division Chief, giving a complete breakdown of work done by each professional and technical employee. This can be compared with accepted standards of performance as a basis of manpower allocation and control. Implementing this recommendation will greatly increase the efficiency of the laboratories. It is estimated that by bringing performance up to the level of accepted standards, a net annual saving of \$70,000 can be realized.

The division should discontinue developmental and planning activities for a new Public Health Building in Berkeley for use by the Division of Laboratories. Adequate space may be obtained by moving some administrative units out of the central Berkeley building plus making other recommended changes. Elimination of the project will make unnecessary a contemplated capital expenditure of almost \$6-million.

The division should proceed with relocation of the Los Angeles branch laboratory into a new building designed for laboratory use. This laboratory has been run efficiently with no evidence of waste or duplication of effort. Overcrowding is evident. An additional 6,500 sq. ft. is needed. A one-time cost of \$200,000 will yield eventual savings from improved efficiency of operation.

Division of Research

The division provides a planning, statistical and data processing service for the management of the Department of Public Health.

Recommended action

The functions of the Division of Research should be reassigned. Most functions presently being performed by the division will be most efficiently handled if the personnel assigned to those functions are transferred to the Management Services unit.

Division of Patient Care

Facilities and Services

The report covering the Human Relations Agency Organization recommended establishment of a Department of Health Resources. Some of the functions of the present Division of Patient Care Facilities and Services would be among the main activities of the contemplated department.

Recommended action

The licensing and certification of all health care facilities and personnel other than those licensed by the Department of Professional and Vocational Standards should be centralized in the proposed Department of Health Resources.

The planning and construction of health facilities under all state programs should be transferred to the proposed new Department of Health Resources. The lack of a comprehensive plan for health services and facilities has resulted in an increase in the number of beds to 9.7 per 1,000 instead of the reduction to 7.5 per 1,000 as proposed by 1975.

Good planning should produce impressive savings by integration of planning functions.

A Division of Health Manpower should be set up in the proposed Department of Health Resources. This division should centralize the activities which are now fragmented among various departments and other units of the human relations component of government. This would be a consolidation of already existing activities, with some personnel reduction and cost saving.

Licensing and certification fees should be set so as to cover the cost of the licensing and certification process. The current revenue from these sources is \$100,000. It costs the state approximately \$400,000 to provide such services. Realistic fees would involve only modest additional charges and result in additional income of \$300,000 per year.

In addition, the functions of the Bureau of Health Care Services should be transferred to the proposed Department of Health Care Services.

Division of

Preventative Medical Services

This division largely offers needed support to local health agencies.

Recommended action

Most of this division's activities should be merged into the proposed Division of Community Health Services. Others should be transferred elsewhere or terminated while the division should be eliminated.

The functions of the Bureau of Chronic Diseases should move to the Division of Community Health Services. The Home Health program should be transferred to the proposed Licensing and Certification unit. The certifying portion of the Crippled Children's Services program should also move to the Licensing and Certification unit, the Mental Retardation program of the State Department of Public Health and the Short-Doyle program functions should move to the Department of Mental Hygiene. In addition, the

Bureau of Maternal and Child Health should be transferred to the Division of Community Health Services, the Bureau of Crippled Children's Services should move to the Division of Community Health Services and the Bureau of Public Health Nutrition should be transferred to the proposed Division of Health Education.

Certain programs and special projects should be eliminated, including Cancer Chemotherapy, Human Population Laboratory, The Armed Forces Rejectees program, Alameda County Blood Pressure Study and The Convulsive Disorder Follow-up. Phasing out of these programs would save approximately \$100,000 after implementation.

Division of Community Health Services

Providing supporting services to local health departments is a most important function of the Department of Public Health. This function should receive top priority in departmental programming and planning. Therefore, the Division of Community Health Services should be strengthened.

Recommended action

The division should be assigned the bulk of the activities now administered in the Division of Preventive Medical Services. Dissolution of the Division of Preventive Medical Services was recommended in the previous section. A reorganization of the Division of Community Health Services is necessary to enable it to assume the functions formerly performed by PMS. This will result in an enlarged division.

Certain other suggestions would:

- Elevate the Bureau of Health Education to division status.
- Revise the present system of regional medical coordinators.
- Develop regional multi-county groupings so health services to smaller counties can be provided by local health departments in contiguous counties.

- Expand the dental health program.
- Transfer the functions of inspection and granting of permits to water systems of 200 or more service connections from the Bureau of Sanitary Engineering to local health departments.
- Redefine the functions of the Bureau of Vector Control and redirect its effort.
- Change the function of the Bureau of Food and Drug Inspection from actual performance of inspections to long-range planning, coordination, audit and control.

OFFICE OF HEALTH CARE SERVICES

This section covers the operation of the Health and Welfare Agency—Office of Health Care Services (OHCS) and the administration of the California Medical Assistance Program (Medi-Cal).

From the inception of the Medi-Cal program in early 1966, massive problems of administration and operation were either misunderstood or underestimated. The program has suffered from insufficient managerial experience, deficient organizational and operational planning, and lack of reliable and timely accounting and statistical data.

The Medi-Cal budget for 1967-68 authorizes 188 employees in OHCS with Medi-Cal related positions in other departments as follows: Social Welfare, 122; Public Health, 44; and Mental Hygiene, nine. The modified budget provides for a total program expenditure of \$905-million, of which the state's share is some \$305-million. The cost of care and services amount to \$881.5-million of the total budget with operating and administrative cost amounting to \$23.9-million.

Appraisal of performance

The findings of the Governor's Survey confirm that the Medi-Cal program is experiencing serious financial and operating difficulties. The program was inaugurated on a crash basis in the spring of 1966, without an ade-

quate management organization, without the establishment of operational plans and properly designed systems, and apparently without recognition of the complexity, size, or costs. Partially as a result of the rapid increase in the number of eligible recipients, high utilization and increasing unit costs of services, there has been a recurring series of major problems which, in addition to the day-to-day administration of the program, has placed a heavy burden on the staff. Sufficient time and staff were not available for planning, developing and implementing necessary improvements to bring the program under control and operate with reasonable efficiency.

In recent months, the OHCS and the fiscal intermediaries have made progress in devising and installing controls designed to reduce utilization and cost. For the most part, these developments are still too new to evaluate their effectiveness. Their principal shortcoming appears to lie in the piecemeal approach.

The time has come to launch a comprehensive attack to develop a complete plan which will serve present and future needs. This will require an optimum combination of sophisticated management planning and the latest concepts of scientific business methods.

Recommended action

To accomplish overall objectives, recommended improvements are directed at program administration, organization plans, methods, procedures and control systems. In addition, particular emphasis is placed on the development of adequate and timely report data for management and fiscal control.

After all of the recommendations for improvement have been completely implemented, it is estimated that savings in the order of \$94-million per year can be attained. Based on sharing ratios for fiscal year 1967-68, \$32-million (34%) would represent state funds, \$21.6-million (23%) county funds and \$40.4-million (43%) federal funds.

The lack of sufficient cost and statistical data necessitated that considerable sampling

and estimating be undertaken. However, the savings projected for the recommendations are conservative. Implementation of many of the recommendations will require time for development, conversion and transition before improved operations and savings can be realized.

These estimated savings are based on program costs projected in the 1967-68 budget, modified to revised estimates obtained from the Office of Health Care Services on August 24, 1967. They assume an on-going program providing the levels of medical care services as established by existing regulations at the start of the 1967-68 fiscal year.

Major recommendations in administration and operation are summarized as follows.

Appoint a special task force to consider reorganization of the present functions, administrative policies and operational procedures of the Medical Assistance Program. The chairman should be a proven administrator with experience in operations closely related to the composition and magnitude of the Medi-Cal program. The task force should include representatives from federal, state and county governments, business and industry, and associations representing the medical service providers. This task force, reporting to the Secretary of Human Relations, would continue to develop and implement short and long-range plans to achieve improved operational and financial control. To ensure success of the task force, it is also recommended that a Medi-Cal Advisory Committee be established. This committee, made up of a number of the highest level executives of leading business organizations and medical service associations, should be appointed by the Governor, with the Secretary of Human Relations serving as chairman. The committee should advise in organizing the task force and guiding the development and implementation of the Medi-Cal reorganization plan.

Establish a Department of Health Care Services to adopt a revised organization plan designed to achieve the objectives of good management, consolidate related functions,

improve controls and develop essential information.

Revise the fiscal intermediary operations by redesigning functional specifications and require the maintenance of current detailed operating procedures. Under the terms of proposed new contracts, the fiscal intermediaries should prepare, and the Medi-Cal administrators should approve, operating procedures and manuals for both the internal operations of the intermediary and for instruction to service providers. Savings in operating costs can be obtained through more efficient procedures and a reduction in the reprocessing costs of improperly submitted and incomplete claims.

Improve coordination with and direction of the fiscal intermediaries and establish regular reporting conferences attended by senior executives of the fiscal intermediaries. Have the state administrators review the status of operations and resolve mutual problems. Savings can be realized by the reduction of lost time and unproductive effort expended due to misunderstandings and the lack of a clear definition of requirements.

Improve expense allocation and control procedures used by the fiscal intermediaries. Each intermediary should be directed to adopt expense allocations which clearly classify and permit control of all charges to Medi-Cal operations. A determined effort is needed to reduce duplication in the present processing operations and improve cost control procedures. Savings in the cost of operations can be realized if better data were available for evaluation and control of expenditures for the various operations performed.

Revise the eligibility and claim validation system to include a uniform state-wide coding system to help identify all eligible persons. Use of a standard identification card similar to the plastic credit cards should be made. The system would provide an eligibility sticker for attachment to the back of the card to verify current eligibility status. This revision would greatly simplify the present procedure

and improve control over the payment of improper and duplicate claims.

Change the present claims processing systems using more advanced principles of systems analysis, design and programming. In addition, fuller utilization of the capabilities of data processing equipment in various high-volume operations including editing and decision making functions should be substituted for costly and time consuming manual procedures.

Require vendors to submit bills within 60 days from date of service with provision for necessary exceptions. Change the instructions which allow the vendor six months in which to submit bills for services rendered. The extended period now allowed makes it extremely difficult to develop timely statistical and accounting data. Also, it contributes to the difficulties of eligibility verification and prevention of duplicate payments.

It is estimated that implementation of these improvements relating to administrative and operating costs of the program will save approximately \$4.6-million per year.

Additional recommendations relative to medical care and services would accomplish the following improvements.

Revise management and fiscal control procedures of the program to provide current and improved statistical data, including reports by date and type of service, case and recipient experience data, experience reports for each provider of service and other management information. This type of information is either not currently available or is not in suitable form. However, it is essential for efficient medical services program management.

Establish controls over practice patterns of physicians, hospitals and other service providers which do not conform to normal. This can be done by conducting a continuous review of services rendered. Initiate corrective action where statistical data shows significant deviations in patterns of medical practice from those generally utilized.

Negotiate individual "usual and customary" fee structures with physicians. This would provide control of high-cost physician's fees and generally stabilize the cost of physicians' services to the program.

Control elective surgery available under the program by making such surgery subject to prior review by state approved hospital review committees. There is evidence of surgical procedures in this category which do not appear to be within the intended scope of Medi-Cal legislation.

Review medical justification for "long-stay" or extended care Medi-Cal patients in county and general hospitals to materially reduce unnecessary utilization of benefits. If the average long-term stay can be reduced by a reasonable 10%, substantial savings to the program can be realized.

Reduce the average length of stay in acute care hospitals through improved controls. Work closely with the Hospital Association of California in establishing studies to compare and monitor the average lengths of hospital stays when claims are paid by Medi-Cal and by other sources.

Increase appropriate use of alternative facilities and services which can be used in place of acute and general hospital care by means of improved controls and closer surveillance.

Improve hospital and nursing home operating efficiency by establishing an "Incentive and Sanction Fee" plan for payment of claims to hospitals and nursing homes. This plan should be developed in cooperation with the Hospital Association of California.

Improve controls to assure enforcement of current Medi-Cal regulations on nursing home utilization, making greater use of alternate type care facilities whenever possible.

Revise formulary and regulations on prescription drugs and medical supplies to assure against over-utilization, waste and high costs. Revisions should be made in close cooperation with the Medical Therapeutics and Drug Advisory Committee.

Improve controls on dental service to reduce non-essential and duplicate services. This could be accomplished by expanding requirements for prior authorization to provide state control over the function.

Appoint state consultants to assume the responsibility for all Medi-Cal prior authorization and review functions now the responsibility of county consultants. Significant improvements in control on utilization and over-spending in the program can be expected.

Improve controls and revise guidelines on the issuance of eye glasses and hearing aids to eliminate unnecessary service and control duplication of services.

Establish a procedure for the rental, with purchase options, of assistive devices such as wheel chairs, hospital beds, and other major appliances in accordance with anticipated time span requirements. Under present procedures, all such devices are purchased resulting in a surplus of devices no longer required.

Implementation of the recommendations relating to the cost of medical care and services could result in savings of approximately \$89.3-million per year.

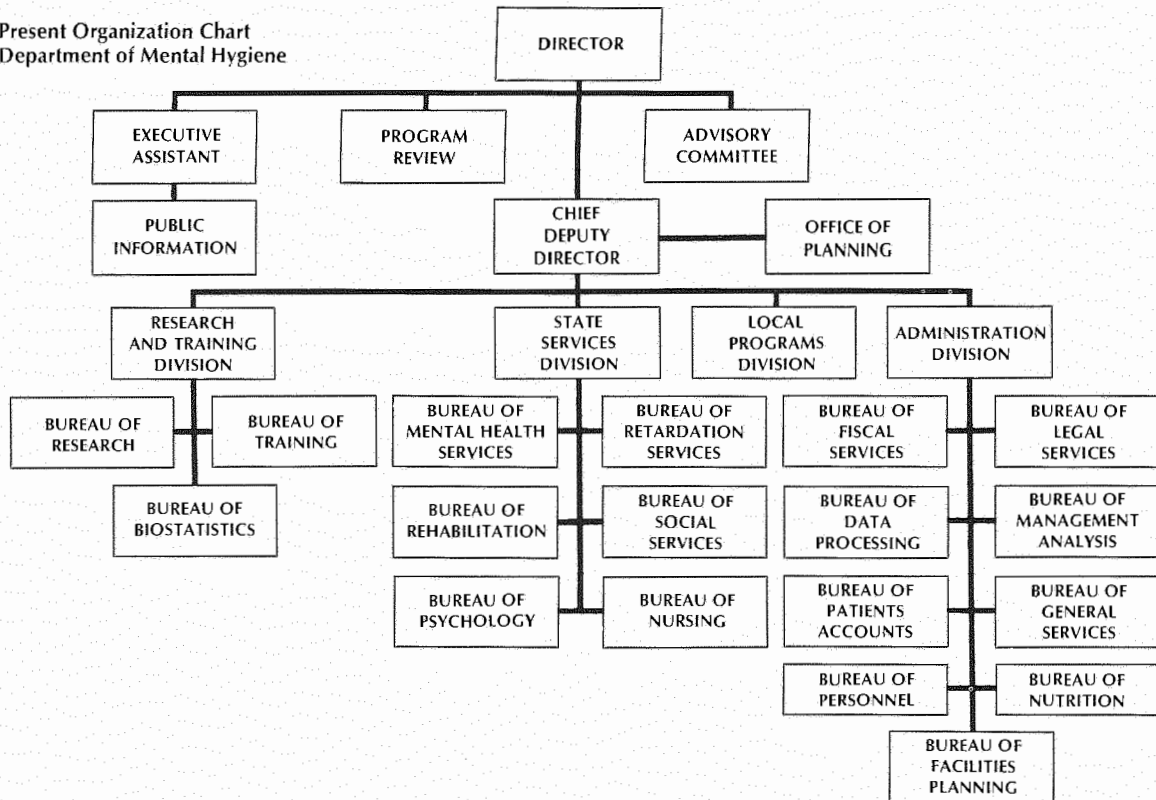
DEPARTMENT OF MENTAL HYGIENE

The Department of Mental Hygiene provides diagnostic care, treatment and rehabilitation services for the mentally ill and retarded. It also conducts research into the nature of mental illness and retardation and training for mental health specialists. The department employs about 21,000 people and has an annual budget of about \$193-million. The present organizational structure of the department is illustrated on following page.

Appraisal of performance

In recent years, the employee to patient ratio has risen because the decline in patient load has not been accompanied by a proportionate reduction in staff. However, the ratio is

**Present Organization Chart
Department of Mental Hygiene**



below the level recommended by the Commission on Staffing Standards in its report to the Legislature in 1966. A master plan is needed for modifying facilities to accommodate the changing character of patient population. Vast appropriations for unsatisfactory facilities are at stake. This can be accomplished best through a coordinated effort by appropriate committees of the Legislature, the affected departments and others in the executive branch.

Effective long-range planning within the department between legislative sessions is inhibited by uncertainty regarding legislative attitude on many important aspects of the program.

The headquarters staff is impeded by fragmentation into an excessive number of divisions, bureaus and sections. Consolidation

into more manageable units is proposed to improve communications, supervision and coordination.

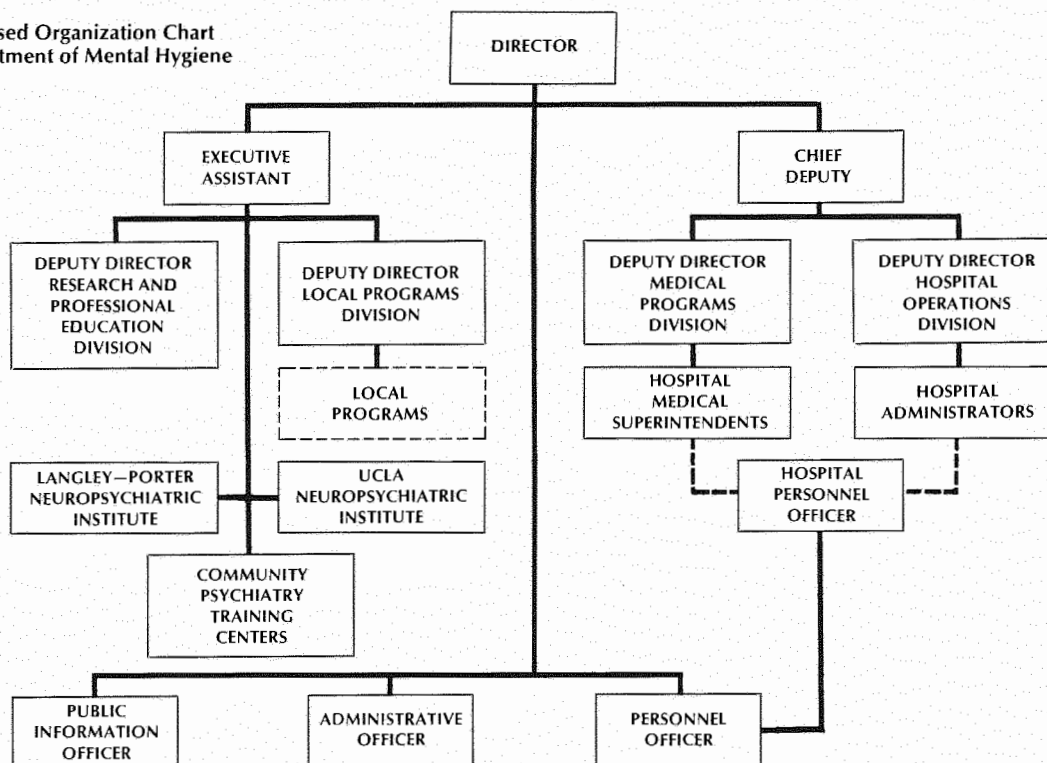
Recommended action

Implementation of the following improvements should result in more effective operation of the department.

The department's organization structure should be modified to improve efficiency and tighten control.

The activities of the department divide into two natural groupings. One pertains to planning, coordination and research while the other encompasses direct hospital and clinic services. It is illustrated in the chart on next page. The most radical departure is the introduction of a Deputy Director for Operations, co-equal with a Deputy Director for Medical

**Proposed Organization Chart
Department of Mental Hygiene**



Programs. This will provide a line of authority to hospital administrators, facilitating non-medical aspects of operations and freeing professional supervisors to concentrate on patient care.

The Bureau of Nutrition also should be reorganized to provide more effective direction and assistance to food service managers. Food service expenditures for labor and products are just under \$20-million per year.

A fully qualified director of food service should be employed and provided with an adequate staff to permit frequent visits to the hospitals to study feeding problems and assist with the installation of new systems.

The position of administrative assistant should be eliminated in the 16 facilities. Their duties are not sufficient to warrant the full time of one person and can be absorbed by

others. Elimination of these positions would result in annual savings of about \$200,000.

Another recommendation suggests an effective personnel management program be established by reorganizing the Bureau of Personnel.

Currently, the Bureau of Personnel operates within the Department of Administration with functional lines to operating units through several echelons of management. This tends to reduce effectiveness and diffuse and delay personnel programs.

Consideration should be given to having the personnel officer report to the Director and have direct authority over hospital personnel officers. This concept has been successfully employed by private hospital groups.

Headquarters will need to provide increased direction, auditing, planning and

support for this change to be effective. The hospital personnel officer, in turn, must be responsive to the needs and desires of hospital management. Joint selection and evaluation of hospital personnel officers by the personnel officer and hospital management is advisable to assure goals and objectives are mutually developed and committed. Savings cannot be estimated, but a more effective personnel program should result.

Lower job classifications should be set up by the department for unskilled work now performed by psychiatric technicians. From observation of work performed by these technicians, it is estimated that 20% of their work can be assigned to lower grades, resulting in potential savings in excess of \$1-million per year.

Clinics operated by the department should be transferred to community programs. The services rendered by these clinics are overlapping, competing and confusing to patients seeking help. Their elimination will reduce administrative expense and eliminate duplication. Transferring the functions to local programs and providing Short-Doyle subventions will result in savings estimated at \$410,000 per year. Arrangements should be made to treat patients with acute medical or surgical problems in community hospitals.

Considering labor savings only, and ignoring all other costs associated with surgery, implementation of this recommendation at all hospitals could produce savings in excess of \$1.5-million per year.

Other security facilities should be provided to obviate transfer of problem patients to Atascadero. Establishment of security wards at all of the hospitals for the mentally ill would avoid moving patients who do not need maximum security. It would also avoid disruption and delay of the therapeutic regimen. Implementation will defer the proposed \$10 to \$12-million enlargement of Atascadero, and possibly avoid it altogether.

All farm operations at state hospitals should be abolished and the land sold. The

department presently operates five dairies and four hog farms and raises field crops for animal feed. These operations are the remnants of a large farm system developed under the concepts of care and treatment that prevailed many years ago. Farming land at Camarillo, Mendocino and Patton state hospitals account for over 8,000 acres, with an approximate sale value of \$4.55-million.

The Modesto Hospital is obsolete and requires an excessive amount of maintenance. It was originally built by the Army as a temporary facility and was acquired by the state to accommodate an overflow of mentally ill patients. With the decline in mentally ill patients, those at Modesto could, over a period of time, be taken care of in other hospitals. By phasing out the operations at the Modesto Hospital, it is possible that as much as \$3.5-million could be saved annually. The Department of Mental Hygiene feels the present hospital should eventually be replaced with a small (300 bed) hospital, rather than be completely phased out of operation.

The proposed remodeling of old Agnew Buildings should be stopped; the facilities should be moved to the east area, and the surplus land sold. While centralizing these operations would require new buildings, it is more desirable than remodeling. Sale of the land should realize \$3-million.

It is also recommended that closing of the Stockton north area and disposal of the property should be accelerated. A target date for closing down the north area should be announced and the property made available for sale at that time. The present sale value of land is approximately \$700,000.

DEPARTMENT OF VETERANS AFFAIRS

The department is responsible for administering state-sponsored programs for qualified veterans. It employs 1,019 persons and has a budget for fiscal year 1967-68 of approximately \$12-million.

Appraisal of performance

Except for the Division of Administration, which crosses divisional boundary lines, the divisions operate autonomously. Because of this method of operation, each division is described separately.

Recommended action

The improvements suggested for the four divisions should result in a net savings of approximately \$2-million per year after implementation. In some cases, implementation can be direct and immediate. In many instances, a program for orderly transition must be drafted and the actual change should be programmed over a period of several years.

Division of Administration

This division provides general policy and administrative direction to the operating divisions. It has an operating budget for fiscal year 1967-68 of approximately \$230,000 and has a staff of 11.

Recommended action

The present California Veterans Board should be abolished. The board generally has not been contributing necessary functions to the orderly operation of the department as a whole. Elimination of this board will save approximately \$26,000 per year in per diem fees, travel expenses, clerical and secretarial costs.

The positions of Administrative Deputy Director and one clerk should be eliminated and the personnel reassigned to other duties. The division has been managed for many years by an administrative service officer instead of an Administrative Deputy Director. The current record-keeping workload of the Personnel section could be handled by one less clerk.

Revise the division organization by transferring the Legal section, the administrative analysts, establishing career executive assignments and reinstating the exempt Deputy position.

Division of Veteran Services

This division assists qualifying California veterans to continue their education. Also, it provides educational counseling and assistance to their dependents. It has 65 authorized positions. Of these, 62 are currently filled. The proposed budget for fiscal year 1967-68 is \$2.9-million plus an additional \$500,000 from the Division of Farm and Home Purchases budget for the subvention program.

Recommended action

The county veteran service officer subvention program should be cancelled because these services are performed by county officials as a normal duty to their citizens. Phasing out of this program represents an estimated annual saving of \$500,000.

The staffs of Sacramento, San Francisco and Los Angeles offices should be reduced and the Field Service section reorganized. Elimination or shifting these personnel will result in a recurring annual savings in salaries and fringe benefits of close to \$87,000.

Division of Farm and Home Purchases

This division administers the program for veterans acquiring farms and homes through funds provided by general obligation bonds. Its modified budget for fiscal year 1967-68 is \$4.2-million. The division is presently staffed with 72 personnel at its headquarters in Sacramento and 142 at 13 district offices.

As of June 30, 1967, about 128,500 loans were either outstanding or closing through escrow. Collectively, these loans total approximately \$1.3-billion.

Recommended action

The staff could be reduced in certain areas of responsibility. The position of assistant manager responsible for headquarters operations, four positions in the Services and Supply section, five positions in the Contract section, one clerk in the Credit section, three

clerks in the Cashiers section, three positions in Accounting and the posts of associate administrative analyst and assistant manager are not necessary due to low-volume work loads. They should be phased out.

A late charge should be imposed on delinquent accounts. An anticipated reduction in the number of delinquent accounts will lessen the work load of district office personnel. Estimated revenue from this fee would be \$180,000.

Supplying of stamped envelopes to borrowers for monthly remittances should be stopped. Based on an estimated average of 125,000 loan accounts outstanding each month, the saving would be \$75,000 per year.

Seven of the existing district offices and the one satellite office should be closed. The offices at Sacramento, Oakland, Santa Clara, Fresno, Van Nuys and Anaheim could provide adequate coverage of principal population areas. The consolidations will phase out 42 positions. Estimated annual savings in salaries, rent and equipment would average \$466,000 after implementation.

A cycle-billing procedure to replace once-monthly billing should be adopted. Here, potential savings of \$51,000 per year can be anticipated. Additionally, the department should share, rather than lease or purchase a computer.

In addition, evaluate policy questions on loan limit interest rates, improvement loans and tax loans.

Division of Veterans Homes

The division administers the Veterans Home of California maintained by the state in Napa County for aged and disabled veterans. The home provides complete care, feeding, housing, medical and hospital services for its 1,540 residents.

The operating budget for the fiscal year 1967-68 is \$5.9-million. However, \$1.4-million of this is recovered through federal grants from the United States Veterans Administration.

The number of positions authorized by the 1967-68 budget is 757. Of these, 732 are filled. In addition, the Post Fund, a non-budget function, employs 37 full-time civilians and 28 full-time residents.

Recommended action

The division should recover actual costs from the rental of state-owned residences. Nominal house rentals total approximately \$17,000 per year. The cost of performing gardening and service maintenance averages close to \$24,000 each year.

The special services department should be abolished as a General Fund activity. The special services department operates as part General Fund and part Post Fund. Transfer art and crafts to rehabilitation and the balance to the Post Fund. Estimated saving to General Fund through this action is \$37,000 per year.

The division should schedule surgery at San Francisco and Napa except diagnostic urological examinations. Non-emergency cases should be scheduled at the Veterans Administration Hospital or the U. C. Hospital in San Francisco. Estimated potential savings in professional salaries and supplies would be \$80,000. Emergency service and patient transfer costs amount to \$12,000. Thus, approximately \$68,000 could be saved annually.

Institutional feeding experts should be retained to study the feeding service. A saving of \$0.01 per meal is probably attainable and would represent an annual saving of \$13,500.

Evaluate policy questions on federal or state responsibility for the home, on the home's mission, on charges and on retention of residences.

DEPARTMENT OF THE YOUTH AUTHORITY

The Department of the Youth Authority is responsible for the custody and care of children and youths committed to it by juvenile and criminal courts. Its responsibilities are carried out both in institutions and on parole.

It administers a state-wide plan for reduction of delinquency and crime, researches the causes of delinquent behavior and recommends measures for prevention, control and treatment.

On June 30, 1967, the California Youth Authority supervised approximately 20,500 wards and parolees. Over the past five years, the number of parolees rose 6% and the number of wards committed to institutions increased 3.5%. The proposed budget for fiscal year 1967-68 is approximately \$40.7-million. The Youth Authority has approximately 3,200 employees.

Appraisal of performance

The department's objective is to maintain custody over young delinquents, effect rehabilitation and return them to society. Personnel in the department generally are dedicated to this purpose.

Efficient operation of the department, however, is hampered by program-oriented management personnel lacking adequate cost information to make better decisions. Comprehensive analysis of program costs is urgently needed to judge the effectiveness of departmental programs.

A strong business management capability is required in the executive structure of the department. Because the recidivism rate has remained relatively stable, increased facility and program expenditures should be seriously evaluated relative to the benefits achieved.

Recommended action

The Governor's Survey recommendations offer the opportunity of saving \$3.4-million annually. In addition, there is a possible one-time savings of \$22.2-million. The suggestions involve the Institutions, Parole and Delinquency Divisions.

Institutions Division

This division is responsible for the operation of three reception center clinics, 10 institutions and four conservation camps. These facilities provide diagnosis, treatment and

control of delinquents committed to the department. Diagnostic services, lasting about four weeks, are provided at reception center clinics. Following diagnosis, wards are transferred either to an institution or moved to one of the rehabilitation programs in lieu of incarceration.

The institutions provide academic and vocational education, medical and dental care, psychiatric evaluation and treatment, group and individual counseling, religious training and counseling, work experience, and other services deemed necessary for rehabilitation of wards.

Recommended action

One key recommendation would establish a Construction Analysis unit to review all projects to insure proper economy.

Youth Authority facilities are designed by state architects to department specification. Extravagance in the construction of recently completed sites could have been avoided if these projects had been reviewed by an independent Construction Analysis unit.

The present five-year construction program proposes expenditures over \$68-million. This program could be adequately completed for an estimated \$48-million if more economical designs are developed. Los Angeles County has a Construction Analysis unit consisting of industry representatives who donate their time in reviewing all county building programs. The Youth Authority could benefit from a similar unit to review its construction plans.

A second major recommendation would restrict proposed construction of chapels to one at each institution. Presently, one Protestant and one Catholic chapel are provided at each institution. Current planning proposes construction of 49 additional chapels at new institutions. By standardizing the design of a "multi-faith" chapel incorporating facilities for different faiths, proposed capital expenditures of \$70,000 in fiscal year 1968-69 and approximately \$1.9-million in future years can be avoided.

Another key recommendation would close the Fricot Ranch School for Boys. The school has approximately 220 wards and is located 11 miles from San Andreas. Its remote location creates problems in staffing, maintenance, construction, purchasing, transportation and visitation. Consequently, the average cost of keeping wards at this facility is approximately 25% higher than similar institutions.

By closing the school and transferring the wards to other facilities, estimated annual savings of \$326,000 can be achieved.

Once the school has been closed, the land which is valued at close to \$1.5-million should be sold. Legislative approval is needed to authorize the sale.

Parole Division

The Parole Division is responsible for continuing the rehabilitation program initiated by Institutions. The division maintains 26 offices to administer the parole program.

This program consists of supervision and control of the parolee's activities supplemented by other treatment services. These services include individual and group counseling, employment assistance, school placement, out-of-home placement and other supportive services to assist each ward.

Recommended action

A key recommendation would analyze the processes involved in preparing placement reports.

Wards are not paroled until a placement report is presented to the board for approval. Parole offices presently require an average of 25 days to process the reports. Based on an annual parole volume of 7,000, this delay represents an annual cost of approximately \$2.3-million to maintain wards in institutions while reports are prepared.

A study of the procedures used, after first board action, would result in decreasing processing time by initiating immediate action

for release of wards by expediting final board action. By decreasing this process time to 15 days, approximately \$910,000 could be saved each year.

Delinquency Prevention Division

The main purpose of this division is to prevent juvenile delinquency and improve juvenile law enforcement and probation services. The division provides financial assistance to local communities for construction and operation of juvenile homes, ranches and camps.

Recommended action

A key recommendation would encourage counties to increase their utilization of boys ranches for incarceration of wards.

Many county governments now operate boys ranches for wards rather than committing them to institutions. Operating costs of these ranches average 30% below costs of equivalent facilities maintained by the Youth Authority. Additionally, construction costs were 58% less and recidivism was about 50% lower than rates experienced by the Youth Authority.

Under the probation subsidy program, county governments receive up to \$4,000 annually for each ward handled. If the department could persuade county governments to increase their participation and absorb an additional 10% to 25% of the annual commitment to Youth Authority, annual savings of \$560,000 to \$1.4-million could be realized.

DEPARTMENT OF CORRECTIONS

The Department of Corrections protects the public by aiding in the prevention of crime through control and rehabilitation of persons committed to institutions. The department is responsible for the custody, treatment, discipline, care, training, education, employment and parole supervision of convicted felons. Its proposed operating budget for 1967-68 is approximately \$98.7-million while the operating staff totals 6,833.

Appraisal of performance

The department operates institutions with specific types of treatment programs designed to meet the needs of various classifications of inmates. However, each institution has to a large measure, duplicated the programs of others in administrative staff, accounting, budgeting, purchasing, warehousing, food management and medical services.

Recommended action

The Governor's Survey found many areas where improvements could be adopted. These could result in total annual savings of about \$5.5-million.

Training activities at the three conservation centers should be confined to forestry operations. Furthermore, training seldom seems to qualify an individual for an industrial occupation. The present complement of 16 contracted forestry instructors in the three conservation centers should be replaced with 32 inmate teachers guided by three forestry instructors.

The business service functions and plant support activities at seven closely adjacent institutions should be consolidated. Implementation will phase out duplicate functions of budgeting, warehousing, accounting and other activities. This should result in a reduction of approximately 25% of the support personnel now employed. Also, the department should develop and maintain menu and food formula standards for all correctional institutions. The present practice of individual procurement results in inaccurate cost projections, increased workload and greater food and preparation expense.

A study of the work unit project should be made to determine its effectiveness. Although approximately \$1.8-million annually is spent on the work unit program, no significant reductions in recidivism have been identified. The program should be phased out if conclusive results are not obtained.

The present narcotic addict out-patient parole agent caseload formula should be evaluated for effectiveness. The caseload in-

crease to 45 per agent recommended by the Legislative Analyst should be examined to determine its feasibility. In addition, the formula for staffing supervisors and administrators in the Parole and Community Services Division should be examined. The percentage of the division's personnel actually engaged in face-to-face parole supervision should be increased. After full implementation, several administrative positions could be eliminated through attrition or transferred to other activities.

Significant improvements can be made in other areas of activity. These include the marketing and distribution of Correctional Industries' products. This function should be handled exclusively through General Services Administration's Central Stores. Physical shipment of finished goods from the production facilities would be made direct to the Central Stores, located at northern and southern California sites.

Section 2873 of the Penal Code should be enforced and Correctional Industries' production should be expanded accordingly. If all legal capacity were produced, it would employ 1,500 additional inmates, for a total of 4,500. Employment of each inmate results in a custodial expense saving of \$350 annually. Additionally, new enterprises should be started to optimize training and work utilization of qualified inmates. The 2,750 inmates now employed by Correctional Industries represent only 11% of the institutions' population. A study, completed in August, 1966, indicated Correctional Industries should enter 50 new work programs. However, only one new industry has been started in the last year. Delays in these programs should be overcome.

HUMAN RELATIONS—ADP

The growth of data processing centers and usage on a decentralized basis in the organization of the Secretary of Human Relations has followed a fixed pattern. One organization differs from another only in the relative stage of development. This results because

each organization operates under budgetary, personnel and control constraints imposed by the Departments of Finance, General Services and State Personnel Board.

Appraisal of performance

Data processing activities now in existence in the Health and Welfare Agency offer opportunities for improvement in the areas of management, leadership and control; long and short-range planning; performance measurement standards; scheduling of workloads; full utilization of equipment; budgeting and cost control procedures; post-audit procedures and control over hardware acquisition.

Recommended action

The suggestions of the Governor's Survey cover several areas of consolidation and improvement of the ADP operation. They offer the opportunity of saving an estimated \$2.1-million annually. However, even greater benefits would accrue through improved efficiency and quality of service.

The first and most significant recommendation would combine all data processing activities under the administrative jurisdiction of the Secretary of Human Relations and establish a centralized data processing service and control organization. To centralize ADP services, control of operations and hardware should be placed under a single manager. This is necessary for effective implementation of the overall planning for centralization. It is vital to assure accomplishment of equipment sharing without complex and unwieldy inter-departmental or inter-agency agreements.

Another recommendation would establish a Management Information Service unit within each department. Since each department has a number of divisions, all of which have information needs, this support service should be a separate entity reporting to the department's Director or his appointee.

Performance measurements and standards should be established. Such measurements and standards, with the exception of key-punch operations, either do not exist or have been ineffectual in improving performance levels. No significant improvement in these levels can be expected until realistic standards have been established for programming and computer utilization.

The departmental ADP groups should establish common programming languages. Based on industry standards, a 20% to 25% increase in programmer efficiency is to be expected. Also, better utilization of equipment is needed. Effective scheduling of ADP workloads, in terms of machine time and personnel required, is not presently being accomplished. Many of the computers are operated two or three shifts per day but overall there is only a 40% to 60% effective utilization.

It is highly desirable to establish detailed program budgets for data processing operations. The accounting systems of the ADP organizations are both ineffectual and inadequate. It is difficult to identify the costs of the various phases of work performed in providing a particular service. For example, it is currently impossible to compute the time devoted to systems planning, development, debugging and production in implementing an ADP application.

Other key suggestions for the Human Relations organization would:

- Establish an overall system for monitoring and auditing ADP expenditures.
- Develop a standards and procedures manual for programming documentation.
- Implement batch processing modes of operations.
- Establish control over acquisition of data processing equipment.
- Develop better estimating techniques for data processing operations.

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

SECTION 6

EDUCATIONAL RESOURCES

EDUCATIONAL RESOURCES

Education in California represents the largest single operation in the state. Expenditures include operation of the University of California, State College System, Coordinating Council for Higher Education in California and the State Department of Education with its related support of the state's local school districts.

The impact and contribution of education to the state's growth and prosperity has long been recognized. As a result, educational organizations have been given a high degree of freedom in broadening and strengthening programs which are considered essential to the creation of an outstanding system.

Although the results have been exceptional in providing opportunities, establishing institutions of international reputation, and contributing to society as a whole, the findings of the Governor's Survey indicate available funds could be used more effectively. In addition, better control of expansion in terms of scope and direction could produce

greater increased benefits for future capital expenditures.

The educational system in California reached its current level of leadership through the efforts of strong individuals who built the various independent segments with vision and determination. As long as these individual segments were relatively independent, the system worked well. Now, development has reached a point where the individual units are competing with each other. To forestall costly duplication of services and facilities, a new approach must be implemented which will insure more economical future growth and yet meet the increasing educational needs of the state.

Total state level expenditures for education, either direct or through local assistance programs, amount to more than \$1.6-billion annually. In addition to teachers and personnel employed by the school districts, a total of 54,000 people are engaged in state educational activities.

COORDINATING COUNCIL FOR HIGHER EDUCATION

The Coordinating Council for Higher Education is an advisory body which promotes voluntary cooperation among Junior Colleges, the University, the State Colleges and private colleges to assure orderly growth of higher education in California. The total staff of approximately 37 does not include 18 council members or five alternates. Their total budget is \$637,000 annually.

Appraisal of performance

Studies of the University, the State College system and the Junior Colleges, generated recommendations for improvement. In addition, they resulted in the Governor's Survey reaching the conclusion that there is a lack of sufficient coordination to prevent overlapping of roles, duplication of facilities and lack of specialization of campus and programs.

Inadequate planning and coordinating ma-

chinery has led to the duplication of facilities, waste of resources and absence of "cost of alternative" studies by the Council or any of the segments. Additionally, there is an apparent lack of a trend toward extension of classes into evening hours, as suggested in the Master Plan; a fragmented approach to computer systems; establishment of new campuses far in advance of need; proliferation of curriculum and circumvention of the Master Plan with respect to delineation of function. The state colleges appear to be seeking university status in the fields of research and the granting of doctorates. Also, many junior colleges aspire to achieve four-year status.

Recommended action

The most significant improvement would grant the Council additional statutory author-

ity. This would allow the body to prescribe and adjudicate such areas as budgetary control, curriculum coordination, admissions and transfers, course proliferation, utilization of facilities, new sites, programs and long-range academic planning.

Also, the Council should be given a mandate by executive order and legislative resolution to continuously exercise these authorities over all phases of public higher education.

An evaluation should be made of the support offered to graduate, out-of-state and foreign students in the state college and university systems.

Graduate programs are much more expensive than undergraduate programs yet the charge to the individual is basically the same. Non-resident fees cover less than half the cost of educating the out-of-state and foreign student.

The residency policy for out-of-state and foreign students should be re-evaluated. Presently, non-resident students come to California and pay the non-resident fee for one year. This qualifies the student for "residence." Many states rule an out-of-state student may not achieve residency while in college.

Finally, there should be a revision in the voting rules or composition of the Council to provide a voting majority for the public segment.

THE UNIVERSITY OF CALIFORNIA

The University of California instructs undergraduate and graduate students through the doctorate level in arts, sciences and professions. In addition, it conducts research and provides educational service facilities to the public.

The University has an enrollment of 79,000, a full-time faculty of more than 6,000 and nine campuses. Its overall operating expenditures are approximately \$498-million per year.

Appraisal of performance

Development of individual campus character has propelled growth at the sacrifice of economies found in greater centralization. The architects of the Master Plan for reorganization and decentralization developed policies to avoid administrative confusion, loss of unity, duplication of effort and other pitfalls of complete autonomy. Management tools in the form of academic plan, long-range physical development plan, fiscal plan, capital outlay program and the operating budget were intended to be control devices. There is strong evidence these controls are not sufficient to stem the growing tendency to ignore university-wide administration. Individual campuses are independently solving problems common to all. Thus, there is duplication of effort and unnecessary cost.

Action is needed to reconstitute a central authority that can effectively direct and control campus performance in common functional areas.

Recommended action

The suggested improvements of the Governor's Survey focus on university-wide problems rather than those of individual campuses. They offer an opportunity for better operations plus annual savings of \$27-million and a one-time deferral of costs of \$13-million.

Capital Planning and Construction

Several organizations share responsibility for capital outlay, planning and construction for the University. In general, campus organizations generate requests, university-wide offices coordinate them and the Regents and state government approves them.

The University has requested \$76-million, \$88-million and \$112-million for capital improvements in the last three years. The state, reacting on the basis of funds available, has granted \$55-million, \$70-million and \$56-million, respectively. The University, accordingly, must make critical choices on programs and facilities without knowledge of the funds available.

Recommended action

A significant recommendation would authorize funds for the completion of each capital expenditure project at the time the project planning guide is submitted. The present method of incremental project approval results in a project cycle of approximately five years, characterized by repeated stops and starts. It also permits work on a project destined to be cancelled or deferred. A one-time approval system could save an estimated \$850,000 annually.

The starting dates on construction contracts should also be staggered. Most construction funds are released by the state on approximately July 1. This causes some peaking of bidding and results in added costs. Potential savings would approximate \$500,000 annually.

Other suggested recommendations for improvement would:

- Follow review of the University's five-year capital outlay program for planning purposes with preparation of a five-year projection indicating the estimated funding available.
- Establish new guidelines for building sizes and types to permit construction of larger, less expensive facilities.
- Revise the method of compensating executive architects to provide incentives for increasing design efficiency.
- Require a minimum 30 day review and correction period after completion of working drawings.
- Permit campuses to grow to their natural limit and concentrate on expanding rather than starting new campuses.
- Establish new standards for utilization of facilities. If utilization could be extended by only 5%, capital construction costs of approximately \$13-million could be deferred.
- Prepare annually a 10-year university-wide master plan to relate academic goals, operating costs and capital costs.

Data Processing and Information Services

Computing, data processing and information services at the University of California can be grouped into three broad categories. These are services for management and control; aids in instruction, research and all activities to advance construction and utilization of computing and data processing systems. Data processing costs of 1966-67 departmental allocations, grants and contracts for computers at the University total about \$11-million.

Recommended action

The most significant recommendation would provide, under the Vice President of the University for Administration, strong planning and coordination of all aspects of data processing and information services. There is a critical need for such an overall plan and the University has the capability to accomplish this. All additions or changes in ADP equipment should be deferred until a master plan is devised.

The University should be encouraged to accelerate the study and implementation of the financial management information system. Benefits could amount to \$1.1-million per year.

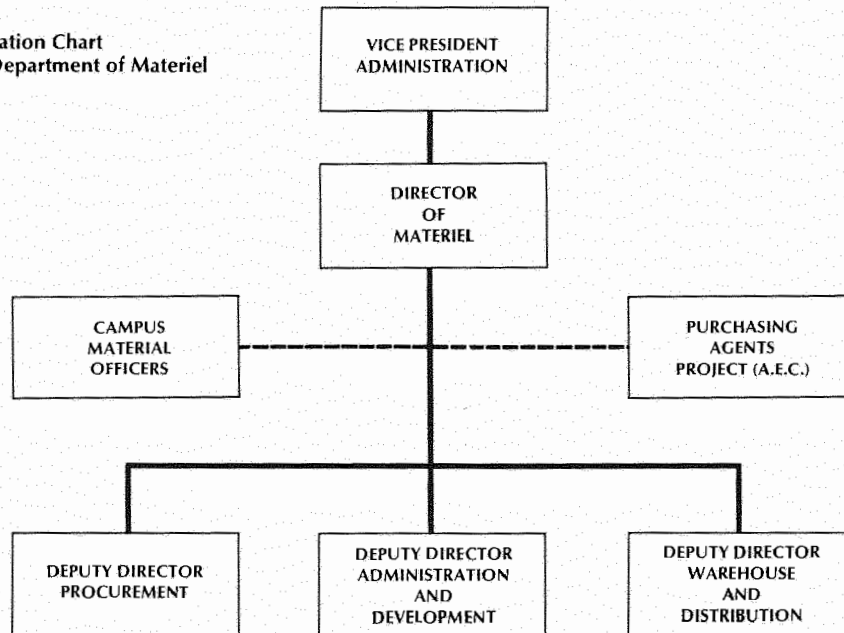
Materiel Function

The 153 persons involved in the purchasing activities of the University operated on a 1966-67 budget of about \$1.2-million. During that period, they placed orders worth about \$109-million.

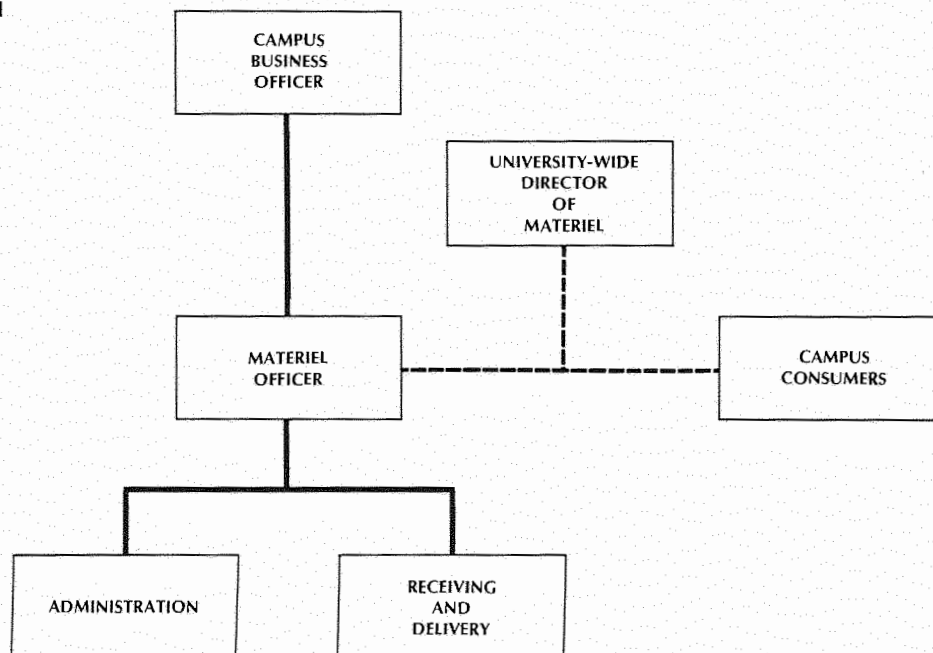
Recommended action

This function needs reorganization to establish a university-wide Department of Materiel, as outlined in the chart on the following page. This would achieve advantages in bulk ordering at lower prices, smaller inventories of individual items, better control of expenditures, development of specialized knowledge and skills and centralization of relations with suppliers.

**Proposed Organization Chart
University-Wide Department of Materiel**



**Proposed Organization Chart
Campus Materiel**



At the time the university-wide Department of Materiel is established, the campus function would be organized as shown on the preceding page. This calls for a redesignation of campus purchasing agents as campus materiel officers. Their primary duties would consist of coordination of campus needs and local purchases as delegated by the Department of Materiel.

Other important recommendations would:

- Accelerate and expand volume contract and pooled purchasing activities.
- Establish a cost reduction group whose major responsibility would be to evaluate materials, supplies and equipment being purchased.
- Eliminate campus storehouses and establish two regional warehouses.
- Develop and install an inspection and quality control program.

Plant Maintenance and Operation

The Physical Plant Department plans, organizes, supervises and controls all services required for maintenance and operation of the physical plant. In addition, it provides support in the form of construction and maintenance services.

Recommended action

This function could improve efficiency and get the best value per dollar spent on plant maintenance by:

- Revising the organizational structure to reduce levels of supervision.
- Consolidating some departmental shops.
- Reducing the frequency of certain repetitive cleaning.

Telephone Service

The present telephone system consists of a conglomeration of practically every type of equipment available.

Recommended action

Standards should be developed and published on acquisition and use of telephone

equipment. Interviews with University personnel, telephone company representatives, telecommunications engineers and representatives of the Communications Division of General Services, indicate savings of 10% to 40% are attainable. The experience of large corporate telephone users validates the benefits to be obtained through savings in equipment charges, long distance message unit charges and private line use.

Another improvement would accelerate installation of Centrex systems at Berkeley, Los Angeles, San Diego, Santa Cruz and Santa Barbara campuses. There is a continuing deterioration of present service because existing equipment and facilities cannot be upgraded without unwarranted expenditures.

The third recommendation would abandon the Intercampus Telephone System (ITS) and join with the state in a cost-shared Automatic Telecommunications Switching System.

Central Garage Operation

General policies governing garage operations include the criteria for permanent assigned or temporary use of a vehicle, the length of time a vehicle is to be kept, requisition and reporting requirements. Disposal of vehicles varies with the campus.

There is insufficient information to measure the cost of the various services provided. No one has attempted to determine the optimum number of vehicles needed for a pool operation. Further, there is no adequate cost information to determine the equity of recharge rates which varies among garages.

Recommended action

Two key recommendations in this area would establish more definitive rules for service level of pool operations and develop a standard cost and operating report system to provide better and more meaningful performance data.

University Extension

Extension is charged with the responsibility of providing opportunities to adults for pro-

fessional and career advancement, personal growth and education. In 1965-66, the extension service had 212,962 registrations representing 18,881 full-time equivalent students in 6,303 programs.

Decentralization of much authority and all responsibility to the campuses has increased operating and administrative costs. Previously, administrative groups at Berkeley and Los Angeles coordinated the extension programming and promotion as well as provided support services. Each campus is now established as a virtually independent group.

Recommended action

A significant recommendation in this area would provide for a centralized promotion effort. The volume of catalogs, brochures and publicity pieces associated with the extension program can be more economically produced by contractual arrangements with a fewer number of printers. Studies should be continued to determine whether the current output of promotional materials is economically justified.

A study should be made on financing of student fees. Based on the conclusion that a significant number of enrollments are lost because some students cannot afford a lump sum payment of fees, a financing plan was presented early in 1967. It was rejected as being contrary to University policies because it involved discounting of student obligations to a commercial bank. The administration should study the feasibility of conducting its own "extended pay plan." If the income potential can be validated, an economically feasible plan should be developed in the near future.

An examination is needed of adult education in high schools, junior colleges and state colleges. Enrollment records of University Extension demonstrate willingness of the public to pay for acquisition of knowledge and development of skills. It seems unreasonable, then, to impose a general tax burden for the benefit of the comparative few. Studies should be undertaken at once to eliminate

the duplication of effort and state support for adult education programs in high schools, junior colleges and state colleges. They should, at least, be made self-sustaining.

Printing and Publishing

Printing and publishing services operate on both a university-wide and a campus level. These operations exist for the purpose of providing economical service to the University. The quality and service demands being met by the printing department and binderies probably cannot be matched by commercial printers or binders at a competitive price. However, there are areas in the printing operations which can be improved by using methods and/or equipment in common commercial use.

Recommended action

The University can improve this function by:

- Establishing a position specializing in graphic arts buying.
- Developing an updated production control and expediting system at the University Printing Department.
- Replacing obsolete equipment and adding new high speed equipment where justified.
- Initiating a study to review and update the policy with respect to publishing by the University Press.
- Establishing a central duplicating and photocopying unit on each campus facility.
- Acquiring a cost accounting and recharge system which will insure accurate costs and equitable recharges for Davis printing work.
- Installing a camera, press and auxiliary equipment at U.C.L.A.
- Consolidating facilities for both Multilith and photocopying machines.
- Establishing a selling price of all catalogs to cover costs of production by the Office of Publications.

STATE COLLEGES OF CALIFORNIA

The primary function of the State Colleges is instruction of undergraduates and graduate students, through the Masters degree, in liberal arts and sciences, in applied fields and professions, including the teaching profession. Doctoral degrees may be awarded jointly with the University of California. Faculty research is also authorized. The State College system has grown from a total enrollment of 53,000 in 1957 to 170,000 in the 1966-67 school year.

Since 1962, capital outlays of \$288-million have been made and there is an added projected outlay of \$180-million scheduled for the combined 1967-68 and 1968-69 fiscal years. Anticipated capital expenditures are projected at \$39-million by 1972-73. The State Colleges employ about 18,500 persons.

The latest actual operating fund figure available is about \$206-million for fiscal year 1965-66. Operating funds for 1966-67 are estimated to be about \$227-million and projected figures for 1967-68 are \$249-million. The state portion of 1965-66 operating funds was about \$137-million.

Appraisal of performance

There is a conflict in the State College system between the desire for excellence and the need for an economically acceptable operation. The primary responsibility of the Trustees, discharged through the Chancellor's staff, should be to supply the evaluation and influence necessary to reconcile these opposing objectives.

Recommended action

The suggested improvements of the Governor's Survey are aimed at resolving basic problems. Besides giving greater educational value per dollar spent, they offer the opportunity of saving about \$8.5-million annually. In addition, recommendations are made to avoid or defer capital expenditures of \$100-million for a long term and save \$36-million in construction costs through joint utilization of higher education facilities.

Other recommendations would:

- Increase the emphasis on administrative and control responsibilities at all levels.
- Eliminate duplication of effort in the overall system.
- Transfer the Systems and Computer Programming staff from the Chancellor's office to the colleges.
- Identify all costs of instructional programs and performance evaluation.

The line item budget is effective in the control and disposition of input funds. However, it does not portray the budget in relation to program or output to which it contributes. Qualitative and quantitative evaluation of academic programs, which are not provided by the line item budget approach, are needed. Much thought and effort is being devoted to the development of these tools by the Chancellor's office and work appears to be soundly based. It should be carried through to a conclusion and implemented as rapidly as possible.

Capital Planning and Construction

Capital expenditures in 1966-67 were equal to 43% of the support budget. Five year plans indicate capital expenditure will be a growing percentage for at least the next four years. For 1967-68, the total will amount to \$85-million. In 1968-69, it will equal \$108-million. It will represent some \$93-million for 1969-70 and \$82-million in 1970-71.

Recommended action

The state should stop building State Colleges until present campuses cannot be expanded to accommodate projected enrollment. There are presently 18 State Colleges in the system with a new college scheduled to open for 1969-70 near Bakersfield.

By maximum utilization of existing campuses, establishment of new colleges can be deferred beyond 1975-76 when 197,410 annual full-time equivalent (FTE) enrollments are projected. On each college campus, there is a core of facilities which must be provided

that do not contribute directly to classroom activities. These include administration building, library, gymnasium, outdoor physical education facility, cafeteria and health center. The cost of this group of buildings is almost \$20-million, excluding cost of land. Expansion of existing campuses is incremental and does not require a proportionate expansion of classrooms to the core facilities. Deferral of the five planned new colleges would save over \$100-million.

The present policy limiting on-campus full-time enrollment levels should be re-evaluated. Present policy dictates that urban colleges have a maximum enrollment of 20,000 FTE students and suburban institutions should have no more than 12,000. The maximum limits have increased periodically in the years since implementation of the Master Plan. There is virtually no objection raised by college presidents to a college enrollment of 25,000 to 30,000 FTE provided land and facilities are available.

The state should require joint utilization of higher education facilities to avoid unnecessary construction duplication of facilities and personnel. California has three separate systems for higher education. They are Junior Colleges, State Colleges and the University. Each institution in the system must provide basic facilities, including administration building, library, gymnasium and cafeteria. When institutions of higher education are immediately adjacent, or in close proximity, or are proposed for concurrent construction, the provision of duplicate facilities is unjustified.

It is highly desirable to carry out the Master Plan policy of specialization of function. Within the higher education complex, there is needless competition for special programs and duplication of facilities. For example, there are two programs in enology, one at U. C. Davis and the other at Fresno State College. There is a limited enrollment on each campus with independently maintained faculty and facilities. These are the only two educational institutions in the world giving degrees in enology.

The laboratory schools on state college campuses at San Francisco, San Diego, Chico, Humboldt and Fresno should be discontinued. On five campuses, elementary schools are operated by the college for the purpose of training teachers. In the other colleges, teacher training is provided by using local public schools.

By abolishing the laboratory schools, land will be released so acquisition of additional property can at least be deferred. Furthermore, maintenance and operation of the schools will be eliminated, saving over \$940,000 annually.

Financial Support

The decision of the Legislature not to support such college activities as counseling and testing, foreign student program activities and housing and health service as "educationally unnecessary" has not been accepted by college trustees and administrators. The result has been an acceleration in developing non-state support activities through assessing each student with various fees.

Legislative concern that state funds should not support these activities has led to expensive record keeping and understandings that the state will finance the non-support areas in certain ways.

Recommended action

The state should increase student application fees from \$5 to at least \$15 in order to offset, in part, the increased costs of processing. Fee income for 1967-68 is estimated at \$895,000 as compared to a total expenditure of approximately \$4.75-million. The increase of fee would generate approximately \$1.8-million in additional funds.

In addition, the rate charged for on-campus student housing should cover all costs. Students are charged a fee for housing which allegedly makes this a self-supporting activity. This fee does not, however, cover all costs. If fees charged students for on-campus housing reflected costs, builders could be encouraged to erect facilities.

Systems and Procedures

Because of the relatively short life of the State College system, little has been accomplished in the way of disseminating information among the campuses concerning ways of handling common systems and procedures problems.

Recommended action

A third-generation ADP capability should be provided to all campuses. Most computer equipment for instruction and most ADP equipment for administrative support in the State Colleges is obsolete as to machinery and program language. This situation has discouraged most administrators from systems and procedures improvement pending acquisition of more capable and modernized equipment.

A program should be started in the State Colleges to develop better uniform systems and procedures. Having each college develop its own version of the same procedure is 18 times more expensive than developing one. Further, getting these different procedures to produce data with system-wide meaning is difficult and expensive. Potential cost avoidance of about \$4.5-million can be realized by eliminating the separate development of the basic systems by each of the 18 individual campuses. Development of all systems at any given college would cost approximately \$281,000.

STATE DEPARTMENT OF EDUCATION

This department is responsible for insuring all children of the state an opportunity to attend the public school system and, once enrolled, receive adequate instruction by qualified teachers. In general, the department function is to provide leadership to local and county school districts. The present organization structure of the department is shown on the next page. Its current annual budget is \$29.3-million and the number of state employees is 2,088.

Appraisal of performance

The role of the State Department of Education is one of leadership, innovation and dissemination of useful information. These functions could be more effectively carried out if certain improvements were made. In effect, the combination of legislative restrictions and lack of singleness of purpose has been reflected in the loss of many dedicated and capable people. This in turn is reflected in the failure of the divisions of the State Department of Education to have planned objectives for long or short-range goals and programs.

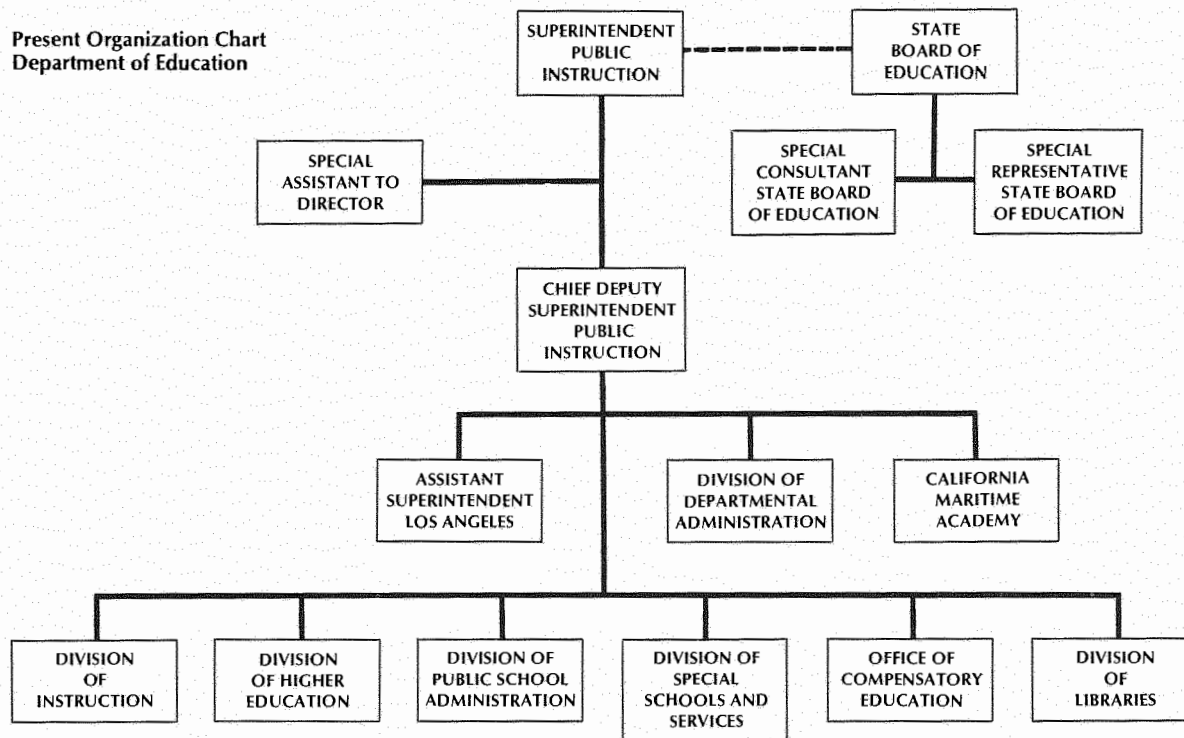
Recommended action

The improvements suggested by the Governor's Survey are aimed at alleviating the management and operating problems of the department. If fully implemented, they could result in estimated annual cost savings of \$4.2-million in state funds. Additionally, there would be savings of \$25-million in school district funds and \$2.4-million in federal funds.

There is an urgent need to clarify the policy-making roles of the Department of Education, State Board of Education and the Legislature. Over 1,100 bills relating to education were introduced in the last session. Many of the bills, in effect, set policy by which the Board of Education must be guided. Hence, they restrict policy-making activities supposedly reserved for the board. Beyond this, some of the bills reach below the board into procedural matters which govern the conduct of the department.

A division head in the Department of Education often finds himself with the Legislature, the Superintendent of Public Instruction and the Board of Education as his masters. Trying to function effectively under these conditions has been instrumental in creating division head vacancies in three of the six major functions. A study should be made to determine what legislative and constitutional steps are required to clarify the arrangement and prevent the overlap and conflict which exists.

**Present Organization Chart
Department of Education**



The Education Codes should be reconstructed. A welter of codes exist which are confusing, may be in conflict and, in some instances, overlapping. A complete review to simplify the code will permit more effective administration at both department and school district levels in attempting to observe the law.

Another significant recommendation would reorganize the department. The role of the State Department of Education is a continually changing function as the various local school districts and county school functions expand. In order to support the recommendations made for various segments of the department, it seems appropriate to suggest a realignment of the various sections in accordance with their functions and related activities. The proposed organization chart is located on the following page.

Division of Departmental Administration

This division is responsible for the fiscal and personnel functions of the department including data processing, publication of written material and teacher certification. It provides legal advice to the State Board of Education as well as to the Department of Education.

Recommended action

Key suggestions for the division would do the following:

- Centralize all duplicating facilities and mailing services for the department in the Los Angeles and Sacramento offices.
- Establish a forms review, control and design program.
- Develop a program to reduce sick leave

[REDACTED]



usage in the Department of Education to the average of all state agencies.

- Update the Administrative Code.
- Create a uniform coding structure for an overall state-wide educational information system.

Data processing utilization is extensive within the department and requires up-dating and improvement to become more effective. Such activities should be coordinated with equipment and policy changes being made throughout the data processing area in other state departments.

Field contacts with school districts indicate general agreement that purchasing services recommended by a consulting report should be furnished to the school districts. This suggestion is in lieu of establishing a Bureau of Educational Purchasing Planning. It would provide purchasing services to the school districts by a representative from the Office of Procurement in coordination with a purchasing planning representative in the Division of Administrative Services.

Since personnel from the Division of Administrative Services have frequent contact with county offices and local school district business officials, the purchasing planning representative should be utilized as the primary contact with the local school districts and county offices.

Division of Public School Administration

This division consists of operating units which perform separate and distinct functions through the bureaus of School District Organization, Administrative Services, Textbooks and Publications Distribution, Surplus Property, School Apportionments and Reports and School Planning.

Recommended action

A number of changes dealing with organization structure would resolve overlapping lines of authority, merge like functions, consolidate certain staffs, reduce the number of

field personnel and improve communications and overall efficiency.

One basic recommendation calls for preparation of a detailed statement of divisional objectives consistent with those of the department. The division's bureaus have prescribed functions. However, they have no clear-cut objectives by which these functions and efforts expended upon them can be monitored and revised.

Average daily attendance (ADA) is the statistic upon which most school apportionments are based. While the attendance is determined by periodic sampling at junior colleges, daily attendance counts are required at elementary and high schools. Certain changes made in the definition of ADA have simplified attendance accounting. However, the process is still complex and, in many districts, consumes valuable teaching time.

The Bureau of School Planning should establish definitive building standards and criteria for schools to be adopted at the option of local districts. It should also prepare standard construction documents for both optional and prescribed use by local school districts.

Division of Instruction

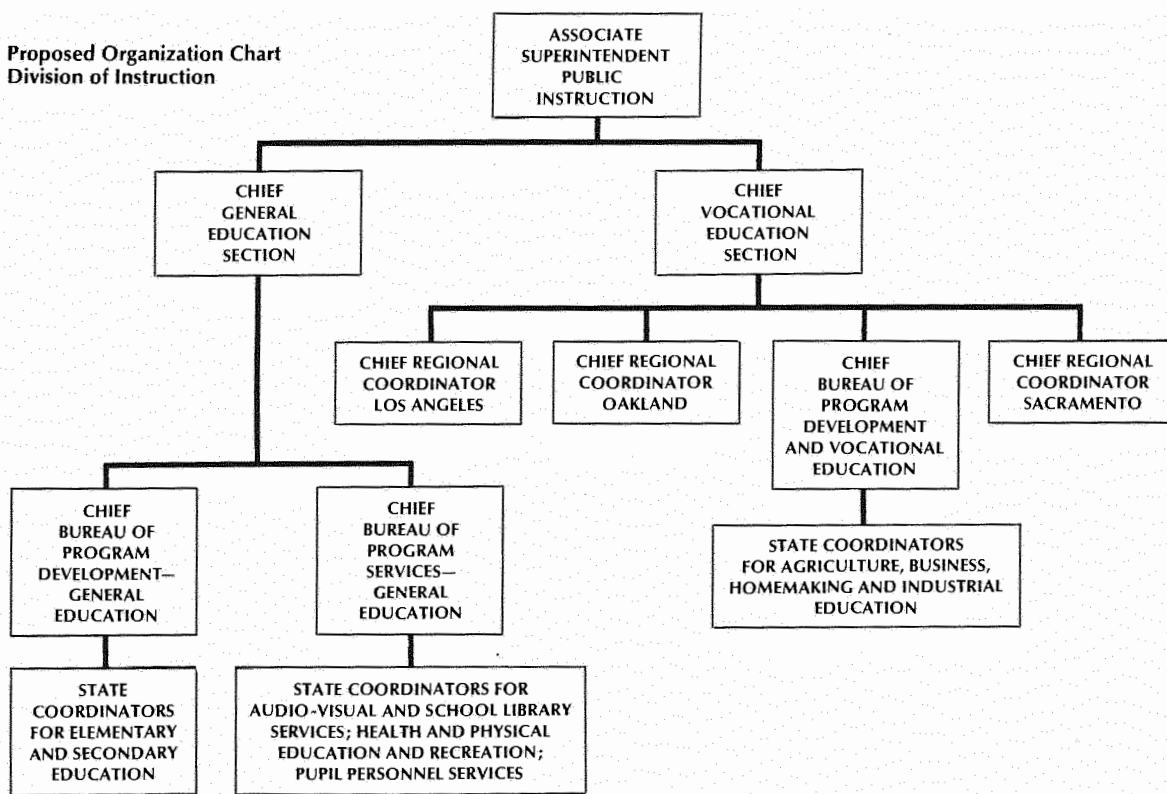
The division is responsible for the public school instruction program. The General Education section includes public school instruction from kindergarten through junior college. Vocational Education is responsible for programs to remedy adult educational deficiencies, provide vocational training and expand adult educational opportunities.

Recommended action

The most important recommendation in this area would reorganize the division to streamline its operations and increase coordination and management control.

The proposed organization plan, next page, combines existing bureaus and decreases fragmentation. Additionally, it increases management control, reduces costs and improves efficiency. The new structure is estab-

**Proposed Organization Chart
Division of Instruction**



lished along functional lines to provide for an unbroken chain of coordination from kindergarten through high school.

Division of Special Schools and Services

The Division of Special Schools and Services gives local school districts assistance and guidance in the education of the physically handicapped, mentally retarded, educationally handicapped, gifted and otherwise exceptional children.

Recommended action

Improvements in this division would:

- Multiply effectiveness of consulting staff by reducing travel, performing consultation services from state offices, developing programs, designing curriculum and conducting seminars and workshops.

- Expand operations to utilize available facilities at the Diagnostic Clinic for Neurologically Handicapped Children. Reduce allowable residence time to increase number of children served to maximize use of facilities.
- Emphasize the purpose and use of special schools as training facilities for teachers and supervisors related to the education of handicapped and mentally exceptional children.

Teaching is now related to a limited number of resident students. It does not render the increased benefit of training teachers who will, in turn, spread their skills among the regular school districts across the state.

Office of Compensatory Education

The Office of Compensatory Education administers federal and state programs which

provide assistance to socio-economically disadvantaged children to raise their educational achievement level to normal.

Recommended action

Significant suggestions for improvement would obtain state administration by Compensatory Education of all federal projects in the field of education, including OEO projects. In addition, the Director should be responsible to the Superintendent of Public Instruction in the administration of Compensatory Education.

Division of Higher Education

The division consists of the Bureaus of Teacher Education and Certification, Adult Education, Readjustment Education, Junior College Administration and Finance and Junior College General Education.

Recommended action

A key recommendation would transfer the certification activity of the Teacher Education and Certification Bureau to the department's Division of Administration. In line with the basic reorganization of the department, this function belongs with other business-oriented activities.

Another organizational change would eliminate the Division of Higher Education. Junior college functions will be assumed by a newly created organization and will be removed from the division. The remaining service functions can best be performed by the other divisions.

In addition, the requirements for the standard elementary teaching credential should be evaluated. Certification is only a device for assuring a minimum level of competency. The present rules, if strictly followed, would deny credentials to some people whom most educators would deem qualified. This could discourage many capable out-of-state teachers from coming to California.

Other important recommendations would do the following:

- Reduce the number of counseling offices.

- Encourage greater participation by county offices for coordination of adult education programs.
- Reorganize the Bureau of Adult Education by consolidating General Adult Education with Adult Basic Education.
- Transfer the Bureau of Readjustment Education to the new Division of Educational Business Services and Assistance and combine it with the Teacher Education Accreditation.

Junior Colleges

A separate Junior College organization is to be formed under provisions of a bill passed by the last Legislature. This section of the report is meant to clarify the roles of organizational elements now in various parts of the Department of Education which may be consolidated under the new Junior College organization.

Recommended action

All of the recommendations are directed toward organizational changes.

The Bureau of Junior College Administration and Finance should be transferred back to the Division of Public School Administration. Each of the bureau's functions belongs in the Division of Public School Administration. That division, because of its size, is organized into functional bureaus which can provide more specialized leadership than is possible where so many different functions are merged into a single bureau.

The personnel requirements should be changed in the Facilities Planning unit of the Bureau of Junior College Administration and Finance. This unit approves sites and plans for junior colleges before state support for construction is granted. Present job qualifications do not include any requirements for architectural, engineering or construction skills.

Excessive expansion of the Bureau of Junior College Administration and Finance should be avoided. Senate Bill 669 provides for a

new and separate Board of Governors of California Community Colleges. If the new board requires this bureau to become independent rather than contracting for its services, some staff additions will be required to perform work now being done in the Bureau of Apportionments and Reports. The bureau's proposed program budget calls for a staff increase of nine people. This intended staff size seems excessive.

The Bureau of Junior College Education should be transferred to the Division of Instruction. In addition, it would avoid further expansion of the Bureau of Junior College Education staff if the Junior College Governing Board forms a separate organization.

California Maritime Academy

The Maritime Academy is part of the public school system. A Board of Governors established by statute sets policy, governs the school, employs the Superintendent and approves the staff. The Academy's primary objective is to train students for the maritime profession. However, students' skills can be utilized very effectively in both business and industry.

Recommended action

The most basic recommendation would develop a five-year plan to bring the Academy up to California educational standards for facilities. Other important recommendations would do the following:

- Obtain additional assistance from the Department of Education in establishing proper job descriptions, providing placements for specialists and evaluating the office clerical load.
- Enlarge the present library and increase its number of books.
- Construct a new seamanship building.
- Install additional dormitory facilities.
- Determine if additional federal assistance could and should be solicited.
- Establish student fees to cover costs of care and subsistence.

California State Library

The State Library was established in 1850 as a service for the State Legislature and Administration. Over the years, it has been expanded to include coordination of statewide public library development and operation of a library for the blind.

Recommended action

A significant improvement can be made if there is a change in the organizational structure to reduce the number of reporting levels. The organization structure should have only four levels of supervision rather than up to 10.

There should also be a library consultant to survey the state government departmental libraries and to be responsible for their continuing coordination. There is a rapid and increasing trend among the various departments to have their own libraries. Maintenance of these facilities is generally erratic, depending on administrators or librarians who do not understand or realize the services which could be rendered.

Another recommendation would adopt a dynamic program for future library development. Library management should concentrate on programs where they can render the proper service.

The library should explore the feasibility of converting books for the blind from records to tape cartridges. Conversion would reduce the library's handling costs by 60% and the federal government's cost for franked mail by 75%. Cartridges would also be more convenient for the blind. The State Library should develop the feasibility of a conversion and communicate its findings to the federal government.

A further suggestion would accelerate the present program for computerization of the library's processing center. Computerization will eliminate the extensive duplication in cataloging.

A final recommendation would accelerate production of a book catalog of the State Library's collection. Commence production

of a book catalog so the publication date can coincide with computerization of the processing center. Specifications for the catalog are complete and federal funding is already available.

School Bus Transportation

The combined state grants and allowances for the replacement of school buses were in excess of \$1-million in 1965-66 to school districts. The specification requirements for new school buses are broad and give great latitude to the school districts. There is very little evidence of overall standardization except for safety, power and load.

Recommended action

There are economies to be realized through standardization and combined purchases that would permit more economical school bus acquisition.

A step in this direction would be to standardize seating capacities of school buses to six different sizes. School districts now purchase buses in 13 different row configurations. Other states have been successful in standardization and have reduced purchase costs.

Another significant change would provide a mechanism to permit the coordination and consolidation of annual school requirements prior to purchasing. Any pooling of bus requirements must be on a voluntary basis on the part of the school district. The purchasing decision would remain with them. State coordination should be performed by the Office of Procurement.

In the maintenance area, it would be worthwhile to study the feasibility of utilizing facilities of counties or the Division of Highways to perform maintenance on school buses where such services are not available.

Another significant suggestion for improvement would issue state grants, less interest or carrying charges, to school districts for school buses prior to the purchase. Districts would be in a position to pay cash and eliminate multi-year purchase plans with unnecessary carrying charges.

In addition, the state should review the basis of its support for pupil transportation, in comparison with alternates, including public transportation. For 1966-67, approximately \$17.7-million of state funds were utilized to support transportation. This is exclusive of any support for pupil transportation of the handicapped.

Intermediate Unit

The Intermediate Unit is a county-based administrative organization providing liaison between local school districts and the state. This education agency is, in part, state supported.

Recommended action

Improvements are aimed at clarifying and strengthening the Intermediate Unit. Key recommendations would:

- Relieve the Intermediate Unit of any and all responsibilities it now holds for large unified school districts.
- Clarify the unit's functions.
- Eliminate county political boundaries.
- Grant governing boards power and authority equivalent to that of local school district governing boards.

All educational responsibilities now vested in other county agencies should be transferred by law to the Intermediate Board of Education. This includes those retained by boards of supervisors, county committees on school district organization and other agencies. Legislative action is required.

State Teachers' Retirement System

The State Teachers' Retirement System (STRS) is controlled by the Teachers Retirement Board. Its function is to act as a trustee of a pension fund for the benefit of its members and their beneficiaries. Additionally, it maintains records, collects contributions, pays claims and makes reports.

The State Employees' Retirement System (SERS) provides the same services as STRS for a different group of people. Both use the

same investment officer, half time for each system.

Recommended action

The following improvements concern the State Teachers' Retirement System and the State Employees' Retirement System. Recommendations would:

- Study the value of operating the teach-

ers' retirement program as presently operated or funded.

- Bring the system under the State Insurance Code.
- Combine the State Teachers' Retirement System with all other state retirement systems and create a Retirement Department to administer them.

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

SECTION 7

SPONSORS

SPONSORS

Admiral Building Custodians
 Aerojet-General Corporation
 Aerospace Corporation
 Allstate Insurance Companies
 Amerada Petroleum Corp.
 American Building Maintenance Co.
 American Can Company
 American Forest Products Corporation
 American Meter Company, Inc.
 American Oil Co.
 American President Lines, Ltd.
 Ampex Corporation
 Argonaut Insurance Company
 Arthur Andersen & Co.
 The Atchison, Topeka & Santa Fe Railway Company
 Guy F. Atkinson Co.
 Atlantic Oil Co.
 Atlantic Richfield Company
 Atomics International Division
 North American Rockwell Corp.
 Automobile Club of Southern California
 Autonetics Division
 North American Rockwell Corp.
 Baker & Hamilton
 Bank of America National Trust and
 Savings Association
 The Bank of California National Association
 Bank of Canton
 J. Barth & Co.
 H. R. Basford Co.
 Basic Vegetable Products, Inc.
 Batten, Barton, Durstine & Osborn, Inc.
 Bechtel Corporation
 Beckman Instruments, Inc.
 Bekins Moving & Storage
 Bethlehem Steel Corporation
 Blyth & Co., Inc.
 B. P. Exploration U. S. A., Inc.
 Braun & Co.
 British Motor Car Distributors Ltd.
 Broadway-Hale Stores, Inc.
 Ray Burns, Inc.
 California Canners & Growers
 California Federal Savings & Loan Assn.
 California Packing Corporation
 California Physicians' Service
 California-Western States Life Insurance Co.
 Campbell Soup Company
 Canlis' Charcoal Broiler Restaurant
 Capitol Records, Inc.
 Carnation Company
 Challenge-Cook Bros., Inc.
 Mr. Harold Chase
 Citizens Utilities Company of California
 Citrus Cove Development Company
 City National Bank

Ernest L. Clements Construction Co.
 Coldwell Banker & Company
 Cole-Layer-Trumble Company
 Community Bank
 Computer Sciences Corporation
 Consolidated Freightways, Inc.
 Consolidated Rock Products Co.
 Continental Can Company, Inc.
 H. S. Crocker Co., Inc.
 Crocker-Citizens National Bank
 Crowell, Weedon & Co.
 Crown Zellerbach Corporation
 Cutter Laboratories, Inc.
 Cyprus Mines Corp.
 Dairy Institute of California
 Daniel, Mann, Johnson & Mendenhall
 Del Monte Foods, Inc.
 Diamond National Corporation
 Di Giorgio Corp.
 Diners' Club, Inc.
 Dinwiddie Construction Company
 Walt Disney Productions
 Mr. Patrick Doheny
 Mr. Timothy M. Doheny
 The Robert Dollar Co.
 Drilling & Production Co.
 Ducommun Metals & Supply Co.
 A. E. England Pontiac, Inc.
 Ernst & Ernst
 Ethel D. Supply Co.
 Fairmont Hotel
 Falcon Petroleum Co.
 Fenton & Company
 Mr. Robert B. Ferguson
 Fibreboard Corporation
 Fireman's Fund American Insurance Companies
 Firestone Tire & Rubber Co. of California
 First Western Bank and Trust Company
 Fletcher Oil & Refining Co.
 The Fluor Corporation Ltd.
 Food Giant Markets, Inc.
 FMC Corporation
 Foremost Dairies, Inc.
 Formax Oil Co.
 Fredrickson & Watson Construction Co.
 Mr. Y. Frank Freeman
 The Garrett Corporation
 General Dynamics Corp.—Convair Division
 General Electric Company
 The General Fireproofing Company
 General Motors Corporation
 General Precision, Inc.
 General Telephone Company of California
 Gerber Products Co.
 Gibraltar Financial Corp. of Cal.
 Glendale Federal Savings & Loan Assn.

Glore Forgan, William R. Staats
 Golden Bear Oil Company
 Div. of Witco Chemical Company, Inc.
 Golden Gate Steamship Lines, Inc.
 Samuel Goldwyn Productions
 Grand Central Aircraft Co.
 Great Basins Petroleum Co.
 Haskins & Sells
 Hewlett-Packard Company
 Mr. Cortlandt T. Hill
 Hilton Hotels Corp.
 The Hoag Memorial Hospital-Presbyterian
 Hollywood Turf Club
 Homestake Mining Co.
 Mr. Herbert Hoover, Jr.
 Hughes Aircraft Company
 Humble Oil & Refining Company
 Hunt Foods & Industries, Inc.
 Hydril Company
 IBM Corporation
 Index Underwriters, Inc.
 Industrial Indemnity Company
 Insurance Securities Trust Fund
 Intercoast Life Insurance Co.
 International Telephone & Telegraph Corp.
 Earle M. Jorgensen Co.
 Judson Steel Corporation
 K & K Oil Co.
 Kaiser Aluminum & Chemical Corporation
 Kaiser Foundation Hospitals
 Kaiser Steel Corporation
 Kee Systems Incorporated
 Kern County Land Company
 Kierulff Electronics, Inc.
 Knotts Berry Farm
 Mr. Raymond E. Lee
 Libby, McNeill & Libby
 Lincoln Savings & Loan Ass'n.
 Litton Industries, Inc.
 Lloyd Corp. Ltd.
 Lockheed Aircraft Corporation
 Lockheed-California Company
 Lockheed Missiles & Space Company
 Los Angeles Turf Club, Inc.
 Lucky Stores Inc.
 Lutheran Hospital Society of So. California
 Lybrand, Ross Bros. & Montgomery
 MCA Inc.
 Joseph Magnin Co.
 Manning's, Inc.
 Marathon Oil Co.
 Marsh & McLennan, Inc. of California
 Albert C. Martin & Associates
 Matson Navigation Co.
 McCulloch Oil Corp. of California
 McCutchen, Doyle, Brown & Enersen
 Memorial Hospital of Glendale
 Mobil Oil Corp.
 Montgomery Ward & Co., Inc.

Morris Plan Co. of California
 National Oil Co.
 Newhall Land & Farming Co.
 Mr. Michael Nidorf
 Norris Industries, Inc.
 Northrop Corporation
 Occidental Life Insurance Company of California
 Occidental Petroleum Corp.
 O'Melveny & Myers
 Pacific Employers Insurance Company
 Pacific Gas and Electric Company
 Pacific Indemnity Co.
 Pacific Intermountain Express Co.
 Pacific Lighting Corporation
 Pacific Lighting Service and Supply Company
 Pacific Mariculture, Inc.
 Pacific Mutual Life Insurance Company
 Pacific National Bank of San Francisco
 Pacific Press, Inc.
 The Pacific Telephone & Telegraph Company
 Pan American Petroleum Corp.
 Parker & Son, Inc.
 The Ralph M. Parsons Company
 Pauley Petroleum, Inc.
 Peart, Hassard, Smith and Bonnington
 C. L. Peck—Contractor
 Peninsula Lithograph Co., Inc.
 Pennzoil Company
 Wm. L. Pereira & Associates
 Peterson Tractor Co.
 Philco-Ford Corporation
 Phillips Petroleum Co.
 Phillips & Van Orden Company
 Pike Corporation of America
 Pillsbury, Madison & Sutro
 J. H. Pomeroy & Co.
 Pope & Talbot, Inc.
 Potlatch Forests, Inc.
 Price Waterhouse & Co.
 Procter & Gamble Co.
 The Prudential Insurance Co. of America
 Radio Corporation of America
 E. T. Rainey Company
 Reserve Oil & Gas Co.
 Rexall Drug & Chemical Co.
 Rohr Corporation
 Roos-Atkins
 Rose Hills Memorial Park
 Rothschild, Raffin & Weirick, Inc.
 Ryan Aeronautical Company
 Safeway Stores Incorporated
 Salinas Lincoln-Mercury
 San Diego Gas & Electric Company
 Santa Clara County Farm Bureau
 Santa Fe Drilling Co.
 Schlage Lock Co.
 Schroeter, White and Johnson
 F. R. Schwab & Associates, Inc.
 Schwabacher & Company

Seaboard Finance Co.
Sears, Roebuck and Co.
Security-First National Bank
Mr. Porter Sesnon
Mr. William T. Sesnon, Jr.
Shell Oil Company
Signal Oil and Gas Co.
Soulé Steel Co.
Southern California Edison Company
Southern California Gas Company
Southern Counties Gas Company
Southern Pacific Company
Spreckels Sugar Company
Standard Oil Company of California
The Standard Register Company
States Steamship Co.
Stecher-Traung-Schmidt Corp.
Stolte, Inc.
Levi Strauss & Co.
Stuart Floor Co.
Sunray DX Oil Co.
The Superior Oil Co.
Taylor & Sloan, Inc.
Terminal Refrigerating Company
Texaco Inc.
Tidewater Oil Company
Time Oil Company
Times Mirror Press
Title Insurance and Trust Company
Touche, Ross, Bailey & Smart
Transamerica Development Company

Tri Valley Growers
TRW Systems
Holmes Tuttle Ford
Twentieth Century-Fox Film Corporation
Union Bank
Union Carbide Corporation
Union Lumber Co.
Union Oil Company of California
Union Pacific Railroad
United Air Lines, Inc.
United California Bank
United States Borax & Chemical Corp.
United States National Bank
U. S. Natural Gas Corp.
U. S. Oil & Refining Co.
United States Steel Corporation
Utah Construction & Mining Co.
Virco Manufacturing Corp.
Walkup's Merchants Express
Wells Fargo Bank
Western Electric Company, Inc.
The Western Pacific Railroad Company
Wilke, Fleury, Sapunor & Hoffelt
Wine Institute
Dean Witter & Company
Mr. Adrian G. Wood
World Airways, Inc.
Wylde & Sons
Xerox Corporation
Arthur Young & Company