

increases to employees exempt from civil service and to employees, both academic and nonacademic, of the University of California. In addition to the amount requested for additional increases in the 1953-54 Fiscal Year, there is requested an amount determined as necessary to project increases granted in the current year, and which are not reflected in the detail of the respective agency budgets.

The specific amount required to bring the salaries of state employees into conformity with salaries paid in private industry and other governmental employment cannot be determined at this time. The Personnel Board in its report summarizes the present salary situation as follows:

1. California's labor market is tight.
2. Salaries and wages in industry are continuing to rise slowly.
3. Personnel Board studies show that wages and salaries have increased about 2.5 percent from March to September, 1952.
4. If the wage trend continues, the March, 1953, surveys may show increases of about 5 percent. Increases may not be justified, however, for all civil service employees.

We believe the present system of reviewing and adjusting state salary ranges to be a good one. We believe the Personnel Board will administer the fund in accordance with wage data which will be developed in the spring of 1953, and if increases do not develop as presently indicated, savings in this fund will develop. It should be pointed out that the Legislature augmented this fund \$2,000,000 above the amount requested by the board in 1952. Present estimates indicate the fund will return savings at the end of the current year of \$1,977,716, of which \$1,633,375 constitute appropriations in excess of needs and the balance arises from the fact that salary savings in agency budgets were used for salary increase purposes in lieu of withdrawals from the fund.

We, therefore, recommend approval of the amount requested. However, we recommend that proposed increases of University of California and state college academic salaries be supported by wage surveys conducted by the State Personnel Board and that no funds appropriated by this item be released by the Department of Finance for academic salary increases unless supported by such a survey.

RESERVES FOR CONTINGENCIES

EMERGENCY FUND

ITEM 286 of the Budget Bill

Budget page 898
Budget line No. 12

For Emergency Fund to Be Expended Only on Written Authorization of the Department of Finance for Emergencies From the General Fund

Amount requested	\$2,500,000
Estimated to be expended in 1952-53 Fiscal Year	2,500,000
Increase	None

RECOMMENDATIONS

Amount budgeted -----	\$2,500,000
Legislative Auditor's recommendation -----	1,500,000
Reduction -----	\$1,000,000

ANALYSIS

The amount of \$2,500,000 is requested from the General Fund for the Emergency Fund to provide for contingencies for which no appropriation, or insufficient appropriation, has been made by law. The provisions of this item further provide that amount sufficient to meet emergencies are likewise appropriated from each special fund except the Motor Vehicle Fund and the State Highway Fund. Money appropriated by this item is also available to loan to state agencies not supported by the General Fund upon such terms and conditions of repayment as prescribed by the Department of Finance.

Amounts appropriated for emergencies, including price increases together with unexpended balances where available since 1948-49, are as follows:

Year	Initial appropriation	Deficiency	Total appropriation	Unexpended balance
1948-49 -----	\$3,500,000	-----	\$3,500,000	\$1,028,399
1949-50 -----	1,500,000	-----	1,500,000	350,885
1950-51 -----	1,500,000	4,079,715	5,579,715	913,775
1951-52 -----	3,500,000	1,035,842	4,535,842	1,123,592
1952-53 -----	2,500,000	-----	2,500,000	-----
1953-54 -----	2,500,000	-----	-----	-----
	(proposed)			

The Budget Act of 1948 appropriated \$1,500,000 to the Emergency Fund and \$2,000,000 to a Price and Population Increase Fund. Likewise, the Budget Act of 1951 appropriated \$1,500,000 to the Emergency Fund and \$2,000,000 to a Price Increase Fund. The Budget Act of 1952 combined these items and appropriated \$2,500,000 for contingencies covered by the Emergency Fund and price increases not reflected in the budget.

We believe that in the financing of an operation as large and as complex as the State of California that a contingency fund, though perhaps not an absolute necessity, provides an orderly procedure and permits closer budgeting in each individual agency. On the other hand, it is just as important that contingency items be kept at an absolute minimum. Unusual expenses of government will occur, but likewise management should feel the necessity of continually looking for economies that can be realized through improved operations. Management should feel a responsibility toward financing unusual costs from these savings.

The necessity to establish a price increase fund for the budget year is not indicated at this time. *We recommend, therefore, that this item be reduced to \$1,500,000, which has been the usual appropriation to meet emergencies exclusive of price increases in recent years.*