

**ADVISORY COMMISSION ON INDIAN AFFAIRS**

ITEM 246 of the Budget Bill

Budget page 1087

**FOR SUPPORT OF THE ADVISORY COMMISSION  
ON INDIAN AFFAIRS FROM THE GENERAL FUND**

Amount requested -----	\$46,021
Estimated to be expended in 1967-68 fiscal year -----	44,835
Increase (2.6 percent) -----	\$1,186
<b>TOTAL RECOMMENDED REDUCTION -----</b>	<b>None</b>

**ANALYSIS AND RECOMMENDATIONS**

The Advisory Commission on Indian Affairs was established by Chapter 2139, Statutes of 1961 which added Sections 8110 to 8118 to the Government Code. The commission will be in existence until October 1, 1969. The purpose of the commission is to study the problems of the American Indian residing in California. The problems under study include, but are not limited to, those presented by the termination of federal control, a review of applicable state laws and needed revision thereof and the four relocation centers in California. The commission shall then report its findings, together with any suggested legislation, to the Governor and to the Legislature.

The commission had 3.2 authorized positions in 1967-68 at an estimated cost of \$44,835 and the 1968-69 budget would continue the same level of service at an estimated total cost of \$46,021, an increase of 2.9 percent.

*We recommend approval of this item as budgeted.*

**ADVISORY COMMISSION ON THE STATUS OF WOMEN**

ITEM 247 of the Budget Bill

Budget page 1088

**FOR SUPPORT OF THE ADVISORY COMMISSION ON THE  
STATUS OF WOMEN, FROM THE GENERAL FUND**

Amount requested -----	\$41,672
Estimated to be expended in 1967-68 fiscal year -----	34,200
Increase (21.8 percent) -----	\$7,472
<b>TOTAL RECOMMENDED REDUCTION -----</b>	<b>\$800</b>

**Summary of Recommended Reductions**

	Amount	Budget Page	Line
Reduction of rent -----	\$800	1089	15

**GENERAL PROGRAM STATEMENT**

The Advisory Commission on the Status of Women was created initially in 1965 by Chapter 1378 and upon submission of a report to the Legislature was to expire on June 30, 1967. Chapter 854, Statutes of 1967, extended the life of the commission until June 30, 1969, and provides that the Legislature is to receive another report in 1969 before the expiration of the commission.

The commission was expanded from 15 to 17 members by the 1967 legislation and consists of the Superintendent of Public Instruction,

**Advisory Commission on the Status of Women—Continued**

the Chief of the Division of Industrial Welfare, one public member and three Assemblymen appointed by the Speaker of the Assembly, one public member and three Senators appointed by the Senate Rules Committee, and seven public members appointed by the Governor. The 1965 legislation authorized the establishment of a 15-member advisory board. When the commission's report was submitted to the Governor and Legislature, the board was dissolved. There are plans to appoint a new advisory board.

The objectives of the commission as defined in the statute are to study: (1) the conditions affecting the employment of women, (2) state law as it relates to civil and political rights of women, (3) education and educational needs of women, and (4) the effect of social and economic considerations in shaping the role of women in modern society.

The new commission plans to study specifically: (1) the underprivileged woman, (2) leisure time and women, and (3) the education of women. Plans have not been formalized as to the method of study, but a "grassroots" questionnaire has been proposed. The commission does not intend to conduct public hearings as of this date. The immediate objective of the commission is to furnish the Legislature with a report in 1969.

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes an appropriation of \$41,672 for the 1968-69 fiscal year. An additional \$1,095 is available from Chapter 854, Statutes of 1967, thus making a total budget request of \$42,767. This is an increase of \$8,567 over the current year. An increase in operating expenses accounts for \$6,589, or 77 percent, of the total increase. This increase is primarily due to the costs of the required report. The proposed budget would allow the commission to provide the same level of service as the current year.

In its May 1967 report, the commission made a total of 35 recommendations. Of these recommendations, the commission was responsible for successful legislation in four instances, one being the continuation of the commission. The commission was unsuccessful in two pieces of legislation it had sponsored and was able to reach a compromise on another. The remaining 28 recommendations have not been implemented.

The progress of the commission cannot be assessed with any accuracy at present. While determinations have been made as to specific areas to be studied, it has met only three times and is still in the process of determining how to proceed.

The budget proposes a sum of \$1,680 for rent which is \$100 more than estimated for expenditure during the current year.

*We recommend a reduction of \$800 in the rent portion of operating expenses.*

The Department of General Services has informed the agency that its office will be moved to a building with lower rent. Moving costs will be absorbed by the current year's budget and a Department of Gen-

# Item 248

# Miscellaneous

## Advisory Commission on the Status of Women—Continued

eral Services report states that there will be a 50 percent savings in rent. This recommended reduction would not affect the level of service of the agency.

## Board of Control

## AID TO VICTIMS OF CRIMES OF VIOLENCE

ITEM 248 of the Budget Bill

Budget page 1089

## FOR SUPPORT OF AID TO VICTIMS OF CRIMES OF VIOLENCE FROM THE GENERAL FUND

Amount requested	\$25,000
Estimated to be expended in 1967-68 fiscal year	25,000

Increase	None
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TOTAL RECOMMENDED REDUCTION	None
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## GENERAL PROGRAM STATEMENT

This item provides indemnification up to a maximum of \$5,000 to needy residents who are victims of crimes. For the purposes of this program a victim is any person who sustains an injury to himself, or suffers a monetary loss as the result of injury or death to another person on whom he is financially dependent.

## ANALYSIS AND RECOMMENDATIONS

This program originated in 1965 (Chapter 1549) and was initially a function of the Department of Social Welfare. Awards are paid from the General Fund and the Indemnity Fund which consists of fines paid by the perpetrators of the crimes. Chapter 1546, Statutes of 1967, transferred the program to the Board of Control. Claims must be filed with the board within one year of the incident whereupon the facts will be investigated by the Attorney General and a hearing will be scheduled. If the board approves the claim, the amount may not exceed the cost of necessary expenses incurred for hospitalization or medical treatment, loss of wages, loss of support, or other necessary expenses directly related to the injury. Attorney fees may be awarded but cannot exceed 10 percent of the amount of the award.

The expenditure history of this program is shown in Table 1. Expenditures may vary significantly from the amount budgeted due to the unpredictability of this liability.

Table 1  
Expenditures for Aid to Victims of Crimes of Violence

	Actual 1965-66	Actual 1966-67	Estimated 1967-68	Proposed 1968-69
General Fund	\$2,888	\$38,273	\$25,000	\$25,000
Indemnity Fund	1,733	18,428	2,553	5,000
Total	\$4,621	\$56,701	\$27,553	\$30,000

*We recommend approval as budgeted.*

**CALIFORNIA ARTS COMMISSION**

ITEM 250 of the Budget Bill

Budget page 1090

**FOR SUPPORT OF THE CALIFORNIA ARTS COMMISSION  
FROM THE GENERAL FUND**

Amount requested .....	\$158,769
Estimated to be expended in 1967-68 fiscal year .....	148,769
Increase (6.7 percent) .....	\$10,000
<b>TOTAL RECOMMENDED REDUCTION .....</b>	<b>None</b>

**GENERAL PROGRAM STATEMENT**

The California Arts Commission was established by Chapter 1742, Statutes of 1963. The purpose of the commission is to stimulate initiative and interest in establishing art programs and activities at both the state and local levels.

The commission is composed of 15 members appointed by the Governor plus two Assemblymen and two Senators appointed by their respective bodies. The commission broadly represents all fields of the performing and visual arts.

The duties of the commission and its staff of seven permanent positions are to assist local communities in originating and developing their own cultural programs by providing technical advice and support when requested.

The commission conducts an annual statewide conference on the arts and regional conferences in communities throughout the state.

During 1967-68 the commission gave financial support to a modest touring visual and performing arts program to further stimulate cultural and artistic programming in California communities.

**ANALYSIS AND RECOMMENDATIONS**

The California Arts Commission has requested a support appropriation of \$158,769 to meet the demands for its services during the 1968-69 budget year. This is an increase of \$10,000 or 6.7 percent over the estimated 1967-68 disbursements of \$148,769. The primary reason for the increase is the restoration of the support level for contract program services to the 1966-67 fiscal year level.

In addition to the General Fund support, the budget includes a projected \$50,000 federal grant from the National Endowment of the Arts.

*We recommend approval of the total amount requested.*

**COMMISSION OF THE CALIFORNIAS**

ITEM 251 of the Budget Bill

Budegt page 1093

**FOR SUPPORT OF THE COMMISSION OF THE CALIFORNIAS  
FROM THE GENERAL FUND**

Amount requested .....	\$29,699
Estimated to be expended in 1967-68 fiscal year .....	29,385
Increase (1.0 percent) .....	\$314
<b>TOTAL RECOMMENDED REDUCTION .....</b>	<b>None</b>

## Commission of the Californias—Continued

**GENERAL PROGRAM STATEMENT**

The Commission of the Californias has as its mission the strengthening of bonds of friendship, the promotion of mutual understanding of problems and the furtherance of economic, cultural and educational relations between the State of Baja California and the State of California.

The commission has seven voting members appointed by the Governor and ten legislative members. It has an authorized staff of two positions and maintains its office in Los Angeles. A similar commission exists in Baja California.

The agency is working on two types of programs.

1. Those designed to secure favorable treatment and regulations in Baja for American flyers, boatmen and hunters as well as for businessmen and tourists.
2. Those designed to assist Baja California authorities and groups with solutions to certain health, education and welfare problems. In this category are found such programs as vocational training, water development, mission restoration, highway and airport development.

**ANALYSIS AND RECOMMENDATIONS**

For fiscal year 1968-69 the commission proposes to continue the existing level of service with an expenditure of \$29,699 which is \$314 or 1.0 percent above estimated expenditures for the current year.

*We recommend approval of this item as budgeted.*

**BOARD OF HARBOR COMMISSIONERS FOR HUMBOLDT BAY**

ITEM 252 of the Budget Bill

Budget page 1094

**FOR SUPPORT OF THE BOARD OF HARBOR COMMISSIONERS  
FOR HUMBOLDT BAY FROM THE GENERAL FUND**

Amount requested .....	\$2,800
Estimated to be expended in 1967-68 fiscal year .....	2,800
Increase .....	None
<b>TOTAL RECOMMENDED REDUCTION</b> .....	<b>\$2,800</b>

**Summary of Recommended Reductions**

Delete entire item .....	<i>Amount</i> \$2,800
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**GENERAL PROGRAM STATEMENT**

For a number of years the State Department of Public Works assumed the responsibility of keeping records of the activities on Humboldt Bay and Eureka Harbor and for liaison with the United States Corps of Engineers which provided the maintenance of the navigable channels. The Legislature in 1945 created the Board of Harbor Commissioners for Humboldt Bay and transferred the responsibilities of the Department of Public Works to the Board of Harbor Commissioners. This board was to consist of three members appointed by the Governor for four-year terms with a salary of \$1,400 for one member

**Board of Harbor Commissioners for Humboldt Bay—Continued**

as secretary of the board and ex officio surveyor of the port and \$400 each for the other two. Subsequently, these salaries were increased in 1964 to \$1,800 and \$500 respectively.

The board became inactive in 1954 and there was no appropriation for its support in that year or thereafter until the Governor administratively reactivated the board in 1962. Since that time, there has been an annual appropriation for the three board members, although no other operating expenses are included. We have repeatedly recommended discontinuance of state support for this board.

**ANALYSIS AND RECOMMENDATIONS**

The Port of Eureka on Humboldt Bay is the only port in the state for which the state government makes a direct appropriation. Other major navigable ports such as San Diego are operated entirely under local control and local support. While a state authority owns and operates the Port of San Francisco, it does so on a self-sustaining basis so that the General Fund is not required to contribute. Other ports on San Francisco Bay are locally operated and supported. We suggest again that the benefits to the local economy in the Humboldt Bay and Eureka area from the presence of the Port of Eureka are more than adequate to justify local financing of any activities that are required to maintain the port and its channels in an adequate and navigable condition, with the exception of the assistance provided by the United States Corps of Engineers.

*For this reason we again recommend that the item be deleted at a saving of \$2,800.*

**PERSONAL SERVICES NOT ELSEWHERE REPORTED**

ITEM 253 of the Budget Bill

Budget page 1095

**FOR THE STATE'S CONTRIBUTIONS TO BASIC HEALTH  
BENEFITS PLAN FOR ANNUITANTS  
FROM THE GENERAL FUND**

Amount requested .....	\$1,226,880
Estimated to be expended in 1967-68 fiscal year .....	1,124,908
Increase (9.0 percent) .....	\$101,972

**TOTAL RECOMMENDED REDUCTION .....** None

**GENERAL PROGRAM STATEMENT**

Current law requires the state to make a contribution toward payment of the basic health benefit plan of annuitants of the state's several retirement systems. This program is administered by the Health Benefits Division of the Public Employees' Retirement System and the amounts appropriated for its support are based upon the best estimate of the total number of participating retirees. The monthly contribution per annuitant is at present \$6. To this is added a percentage of the total premiums for administration and contingent expense. In addition an amount is budgeted under a continuing appropriation to provide for annuitants with state credited federal service.

## Personal Services Not Elsewhere Reported—Continued

To illustrate the growth of this statutory obligation as related to the total number of participating annuitants, the table below sets forth the actual costs and estimated costs for a five year period.

	<i>Actual</i>			<i>Estimated</i>	
	1964-65	1965-66	1966-67	1967-68	1968-69
Total participating annuitants -----	10,488	11,014	12,794	14,024	15,336
Cost -----	\$834,551	\$866,171	\$1,014,133	\$1,124,908	\$1,236,880

## ANALYSIS AND RECOMMENDATIONS

The total proposed expenditure to maintain the health benefits plan contributions at the same level as the current year is \$1,236,800, of which \$1,226,800 appears as the appropriation request and \$10,000 is budgeted under a continuing appropriation and, as such, does not need authorization in the Budget Bill.

The total request is to provide for the state contribution to the basic health plan of 15,336 annuitants plus 3.8 percent of the total premiums for administration and contingencies. It is noted that the estimated expenditures for the current year include an allocation from the Emergency Fund in the amount of \$31,909 to provide sufficient funds to pay the state's contribution due to underestimating the number of annuitants joining the program in the current year and is based upon trends established as of November 1967.

*We recommend approval as budgeted.*

## Provision for Cost-of-Living Increase, Retired State Employees

The Governor's budget recognizes the need for a cost-of-living increase for retired state employees, but the amount is not included in this appropriation item. Legislation will be required to implement this proposal.

Retired state employees have received cost-of-living increases in 1955, 1957 and 1963. The proposal in the budget indicates the increases in retirement pay for state employees will be based on the consumer price index and will range from 2 to 12 percent depending upon the individual's date of retirement. Those who retired on or after December 31, 1966 will not receive an increase.

The total annual increased state cost of this retirement pay increase proposal is stated as \$3,190,000 and is derived from the General Fund in the amount of \$1,914,000 and special funds in the amount of \$1,276,000.

## REFUND OF TAXES, LICENSES AND OTHER FEES

ITEM 254 of the Budget Bill

Budget page 1096

FOR REFUND OF TAXES, LICENSES AND OTHER FEES  
FROM THE GENERAL FUND

Amount requested -----	\$20,000
Estimated to be expended in 1967-68 fiscal year -----	20,000
Increase -----	None
<b>TOTAL RECOMMENDED REDUCTION -----</b>	<b>None</b>

Refund of Taxes, Licenses and Other Fees—Continued  
ANALYSIS AND RECOMMENDATIONS

This item is used to provide for the expeditious refunding of non-controversial claims when there has been an overpayment or erroneous payment by persons receiving permits, taking examinations or seeking inspections. This mechanism avoids the necessity of filing claims with the Board of Control and inserting the items in the legislative claims bill. The tax refunds included in this category represent a small portion of the total refunds because most tax refunds are made from so-called "feeder funds" such as the Retail Sales Tax Fund.

This item is also used to pay prior judgments, liens and encumbrances under Government Code Section 12516.

*We recommend approval as budgeted.*

**WORLD TRADE AUTHORITIES COORDINATING COUNCIL**

ITEM 255 of the Budget Bill

Budget page 1099

**FOR SUPPORT OF THE WORLD TRADE AUTHORITIES  
COORDINATING COUNCIL FROM THE GENERAL FUND**

Amount requested .....	\$280,991
Estimated to be expended in 1967-68 fiscal year .....	278,952
Increase (0.7 percent) .....	\$2,039
<b>TOTAL RECOMMENDED REDUCTION .....</b>	<b>\$280,991</b>

**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Budget Page</i>	<i>Line</i>
Delete entire item .....	\$280,991	1099	66

**Summary of Recommended Legislative Changes**

Require legislative approval before these authorities can issue revenue bonds.

**GENERAL PROGRAM STATEMENT**

The World Trade Authorities Coordinating Council was created by Chapter 1770, Statutes of 1963, and became operative July 1, 1965. The council establishes general policy for world trade promotion, provides guidance to the world trade authorities in San Francisco and Los Angeles, and has direct control of two overseas commercial attaché offices.

The council consists of nine members appointed by the Governor, three of whom are members of the San Francisco World Trade Center Authority, three are members of the Southern California World Trade Center Authority, and three are members at large. The council staff is composed of a director (\$20,000 a year) and 1.1 clerical positions. The council's office is located in the Ferry Building in San Francisco.

The San Francisco World Trade Center Authority was created by Chapter 1508, Statutes of 1947, and became operative in 1949 when legislation (Chapter 1189) authorized a loan of \$300,000 from the San Francisco Harbor Improvement Fund to the San Francisco World Trade Center Authority for the purpose of constructing and operating a world trade center building. This center did not materialize, but in



**World Trade Authorities Coordinating Council—Continued**

the middle 1950's the San Francisco Port Authority used over \$2 million of its own bond funds to remodel the north end of the Ferry Building and these facilities constitute the present San Francisco World Trade Center.

This authority consists of 11 members including the Director of Public Works, the Director of Finance, the President of the San Francisco Port Authority and eight public members appointed by the Governor. It has as staff a deputy director (\$14,556 per year) and 5.1 clerical positions. It manages the present San Francisco World Trade Center, which is located in the Ferry Building, and it also engages in activities which promote domestic and international trade.

The Southern California World Trade Center Authority was also created in 1947 by Chapter 1508, but it did not become operative until the 1964-65 fiscal year. This authority is composed of 11 members including the Director of Public Works, the Director of Finance and one harbor commissioner from each of the following cities: Los Angeles, Long Beach, San Diego, and Oxnard, plus five public members appointed by the Governor. It has as staff a deputy director (\$12,000 per year) and 2.1 clerical positions.

The three authorities were separately budgeted until 1967-68 when the Department of Finance consolidated their appropriations. This action evidently anticipated the adoption of SB 1081 (McAteer) which would have combined the three authorities into a new California World Trade Authority. However, this bill was not enacted by the 1967 Legislature.

Table 1 illustrates the General Fund support for the full world trade program. In 1968-69, the funds for the San Francisco and Southern California World Trade Authorities are part of the Coordinating Council budget.

**Table 1**  
**A Five-Year Comparison of General Fund Support**  
**for the World Trade Program**

<i>Agency</i>	<i>Actual</i>			<i>Estimated</i>	
	<i>1964-65</i>	<i>1965-66</i>	<i>1966-67</i>	<i>1967-68</i>	<i>1968-69</i>
Coordinating Council -----	--	\$60,395	\$52,595	\$56,770	\$176,991
Attaché offices -----	\$46,772	52,707	76,941	104,000	104,000
Total -----	\$46,772	\$113,102	\$129,536	\$160,770	\$280,991
San Francisco Authority -----	41,192	72,601	69,680	75,645	--
Harbor Improvement Funds ---	(53,014)	--	--	--	--
Southern California Authority	9,957	41,920	37,430	42,537	--
Total General Fund -----	\$97,921	\$227,623	\$236,646	\$278,952	\$280,991
Harbor Improvement Funds ---	(53,014)	--	--	--	--
Total all funds -----	\$150,935	\$227,623	\$236,646	\$278,952	\$280,991

**ANALYSIS AND RECOMMENDATIONS**

The existing world trade program consists of the following activities:

1. The two overseas attaché offices (Tokyo, Japan, and Frankfurt, Germany) develop trade leads which are transmitted to the coordinating council which in turn assigns them to the deputies at the San

**World Trade Authorities Coordinating Council—Continued**

Francisco and Los Angeles offices for processing. These trade leads are general indications (rather than specific orders) that certain foreign business firms are interested in buying various types of products. The California trade offices process these leads by contacting California businessmen who might handle the product to determine if they are interested in selling in the foreign market. If one expresses an interest, then the authority office advises him how to contact the foreign buyer. All details of the possible foreign trade transaction are left to the businessman. The trade authority office does not act as his agent.

2. The foreign trade offices guide California businessmen to public or private foreign agencies which might be interested in their products.

3. On occasion, these offices help locate a foreign trade representative (private agent) to handle the foreign business of a California firm.

The San Francisco and Southern California Authorities also are currently proceeding with plans to construct trade center buildings in northern and southern California.

For these activities in California the Coordinating Director's workload has justified 1.1 clerks and the Southern California Deputies' workload has justified 1 clerk, while 1.1 of his authorized clerical positions have been held vacant for the past six months. The San Francisco deputy has two clerks for the library workload and 3.1 clerks for his personal work. Of these 3.1 clerks, one works full time handling rentals in the Ferry Building on a nonreimbursed basis as the rent revenues go to the San Francisco Port Authority. We feel that the Port Authority should do this rental work and that the remaining workload in San Francisco justifies only one clerk as in Los Angeles and at the Coordinating Council. While we are recommending that the state's entire support of the World Trade Coordinating Council be eliminated, a step short of this would be to delete the vacant clerical position in Los Angeles and two clerical positions in San Francisco for a General Fund saving of \$19,216 in 1968-69.

We believe there are several reasons why state General Fund support should be withdrawn entirely from this activity.

1. Historically, the state's role in promoting foreign trade has been extremely limited in comparison with (a) private firms specializing in this field, (b) manufacturers and producers who promote their own foreign trade, (c) financial and transportation companies, and (d) the U.S. government operating through the State Department and the Department of Commerce. Because there are so many private and public groups well established in the foreign trade field, the results of California's efforts in this regard can expect to remain limited. For example, the California World Trade Authorities recently opened a one-man office in Frankfurt, Germany, to cover all of Europe, while the State Department, as one illustration, maintains 60 commercial attachés in 26 locations to cover the same area. The U.S. Department of Commerce also maintains European trade centers in London, Frankfurt, Milan and Stockholm. These trade centers assist businessmen in locating potential customers and in providing information on export potentials.

## World Trade Authorities Coordinating Council—Continued

2. Both the agricultural industry and segments of the private world trade industry expressed criticism of the California World Trade Authorities at the December 1967 hearings of the Assembly Ways and Means Subcommittee on World Trade. The Director of Agriculture indicated that after a group of agricultural leaders studied this program, they could not identify any specific benefits that the authorities have provided in the promotion of California agricultural products. The San Francisco World Trade Association, an affiliate of the San Francisco Chamber of Commerce, indicated that the authorities' efforts have not had any apparent impact upon the world trade firms within its membership. In their opinion, the existing world trade offices could do little more than promote the name of California. Those in the private trade industry, who testified in favor of the world trade authorities, conceded that their most worthwhile accomplishment has been the generation of dialogue between the state government and persons interested in foreign trade.

3. That the method of processing trade leads has not been very successful was conceded recently by the San Francisco World Trade Authority when it stated: "We have recently conducted a survey among those northern California firms to whom we have referred trade leads from our Tokyo office. Of those replying, only two indicated that actual business resulted from our trade leads. . . . In toto, this survey indicates the program needs improvement."

Thus, while the assumption that expert handling of California's specialized interests in foreign trade can produce benefits has been the presumed basis of legislative support for this program in the past, the record of the agency to date does not give promise of future results commensurate with costs.

For these reasons we cannot justify the continuation of these General Fund expenditures. *We recommend that the budget for the World Trade Authorities Coordinating Council be deleted for a General Fund savings of \$280,991, Budget page 1099, line 80.*

## Recommendation Requiring Legislation

Both the San Francisco and Southern California World Trade Authorities have the legal power to issue, without legislative review, revenue bonds for the construction of new world trade centers. At the present time these authorities are in the initial stages of promoting new centers which will cost a total of at least \$55 million for both locations. Projects of this nature and magnitude could have a serious adverse effect on the state's credit if their economic feasibility is not sound. *Therefore, we recommend that the law be amended to insure that the Legislature shall review and approve such projects before revenue bonds may be issued.*

This recommendation is made as a result of the procedures recently followed by the San Francisco and Southern California World Trade

## World Trade Authorities Coordinating Council—Continued

Authorities. During 1966 both authorities signed contracts with major architectural firms to prepare feasibility studies on new trade center buildings.

These contracts were unique in that:

1. The authorities did not budget funds to pay for them.
2. These firms would not receive any compensation for their studies if the centers were not built, presumably on the basis that the studies showed the centers were unfeasible.
3. If the studies showed the trade centers were feasible, and the authorities adopted such studies, then, (a) these firms would be named as architects for the projects at a fee of 6 percent of the construction cost (approximately \$1.6 million in both cities), or (b) the authorities have the option of using other architects for planning these centers, but to exercise the option they must either acquire funds to pay the original architects for the studies (\$30,500 in San Francisco and \$50,000 in Los Angeles) or not proceed with the construction for approximately three years. Both studies have been completed and both recommend that the projects costing \$27.5 million in Los Angeles and \$27.6 million in San Francisco be built. The San Francisco Authority approved its study in December of 1967. The southern California study is still under consideration by the authority.

We feel that these contract arrangements reflect extremely poor fiscal management in that they encourage a minimum of objectivity in determining feasibility. The interests of the state would have been better served if these authorities had obtained budgetary funds to hire firms independent of architectural interests to make the feasibility studies.

Not only were the contract arrangements unusual, but also the recommendations. For example, the Los Angeles study recommends that the world trade project should consist of a 30-story trade center building (\$9.9 million), with an 800-room adjoining hotel (\$15.3 million), \$1.1 million for parking space, and a \$1.2 million bank facility. The proposal to construct a hotel and bank facility on the basis that they are logically a part of a world trade center and consistent with establishing its feasibility, is completely contrary to our view of a necessary state function.

The study further recommends that the location *not* be next to the U.S. Customs House, but be next to the proposed Los Angeles Convention Center (in a downtown location) and on land leased from the City of Los Angeles. This recommendation was made without a discussion of what the economic effects will be of a competing world trade center building to be built by the City of Los Angeles next to the U.S. Customs House and on land owned by the State of California.

This feasibility study was based upon a survey mailed to 1,350 potential users of the trade center, of which only 177 replied and only

**World Trade Authorities Coordinating Council—Continued**

54 indicated an interest in becoming tenants, while 108 were not interested. These responses make it difficult to believe that there is any real interest in a State of California World Trade Center in Los Angeles commensurate with the total investment proposed. Also, the report was noticeably silent on what basis was used to justify public construction of a 30-story building.

The San Francisco study recommends the construction of a 25- to 35-story world trade center which would cost \$27.6 million. This project was recommended despite the fact the study estimates that there is an oversupply of office space in San Francisco at the present time which is expected to continue beyond 1975. The study estimates that of 570,000 square feet in the new center, world trade organizations would occupy only 70,000 square feet (12 percent), which is 40,000 square feet less than they currently rent in the Ferry Building. The predicted financial success of the center was based on the assumption that other governmental agencies would occupy half the building with the remainder occupied by unspecified private firms unrelated to world trade.

**MIGRANT MASTER PLAN**

ITEM 256 of the Budget Bill

Budget page 1100

**FOR SUPPORT OF THE MIGRANT MASTER PLAN  
FROM THE GENERAL FUND**

Amount requested .....	\$249,735
Estimated to be expended in 1967-68 fiscal year .....	249,735
Increase .....	None

<b>TOTAL RECOMMENDED REDUCTION</b> .....	None
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See page 18 of the analysis for complete discussion and analysis of the Migrant Master Plan.

**PAYMENT OF INTEREST ON GENERAL FUND LOANS**

ITEM 257 of the Budget Bill

Budget page 1103

**FOR PAYMENT OF INTEREST ON GENERAL FUND LOANS  
FROM THE GENERAL FUND**

Amount requested .....	\$12,794,437
Estimated to be expended in 1967-68 fiscal year .....	14,339,057
Decrease (10.8 percent) .....	\$1,544,620

<b>TOTAL RECOMMENDED REDUCTION</b> .....	None
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**ANALYSIS AND RECOMMENDATIONS**

Because there is a lack of correlation between the monthly flow of General Fund receipts and expenditures, especially during the first half of the fiscal year, it has been necessary in recent years for the

## Payment of Interest on General Fund Loans—Continued

General Fund to borrow from special funds in order to pay its bills. This disparity between the monthly flow of revenues and expenditures is illustrated in Table 1.

Table 1  
General Fund Cash Receipts and Disbursements First Half of the Fiscal Year  
(In millions)

	1966-67		Estimated 1967-68		Estimated 1968-69	
	Receipts	Disbursements	Receipts	Disbursements	Receipts	Disbursements
July -----	\$68	\$208	\$76	\$237	\$118	\$269
August -----	223	273	241	295	309	346
September -----	152	196	217	220	219	271
October -----	124	215	200	219	246	308
November -----	161	230	374	256	480	297
December -----	174	267	205	253	222	307
Total -----	\$902	\$1,384	\$1,313	\$1,480	\$1,594	\$1,798
Total for year <sup>1</sup> -----	\$2,549	\$2,896	\$3,494	\$3,350	\$3,837	\$3,648
First six months as percent of fiscal year total -----	35.4	47.8	37.6	44.2	41.5	49.3

<sup>1</sup> Excludes nonrevenue receipts and nongovernmental costs.

In 1966-67, only 35 percent of the revenues were received during the first six months while nearly one-half of the expenditures were made during this same time period. The 1967 Legislature, by the enactment of Chapter 963 (SB 556) accelerated the collection of personal income (prepayments) and franchise (additional 25 percent prepayment) taxes which increased the proportion of revenue collected during the first half of each fiscal year. In 1968-69 for example, 44 percent of the state's revenues will be received in the first six months.

The maximum borrowing during 1966-67 amounted to \$545 million (February 1967) with a June 30, 1967, outstanding balance of \$194 million remaining unpaid. Estimates for the current year indicate that maximum borrowings will amount to \$516 million (February 1968) and that all loans, both current and the amount carried over from 1966-67, will be repaid by June 30, 1968. During the current year, both the total level and the borrowing peak will be less than estimated in the 1967-68 Budget, and as a result, the General Fund interest cost for this year has been revised downward by \$1.5 million. In the budget year 1968-69, maximum borrowing is estimated to reach a peak of \$513 million in February, 1969.

In response to Chapter 963, Statutes of 1967, this budget contains for the first time a report of General Fund borrowing requirements, borrowing availability, cash condition, and monthly receipts and disbursements for the past, current and budget years. This information for the current and budget years has been summarized in Table 2 and it indicates there will be a substantial excess of borrowing capacity in both years.

## Payment of Interest on General Fund Loans—Continued

Table 2  
General Fund Cash Flow 1967-68 and 1968-69  
(In millions)

Month	Receipts	Disburse- ments	Current deficiency or excess	Cash balance	Net new borrowing	Total borrowing	Borrowing availability
June 30, 1967--	--	--	--	\$35	--	\$194	--
July -----	\$113	\$266	\$-153	6	\$124	318	\$669
August -----	244	318	-74	6	74	392	538
September -----	243	245	-2	7	3	395	552
October -----	201	220	-19	1	13	408	636
November -----	374	258	+116	6	-111	297	598
December -----	206	252	-46	--	40	337	511
January 1968 --	207	293	-86	1	87	424	764
February -----	295	387	-92	1	92	516	766
March -----	396	323	+73	2	-72	444	764
April -----	531	339	+192	2	-192	252	704
May -----	485	296	+189	1	-190	62	571
June -----	338	277	+61	--	-62	--	672
June 30, 1968--	--	--	--	--	--	--	--
1968-69							
July -----	154	333	-179	1	180	180	479
August -----	316	360	-44	2	45	225	478
September -----	247	313	-66	2	66	291	485
October -----	247	323	-76	3	77	368	540
November -----	483	317	+166	4	-165	203	539
December -----	224	323	-99	3	98	301	467
January 1969 --	221	332	-111	4	112	413	728
February -----	293	393	-100	4	100	513	702
March -----	417	335	+82	4	-82	431	659
April -----	533	340	+193	5	-192	239	539
May -----	486	314	+172	3	-174	65	563
June -----	358	294	+64	2	-65	--	696
June 30, 1969--	--	--	--	2	--	--	--

The receipt and disbursement totals include nonrevenue receipts and nongovernmental cost disbursements, which are transfers to and from other funds. Because of a difference in their timing they have an impact on loan requirements. The revenue receipts are on a funded basis, i.e., when recorded by the State Controller, and will not necessarily agree with the monthly receipts reported by the tax collection agencies. The governmental cost figures assume a normal pattern of monthly disbursements. These cost figures may fluctuate as a result of administrative delays in processing accounts payable or delays planned in order to ease borrowing requirements in a particular month or period. Examples of the latter situation occurred in October, 1967 when the Department of Finance temporarily delayed allocations for the school reading program, and disbursements to the University of California.

The Department of Finance's borrowing availability figures are estimates as of the last day of each month. This procedure does not reflect variations in borrowing ability that can occur within the month, but these variations are not important until loan needs press the borrowing limit.

Interest payments on loans have been required under Section 16310.5 of the Government Code since 1961 when the section first became opera-

## Payment of Interest on General Fund Loans—Continued

tive. The amounts budgeted for interest, and the deficiencies, savings, and actual expenditures are shown in Table 3.

Table 3

## Interest Payments on Loans to the General Fund

<i>Fiscal year</i>	<i>Budgeted interest cost</i>	<i>Deficiencies</i>	<i>Savings</i>	<i>Actual expenditures</i>
1961-62 -----	\$310,000	---	\$301,096	\$3,904
1962-63 -----	500,000	---	432,466	67,534
1963-64 -----	385,000	---	271,227	113,773
1964-65 -----	87,500	\$1,050,860	4	1,138,356
1965-66 -----	1,883,336	---	365,940	1,517,396
1966-67 -----	10,080,884	1,320,707	---	11,401,591
1967-68 (est.) -----	15,865,241	---	1,526,184	14,339,057
1968-69 (proposed) ---	12,794,437	---	---	12,794,437

The deficiencies in 1964-65 and 1966-67 were covered by an allocation from the Emergency Fund.

Section 16310.5 was amended in 1965 to provide for payment of interest at a rate determined by the Pooled Money Investment Board. The board sets that rate which the borrowed money would earn if otherwise invested. Formerly it was the maximum rate allowed interest-bearing time deposits in banks at the time of the loan.

The interest rate on actual borrowings during the current year, through January, 1968 has ranged from 4.278 to 5.071 percent, the weighted average being approximately 5 percent.

The amount budgeted for interest payments during 1968-69 assumes a 5-percent rate.

Page 1110 of the Budget also shows for the first time details on accounts payable. This information was required by Chapter 963, Statutes of 1967.

*We recommend approval as budgeted.*

## PROVISION FOR SALARY INCREASES

ITEMS 258 through 262 of the Budget Bill

Budget page 1111

FOR SUPPORT OF PROVISION FOR SALARY INCREASES  
FROM THE GENERAL FUND

Amount requested -----	\$43,304,352
<b>TOTAL RECOMMENDED INCREASE -----</b>	<b>\$3,584,723</b>

## Summary of Recommended Increases

Increase funds available for University of California by 0.5 percent to provide funds for 5.5 percent salary increase for academic personnel -----	\$505,300
Increase funds available for California State Colleges by 2.5 percent to provide funds of 10 percent salary increase for academic personnel -----	\$3,079,423

## ANALYSIS AND RECOMMENDATIONS

The provision for salary increases outlined in this budget total \$89,548,416. The budget indicates that \$57,271,769 is requested from the General Fund; however, only \$43,304,352 of that amount is requested



## Provision for Salary Increases—Continued

in the Budget Bill. The remainder, \$13,967,417, will be appropriated for academic salary increases by other legislation (Assembly Bill Nos. 394 and 395). The allocations of the budgeted amount as proposed are shown in the summary table below by fund, employment and item. The proposal, except for academic personnel, justices and judges, and statutory positions provides for a general salary increase of 5 percent, and an amount equal to 0.85 percent of the salary base for inequity adjustments.

Academic salary increases of 5 percent for faculty of the University and 6.8 percent for instructional-related classes of the state colleges, although outlined in the budget, are to be funded by special appropriations. In addition, although not included in the totals, the budget states that the Governor will propose that \$910,500 be made available from the budget surplus to fund a total increase of 7.5 percent for instructional-related classes of the state colleges.

Special and other fund amounts necessary to support the increase are allocated by the Department of Finance in accordance with language contained in the Budget Act.

Table 1  
Summary of Proposed State-Supported Salary Increases

General Fund	
Item 258, 5% increase for civil service and related classes of the University and state colleges, plus 0.85% special inequity funds	
5% amount for civil service classes-----	\$22,824,370
Special inequity funds-----	3,862,271
Total -----	\$26,686,641
5% amount for exempt classes-----	\$541,765
Special inequity funds-----	91,641
Total -----	\$633,406
5% amount for nonacademic—University	\$5,691,025
Special inequity funds-----	963,064
Total -----	\$6,654,089
5% amount for nonacademic—state colleges	\$3,418,345
Special inequity funds-----	578,458
Total -----	\$3,996,803
Total, Item 258-----	\$37,970,939
Item 259, total in budget for salary increases for faculty related classes, University of California, 5% -----	2,370,150
Item 260, total in budget for salary increase for instructional related classes, state colleges, 5% plus 0.85% special inequity-----	608,649
Item 261, for statutory positions, 5%-----	105,075
Item 262, for justices, judges and related classes, estimated 20.7%-----	2,249,539
Total General Fund in Budget Bill-----	\$43,304,352

## Provision for Salary Increases—Continued

Table 1—Continued

## Summary of Proposed State-Supported Salary Increases

## General Fund

## Proposed legislation

For faculty, University of California, 5% (AB 394) -----	\$5,052,790
For instructional, state colleges, 6.8% <sup>1</sup> (AB 395) -----	8,914,627

## Total General Fund Salary Increase

Proposal -----	\$57,271,769
----------------	--------------

<sup>1</sup> The budget states that in addition to the amount shown here, \$910,500 will be proposed to be appropriated from the budget surplus to provide a total increase of 7.5 percent for State College instructional personnel. The total amount of this salary increase is \$9,825,127, and is contained in AB 295.

## Special and Other Funds

For civil service classes, exempt and statutory, special funds -----	\$20,141,944
For civil service classes, exempt and statutory, other funds -----	12,134,703

## Total Special and Other Funds, 5% plus 0.85%

special inequity -----	\$32,276,647
------------------------	--------------

Total Proposed Salary Increase -----	\$89,548,416
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## Civil Service and Related Classes

## 1967-68 Salary Adjustment Program

In its December 1966 report, the State Personnel Board recommended a 5-percent general salary increase effective July 1, 1967, for all civil service classes in state employment and special adjustments for nurses and related classes on the basis of the October 1966 survey and established trends. Subsequently in a special report dated January 6, 1967, the board recommended additional special adjustments in the nursing classes salaries and for the psychiatric technician class. On June 21 the board made a final special report on nursing and psychiatric technician salaries and recommended an additional 5-percent increase for these classes.

The Legislature appropriated \$23,289,074 in the Budget Act of 1967 to provide for a 4.9-percent general salary increase for all civil service classes. The Governor reduced this amount to \$23,261,021; of this approximately \$2.1 million was allocated for special inequity adjustments. In addition the Legislature appropriated \$11,128,359 for increases in the nursing and psychiatric technician classes; this amount was reduced to \$5,538,034 by the Governor. Thus, the total amount appropriated and approved by the Governor for civil service classes was approximately \$28.8 million from the General Fund for fiscal year 1967-68. These funds provided a 4.9-percent salary increase for all state employees and additional increases ranging between 2½-5 percent for 5,025 employees.

**Provision for Salary Increases—Continued**  
**Adjustments to Nursing and Psychiatric Technician Classes Salaries**

Because of the unusual increases resulting from wage negotiations in the private sector, the nursing and psychiatric technician classes in public employment received special consideration.

Nursing classes and psychiatric technicians, in accordance with the board's report of January 6, 1967, and funds appropriated in Chapter 254 of the Statutes of 1967 (\$4,221,837), received salary increases on June 1, 1967, as indicated below which were retroactive to November 1, 1966:

Registered nurses -----	17.5%
Psychiatric nurses -----	15.0
Public health nurses -----	10.0
Psychiatric technicians -----	5.0

On July 1, 1967, each of the above classes also received the 4.9-percent general salary increase for which funds had been appropriated in the Budget Act of 1967.

**Personnel Board Recommendation for the 1968-69 Fiscal Year**

The board in its annual report to the Governor and Legislature of December 1, 1967, on the subject of compensation for state employees recommended a 5-percent general salary increase for all civil service classes. This recommendation was based on the findings of the annual October wage survey which confirmed an accelerating rate of increases in salaries in private industry. The rate of increase of 2.8 percent between March 1967 and October 1967 was the highest for this period since 1959. The board states that generally the annual rate of increase in private industry has changed from the 3 to 4 percent rate of two years ago to a 5 to 6 percent rate at present.

The board's estimate for funding special inequity adjustments of 5 percent for the civil service classes is \$12.8 million of General Fund moneys and the budget proposal for this purpose totals \$3,953,912. In the case of special funds, the board included \$3 million for special adjustments and the budget proposal contains \$4,685,222 for these purposes. Of the \$12.8 million proposed by the Personnel Board for inequity adjustments, \$7.8 million is proposed to fund recommendations made for the current fiscal year which were not made due to a reduction in the amount of funds available for such purposes. Specifically the \$7.8 million would be used for an additional 5-percent increase for the nursing classes (\$5 million) and for special inequity adjustments in other classes (\$2.8 million). Thus, the board's special inequity adjustment recommendation for the budget year is \$5 million for adjustments of 1967-68 levels with an additional \$7.8 million for inequity adjustments carrying over from the 1967-68 fiscal year recommendation. All inequity adjustments would provide an additional 5 percent for approximately 32,000 positions.

Table 2 following is a breakdown of funding of the budget proposal for all but the portion relating to academic salary increases. The Personnel Board's recommendation for fiscal year 1968-69 is also included.

## Provision for Salary Increases—Continued

Table 2

## Budget Proposals for State Civil Service, Exempt, Statutory and Nonacademic Classes Salary Increase

<i>Salary setting authority and classes</i>	<i>General Fund</i>	<i>Special funds</i>	<i>Other funds</i>
Personnel Board			
State civil service classes			
5 percent general salary increase-----	\$22,824,370	\$17,100,565	\$10,336,955
Special inequity adjustment -----	3,862,271	2,907,096	1,757,282
	\$26,686,641	\$20,007,661	\$12,094,237
Department of Finance			
State exempt and other classes			
5 percent general salary increase ---	\$541,765	\$97,930	\$24,680
Special inequity adjustment -----	91,641	16,648	4,196
	\$633,406	\$114,578	\$28,876
University of California,			
Nonfaculty classes			
5 percent general salary increase-----	\$5,691,025	--	--
Special inequity adjustment -----	963,064	--	--
	\$6,654,089		
Trustees of the State Colleges,			
Noninstructional classes			
5 percent general salary increase-----	\$3,418,345	--	--
Special inequity adjustment -----	578,458	--	--
	\$3,996,803		
Total, Civil Service and Related Classes			
5 percent general salary increase-----	\$32,475,505	\$17,198,495	\$10,361,635
Special inequity adjustment -----	5,495,434	2,923,744	1,761,478
	\$37,970,939	\$20,122,239	\$12,123,113
Executive positions			
5 percent general salary increase-----	\$105,075	\$19,705	\$11,590
Justices, judges and related classes,			
quadrennial statutory increase			
(Section 68203, Government Code) -	\$2,249,539	--	--
Total, Special and Other Funds --	\$40,325,553	\$20,141,944	\$12,134,703

## State Personnel Board Recommendations

	<i>General Fund</i>	<i>Special and other funds</i>
State civil services classes		
5 percent general salary increase-----	\$22,715,000	\$28,700,000
Special inequity adjustment, 1968-69-----	5,000,000	3,000,000
Special inequity adjustment, carryover 1967-68----	7,800,000	--
	\$35,515,000	\$31,700,000

## Recommendations

Item 258 appropriates \$37,970,939 from the General Fund for a 5-percent salary increase and includes an amount of 0.85 percent of the various salary bases for special inequity adjustments. This increase would be applied on July 1, 1968, to the salaries of state civil service employees, exempt and other classes, nonfaculty classes of the University of California and noninstructional classes of the state colleges.

*We recommend approval of Item 258 as budgeted.*

## Provision for Salary Increases—Continued

## Executive Salary Increase

Item 261 appropriates \$105,075 from the General Fund for the purpose of granting a 5 percent salary increase in order to maintain relativity with subordinate salaries. The existing problems of compaction are not affected by this increase, however. This is because the statutory salary levels were last adjusted on July 1, 1964 (Chapter 145, 1964 First Extraordinary Session). Since that date state civil service employees have received three salary increases, totaling 15.7 percent. In many agencies the problem of salary compaction has become acute. An example of the problem can be seen in the Department of Mental Hygiene where 111 persons serving in a subordinate capacity receive a monthly salary that is within \$5.66 of the director of the department who receives \$26,000 annually. This is more or less typical of many other agencies. It should be noted that during the same period those agencies which have not been subject to statutory salary limitations have substantially increased executive salaries, thus creating an ever-widening inconsistency in state executive compensation.

The Commission on California State Government Organization and Economy made a thorough study of management manpower needs of the state under a contract with a management consultant firm in early 1965. In the portion of the report dealing with compensation, the commission made these findings: "The breadth of compensation for the senior management group is compacted, causing promotional problems or merit salary increase to be virtually meaningless in size." They then recommended: "At least every four years, a citizen committee, appointed by the Governor with the approval of the Legislature, review the adequacy of all salaries paid to elected state officials and the state's senior management group."

*We concur in this recommendation.*

In addition the annual report of the Personnel Board has for the last two years pointed out the problems generated by the absence of a program for a systematic review of executive salaries.

*We recommend approval of Item 261 as necessary to prevent civil service salaries from exceeding those of noncivil service directors but we also recommend that adjustments be determined to reestablish a more appropriate differential between executive salaries and salaries of subordinates.*

## Statutory Increases for Judges, Justices and Related Classes

Item 262 appropriates \$2,249,539 for the quadrennial salary increase of the members of the judiciary from the superior courts through the Supreme Court bench. This increase is now estimated at 20.72 percent and is required by application of the formula set forth in Section 68203 of the Government Code. In addition to the salary increase for the judiciary, the appropriation includes sufficient funds to increase those salaries of state officials whose salaries are tied to that of superior court judges, namely the members of the Workmen's Compensation Appeals Board and the Administrative Director of the Division of Industrial Accidents, as well as moneys to provide for increases in the

**Provision for Salary Increases—Continued**

state's contributions to the retirement funds resulting from this salary increase.

*We recommend approval of Item 262 as budgeted.*

**Academic Salaries**

In accordance with Senate Concurrent Resolution No. 51 of the 1965 General Session, the Coordinating Council for Higher Education (CCHE) submitted its annual report on faculty salaries, fringe benefits and related salary data. The purpose of this report is to inform the Governor and the Legislature on the economic status of the faculty personnel within California's public higher education system and to recommend salary and fringe benefit increases when deemed appropriate by the council. House Resolution No. 250 of the 1964 First Extraordinary Session designates the information that must be included in the report and the method in which salary comparison calculations must be made. The legislative policy enunciated in these documents is to grant salary increases on the basis of maintaining a competitive position between faculty compensation paid by California public higher education institutions and the compensation paid by other selected universities and colleges throughout the country. For this year's report the list of comparison institutions for the University of California was expanded to obtain more appropriate balance between geographical location and private and public institutions. The peer institutions for the University are: Cornell, Harvard, Illinois, Michigan, Stanford, SUNY-Buffalo, Wisconsin and Yale. The CCHE included all instructional faculty except law, medicine and dentistry within the comparison rather than using only the letters and sciences faculty as had been the practice in past reports.

The state college comparison group was also changed significantly to include more institutions which face similar faculty market conditions to those experienced by the colleges. The peer institutions for the California State Colleges are: Bowling Green State University, Brandeis University, Brooklyn College, Brown University, University of Colorado, Iowa State University, University of Kentucky, University of Massachusetts (Amherst), Michigan State University, University of Minnesota, State University of New York (Albany), Northwestern University, University of Oregon, Pennsylvania State University, Purdue University, Rutgers State University, Southern Illinois University, and Wayne State University. The Letters and Sciences faculty of all institutions were included in the comparison.

The report comments on faculty market conditions and faculty trends at the University and the state colleges. Opinions on the supply and demand of faculty differ with some scholars predicting a shortage of qualified faculty and others predicting an adequate supply. It is certain that critical faculty shortages still exist, and will continue to do so, in certain academic disciplines.

Both the University and the state colleges show signs of recruitment and retention problems. Although at the University there is a slight increase in the percentage of regular rank faculty holding doctorates (80.1 percent of regular faculty in 1967-68 as compared with 79.5 percent in 1965-66), the turnover in regular ranks is higher than na-

## Provision for Salary Increases—Continued

tional estimates (6.6 percent of the regular faculty terminated as compared with CCHE estimates of 5 percent and 6 percent for the nation). At the state colleges there is a continuing decline in the percentage of state college faculty holding the doctorate (52 percent in 1967-68 as compared with 55 percent in 1965-66). There is also a high faculty turnover rate (10 percent of full-time faculty) and a high proportion of unfilled faculty positions (7.7 percent of the full-time budget positions).

The following summary shows the CCHE recommendations for salary and fringe benefit increases. The council states that in order for the University to maintain its competitive position with its eight comparison institutions, an average faculty salary increase of \$705, or 5.5 percent, will be necessary. For the state colleges to maintain their comparability it will be necessary to increase the average salary by \$1,189, or 10 percent. The basis for these increases are shown in Tables 3 and 4. In regard to fringe benefits, the council states that in order for the University to maintain its competitive position with its comparison institutions it will be necessary to increase them by 0.9 percent and by 3 percent at the state colleges. Calculations for the fringe benefit increases are shown in Table 5. In addition to the salary increases for 1968-69, the CCHE also recommends an appropriation for a salary increase for 1969-70 to aid in the recruitment of qualified faculty.

1968-69 CCHE Recommendations

	U.C.	C.S.C.
Salary increase .....	5.5%	10.0%
1969-70 guaranteed increase .....	5.3	5.7
Fringe benefits increase .....	0.9	3.0

Table 3

Increase Necessary to Achieve Salary Comparability of the State Colleges  
With Its Comparison Institutions—Nine-months, Full-time Faculty

Comparison institutions	Prof.	Assoc. prof.	Asst. prof.	Instr.	All ranks (adjusted)
1968-69 salaries (projected) .....	\$17,696	\$13,190	\$10,718	\$8,200	\$13,039
California State Colleges 1967-68 (actual) .....	\$15,851	\$12,033	\$9,727	\$8,341	\$11,850
Increase in dollars .....					\$1,189
Percentage increase .....					10.03%

Table 4

Increase Necessary to Achieve Salary Comparability of University of California  
With Its Comparison Institutions—Nine-months, Full-time Faculty  
(Excluding Law, Medicine and Dentistry)

Comparison institutions	Prof.	Assoc. prof.	Asst. prof.	Instr.	All ranks (adjusted)
1968-69 salaries (projected) .....	\$19,057	\$13,416	\$10,511	\$8,302	\$13,597
University of California 1967-68 salaries (actual) .....	\$18,209	\$12,650	\$10,055	\$7,370	\$12,892
Increase in dollars .....					\$705
Percentage increase .....					5.47%

## Provision for Salary Increases—Continued

Table 5

<i>Fringe benefit contribution</i>	<i>Fringe Benefits<sup>1</sup></i>	
	<i>California State Colleges</i>	<i>University of California</i>
Average contribution of comparison institution.....	12.7% <sup>2</sup>	12.7%
Average contribution of California institution.....	9.7% <sup>3</sup>	11.8%
Increase .....	3.0%	0.9%

<sup>1</sup> Fringe benefits are those designated as "countable fringe benefits" by the AAUP and include only those for which the institution make an identified contribution of a specific amount on behalf of or for the benefit of the individual faculty member.

<sup>2</sup> Average for 18 comparison institutions.

<sup>3</sup> Average for 8 comparison institutions.

## Faculty Related Classes

The Assembly Ways and Means Committee requested the CCHE to include in its annual faculty report "similar information and recommendations concerning salaries and welfare benefits for all academic administrators, other administrative and related classes, and all other academic-related classes which are not otherwise included under the designation of 'faculty' ". Because of time limitations only five distinct groups of those requested were surveyed. These include (1) department chairman/department heads; (2) division chairman/associate deans; (3) academic deans; (4) chief academic officers of the campuses, i.e., vice presidents/vice chancellors, and (5) librarians. The state colleges were able to provide sufficient data to support recommendations for these classes. However, as staff comment on the report indicates, the University did not provide data for vice chancellors because they are not paid from academic salary funds. The University also did not provide complete data in a number of other areas including administrative positions, librarians, and special benefits. For these reasons, no recommendations pertaining to these areas were made for the University. By using the data from a study by the National Education Association, the CCHE established ratios between the average salaries of 12-month administrative positions and the average salaries of nine-month faculty with the rank of professor. These ratios were then compared to those existing at the state colleges. The NEA study did not provide information on some classifications surveyed, thus in these cases the CCHE solicited data from the state colleges' 18 comparison institutions.

Table 6 shows the salary differential in selected 12-month administrative classes as compared to nine-month full professors.

Table 6

*Percentage salary of 12-month administrative position exceeds salary of nine-month full professor*

	<i>NEA survey of 1,917 institutions</i>	<i>State colleges</i>
Vice president .....	59.1%	35.5%
Academic dean .....	32.6	22.8
Head librarians .....	0.1	0.1
Division chairmen <sup>1</sup> .....	26.4	0

<sup>1</sup> Comparison for division chairmen was made with 18 comparable institutions because data was not available in NEA study.



## Provision for Salary Increases—Continued

As a result of the CCHE staff survey, the council has made the following recommendations:

1. Average 12-month salaries of vice presidents for academic affairs should be equivalent to average nine-month salaries of professors plus 60 percent.
2. Average 12-month salaries for academic deans should be equivalent to average nine-month salaries of professors plus 40 percent.
3. Average 12-month salaries for division chairmen equivalent to average nine-month salaries of professors plus 26 percent.

## Recommendation

The following table summarizes the funds requested for 1968-69 salary increases for academic and academic related classes.

Table 7

## Budget Proposals for Academic Salary Increase

	<i>General Fund</i>
Item 259, University of California faculty related 5% general salary increase and special inequity adjustment --	\$2,370,150
Item 260, state colleges instructional related 5.85% general salary increase and special inequity adjustment -----	608,649
Total requested in budget -----	\$2,978,799
<b>By Special Legislation</b>	
University of California faculty 5% general salary increase (AB 394) -----	\$5,052,790
State colleges instructional 6.8% general salary increase -----	\$8,914,628
From budget surplus 0.7% increase -----	910,500
7.5% general salary increase, state colleges (AB 395) -----	\$9,825,128
Total special legislation -----	\$14,877,918
Total Academic and Academic Related Salary Increases -----	\$17,856,717

The 1967-68 Budget Bill contains an increase of 5 percent for University of California faculty related personnel totaling \$2,370,150. An increase of 5.85 percent is requested for salary increases and inequity adjustments for the instructional related personnel of the state colleges. Special legislation (AB 394) will carry a 5-percent increase for faculty classes at the University totaling \$5,052,790. Also contained in special legislation (AB 395) is a 7.5-percent increase for instructional classes at the state colleges totaling \$9,825,128. No provisions are made for fringe benefit increases in either the Budget Bill or special legislation.

The policy of the Legislature in recent years has been to authorize salary increases on the determination by the Legislature (after reviewing the recommendations of CCHE) of the amount necessary to maintain a competitive position between faculty compensation paid by California public higher education institutions and the compensation paid by other selected comparison universities and colleges. The before-mentioned report by the Coordinating Council for Higher Education on faculty salaries, fringe benefits and related salary data is prepared at

## Provision for Salary Increases—Continued

the Legislature's direction to aid it in this determination. The maintenance of a competitive salary position has been the principal justification for the faculty salary increases which have been granted over the preceding eight years as is shown in Table 4.

Table 8  
Academic Salary Increases  
1959-69 Through 1966-67

	University of California	California state colleges	Effective date
1959-60	5.0%	5.0%	7/1/59
1960-61	7.5	7.5	7/1/60
1961-62	---	---	---
1962-63	6.0	6.0	4/1/62
1963-64	5.0	5.0	1/1/64
1964-65	---	---	---
1965-66	7.0	10.0	7/1/65
1966-67	2.5*	6.6	7/1/66
1967-68	5.0	5.0	7/1/67

\* Plus employer contributions equivalent to 3 percent for an annuity to complement the retirement system.

The preceding report of the CCHE indicates that an increase of 5.5 percent will be necessary to maintain the University's competitive salary position with its comparison institutions. This report conforms with the recommended method of reporting outlined in House Resolution 250 (1964 First Extraordinary Session) and requested by Senate Concurrent Resolution No. 51.

*We recommend that the University of California be authorized a faculty salary increase of 5.5 percent which increases the budgeted amount by 0.5 percent, or \$505,300, and produces a total increase of \$5,558,090.*

The faculty salary report of the CCHE also states that a salary increase of 10 percent for the California State Colleges is necessary to maintain their competitive salary position with their companion institutions.

*We recommend that the California State Colleges be authorized a faculty salary increase of 10 percent which increases the budgeted amount by 2.5 percent or \$3,079,423 and produces a total increase of \$12,904,550.*

No provisions have been made in the Governor's Budget or special legislation for faculty fringe benefits. The CCHE recommends an increase of 0.9 percent for the University and 3 percent for the state colleges based on the contributions to countable fringe benefits by the comparison institutions. In view of the stringent fiscal condition of the state and the prevailing policy of not granting fringe benefit considerations to other employees of state agencies or institutions we have not made any recommendations regarding fringe benefits for academic personnel. However, it should be noted that an amount equivalent to 11.25 percent of the salary base for University faculty and 9 percent of the salary base for the state colleges is provided for normal staff benefits consisting of retirement and health insurance programs.

**Provision for Salary Increases—Continued**

The CCHE salary recommendations pertain only to regular faculty who occupy a professional position including instructors. It is these positions for which salary data is gathered to determine appropriate salary increases. Prior to the 1967-68 salary increase appropriations certain academic related personnel were authorized the same salary increase as the regular faculty. In 1967-68 these groups were granted the same salary increase as the nonacademic employees of the University. Since all employees, academic, academic related and nonacademic, were granted the same percentage increase in 1967-68, no distinctions between these groups were made.

In the 1968-69 Governor's Budget, salary increases of 5 percent are authorized for faculty related employees at the University and 5.85 percent for instructional related employees at the state colleges. An inequity adjustment is also requested for the instructional related employees of the state colleges.

*We recommend approval of the 5-percent salary increase for faculty related personnel proposed in Item 259 for the University of California (\$2,370,150) and the 5.85-percent increase for instructional related personnel proposed in Item 260 for the California State Colleges (\$608,649).*

To gather data for salary comparisons, a representative from CSC and the CCHE traveled to the comparison institutions. This approach worked very well. Data was obtained in a more systematic manner and for which we have greater confidence. In addition, other useful information was obtained relating to salary administration policy and fringe benefits. Information not directly related to the salary comparisons such as student-faculty ratios and faculty workload were also solicited. This travel was funded from existing travel allowances of both agencies. We suggest that the University and the CCHE also follow this practice in the future for gathering information for the University salary comparisons.

**RESERVE FOR CONTINGENCIES—EMERGENCY FUND**

ITEM 263 of the Budget Bill

Budget page 1114

**FOR SUPPORT OF THE EMERGENCY FUND TO BE EXPENDED  
ONLY UPON WRITTEN AUTHORITY OF THE DEPARTMENT  
OF FINANCE FROM THE GENERAL FUND**

Amount requested .....	\$1,000,000
Appropriated by the 1967-68 Budget Act .....	1,000,000

Increase .....	None
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<b>TOTAL RECOMMENDED REDUCTION .....</b>	<b>None</b>
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**ANALYSIS AND RECOMMENDATIONS**

The Emergency Fund provides a source from which the Department of Finance can allocate funds to state agencies for expenses which result from unforeseen contingencies and which are not covered by specific appropriations. This item also provides authorization for the Department of Finance to make loans to a total of \$1,000,000 to agencies whose

**Reserve for Contingencies—Emergency Fund**

operations would be curtailed due to delayed receipt of reimbursements or revenues. In 1967-68 the loan authorization was \$750,000, but demand has been larger than anticipated. Interest is charged on loans to special funds.

The Emergency Fund request of \$1,000,000 is a token amount since total scheduled allocations from this fund have exceeded the budgeted amount every year since 1959-60 and deficiency appropriations have been necessary. For the current year the Department of Finance indicates that a deficiency appropriation of \$3,908,000 will be requested to augment the \$1,000,000 appropriated by the 1967 Budget Act.

The history of funds appropriated, amounts allocated to agencies as shown in the printed budgets, and deficiency appropriations, starting with 1963-64 is shown below :

**Emergency Fund, Appropriations and Allocations  
1963-64 to 1968-69**

<i>Fiscal year</i>	<i>Appropriated</i>	<i>Allocated to agencies</i>	<i>Deficiency appropriation</i>
1963-64 -----	\$1,000,000	\$4,297,640	\$4,750,000
1964-65 -----	1,000,000	5,106,500	4,436,500
1965-66 -----	1,000,000	5,148,643	5,400,000
1966-67 -----	1,000,000	9,341,951	8,341,951
1967-68 -----	1,000,000	4,408,622 (est.)	3,908,000
1968-69 (proposed) -----	1,000,000	--	--

For 1967-68, it is estimated that allocations from the fund will total \$4,408,622 as shown in the printed budget, pages 1114 to 1118. These allocations are summarized as follows with all amounts in excess of \$100,000 being separately identified.

**Support**

Increased expenses of Assemblymen -----	\$132,025
Corrections:	
Additional workmen's compensation costs -----	367,873
Board of Equalization:	
Cost of administering law changes providing contractors exemption and local tax prepayments -----	104,709
Mental Hygiene:	
Development of cost accounting system -----	168,225
Moving expenses for transferred employees -----	150,000
Hospitals for Mentally Ill:	
Economies in farming program did not materialize, funds needed for feeding program -----	530,663
Conservation:	
Emergency fire suppression and detection -----	1,315,000
Price increases in operating expenses caused by salary increases -----	100,146
All other—33 items under \$100,000 each -----	1,077,593
<b>Total support -----</b>	<b>\$3,946,234</b>

**Local Assistance**

Cost of additional judgeships established by legislation -----	\$257,468
Additional contribution to Judges' Retirement Fund -----	120,000
Other -----	84,920
<b>Total local assistance -----</b>	<b>\$462,388</b>
<b>Total allocations -----</b>	<b>\$4,408,622</b>

**Item 264****Miscellaneous****Reserve for Contingencies—Emergency Fund—Continued**

<b>Loans</b>	
To State Fair Fund-----	\$250,000
To Second District Agricultural Association-----	175,000
To Water Quality Control Fund-----	450,000
Total loans -----	\$875,000

Three loans were made during 1967-68 for a total of \$875,000 but the total borrowings at any given time did not exceed \$750,000.

The Emergency Fund expenditures in 1967-68 have not been subject to legislative review. Where appropriate, we comment upon such expenditures in the analysis of the individual agency budgets.

Additional control language was added to this item in the 1967 Budget Act limiting the use of this fund to those purposes that have been specifically approved by the Legislature in budget acts or other legislation. \$100,000 from this fund was excluded from this limitation.

The new language also requires the Director of Finance to file with the Joint Legislative Budget Committee within 10 days after approval, copies of all executive orders and allotment promises for allocations from the Emergency Fund stating the amount and reasons for such. If the augmentation is in excess of 10 percent of the amount originally budgeted, it is not effective until 30 days after notification to the Budget Committee. The 30-day period is waived in those cases of necessity and urgency which in the judgment of the Director of Finance makes prior approval impractical.

*We recommend approval as budgeted.*

**TORT LIABILITY CLAIMS****ITEM 264 of the Budget Bill**

Budget page 1120

**FOR THE ADMINISTRATION AND PAYMENT OF TORT LIABILITY CLAIMS FROM THE GENERAL FUND**

Amount requested -----	\$750,000
Estimated to be expended in 1967-68 fiscal year-----	350,000
Increase (114.3 percent) -----	\$400,000
<b>TOTAL RECOMMENDED REDUCTION-----</b>	<b>None</b>

**Summary of Recommendations**

The Department of Justice's administrative expenses for the tort liability program be transferred back to this budget item.

An economic feasibility study be made on the state's risk insurance program.

**GENERAL PROGRAM STATEMENT**

Chapter 1681 of the 1963 Regular Session defined the liability of public entities and public employees for tortious acts. During the first year after that act the state protected itself by purchasing risk insurance from a carrier at a cost of approximately \$1 million, while conducting a feasibility study on being noninsured. Since 1964, and as a result of the study, the state is noninsured for individual claims under \$1 million, and purchases risk insurance at a cost of approximately

**Tort Liability Claims—Continued**

\$150,000 per year for the payment of individual claims between \$1 million and \$50 million. This program applies to all General Fund agencies except the University of California and to all types of claims except automobile and aircraft (which are covered by other insurance), and inverse condemnation claims.

**ANALYSIS AND RECOMMENDATIONS**

The staff of the Board of Control receives the tort claims and refers all of them to the Department of Justice for investigation. Undisputed claims not exceeding \$4,000 can be settled administratively by the Department of Justice, but disputed claims and undisputed claims exceeding \$4,000 must be heard by the Board of Control. If the board rules for the plaintiff, the claim is processed by the Department of Justice and charged to this item. If the board rules against the plaintiff, he may either drop the claim or take it to an appropriate court.

The costs of the claims are shown as an expense of this item, but allocations to cover the cost of administering this program have been transferred to and shown as expenditures of the budgets for the Department of Justice and the Board of Control. Moneys not used for payment of claims revert to the General Fund.

As of June 30, 1967, the Department of Justice's statewide staff assigned to this function consisted of five deputies, seven investigators, one claims supervisor and eight clerical positions. The workload for this staff is reflected in Table 1.

**Table 1**  
**Department of Justice Tort Section Workload**  
**August 1, 1966, to August 1, 1967**

Number of tort incident reports-----	2,578
Number of claims received-----	453
Total amount claimed-----	\$39,266,741
Total amount paid-----	\$35,246
Number of claims paid-----	41
Number of claims taken to court-----	173
Amount of claims in court-----	\$27,210,017

The Department of Justice estimates that less than 10 percent of the amount of claims in court will ultimately be paid.

Table 2 gives the cost of the state's tort liability program from 1965-66 to 1968-69. These figures will not agree with those in the budget because: (1) our 1968-69 estimates include the costs of the Department of Justice staff assigned to this function, (2) based on expenditures recorded against this item as of January 10, 1968, we estimate that the 1967-68 expenditures could exceed the budget by approximately \$95,000, and (3) the budget shows only the amounts allocated to other agencies for administrative expenses, not the amounts actually expended, and the unused portion of the allocations are not included in this budget's estimated savings figure. In 1968-69, the allocation for payment of claims was raised to \$589,212 because it is anticipated that several large cases will be adjudicated during this period. Any balance not expended on these claims will revert to the General Fund.

## Tort Liability Claims—Continued

Table 2

## Cost of Tort Liability Program

	<i>Actual</i> 1965-66	<i>Actual</i> 1966-67	<i>Estimated</i> 1967-68	<i>Proposed</i> 1968-69
Administration:				
Department of Justice-----	\$247,007	\$252,726	\$260,760	\$299,292
Board of Control-----	10,788	10,788	10,788	10,788
Claims paid-----	6,452,278	278,390	350,000	589,212
Premiums paid-----	127,666	127,235	145,711	150,000
Total-----	\$6,837,739	\$669,139	\$767,259	\$1,049,292

The administrative costs incurred by the Department of Justice were budgeted in this item through 1967-68. However, for the 1968-69 fiscal year these costs are integrated into the Department of Justice's overall budget without being specifically identified. We feel that this action is undesirable because there will be no identification of the major portion (\$299,292 in 1968-69) of this program's administrative costs. *Therefore, we recommend that the administrative cost of \$299,292 be transferred back to this item from the Department of Justice.*

As stated previously, a risk insurance policy which runs from 1967 to 1970 has been purchased to cover individual tort claims settled against the state that are between \$1 million and \$50 million. We have reservations as to whether this policy which costs \$150,000 per year is a wise investment. First, the policy does not cover losses from inverse condemnation which is one of the state's major liabilities. The state paid \$6.3 million in 1965-66 to settle inverse condemnation actions resulting from the 1955 Yuba City flood disaster.

Second, there is an uncertainty as to whether this policy would cover losses from a single occurrence when no one claim was for over \$1 million but all claims from the occurrence totaled between \$1 million and \$50 million. This situation makes it difficult to evaluate whether or not the state is making a wise investment in purchasing risk insurance. *We recommend that an economic feasibility study be made on the state's risk insurance program and that the results be reported to the 1969 Legislature.*

## LEGISLATIVE CLAIMS

ITEM 265 of the Budget Bill

Budget page 1121

FOR CLAIMS OF THE STATE BOARD OF CONTROL  
FROM THE SEVERAL FUNDS

Amount requested-----	\$539,698
Estimated to be expended in 1967-68 fiscal year-----	130,018
Increase (315 percent)-----	\$409,675

## ANALYSIS AND RECOMMENDATIONS

Otherwise known as the "omnibus claims bill," this item will include all claims approved by the Board of Control and referred to the Legislature for payment. Claims acted upon from and including April 4, 1967 to a date uncertain during the 1968 session will be presented.

**Legislative Claims—Continued**

The Budget Bill, in its present form, includes claims approved and referred by the board through its November 21, 1967 meeting. It will be amended to the extent that additional claims are approved by the board and referred for payment to the Legislature.

Section 905.2 of the Government Code provides that claims for money or damages in the following categories shall be presented to the Board of Control:

“(a) For which no appropriation has been made or for which no fund is available but the settlement of which has been provided for by statute or constitutional provision.

“(b) For which the appropriation made or fund designated is exhausted.

“(c) For money or damages (1) on express contract, (2) for an injury for which the state is liable or (3) for the taking or damaging of private property for public use within the meaning of Section 14 of Article 1 of the Constitution.

“(d) For which settlement is not otherwise provided for by statute or constitutional provision.”

Many of the claims under (c) (2) for an injury for which the state is liable are tort liability claims provided for under Budget Bill, Item 264.

Because the list of claims which will eventually be presented to the Legislature is incomplete as of this time, our analysis of all claims will be presented when the item is heard by the Legislature.

**WORKMEN'S COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES**

ITEM 266 of the Budget Bill

Budget page 1123

**FOR SUPPORT OF WORKMEN'S COMPENSATION BENEFITS FOR SUBSEQUENT INJURIES FROM THE GENERAL FUND**

Amount requested .....	\$1,300,000
Estimated to be expended in 1967-68 fiscal year .....	1,197,000
Increase (8.6 percent) .....	\$103,000

<b>TOTAL RECOMMENDED REDUCTION</b> .....	None
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**Summary of Policy Options**

Relieve the General Fund of all or a major portion of funding the cost of Workmen's Compensation Benefits for Subsequent Injuries. Estimated annual savings in excess of \$1,400,000 in 1969-70 and increasing savings each year thereafter.....

787

**GENERAL PROGRAM STATEMENT**

This appropriation is made annually by the Legislature to support the payment of industrial injury compensation claims for employees who suffer a second or subsequent industrial injury in the course of their employment. The purpose is to further the public policy of encouraging the employment of the handicapped by mitigating or reducing the liability of employers in such cases and substantially removing the liability aspect as a reason for denying employment to individuals who may have sustained a prior industrial injury.



## Workmen's Compensation Benefits for Subsequent Injuries—Continued

The program is administered by the State Compensation Insurance Fund and the claims and awards result from hearings before the Workmen's Compensation Appeals Board. At such hearings the Attorney General represents the state's interest with respect to the validity and justness of the claims. Below is shown the expenditures in the program's support for the past five actual expenditure years and the estimated cost for the current year.

Year	Number of claims	Total expended	Percent increase	Estimated outstanding benefit liabilities	Percent increase over prior year
1963-64 -----	135	\$657,533	--	\$8,758,446	--
1964-65 -----	139	746,129	13.0%	11,467,156	31%
1965-66 -----	184	954,826 <sup>1</sup>	28.0	14,468,958	26
1966-67 -----	168	1,103,915 <sup>1</sup>	15.6	17,132,079	18
1967-68 (est.)--	-- <sup>2</sup>	1,197,000 <sup>1</sup>	8.4	----- <sup>2</sup>	--
1968-69 (prop.)--	-- <sup>2</sup>	1,300,000	8.6	----- <sup>2</sup>	--

<sup>1</sup> Appropriation insufficient, required augmentation from Emergency Fund.

<sup>2</sup> No estimate available.

## ANALYSIS AND RECOMMENDATIONS

The State Compensation Insurance Fund, a public enterprise, has requested \$1,300,000 to support this program in the budget year. In the current year the fund has estimated it will need an augmentation from the Emergency Fund of \$47,000 making a total of \$1,197,000 available. The budget year request exceeds this amount by \$103,000 or 8.6 percent. It should be noted that the last actual year's total expenditure required an augmentation of the appropriation of \$204,000 from the Emergency Fund although the estimate appearing in the 1967-68 Budget was only \$150,000.

*We recommend approval as budgeted.*

## POLICY OPTION

We again offer for consideration the alternative of funding this annual expense from a source other than the General Fund.

Some 26 states fund their subsequent injury programs from death benefits paid to the state under a no-dependency death benefit. At present California cannot pursue such a course of action because of constitutional prohibitions. In 1961 the Legislature passed and placed on the ballot ACA 72, which, if it had received the approval of the electorate, would have permitted the enactment of implementing legislation to accomplish the relief of General Fund expenditures for this purpose.

*We recommend the electorate should again be given the opportunity to evaluate this question in light of the ever-increasing demands on the General Fund to meet other needs of the state.*

**TEMPORARY LOANS TO GENERAL FUND FROM CALIFORNIA WATER FUND**  
ITEM 267 of the Budget Bill

## ANALYSIS AND RECOMMENDATIONS

This item, which is similar to Item 258 of the Budget Act of 1967, would authorize temporary transfers from the California Water Fund

**Temporary Loans to General Fund from California Water Fund—Continued**

to the General Fund in the event the cash position of the General Fund would require such transfers. Under the terms of Section 16310 of the Government Code transfers made from special funds to the General Fund, upon a determination of necessity by the Governor, Controller, and Treasurer, are to be returned to the fund from which transferred as soon as sufficient money is available. This section also provides that no transfers can be made which will interfere with the purpose for which a special fund was created.

Section 16310.5, added by Chapter 1961, Statutes of 1961, provides in effect, that interest must be paid by the General Fund on any such temporary transfers from the California Water Fund at a rate determined to be that which the money would earn if otherwise invested. An appropriation to cover such interest payments is made by Item 257 of the current Budget Bill.

*Since this authorization is in the nature of temporary, contingent financing only, we recommend approval.*

**LOCAL ASSISTANCE****Department of Agriculture****COUNTY FAIRS**

ITEM 268 of the Budget Bill

Budget page 1125

**FOR REAPPROPRIATION OF SUPPORT FOR COUNTY FAIRS  
FROM THE FAIR AND EXPOSITION FUND**

For transfer to the General Fund -----\$135,400

**RECOMMENDED INCREASE IN TRANSFER**----- \$141,000**ANALYSIS AND RECOMMENDATIONS**

Under Section 19627, Business and Professions Code, eligible county fairs may receive an annual appropriation not to exceed a maximum of \$65,000 per fair. Pursuant to Section 19627, \$4,680,000 is appropriated each year from the Fair and Exposition Fund for allocation by the Department of Agriculture. The \$4,680,000 is appropriated not only for the county fairs discussed in this item, but also for district agricultural associations as discussed in Item 62.

As in Item 62, the Governor's Budget proposes to continue an innovation introduced in the modified budget last year. Thus, \$135,400 of the money appropriated by Section 19627 for support of county fairs is proposed to be reappropriated from the Fair and Exposition Fund to the General Fund during the 1968-69 fiscal year. The reappropriation is a 10-percent reduction in the \$1,354,000 continuously appropriated for support of the county fairs.

As discussed in the analysis of Item 62, a similar situation with respect to fair eligibility exists in determining allocations for the county fairs. While 23 county fairs were "eligible" to receive support prior to the 1959 amendment to Section 19627, since that time only 22 fairs have been eligible. The elimination of support for one fair has resulted in annual savings of \$65,000. While \$141,000 is budgeted as an unexpended balance, only \$75,000 can be properly termed as a true savings attributable to review and approval of county fair budgets by the Division of Fairs and Expositions because \$65,000 for the ineligible fair has been included.