

**CALIFORNIA ARTS COMMISSION****Item 292 from the General Fund**


---

Requested 1969-70	-----	\$167,330
Estimated 1968-69	-----	161,709
Actual 1967-68	-----	146,999
Requested increase \$5,621 (3.4 percent)		
Total recommended reduction	-----	None

---

**GENERAL PROGRAM STATEMENT**

The California Arts Commission was established by Chapter 1742, Statutes of 1963. Its purpose is to stimulate initiative and interest in establishing art programs and activities at both state and local levels and to assist local communities in initiating and developing their own cultural programs by providing technical advice and support when requested.

The commission represents all fields of the performing and visual arts. It is composed of 15 members appointed by the Governor, plus two Assemblymen and two Senators appointed by their respective bodies, and has a staff of seven permanent positions.

During the past two years, the commission has provided consultative services to 120 local art councils and commissions, many of which it helped to establish. It plans to continue this program in the budget year with a projected goal of promoting the establishment of 33 new local councils and 15 new regional councils. The commission also conducts an annual statewide conference on the arts and holds regional conferences in communities throughout the state.

The commission's program budget statement indicates that 96 performing arts events tentatively have been scheduled for the current and budget years, but the commission recently has reduced this estimate to 88 events. These will consist of 18 stage performances by the American Conservatory Theater at two junior college campuses and 70 performances of the opera "Gianni Schicchi" to be held on various junior college campuses by the Western Opera Theater. Both of these theater groups are private, nonprofit associations, but the actors are paid for their services.

The commission's role in scheduling these and other events consists of (1) providing liaison between various art groups and institutions having facilities in which the groups can perform or exhibit their work, (2) providing technical assistance and guidance in the development and staging of arts projects, and (3) providing specified amounts of financial support to assist financially burdened arts groups in extending their performances and exhibits to larger segments of the public. This financial assistance is in the form of a guarantee against operating deficits up to a specified limit, and the money is reimbursed to the commission from admission revenues if the shows are financially successful.

The commission in 1967-68 initiated a total of 14 projects, 7 of which will involve a total state contribution of \$67,550. A major portion of

## California Arts Commission—Continued

that amount—\$22,500—has been contributed to the Western Opera Theater for the purpose of hiring two opera singers and assisting in the production costs of the 70 scheduled performances of “Gianni Schicchi.”

Included in the \$67,550 sum mentioned above is an expenditure of \$28,880 under a contract with the American Film Institute (a nonprofit organization) for the preparation of a movie film on the life of film director and actor John Ford. This film, which will be owned by the commission, will be available for showing at high schools and colleges throughout the state. The commission anticipates that the film will return the costs of its production and perhaps a profit through commercial distribution. Any profits earned on the film will be shared with the American Film Institute. This expenditure would appear to represent a departure from the established functions of the commission, particularly in view of the current availability of material on John Ford. In view of the very limited resources of the commission, such production expenditures would seem to be of low priority in relation, for example, to use of funds to encourage distribution of already available materials on the art of the film.

## ANALYSIS AND RECOMMENDATIONS

*We recommend approval as budgeted.*

The commission has proposed a total expenditure program of \$211,830, which is an increase of \$19,212 or 10 percent over estimated expenditures of \$192,618 in the current year. The program for the budget year will be funded by \$167,330 from the General Fund and a projected federal grant of \$44,500 from the National Endowment of the Arts. However, the commission recently has informed us that the federal contribution will be in the range of \$27,000 to \$31,000 instead of the \$44,500 indicated in the budget.

## COMMISSION OF THE CALIFORNIAS

## Item 293 from the General Fund

---

Requested 1969-70 .....	\$35,530
Estimated 1968-69 .....	34,917
Actual 1967-68 .....	31,095
Requested increase \$613 (1.8 percent)	
Total recommended reduction .....	None

---

## GENERAL PROGRAM STATEMENT

The Commission of the Californias is responsible for promoting better understanding between the State of California and the Mexican State of Baja California and the Mexican Territory of Baja California Sur.

The commission is composed of three delegations, one for each of the three governmental entities represented. Each delegation consists

**Commission of the Californias—Continued**

of 7 public members, 20 special representatives and 10 legislative members. The California portion of the commission was established by statute and has a staff of two authorized positions. It maintains headquarters in Los Angeles. The Lieutenant Governor has been serving as chairman of the California delegation.

The commission currently operates through six subcommittees whose activities relate to the following six subject areas of mutual concern and interest to its members: intergovernmental relations, tourism, education, economics, fishing and agriculture, and oceanographic projects.

We are informed by commission staff that the body functions under bylaws which require it to hold at least three formal sessions a year. A project review committee of the commission meets usually once between formal sessions of the parent body. There are no regularly scheduled subcommittee meetings. Group meetings are held in localities most convenient to those attending, frequently in Mexicali and Tijuana.

Much of the commission's work is accomplished through assignments to individual commission members and other interested persons who confer informally with public and private agencies on problems or other matters of mutual concern. An example is a problem occurring in 1968 which involved American restrictions on the importation on American goods processed in Mexico. Representatives of the commission resolved this problem by conferring with State Department officials in Washington.

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval of the item as budgeted.*

The commission's proposed expenditure of \$35,530 consists mainly of costs for salaries, communications and travel and represents continuation of the present level of service.

**PERSONAL SERVICES NOT ELSEWHERE REPORTED****Item 294 from the General Fund**

Requested 1969-70	\$1,593,276
Estimated 1968-69	1,286,880
Actual 1967-68	1,040,074
Requested increase \$306,396 (23.8 percent)	
Total recommended reduction	None

**GENERAL PROGRAM STATEMENT**

Current law requires the state to contribute to the payment of premiums for basic health insurance plans covering annuitants of the state's several retirement systems. The state's contribution, which was increased by 1968 legislation from \$6 to \$8 per month toward each annuitant's premium, exceeds in some instances the total cost of the premium and in such cases only the amount of the premium is contributed. The appropriation is required by Sections 22825-22828 of the Government Code.

## Personal Services—Continued

## ANALYSIS AND RECOMMENDATIONS

*We recommend approval as budgeted.*

In the current year, an allocation of \$50,000 was made from the Emergency Fund to finance the added costs resulting from the \$2 increase in the state's contribution toward the annuitant's insurance premiums. Since the effective date of the \$2 increase applied only to the last eight months of the current fiscal year, the full-year impact is reflected in the appropriation for 1969-70.

Omitted in the budget year because of a lack of eligible persons is the continuing appropriation of \$10,000 provided by Section 20922 of the Government Code to fund retirement credits for state employees having state-credited federal service. These retirement credits are provided for persons who were employees of the State Employment Service at the time it was transferred to the federal government and who, after separation from the federal service, were reemployed by the state.

The requested appropriation of \$1,593,276 is based on an actuarial estimate of the number of annuitants participating in health benefit plans plus an amount equivalent to 3.8 percent of the total premiums for administration and contingent expense. It is estimated that 17,020 annuitants will be enrolled in this program in the budget year compared to the estimated 15,480 so enrolled in the current year.

## REFUND OF TAXES, LICENSES AND OTHER FEES

## Item 295 from the General Fund

Requested 1969-70 -----	\$20,000
Estimated 1968-69 -----	20,000
Actual 1967-68 -----	26,000
Requested increase—None	
Total recommended reduction -----	None

## ANALYSIS AND RECOMMENDATIONS

*We recommend approval of this item as budgeted.*

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.

# INTEREST ON GENERAL FUND LOANS

## Item 296 from the General Fund

Requested 1969-70	\$3,000,000
Estimated 1968-69	2,324,000
Actual 1967-68	12,831,015
Requested increase \$676,000 (29.1 percent)	
Total recommended reduction	None

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval as budgeted.*

Temporary loans are required each year from special funds when the General Fund lacks the necessary cash to pay its bills. The disparity between General Fund cash disbursements and receipts is especially pronounced in the first half of each fiscal year. Table 1 shows, for example, that 47.2 percent of the disbursements will occur in the first half of the budget year, while only 42.3 percent of the revenues will be received during the same period. This 4.9 percent spread corresponds to a difference of \$285 million in the budget year.

Table 1  
General Fund Cash Receipts and Disbursements  
First Six Months of Fiscal Year  
(In Millions)

	1967-68		Estimated 1968-69		Estimated 1969-70	
	Receipts	Disburse- ments	Receipts	Disburse- ments	Receipts	Disburse- ments
July	\$76	\$237	\$186	\$290	\$199	\$320
August	241	295	261	363	283	389
September	217	220	220	286	232	308
October	200	219	298	309	324	336
November	374	259	451	305	489	341
December	205	253	231	313	246	364
Total—6 months <sup>1</sup>	\$1,313	\$1,483	\$1,647	\$1,866	\$1,773	\$2,058
Total—12 months <sup>1</sup>	\$3,600	\$3,319	\$4,028	\$3,927	\$4,195	\$4,364
First six months as per- cent of fiscal year total	36.5%	44.7%	40.9%	47.5%	42.3%	47.2%

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

Prior to the passage of Chapter 1457, Statutes of 1968, the General Fund was required to pay interest on all loans from other state funds. Chapter 1457 provided that the General Fund could borrow interest free from certain special funds when the loan does not exceed 10 percent of the preceding fiscal years total additions to surplus available for appropriation in these particular funds. In the current year interest costs were originally budgeted at \$12,794,437. Actual expenditures for interest now are estimated at \$2,324,000 or \$10,470,337 below the original budget figure. This reduction in interest costs is attributable to: (1) Chapter 1457, and (2) the expansion of economic activity during the current year which produced increased revenues and therefore lowered borrowing needs. Last year's budget estimated that cumulative

## Interest on General Fund Loans—Continued

borrowings would total \$513 million by February 1969, while the revised estimate is only \$267 million.

The Department of Finance estimates approximately \$189 million is the maximum interest-free borrowing capability of special funds during the budget year. This figure represents an average, i.e., because of cash flow in various funds the interest-free capacity could be less than or greater than this figure in any one month. The interest rate on non-interest-free borrowing in 1968-69 is expected to range between 5.7 and 6.0 percent. A 5.75 percent rate was used to estimate the \$3 million interest cost for 1969-70.

The General Fund borrowing requirements, borrowing availability, cash condition and monthly receipts and disbursements are shown for 1968-69 and 1969-70 in Table 2. This information indicates that the General Fund started 1968-69 with a \$137 million cash surplus, will be in a borrowing status for eight months during the year, and will end the fiscal year with a cash surplus of \$240 million, or an increase of \$103 million over the previous year. By contrast, the General Fund will end the budget year with only a \$3 million cash surplus or a reduction of \$237 million from the current year. These figures are based upon the assumption that the Governor's 10 percent income tax credit and the increased expenditures for schools and other programs will be adopted as proposed in the Budget.

Table 2  
General Fund Cash Flow 1968-69 and 1969-70  
(In millions)

Month	Receipts	Disbursements	Current deficiency or excess	Cash balance	Net new borrowing	Total borrowing	Unused borrowing capacity
June 30, 1968	-----	-----	-----	\$137	---	---	---
July	\$221	\$349	\$-128	9	---	---	\$691
August	265	365	-100	.5	\$91	\$91	557
September	247	313	-66	2	68	159	477
October	298	310	-12	5	15	174	483
November	455	302	+153	14	-144	30	491
December	232	313	-82	2	70	100	416
January 1969	267	349	-83	2	82	182	530
February	287	372	-85	1	85	267	525
March	429	337	+92	2	-92	175	598
April	714	457	+257	83	-175	---	721
May	353	303	+50	133	---	---	537
June 1969	401	294	+107	240	---	---	493
1969-70							
July	236	383	-147	93	---	---	548
August	236	396	-110	1	19	19	414
September	263	353	-90	2	90	109	306
October	325	345	-20	2	20	129	344
November	492	349	+143	15	-129	---	414
December	246	372	-126	1	112	112	315
January 1970	270	363	-93	2	93	205	439
February	304	438	-134	1	134	339	379
March	435	558	-123	2	123	462	276
April	735	348	+387	2	-387	75	599
May	372	338	+34	1	-35	40	492
June 1970	370	329	+42	3	-40	---	522

**Interest on General Fund Loans—Continued**

One of the oddities of the administration's financial plan for the budget year is that \$100 million in income tax revenues will be forgiven in April 1970, despite its own predictions that the General Fund will have insufficient cash on July 1, 1970, to pay debt service costs. The cash flow figures show that the General Fund will have only \$3 million in cash on June 30, 1970, and the debt service charge will be \$45.8 million the next day. As a result, the General Fund will have to start the 1970-71 fiscal year in a borrowed position.

The receipt and disbursement totals in Table 2 include nonrevenue receipts and nongovernmental cost disbursements, which are transfers to and from other funds. Due to their timing these transfers have an impact on loan requirements. It should also be noted that neither cash receipts nor cash disbursements agree with revenue and expenditure figures presented elsewhere in this budget, because the latter are on an accrual basis.

The borrowing capacity from individual funds included in the cash statements have been estimated as of the end of each month. Demands on these accounts and funds vary from day to day within the month and are difficult to estimate, but they have a direct effect on the lending capacity of the fund. However, these variations are not critical until loan needs press the borrowing limit.

Interest payments were required on all loans between 1961 and 1968 under provisions of Government Code Section 16310.5. With repeal of this section and amendment of Section 16310 in 1968 interest is now paid only when under Government Code Section 16310. The amounts budgeted for interest and the deficiencies, savings, and actual expenditures are indicated 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	\$8,904
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 -----	15,865,241	--	3,034,226	12,831,015
1968-69 (est.) ---	12,794,437	--	10,470,437	2,324,000
1969-70 (est.) ---	3,000,000	--	--	3,000,000

**AUGMENTATIONS FOR SALARY INCREASES****Items 297 through 304 from the General Fund**

Requested 1969-70 .....	\$58,041,430
Total recommended increase .....	\$546,279

**SUMMARY OF RECOMMENDED INCREASES**

	<i>Amount</i>	<i>Analysis page</i>
Increase funds available for University of California by 0.2 percent to provide funds for 5.2 percent salary increase for faculty classes .....	\$218,873	860
Increase funds available for state colleges by 0.2 percent to provide funds for 5.2 percent salary increase for instructional classes .....	\$327,406	860

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS****1. Review and Adjustment of Statutory Salaries**

We recommend enactment of legislation which would require the Personnel Board, each time it recommends a general salary increase for civil service employees, to make additional recommendations, including supporting data, to the Governor on specific adjustments to all statutory salaries that should be made to maintain a proper relationship between and prevent compaction of civil service salaries with statutory salaries. (Analysis page 858)

**2. Policy Question on Premium Pay for Overtime for Eligible State Employees**

The Personnel Board has recommended that this policy be implemented by legislation. (Analysis page 856)

**3. Problem of Defining Academic and Academic-Related Salary Bases**

We recommend that the Coordinating Council for Higher Education, in cooperation with the University and state colleges, develop uniform definitions for "academic" and "nonacademic" employee classes and formulate criteria for the logical division of personnel into these two classes and report to the Joint Legislative Budget Committee prior to November 1, 1969. We further recommend that once the academic classes are defined the council be directed to develop uniform definitions and formulate criteria which will reflect the instructional duties of the academic classes and also report this information to the Joint Legislative Budget Committee prior to November 1, 1969. (Analysis page 865)

**ANALYSIS AND RECOMMENDATIONS**

The augmentation items for salary increases included in the budget total \$91,380,685. Of this amount \$58,041,430 is appropriated from the General Fund and the remainder from special and other funds to be allocated by the Department of Finance in accordance with language in the 1969 Budget Bill.

Table 1 summarizes the proposed appropriations by funding source, employment class and budget bill item. The amounts proposed result in a 5 percent general salary increase for all employee categories shown. Funds for special inequity adjustments totaling 0.5 percent of each



## Augmentations for Salary Increases—Continued

salary base are shown where applied. Excepted from this special adjustment are the faculty and faculty-related classes, the instructional and instructional-related classes and the executive salaries.

Table 1  
Summary of Proposed Augmentation for Salary Increases  
General Fund

Item 297	5.0 percent general increase (civil service classes) -----	\$25,847,000	
	0.5 percent special inequity funds -----	2,585,000	
	Total -----		\$28,432,000
	5.0 percent general increase for exempt classes -----	\$603,200	
	Total -----		\$603,200
	5.0 percent nonfaculty classes of University -----	\$6,614,370	
	0.5 percent special inequity funds -----	661,000	
	Total -----		\$7,275,370
	5.0 percent noninstructional classes (state colleges) -----	\$4,261,600	
	0.5 percent special inequity funds -----	426,000	
	Total -----		\$4,687,600
	Total Item 297 -----		\$40,998,170
Item 298	5.0 percent increase (University faculty classes) -----		5,471,835
Item 299	5.0 percent general increase (University faculty-related class) -----		2,654,180
Item 300	5.0 percent general increase (state college instructional classes) -----		8,185,160
Item 301	5.0 percent general increase (state college instructional-related classes) -----		275,380
Item 302	Reappropriation to continue the 5 percent increase granted statutory officers in the Budget Act of 1968 -----		
Item 303	5.0 percent general increase (statutory salaries) -----		111,705
Item 304	Premium pay for overtime under Fair Labor Standards Act -----		345,000
	Total General Fund -----		\$58,041,430
	Special and Other Funds <sup>1</sup>		
	5.0 percent civil service, exempt and statutory classes (special funds) -----	\$18,969,705	
	0.5 percent for special inequity adjustments civil service and exempt classes (special funds) -----	1,895,100	
	For premium overtime pay (special funds) -----	1,500	
	Total special funds -----		\$20,866,305
	5.0 percent for civil service classes, exempt and statutory (other funds) -----	\$11,337,760	
	0.5 percent for special inequity adjustments (civil service and exempt classes) -----	1,132,190	
	For premium overtime pay (other funds) -----	3,000	
	Total other funds -----		\$12,472,950
	Total special and other funds -----	\$33,339,255	
	GRAND TOTAL, all funds proposed for salary increases -----		\$91,380,685

<sup>1</sup> "Other funds" are nongovernmental cost funds for which monies are derived from sources other than general or special taxes, licenses, fees or other state revenues. Examples are the Compensation Insurance Fund, Unemployment Compensation Disability Fund, Correctional Industries Revolving Fund and the Professional and Vocational Standards Fund.

**Augmentations for Salary Increases—Continued**  
**1968-69 Salary Adjustment Program**

**Civil Service and Related Classes**

In its annual report of December, 1967, the State Personnel Board recommended a 5-percent general salary increase totaling \$22.7 million for most civil service classes and also recommended \$12.8 million for special inequity adjustments.

The Legislature appropriated \$37.9 million from the General Fund in the Budget Act of 1968 which provided funds to the Personnel Board and other salary setting authorities sufficient to grant a 5-percent general salary increase to civil service and related classes. Of this amount, \$23.4 million was appropriated for the 5-percent civil service salary adjustments and \$3.9 million was made available for special inequity adjustments which was short of the \$12.8 million recommended by the State Personnel Board for that purpose. The special inequity adjustments, which were in addition to the 5-percent general increase, provided a 2.5-percent increase for 20,000 employees, a 2-percent increase for 4,650 employees, a 5-percent increase for forest firefighters while on firefighting duty, and a 5-percent increase for 500 other employees.

The board, because of lack of sufficient funds, deferred a 5-percent inequity adjustment recommended for the nurse and psychiatric technician classes. This single adjustment is estimated to cost \$5 million in the budget year.

The resulting average increase granted civil service employees by the general 5-percent increase and special inequity adjustments amounted to 5.7 percent.

**Personnel Board Salary Adjustment Recommendations for the Budget Year, 1969-70**

In its annual report to the Governor and the Legislature of December 6, 1968, the board has recommended a five percent general salary increase for the estimated 116,000 civil service employees effective July 1, 1969. This recommendation is based on the board's October, 1968, wage and salary survey which revealed that increases in wages paid in private industry during the period from March, 1968, to October, 1968, averaged 3.9 percent. On an annual basis, the rate of increase has remained between 6.0 and 7.0 percent since 1966.

The board's recommendations correspond with the five percent general salary increase budgeted. However, its recommendation for special inequity adjustments from the General Fund, which includes a carry-over adjustment of \$8.9 million that was not funded in the current year, totals \$14,963,000. The funds would be used to adjust salaries of employees in classes for which prevailing salary data and recruitment and retention difficulties have indicated an unusual need for such adjustments. It is estimated that the \$14.9 million would provide a 2.5 percent adjustment for approximately 26,000 employees and a 5 percent adjustment for approximately 26,000 employees. These adjustments would be in addition to the general 5-percent increase recommended.

Special Fund and other fund costs to finance the recommendation for special inequity and adjustments total \$6 million. The amounts

**Augmentations for Salary Increases—Continued**

required from both the General Fund and special funds to finance inequity adjustments represent 3.0 percent of the various salary bases.

**Premium Pay (Time and one-half) for Overtime Under Federal Law**

The board has recommended that \$350,000 be appropriated for fiscal year 1969-70 to meet the state's obligations for premium pay for overtime work as required by the federal Fair Labor Standards Act. The courts have held that the overtime pay provisions of this act apply to hospital and school employees of the state. In addition, the board recommends that a deficiency appropriation of \$780,000 be approved to cover the costs for overtime worked by this group of state employees from February 1, 1967 (the effective date of the amendment to the federal law which requires such payment) through June 30, 1969. The reason that these overtime costs were not budgeted last year is that litigation was then pending in the federal courts to determine the applicability of the law to state hospital and school employees.

**Policy Issue****Request for Authority and Funds for Premium Overtime Pay**

The board, in addition to its recommendation for funds to comply with the federal law relating to premium pay for overtime, recommends that legislation be enacted and funds appropriated to permit payment of overtime premium pay to state employees who are not covered by the federal law but whose counterparts in private industry receive such pay. The estimated additional annual cost of this proposal is \$1.4 million from the General Fund and \$3.4 million from special and other funds. Payment for overtime work presently is based on the straight time rate, and authorization to pay overtime is granted to very few state agencies. The board's proposal is to increase the pay rate to 1½ of regular pay for authorized overtime.

The question of authorizing overtime pay at premium rates on a uniform basis to all eligible groups of state employees is a policy issue which would appear to be influenced by the prevailing practice in other public and private employment. In its report on this matter, the Personnel Board advises that the federal government has paid its nonsupervisory employees premium overtime pay for several years and that 11 California counties (including Los Angeles and San Francisco) also pay premium overtime rates to their employees. This policy also has been implemented by a number of California cities among which are Los Angeles, San Francisco, and Berkeley. The trend among public jurisdictions is to provide premium pay for overtime work. In major segments of private employment, the practice is well established. The Division of Labor Statistics and Research reports that 98 percent of the union labor contracts require premium overtime compensation.

**Budget Proposal as Allocated to Salary Setting Authority for Civil Service and Related Classes**

Table 2 shows (1) the allocation of the proposed salary increase funds setting authority and (2) the Personnel Board's recommendations on salary increases. Excluded here are the proposals for salary

## Augmentations for Salary Increases—Continued

increases for faculty and faculty-related, instructional and instructional-related classes and statutory salaries which are discussed as separate issues.

Table 2

## Allocation of Proposed Salary Increases for Civil Service and Related Classes by Salary Setting Authority and Class

Personnel Board			
State Civil Service Classes	General Fund	Special Funds	Other Funds
5-percent general salary increase	\$25,847,000	\$18,887,405	\$11,253,535
Special inequity adjustment	2,585,000	1,889,000	1,125,000
	\$28,432,000	\$20,776,405	\$12,378,535
Department of Finance			
State exempt and other classes			
5-percent general salary increase	\$603,200	\$61,355	\$71,905
Special inequity adjustment	--	6,100	7,190
	\$603,200	\$67,455	\$79,095
University of California			
Nonfaculty classes			
5-percent general salary increase	\$6,614,370	--	--
Special inequity adjustment	661,000	--	--
	\$7,275,370	--	--
Trustees of the State Colleges			
Noninstructional classes			
5-percent general salary increase	\$4,261,600	--	--
Special inequity adjustment	426,000	--	--
	\$4,687,600	--	--
Total Civil Service and Related Classes			
5-percent general increase	\$37,326,170	\$18,948,760	\$11,325,440
Special inequity adjustment	3,672,000	1,895,100	1,132,190
Total salary adjustment proposal	\$40,998,170	\$20,843,860	\$12,457,630
Premium overtime pay	345,000	1,500	3,000
Grand Total Civil Service and Related			
Classes	\$41,343,170	\$20,845,360	\$12,460,630

## State Personnel Board Recommendations

State Civil Service Classes	General Fund	Special and other Funds
5-percent general salary increase	\$24,750,000	\$30,020,000
Special inequity adjustment	14,963,000	6,058,000
Premium pay for overtime	345,000	5,000
	\$40,058,000	\$36,083,000

## Fiscal Year 1969-70 Budget Proposal

## Civil Service and Related Classes

We recommend approval of Item 297 which provides a 5-percent general salary increase and a 0.5 percent special equity adjustment fund for civil service and related classes.

Item 297 appropriates \$40,998,170 from the General Fund for a 5-percent general salary increase for civil service and related classes and includes an amount equal to 0.5 percent of the various salary bases for special inequity adjustments. The general increase would be effective July 1, 1969, if approved and will be applied to the salaries

**Augmentations for Salary Increases—Continued**

of the state civil service employees, the exempt positions and other classes in state government, and to the nonfaculty and noninstructional positions of the university and state college system.

**Premium Overtime Pay Under Federal Law**

*We recommend approval of Item 304 which provides funds for premium overtime pay to state employees who are covered by the federal Fair Labor Standards Act.*

Item 304 provides an amount of \$345,000 from the General Fund to support premium overtime pay for state civil service employees covered by the federal Fair Labor Standards Act during fiscal year 1969-70.

**Executive Salary Increases****Reappropriation Required to Continue Executive Salary Increases Granted in 1968**

*We recommend approval of Item 302, which reappropriates funds to continue the 5-percent salary increase granted certain statutory officers in the Budget Act of 1968.*

Item 302 provides funds to continue the 5-percent pay increase granted statutory classes in the Budget Act of 1968. The total amount budgeted under that act for this purpose was \$105,075 from the General Fund and \$31,295 from special and other funds. Approval of this item will provide the salary base for the proposed increase contained in Item 303.

**Executive Salary Increase Proposal for Fiscal Year 1969-70**

*We recommend approval of Item 303 which funds a 5-percent general increase for executive salaries.*

Item 303 provides a 5-percent general salary increase for state executives whose salaries, although fixed by statute, can lawfully be increased in this manner. The total amount requested from all funds for this purpose is \$144,970. This increase is proposed to maintain the existing relationship between the statutory salaries of executive officers and those of their subordinates. Inclusion of this item insures that senior civil service personnel who are subordinate to those executives will also receive the 5-percent general increase without further compaction of civil service salaries in classes immediately below the senior executive level. The cost of this provision in the budget year will be \$111,705 to the General Fund, \$20,945 to special funds and \$12,320 to other funds.

**Other Recommendations on Statutory Salaries**

*We recommend the enactment of legislation which would:*

(1) *Require the Personnel Board, each time it recommends a general salary increase for civil service employees, to make additional recommendations, including supporting data to the Governor on specific adjustments to all statutory salaries that should be made to maintain a proper relationship between and prevent compaction of civil service salaries with statutory salaries.*

In state employment, the principle that like salaries shall be paid for comparable duties and responsibilities and that consideration shall be given to prevailing salaries for comparable services in the private as

**Augmentations for Salary Increases—Continued**

well as the public sector, applies to the state civil service system and is expressed in the statutes governing that system. No such provision or principle is expressed or implied in the case of statutory salaries.

The statutory salary levels were last adjusted on July 1, 1968, by a 5-percent increase. The last all-inclusive statutory salary legislation prior to 1968 was enacted as Chapter 145 of the 1964 First Extraordinary Session. During that four-year period, state civil service employees have by contrast received four salary increases, the totals of which average 21.5 percent and, with addition of the proposed increase for the budget year, will amount to approximately 27.6 percent.

We believe it is desirable and in keeping with good personnel administration to maintain a significant salary differential between the statutory salary levels and the higher civil service salary scales in order to (1) recognize the fact that statutory or noncivil service positions have less job security than civil service positions and (2) relieve the problem of salary compaction. Present law does not provide an adequate or uniform procedure by which statutory salaries can be reviewed and adjusted at the same time that adjustments are made in civil service salaries. As a result a severe salary compaction problem has developed in the civil service salary ranges in a number of state agencies and is most apparent in the Departments of Mental Hygiene, Public Health, Public Works and Water Resources where the executive civil service salaries have been compressed against the director's salary with but a 0.2 percent differential (\$3.66) on the basis of monthly salaries. Under existing policy, high-level civil service positions are denied general salary increases (to which they otherwise are entitled) if such increases would cause their salary to exceed that of statutory positions in their agency.

The report of the Personnel Board for each of the last three years has expressed concern over the salary compaction problem which exists between the statutory salaries and the higher civil service salary ranges. The Commission on California State Government and Organization studied the problem of executive salaries in 1965 and made similar observations.

More recently, on December 11, 1968, the commission made specific recommendations for salary increases affecting a total of 103 executive positions consisting of 36 statutory officers in executive positions, 37 full-time board or commission members, 21 part-time board or commission members and nine members of the Governor's executive staff. The commission's recommended increases in annual salaries range from a maximum of \$6,125 to \$2,425 in the executive positions; \$4,725 to \$3,300 in the case of full-time commission or board members; and \$2,100 to \$105 for part-time commission or board members.

The commission estimated the annual increased cost of its recommendation to total \$375,000, the General Fund portion being \$270,000 and the remaining \$105,000 coming from special funds. The commission recognized that implementation of the recommended increases would result in comparable increases for certain executive civil service and exempt salaries. The Department of Finance has estimated that ap-

**Augmentations for Salary Increases—Continued**

proximately 55 exempt positions would be so affected with an annual estimated increased cost of \$80,569. However, the Personnel Board estimates that implementation of the commission's recommendation could affect a maximum of approximately 260 civil service positions of 160 such positions, depending on the salary differential which may be established between the statutory and civil service ranges. The annual increased cost under those two proposals would be \$500,000 or \$100,000, the first being based on a uniform increase for 260 positions and retention of a minimum salary differential of \$1 per month as at present, and the \$100,000 cost being based on providing a 5-percent differential for the top 160 positions.

A statutory provision such as we have recommended above would provide a uniform procedure for reviewing and adjusting statutory salaries at the same time that the Legislature considers the Governor's proposals for adjustments in civil service salaries.

**SALARY STRUCTURE AT THE UNIVERSITY  
AND STATE COLLEGES****Faculty Salaries**

*We recommend that the University of California be authorized a faculty salary increase of 5.2 percent which increases the budgeted amount by 0.2 percent or \$218,873 for a total appropriation in Item 298 of \$5,690,708.*

*We recommend that the California State Colleges be authorized a faculty salary increase of 5.2 percent which increases the budgeted amount by 0.2 percent or \$327,406 for a total appropriation in Item 300 of \$8,512,566.*

The recommendations of the Coordinating Council for Higher Education called for a 5.2-percent increase for academic salaries at the University of California and the California State Colleges. These recommendations were submitted to the Legislature on December 12, 1968, at which time the council's annual report on faculty salaries, fringe benefits and related salary data was transmitted. The report was prepared in accordance with Senate Concurrent Resolution No. 51 of the 1965 General Session. 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 to be included in the report and the method in which salary comparison calculations are to 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.

The comparison institutions used in this year's report were the same as used in the 1967 report. For the University, the peer institutions are: Cornell, Harvard, Illinois, Michigan, Stanford, SUNY-Buf-

**Augmentations for Salary Increases—Continued**

falo, Wisconsin and Yale. The CCHE included all instructional faculty except law, medicine and dentistry within the comparison.

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 results of the council survey are shown in Tables 3 and 4 which compare each segments average salaries by rank to its peer institution.

**Table 3**

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

Comparison Institutions	<i>Prof.</i>	<i>Assoc. Prof.</i>	<i>Asst. Prof.</i>	<i>Instr.</i>	<i>All ranks</i>
1969-70 salaries (projected) ----	\$18,867	\$14,086	\$11,557	\$8,795	\$14,118
California State Colleges 1968-69 (actual) -----	17,020	12,732	10,481	9,097	12,814
Increase in dollars required -----					\$1,304
Percentage increase required -----					10.18%

**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	<i>Prof.</i>	<i>Assoc. Prof.</i>	<i>Asst. Prof.</i>	<i>Instr.</i>	<i>All ranks (adjusted)</i>
1969-70 salaries (projected) ----	\$19,998	\$14,258	\$11,252	\$8,775	\$14,418
University of California 1968-69 salaries (actual) -----	19,428	13,278	10,610	7,600	13,705
Increase in dollars required -----					\$713
Percentage increase required -----					5.20%

For the state colleges the recommendations of the coordinating council do not correspond to the percentage shown in Table 3. The survey data from the 18 comparison institutions indicates a salary increase of 10.2 percent would be required to maintain comparability, but the recommendation of the council was for only a 5.2-percent increase. The council action resulted after considerable debate over the size of the state college increase shown by the data. Several members expressed reservations as to the comparability of the 18 institutions used and the fact that the state college salaries were steadily narrowing the difference between University salaries. In light of these concerns the final council recommendation of 5.2-percent salary increase to the state colleges provided the same increase as for the University.

Our recommendation of 5.2 percent for University faculty corresponds to that of the council and is supported by the survey data from



**Augmentations for Salary Increases—Continued**

the comparison institutions indicating as shown in Table 4 that 5.2 percent is necessary to maintain a consistent relationship between the University and its comparison institutions.

Our recommendations of 5.2 percent for the state colleges also corresponds to that of the council and is based on maintaining the existing relationship to University salaries rather than to those of the 18 comparison institutions. In our opinion there is now sufficient information indicating that the existing method for determining salary increases results in excessive adjustments to the state colleges when compared to the University.

**State Colleges are Closing the Salary Gap**

The concern expressed by council members that state college salaries have been increasing at a faster rate than University salaries can be demonstrated by examining the adjustments in recent years. In 1963-64 the weighted all-ranks average for University faculty was \$10,803 as compared to the state college average of \$9,216 for a difference of \$1,587. In 1968-69 this difference had been reduced to \$891 and if the comparison institution data were projected to 1969-70 and the full amount appropriated, the gap would be reduced to \$300. An illustration of this higher annual rate is shown in Table 5 which lists the actual percentages appropriated since 1959-60 for each of the segments. In three of the past four years the state colleges received considerably higher increases than the University.

**Table 5**  
**Academic Salary Increases**  
**1959-60 Through 1967-68**

	<i>University of California</i>	<i>California state colleges</i>	<i>Effective date</i>
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
1968-69 -----	5.0	7.5	7/1/68

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

On the basis of internal comparisons between the two segments it is interesting to note that the state colleges compare favorably with University salaries for the four faculty ranks of professor, associate professor, assistant professor and instructor.

For academic year appointees, the University employs one pay step for instructors, four steps for assistant professors, three for associate professors and five for professors. At the state colleges two pay scales have been established for each rank. Class I is for faculty without doctorates and Class II is for those with doctorates or their equivalents and all ranges include five steps. Normal salary practice at the state colleges is to require one year at each step while at the University the

## Augmentations for Salary Increases—Continued

normal periods per step are two years for assistant professors and associate professors and three years for professors. This difference makes comparisons of salary ranges and average salaries difficult. In addition, both segments may vary from this normal pattern by hiring at the second, third or fourth steps of a range. For comparative purposes we have assumed that an employee is hired at the first step of each rank and follows the normal time period for each step in the range. For example, the range for professors at the University is from \$15,400 to \$22,800 which is higher than the state college Class II range of \$15,036 to \$18,288 for professors. An employee hired at the first step at the University would receive \$15,400 but since the normal period at each step is three years he would not move to the second step of \$17,100 until his fourth year. At the same time, the Class II state college professor would start at the lower figure of \$15,036 but by the second year would move to \$15,804 and would be making \$404 more than the University professor. Actually the state college appointee stays ahead of the University professor until the seventh year. This is illustrated in Table 6 which compares the salaries for the four ranks by normal periods at each step.

Table 6

Comparison of Salary Ranges by Normal Salary Steps,  
University of California—California State Colleges  
1968-69 Academic Year

Rank	Year	State Colleges		University
		Class I	Class II	
Professor -----	1	\$14,328	\$15,036	\$15,400
	2	15,036	15,804	15,400
	3	15,804	16,608	15,400
	4	16,608	17,424	17,100
	5	17,424	18,288	17,100
	6			17,100
	7			18,900
	8			18,900
	9			18,900
	10			20,800
	--			22,800
Associate Professor -----	1	\$11,244	\$11,808	\$12,300
	2	11,808	12,384	12,300
	3	12,384	13,008	13,200
	4	13,008	13,600	13,200
	5	13,644	14,328	14,100
Assistant Professor -----	1	8,892	9,324	9,700
	2	9,324	9,804	9,700
	3	9,804	10,284	10,200
	4	10,284	10,800	10,200
	5	10,800	11,340	10,900
	6			10,900
	7			11,700
Instructor -----	1	8,052	8,460	8,400
	2	8,460	8,892	
	3	8,892	9,324	
	4	9,324	9,804	
	5	9,804	10,284	

**Augmentations for Salary Increases—Continued****Are the State College Comparison Institutions Really Comparable?**

Another concern raised by council members is that the 18 institutions used by the state colleges to compare salary data, includes a number of institutions with extensive doctoral programs and as such may not be comparable. Of the 18 institutions, 13 rank among the 100 leading doctorate-granting institutions in the country as measured from 1960 to 1966. Six of these, Minnesota, Purdue, Michigan State, Pennsylvania State, Northwestern and Iowa State rank within the top 25 in numbers of doctorates granted during those years.

In 1963-64 the state colleges ranked 14th among their 18 comparison institutions in terms of average faculty salaries. By 1968-69 they had risen to 12th place. If the full 10.2 percent increase were granted this would raise the ranking of the state colleges to sixth place. This indicates the possibility of a distorting influence in the method used to determine comparability. One significant variable is the changing distribution between the ranks at the state colleges in that a greater percentage of faculty members can be found in the top two ranks each year, especially at the professor rank. In 1963-64 only 1,235, or 23.2 percent, of the full-time faculty were professors while 2,516, or 27.5 percent, are professors in 1968-69. This changing distribution is reflected in the method used to arrive at the comparable data for salary increase purposes because the average salaries for each rank at the comparison institutions are adjusted to the state college distribution.

**Fringe Benefits**

No provision has been included in the Governor's Budget for faculty fringe benefits. The Coordinating Council recommended increases of 0.5 percent at the University and 3.8 percent at the state colleges. The decision to not include these is consistent with the policy of not granting fringe benefit increases to other employees of the state.

**Academic Related Classes**

*We recommend approval as budgeted of Items 299 and 301 which provide a 5-percent salary increase for academic related classes at the University and state colleges.*

This recommendation would provide the same increase for these classes as for all other state employees. The Coordinating Council recommendation was to provide a 5.2-percent increase to all academic positions including the so-called faculty related classes at the University and the instructional-related classes at the state colleges.

In addition the council reviewed on a selective basis positions at the University and the state colleges that are not included under the designation of faculty. For the University the council recommended special inequity adjustments for administrative stipends amounting to a 10-percent increase of the salary base for department chairmen, associate deans and academic deans. At the state colleges a 4.2-percent adjustment was recommended for dean of students, administrative dean-activities, administrative dean-admissions and records, administrative dean-counseling and testing and registrar. These adjustments were not included in the Governor's Budget and we do not recommend them on

**Augmentations for Salary Increases—Continued**

the basis that it is premature to adjust academic-related classes until the problems associated with the academic and academic-related salary base have been resolved. Our discussion of this problem is included as a special section which follows.

**Problem of Defining Academic and Academic-Related Salary Bases**

1. *We recommend that the Coordinating Council for Higher Education, in cooperation with the University and state colleges, develop uniform definitions for "academic" and "nonacademic" employee classes and formulate criteria for the logical division of personnel into these two classes and report to the Joint Legislative Budget Committee prior to November 1, 1969.*

2. *We further recommend that once the academic classes are defined the council be directed to develop uniform definitions and formulate criteria which will reflect the instructional duties of the academic classes and also report this information to the Joint Legislative Budget Committee prior to November 1, 1969.*

Each year the Legislature is faced with the decision of determining the appropriate amount of salary increases required for employees funded by the state.

In making its decision the Legislature has relied on salary surveys by the State Personnel Board and the Coordinating Council for Higher Education. The State Personnel Board survey relates to all civil service classes under its classification and salary setting jurisdiction. Both the University and state colleges use the State Personnel Board survey data for salary increases to personnel classes that can be related to civil service duties. Other independent salary setting authorities usually rely on the State Personnel Board data for this purpose.

Academic salaries have traditionally been excluded from the State Personnel Board survey. The Coordinating Council has the responsibility to survey and recommend the percentage increase required to maintain academic salaries on a parity with comparable higher education institutions. The council survey has been limited to the full-time faculty in the regular ranks, specifically the classes of professor, associate professor, assistant professor and instructor.

In the 1967 legislative session it became apparent that there was a large group of so-called "academic" employees who were excluded from both the Personnel Board survey and the Coordinating Council survey. This group, variously described as "academic-related," "faculty-related" or "instructionally related," historically had been allowed the faculty increase. Because the Coordinating Council survey was limited to faculty classes only, there was a reevaluation of the policy of automatically applying the faculty increase to classes with noninstructional duties.

In the 1967 session the Legislature applied the civil service increase to this group while granting a higher amount to the faculty. The Governor eventually vetoed the additional increases and returned all salaries to the 5-percent level thus eliminating this differential. Conversely, in the 1968 session the legislative appropriation for this group was based

**Augmentations for Salary Increases—Continued**

on the faculty increase but again the Governor's veto negated the decision.

In attempting to evaluate this problem it became apparent that the state colleges used different criteria to classify academic and nonacademic employees from the criteria used by the University. This was indicated by the fact that the state colleges classified as "academic" certain administrative positions occupied by "tenured" faculty members while positions with the same duties at the University might be classified in the nonacademic group. In addition, different criteria were used by each segment, as well as the Department of Finance, in further dividing the academic classes into "academic" and "academic-related" bases for cost estimating and decision making purposes. At the University this division was made on the basis of "faculty" and "faculty-related" classes where the definition of faculty related to those positions where tenure was granted. The separation of the academic base at the state colleges into "instructional" and "instructional related" groups was approached on the basis of duties.

Chart I is an attempt to illustrate schematically the basic problem of nonuniformity of academic, academic-related and nonacademic salary bases as they were presented to the Legislature for decision in the 1968 Governor's Budget.

The top of the chart is divided into three columns representing the classes surveyed by the Coordinating Council for Higher Education, the State Personnel Board and in the middle area the classes not regularly surveyed. Below this we have attempted to display the categories of salary bases at the university and the state colleges and their different relationships to these three columns. This comparison illustrates the lack of uniformity between the two segments in the application of the Personnel Board survey as well as the problems related to dividing the academic base.

In recognition of these problems Senate Resolution No. 305 of the 1968 session directed the Coordinating Council for Higher Education to "formulate criteria for the logical division of personnel engaged in academic and academic-related activities into classifications for the purpose of establishing proper salary bases" for the two segments and to report on their recommendations by December 1, 1968. The council was also directed to develop a method of determining the appropriate salary increases for academic-related classes and to include this in its 1968 annual report on faculty compensation.

In response to the resolution, the Coordinating Council included a separate chapter entitled "Academic and Academic-Related Categories" in its Annual Report on Faculty Salaries and Benefits. To evaluate employee classification criteria and practices at the various comparison institutions of the university and state colleges, the council staff gathered information on this subject during its annual visit to the institutions.

The study found that all institutions employ "academic" personnel without instructional duties who are not included in a "civil service type" classification. This group referred to as faculty-related at the

## Augmentations for Salary Increases—Continued

Chart 1

Illustration of Basic Problem of Nonuniformity of Academic,  
Academic-Related and Nonacademic Salary Bases

Classes Surveyed by Coordinating Council for Higher Education	Classes Not Regularly Surveyed	Classes Surveyed by the State Personnel Board
Faculty Professor Associate Professor Assistant Professor Instructor	Other teaching positions. Administrative positions with academic rank. Librarians. Miscellaneous positions related to the instructional process. Miscellaneous positions peculiar to higher education institutions.	Professional, technical and clerical positions in state civil service.

## All University of California Employees

Academic		Nonacademic
Faculty	Faculty-Related (Aca. Related)	Nonfaculty
(38%)		(44%)
(18%)		

## All California State College Employees

Academic		Nonacademic
Instructional	Instructional-Related (Aca. Related)	Noninstructional
(65%)		(33%)
(2%)		

**Augmentations for Salary Increases—Continued**

University of California and instructional-related at the state colleges, is described by a wide variety of descriptive terms at the comparison institutions, usually for the purpose of clarifying instructional faculty, tenure and employment conditions. The study also showed that salary increases in comparable public institutions, although developed by comparing instructional faculty only, were traditionally applied to the entire "academic" group and not limited to the instructional faculty. In addition, in those public institutions of similar size, there was found to be a consistent relationship between faculty salaries and other academic salaries.

The council states that it could not comply with the first directive in the resolution because a logical division of personnel into these classifications could not be derived from practices in comparison institutions or from practices in the university and state colleges. The implication of this is that comparison institutions find no logical basis for distinguishing between the two categories and that salary patterns reflect this. The report recommends a termination of the practice of developing separate salary bases for academic and academic-related personnel for salary increase purposes.

The method for determining salary increases for the "academic-related" classes as recommended in the report is to provide the same percentage increase as the faculty. To assure comparability in the future the council recommends that selected classes be periodically reviewed and adjusted to align them with similar classes in the comparison institutions.

The methodology involved requires an evaluation of selected positions in the comparison institutions to determine their relationship to faculty salaries. The resultant median ratio for each selected class is then compared to the university or state college ratio for similar classes. Once the salaries for these classes have been adjusted to reflect this relationship then the same salary increases as granted the faculty would maintain this alignment. Periodic surveys would then be required only about every five years to check this relationship.

In our opinion the council's response to the first legislative directive is not adequate. The argument used by the council that other institutions of higher education do not divide their academic salary bases for salary increase purposes is an insufficient reason to not comply with the request. We believe that separate identification of the academic and academic-related bases is a desirable practice and should be continued for the following reasons.

1. The salary base data is necessary to evaluate the budgetary effects of existing legislative policy. Beginning with the Budget Act of 1967 the Legislature has provided separate salary increase appropriations for faculty and faculty-related classes at the university and "instructional-related" classes at the state colleges. Even when the percentage increase finally granted to each group was the same, the costs of the various policy alternatives were available for legislative review. Elimination of this information would have the effect of restricting the policy options available to the Legislature.

**Augmentations for Salary Increases—Continued**

2. Separate treatment of faculty and faculty-related classes is already practiced at the University of California in the area of fringe benefits. When the regents established a tax-sheltered annuity plan, participation was limited to tenured faculty only. This resulted in a 3 percent differential between faculty and faculty-related classes. This policy is inconsistent with the Coordinating Council proposal.

3. The academic salary increase recommendations of the Coordinating Council are based on a survey of only the four regular faculty ranks of professor, associate professor, assistant professor and instructor. While the data collected provides a basis for reliable comparison for the faculty ranks and other classes with instructional duties, the same degree of reliability cannot be supported for those classes without instructional duties.

4. Policy consideration is required to determine the need for recruiting academic-related classes in the national market. The State Personnel Board survey of civil service salaries is restricted to the local labor market while the Coordinating Council faculty survey in effect reflects a national market where faculty positions are recruited. On the other hand it is questionable whether all of the instructional-related or faculty-related classes should be included in this same policy. A clear example of this is found in the librarian classes who are usually recruited from the local market.

The proposed method of evaluating academic-related classes is dependent upon a policy decision that the entire academic base should be allowed the same increase as the faculty. In addition to not recommending this policy as discussed above, we also have reservations with the methodology proposed by the council. We have difficulty applying this concept to existing practices. While it is true that the proposal is a reasonable approach for determining parity for selected classes, there are still no clear criteria or definitions for determining the salary base. Disregarding the need to separately define academic and academic-related classes, there is still a need to define and establish criteria for identification of an "academic" employee as opposed to a "nonacademic" one. An indication of this problem can be found in the council's continual use of the negative phrase "the noncivil service type" classes to describe "academic" employees. As long as the university and state colleges continue to use different criteria for identifying academic employees, resulting in lack of uniformity in the base, the method suggested by the council will perpetuate these differences.

As for the concept of providing additional funds for a one-time alignment of selected classes, it should be noted that both the regents and trustees have independent personnel classification and salary setting authority. Both segments are free to provide special inequity adjustments from the salary increase funds appropriated regardless of the method used to determine the amount of the appropriation. Using the Coordinating Council proposal, the need for additional funds would not actually be known until all classes in the academic base have been surveyed to determine those that are above the salary level of the comparison institutions as well as those below. Unless the "academic"



**Augmentations for Salary Increases—Continued**

base is uniformly identified between the segments and the net adjustment is determined for all classes in the base, the council recommendation cannot logically be applied.

**Reserve for Contingencies  
EMERGENCY FUND**

**Item 305 from the General Fund**

Requested 1968-69 .....	\$1,000,000
Appropriated by the 1967-68 Budget Act .....	1,000,000
Requested increase—None .....	
Total recommended reduction .....	None

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval as budgeted.*

The Emergency Fund provides a source from which the Department of Finance can allocate funds to state agencies for expenses resulting from unforeseen contingencies not covered by specific appropriations. This item also provides authorization for the Department of Finance to make loans to agencies whose operations would be curtailed due to delayed receipt of reimbursements or revenues.

The Emergency Fund request of \$1,000,000 is a token of the amount actually needed in every year since 1959-60. To meet the actual requirement a deficiency appropriation has been necessary toward the end of each fiscal year. For 1968-69, the department anticipates a deficiency of \$3,800,000. Listed below are the 1968-69 allocations of more than \$100,000 exclusive of transfer to meet salary increases. Salary increases added \$58 million to the allocations shown.

<b>Support</b>	
Increased cost of State Police Services .....	\$101,500
California State Exposition to meet operating deficiencies .....	225,000
Enlargements due increase in number of inmates on San Quentin death row .....	201,893
Cost of administering local cigarette tax .....	222,497
Increase in postage rates <sup>1</sup> .....	120,000
Tort liability claims .....	322,062
Emergency fire suppression and detection .....	1,800,000
Department of Conservation Contract services .....	167,265
U. S. Forest Service .....	105,239
Other: 26 items less than \$100,000 each .....	745,173
<b>Total support .....</b>	<b>\$4,010,629</b>
<b>Local Assistance</b>	
Additional judgeships established by legislation .....	\$148,756
One other item .....	50,970
<b>Total Local Assistance .....</b>	<b>\$199,726</b>
<b>Total Allocations .....</b>	<b>\$4,210,355</b>

<sup>1</sup> \$120,000 for the Franchise Tax Board. Postage increases for three other agencies amounted to \$104,419 or less than \$100,000 each and are included in "other".

## Emergency Fund—Continued

Emergency Fund expenditures in 1968-69 have not been subjected to legislative review. Where appropriate, we comment on such expenditures in the analysis of the individual agency budgets. Control language in the 1968 Budget Act limited the use of the Emergency Fund to purposes which had been specifically approved by the Legislature in the budget act or other bills.

Shown below are the amounts budgeted and allocated along with the deficiency appropriations for years since 1963-64.

**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	9,321,117	8,341,951
1967-68 -----	1,000,000	4,238,515	3,908,000
1968-69 -----	1,000,000	4,210,355 (est.)	3,800,000
1969-70 (proposed) -----	1,000,000	--	--

**LEGISLATIVE CLAIMS****Item 306 from the Several Funds**

Requested 1969-70 -----	\$140,039
Estimated 1968-69 -----	645,422
Actual 1967-68 -----	122,314
Requested decrease \$505,383	

**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 March 1968, until the first meeting of March 1969, will be presented.

The Budget Bill, in its present form, includes claims approved and referred by the board through its October 15, 1968 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 designed 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.

## Legislative Claims—Continued

“(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 180.

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.

**TEMPORARY LOANS TO THE GENERAL FUND****Item 307 from the California Water Fund****ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

This item, which is similar to Item 267 of the Budget Act of 1968, would authorize temporary transfers from the California Water Fund 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 and Controller, are to be returned to the fund from which transferred as soon as there is sufficient money in the General Fund for this purpose. This section also provides that no transfers can be made from a special fund which would interfere with the object for which the fund was created.

Section 16310, amended by Chapter 1457, Statutes of 1968, provides that when loans from the California Water Fund exceed 10% of the preceding fiscal year's total additions to surplus available for appropriation in this fund, interest must be paid. This interest is paid on the excess borrowing above total additions to surplus available for appropriation, at a rate determined by the Pooled Money Investment Board. This rate is the current earning rate of the fund from which the loan is transferred.

**LOCAL ASSISTANCE****Department of Agriculture****COUNTY FAIRS****Item 308 from the Fair and Exposition Fund**

FOR TRANSFER TO THE GENERAL FUND_____	\$149,500
Total recommended reduction _____	None

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval of the item.*

Under Section 19627, Business and Professions Code, eligible county fairs may receive an annual appropriation not to exceed \$65,000 per