

**ANS—Continued**

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**rent and Budget Years**

al	1974-75		Total
	PMI* Account	Highway Account	
7.9	\$630.0	\$13.0	\$643.0
1.3	626.5	20.0	646.5
2.8	573.7	27.0	600.7
3.9	560.2	31.0	591.2
4.9	541.8	19.0	560.8
0.3	579.7	6.0	585.7
2.7	658.4	11.0	669.4
3.8	724.3	32.0	756.3
3.7	751.5	47.0	798.5
7.0	624.3	66.0	690.3
7.9	584.8	48.0	632.8
3.0	596.4	35.0	631.4

The borrowing capacity totals are monthend estimates and, as shown by Table 2, fluctuate considerably. The actual amounts available will vary from these estimates, depending upon the day-to-day transfer of tax payments, the unpredictable requirements (e.g., availability of federal funds) of some major funds such as the Highway Fund and the changing composition of funds in the Pooled Money Investment Account.

However, when these monthly loanable resources are compared to the respective monthly borrowing needs in Table 1, the difference (i.e. the unused borrowing capacity) still shows a sizable monthly safety margin on which the General Fund can draw in case of emergency.

**PROVISIONS FOR SALARY AND BENEFIT INCREASES**

**Civil Service, Statutory and Exempt Employees**

Items 87, 90 and 94 from the  
General Fund; Items 88, 91  
and 96 from special funds;  
and Items 89, 92 and 97 from  
other funds

Budget p. 44 Program p. I-236

Requested 1974-75 .....	\$172,281,442
Estimated 1973-74.....	196,168,681 <sup>a</sup>
Total recommended reduction .....	Pending

<sup>a</sup> Includes \$80,878,442 which was withheld pursuant to a ruling by the Federal Cost of Living Council.

**Higher Education Employees**

Items 95, 351, 352, 361 and 362  
from the General Fund

Budget p. 44 Program p. I-236

Requested 1974-75 .....	\$58,351,524
Estimated 1973-74.....	66,849,155 <sup>a</sup>
Total recommended reduction .....	None

<sup>a</sup> Includes \$13,946,524 which was withheld pursuant to a ruling by the federal Cost of Living Council.

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Salary Increase. Withhold recommendation relative to salary increase of civil service and related employees pending receipt of the State Personnel Board's March 1974 salary survey. 226
2. Annual Salary Report. Recommend State Personnel Board, in its future annual reports, base its salary increase recommendations on the average state civil service salary lag projected as of the following July. 227
3. Employee Benefits. If improvements in employee benefits are to be provided, recommend they be provided equitably to all categories of state employees. 227
4. Salary Compaction. Recommend Commission on California State Government Organization and Economy, with as- 228

**TABLE 1**  
**Allocation of Salary Increase Funds—1974-75 Budget**

Employee group	General Fund	Special Fund	Other funds	Total	Nature of Increase	Percent Increase
Civil service and related	\$30,705,000 (Item 90)	\$7,937,000 (Item 91)	\$7,761,000 (Item 92)	\$46,403,000	Requested for 1974-75 Pending Pay Board	2.73
	40,860,810 (Item 87)	28,686,632 (Item 88)	11,331,000 (Item 89)	80,878,442		4.2
Total: Civil service and related	(\$71,565,810)	(\$36,623,632)	(\$19,092,000)	(\$127,281,442)		6.93
University faculty and related	11,011,000 (Item 352)	—	—	11,011,000	Requested for 1974-75 Requested for 1974-75 Pending Pay Board	4.73
University nonfaculty	7,764,000 (Item 352)	—	—	7,764,000		3.72
Total: University non-faculty	8,052,200 (Item 351)	—	—	8,052,200		5.5
Total: University non-faculty	(\$15,816,200)	—	—	(\$15,816,200)		9.22
California State University and Colleges instructional and related	15,134,000 (Item 362)	—	—	15,134,000	Requested for 1974-75	5.45
California State University and Colleges noninstructional	5,382,000 (Item 362)	—	—	5,382,000	Requested for 1974-75 Pending Pay Board	3.72
	5,894,324 (Item 361)	—	—	5,894,324		5.5
Total CSUC noninstructional	(\$11,276,324)	—	—	(\$11,276,324)		9.22
Totals	\$124,803,334	\$36,623,632	\$19,092,000	\$180,518,966		

Items 87-97; 351-352; and 361-362

assistance of State Personnel  
nance, prepare a schedule of  
levels of state employees up  
constitutional officers designa-  
tion. These recommendations  
fiscal committees hearing the  
and presented each year the  
Legislature.

- Academic salaries. Recomm
- February report.
- Comparison institutions. Re
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**ANALYSIS AND RECOMMENDATIO**

The Governor's Budget propo  
employee salary and benefit increa  
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2 shows the funds by item allo  
benefits for civil service and rel  
iversity and Colleges nonacader

Employee group	Allocation of Fu
	General Fund
Civil service and related	\$25,619,000 (Item 94)
California State University and Colleges non-instructional	5,114,000 (Item 95)
Total	\$30,733,000

**CIVIL SERVICE AND RE**

A total of \$127,281,442 is provi  
and related employees. Of this a  
age increase of 4.2 percent requ  
fiscal year salary increase with  
of Living Council. The balance  
additional 2.73 average salary in  
ployee classes giving due weigh  
Personnel Board.

**Federal Action Reduces State Pay**

The Budget Act of 1973 inclu  
increase of 12.5 percent for stat  
to bring such salaries up to pa  
Cost of Living Council, acting u  
zation Act, however, required

sistance of State Personnel Board and Department of Finance, prepare a schedule of proposed salary rates for all levels of state employees up to and including statutory and constitutional officers designed to eliminate salary compaction. These recommendations should be presented to the fiscal committees hearing the salary increase items this year and presented each year thereafter to the Governor and the Legislature.

- 5. Academic salaries. Recommend special review pending February report. 229
- 6. Comparison institutions. Recommend review and adjustment of comparison institution lists if weighting effects and inconsistent methods can be corrected. 231

**ANALYSIS AND RECOMMENDATIONS**

The Governor's Budget proposes a total of \$230,632,966 for state employee salary and benefit increases. Table 1 presents for each employee group, the salary increase proposed and the associated cost by fund. Table 2 shows the funds by item allocated for providing increased employee benefits for civil service and related personnel and California State University and Colleges nonacademic employees.

**Table 2  
Allocation of Funds for Employee Benefits**

<i>Employee group</i>	<i>General Fund</i>	<i>Special Fund</i>	<i>Other funds</i>	<i>Total</i>
Civil service and related .....	\$25,619,000 (Item 94)	\$14,181,000 (Item 96)	\$5,200,000 (Item 97)	\$45,000,000
California State University and Colleges non-instructional.....	5,114,000 (Item 95)	—	—	5,114,000
Total.....	\$30,733,000	\$14,181,000	\$5,200,000	\$50,114,000

**CIVIL SERVICE AND RELATED SALARIES AND BENEFITS**

A total of \$127,281,442 is provided for increasing salaries of civil service and related employees. Of this amount, \$80,878,442 will allow for an average increase of 4.2 percent required to restore that portion of the 1973-74 fiscal year salary increase withheld pursuant to a ruling by the federal Cost of Living Council. The balance of \$46,403,000 provided will permit an additional 2.73 average salary increase to be allocated to the various employee classes giving due weight to the recommendations of the State Personnel Board.

**Federal Action Reduces State Pay**

The Budget Act of 1973 included funds for providing an average salary increase of 12.5 percent for state civil service and related salaries in order to bring such salaries up to parity with prevailing practice. The federal Cost of Living Council, acting under the authority of the Economic Stabilization Act, however, required that the average increase be limited to 7

percent, which translated to 7.8 percent in state terms as a result of following required federal procedures. State employees not earning more than \$3.50 per hour or \$605 per month were exempted from federal wage controls and received their full salary increase. Chapter 1136, Statutes of 1973, provides that funds appropriated by the Budget Act of 1973 for state employee salary increases which are not expended during the 1973-74 fiscal year are to be retained until appropriated by the Legislature.

Table 3 shows the percentage appropriated for civil service and exempt employees since the 1963-64 fiscal year.

**Table 3**  
**Salary Increases for Civil Service and Exempt Employees**  
**1963-64 through 1974-75**

<i>Fiscal year</i>	<i>Percent increase</i>	<i>Fiscal year</i>	<i>Percent increase</i>	<i>Fiscal year</i>	<i>Percent increase</i>
1963-64.....	6.1	1967-68	5.1	1971-72	—
1964-65.....	0.8	1968-69	5.7	1972-73	8.4
1965-66.....	4.4	1969-70	5.6	1973-74	12.5 <sup>a</sup>
1966-67.....	4.5	1970-71	5.2	1974-75	2.73 (proposed) <sup>b</sup>

<sup>a</sup> Reduced to 7.8 pursuant to a decision by the federal Cost of Living Council.

<sup>b</sup> In addition to restoring the portion of the salary increase withheld in the 1973-74 fiscal year pursuant to the federal Cost of Living Council decision.

#### **State Personnel Board Recommendations**

*We withhold recommendation relative to salary increases for civil service and related employees pending receipt of the State Personnel Board's March 1974 salary survey in order to determine whether it conforms or differs from the board's assumptions based on its October 1973 survey data.*

The State Personnel Board in accordance with its annual salary survey procedures has recommended that civil service salaries be increased an average of 2.73 percent in addition to the amount required for restoring the portion of the salary increase withheld in the 1973-74 fiscal year.

The 2.73 percent average salary increase for civil service and related employees would require \$46,403,000 (\$30,705,000 General Fund, \$7,937,000 special and \$7,761,000 other funds).

#### **Study of Employee Compensation**

During the 1972-73 fiscal year, a private consulting firm (Cresap, McCormick and Paget, Inc.) under contract with the State Personnel Board made a comprehensive study of the state's employee compensation program and recommended changes intended to improve the program by emphasizing a total compensation concept covering "fringe benefits" as well as salaries.

Pursuant to the consultants' recommendations, the administration announced adoption of a total equivalent compensation (TEC) approach for adjusting state employee salaries and benefits. The TEC objective is for the state to compensate its employees equitably in both salaries and bene-

fits in line with prevailing practice. We are in complete support of the basic concept of making properly weighted total compensation comparisons. The real issue, however, continues to be whether the proposal in the Governor's Budget provides an adequate adjustment, taking into account the accumulated discrepancies in both employee benefits and salaries.

#### **New Methods for Determining Salary Increase Requirements**

In accordance with the consultants' recommendations, the State Personnel Board revised its salary comparison techniques in arriving at its recommendations for the 1974 salary increase program. As a result of the new salary comparison methods, the board has projected the average civil service salary lag as of March 1974 at 2.73 percent (after restoring the increase withheld in the 1973-74 fiscal year by the federal Cost of Living Council). If the traditional comparison methods were applied, the civil service salary lag projected as of March 1974 would be calculated as 5.3 percent (2.57 percent greater).

#### **State Salary Lag Should be Computed as of July**

*We repeat the recommendation contained in our analysis of the State Personnel Board (Item 181) that the board in its future annual reports base its salary increase recommendations on the average state civil service salary lag projected as of the following July.*

Each December the State Personnel Board, in its annual report to the Legislature and the Governor, makes recommendations for increasing civil service salaries effective July 1 of the following year in order for such salaries to maintain parity with salaries of nonstate employees performing comparable work. The recommended increases presently are based on the average amount by which civil service salaries are projected to lag nonstate employment as of the following March (four months prior to the effective date of the salary increase). In order to pay state employees prevailing salaries, we recommend that the board's salary recommendations in future years be based on eliminating the civil service salary lag projected as of July of the budget year.

#### **Employee Benefits**

*We recommend that if improvements in employee benefits are to be made, they should be provided equitably for all categories of state employees.*

Under the new total equivalent compensation (TEC) approach, which currently is in the planning process for implementation in the budget year, employee benefits are an integral part along with salaries of the formal employee compensation package. In order to initiate a TEC benefit program, the budget provides \$45 million for civil service and related employees and \$5,114,000 for California State University and Colleges nonacademic employees. The types of benefits are not specified, and language in the Budget Bill (under Items 94 through 97) specifies that the funds provided for employee benefits may be allocated only in accordance with legislation implementing a total equivalent compensation program. It is our understanding that an interagency task force under the direction of the Agriculture and Services Agency with representatives from the

board, PERS and other state agencies is in the process of: (1) developing proposals as to how the funds requested in the budget for benefit increases should be applied, (2) developing proposed methods and organizational responsibilities for applying the TEC approach, and (3) drafting omnibus legislation for implementing the TEC program.

In our opinion, if provisions are to be made for improving employee benefits offered to civil service and related employees and California State University and Colleges nonacademic personnel, provisions also should be made for offering comparable benefit improvements to all other categories of state employees including California State University and Colleges academic employees, University of California personnel and judges.

It is our understanding that the amount of funds provided for benefit increases for civil service and related employees was based on: (1) an abbreviated study conducted by the consulting firm of Cresap, McCormick and Paget, Inc. in 1973 which compared the cost of employee benefits of 10 state bench-mark positions with such costs in comparable nonstate jobs and (2) employee benefit cost information received by the State Personnel Board from the Bureau of Labor Statistics and various chambers of commerce in California. The study by the consultants found the state trailing significantly in total employee benefits when compared with other California employers. We are unable to ascertain at this time the exact magnitude of the employee benefit lag, nor do we believe that the State Personnel Board or the administration can stipulate with any degree of certainty that sufficient funds are provided to overcome this lag. We understand that the board intends to conduct a full employee benefits survey during 1974 as a basis for recommending adjustments in employee benefits in its next annual report due December 1974. By that time, we will be better able to determine the adequacy of provisions made in order to overcome the benefit lag of state employees.

#### **Salary Compaction**

*We recommend that the Commission on California State Government Organization and Economy, with the assistance of the State Personnel Board and Department of Finance, prepare and submit to the fiscal committees hearing the salary increase items, a schedule of proposed salary rates for all levels of state employees up to and including statutory and constitutional officers to eliminate salary compaction.*

*We recommend further that an estimate be included of additional state cost that would result if the rates proposed were adopted.*

*We recommend finally that the board in subsequent years include salary compaction data in its annual report and that the commission use the data for making annual recommendations to the Legislature and the Governor for adjusting statutory salaries in order to prevent future compaction.*

Many exempt and higher level civil service state employees are not compensated equitably relative to their responsibilities because their salaries are "compacted" beneath those of their immediate superiors, the difference being only one dollar in some instances. The problem exists in many departments and is particularly severe in the Departments of Transportation and Health where salary compaction extends downward

through the top five or more levels of employees.

Based on information contained in a joint report prepared by the State Personnel Board and Department of Finance in March 1973 pursuant to our request, we estimate that present compaction could be eliminated entirely at an annual cost of approximately \$2.2 million and 95 percent of the compaction could be eliminated at an annual cost of approximately \$1.5 million.

Salary compaction is serious because it: (1) prevents employees from being compensated equitably, (2) deters competent individuals from accepting promotions to responsible state jobs and (3) accumulates salary distortions which ultimately require major salary readjustments.

Because the joint legislative/executive committee on executive salaries provided for in Government Code Sections 11675-11679 has not been activated to provide guidelines for eliminating salary compaction, we recommend that the Commission on California State Government Organization and Economy, with the assistance of the State Personnel Board and Department of Finance, examine the state compaction problem and prepare and submit to the fiscal committees hearing salary increase items a schedule of proposed salary rates to eliminate such compaction. We recommend that, in subsequent years, the board include in its annual report data relative to salary compaction in order for the Commission on California State Government Organization and Economy to use the data for making annual recommendations to the Governor and Legislature on adjustments which should be made to statutory salaries to prevent further compaction. Similar recommendations are made in our analysis of the State Personnel Board (Item 181).

#### HIGHER EDUCATION SALARIES

The budget requests funding for faculty and related positions at the University of California sufficient to raise salaries an average of 4.73 percent. For instructional and related positions at the State University and Colleges an average of 5.45 percent is proposed.

For nonfaculty employees at the University of California and noninstructional employees at the State University and Colleges an average increase of 3.7 percent is included. An additional 1974-75 appropriation is included to continue that portion of the 1973-74 pay plan (5.5 percent) which was held back by the cost-of-living council. These dollar amounts and related percentages are shown in Table 4.

#### Updated Information Pending

*We recommend special review of academic salary increases.*

The decisions in the Governor's Budget are based on data submitted in the November report by the Coordinating Council for Higher Education. For timing reasons this report is based on 1972-73 salaries of comparison institutions which are projected two years ahead to 1974-75. The information on 1973-74 salaries will be reported by the council in February and this will require only a one-year projection which should be more accurate. Pending receipt of the February report, we recommend special review.

**Table 4**  
**Allocation of Salary Increase Funds for Employees of the**  
**University of California and the California State University and Colleges**  
**1974-75 Budget**

	<i>Cost</i>	<i>Percent increase</i>
University of California (Item 352)		
Faculty and faculty related .....	\$11,011,000	4.73%
Nonfaculty .....	7,764,000	3.70
Total Item 352 .....	\$18,776,000	—
Item 351		
Nonfaculty (continue 1973-74 plan) .....	\$8,052,000	—
California State University and Colleges Item 362		
Instructional and instructional related .....	\$15,134,000	5.45%
Noninstructional .....	5,382,000	3.70
Total Item 362 .....	\$20,516,000	—
Item 361		
Noninstructional (continue 1973-74 plan) .....	\$5,894,324	—

#### University of California Method

The University of California request of 4.73 percent is based on the concept of achieving parity with the projected average salaries by rank paid at eight comparison institutions (Harvard, Yale, Stanford, Cornell, Illinois, Michigan, Wisconsin—Madison, and SUNY—Buffalo). A method which uses a five-year compound rate of increase in average salaries is utilized to project the 1974-75 average salary by rank paid by the eight institutions which is then used as the target for adjusting University of California salaries as shown in Table 5 to obtain equal average salaries by rank.

**Table 5**  
**UNIVERSITY OF CALIFORNIA**  
**Percentage Increase in UC 1973-74 All Ranks Average Salary**  
**Required to Attain Parity in 1974-75 With Comparison Group,**  
**Based on Five-year Compound Rate of Increase**  
**in Comparison Group Salaries**  
**(Equal Weight to Each Comparison Institution)**

<i>Academic rank</i>	<i>University of California average salaries 1973-74</i>	<i>Average salaries required to attain parity 1974-75</i>	<i>Percentage increase in 1973-74 salaries required to attain parity 1974-75</i>
Professor .....	\$24,110	\$25,397	5.34%
Associate professor .....	16,451	18,034	9.62
Assistant professor .....	13,601	14,184	4.29
Instructor .....	8,727	11,509	31.88
All ranks .....	19,418 <sup>a</sup>	20,628 <sup>a</sup>	6.23%
Less merit adjustment .....	—	—	1.50
			<u>4.73%</u>

<sup>a</sup> Based on UC 1973-74 staffing: professor 2,290; associate professor 1,138; assistant professor 1,136; instructor 71.

**California State University and Colleges (CSUC) Method**

The CSUC request of 5.45 percent is based on the concept of achieving parity with the projected average salaries by rank paid at 20 institutions which represent a "class of institutions with which that segment competed for faculty" (USC, Oregon, Hawaii, University of Nevada, Portland State, University of Colorado, University of Wisconsin—Milwaukee, Iowa State—Science and Technology, Illinois State, Northern and Southern Illinois, Indiana State, Bowling Green, Miami University, Wayne State, SUNY—Albany and Buffalo Arts and Sciences, Syracuse, and Virginia Polytechnic Institute). These universities are primarily doctorate degree level institutions with research commitments as opposed to the CSUC teaching through the master's degree mission. A method which uses a five-year compound rate of increase in average salaries is utilized to project the 1974-75 average salary by rank paid by the 20 institutions which are then used as the target for adjusting CSUC salaries as shown in Table 6. In addition to the index increase the method includes a factor for the colleges to catch up to equal average salary levels of the 20 institutions.

**Table 6**  
**CALIFORNIA STATE UNIVERSITY AND COLLEGES**  
**Percentage Increase in CSUC 1973-74 All Ranks Average Salary**  
**Required to Obtain Parity in 1974-75 With Comparison Group**  
**(1974-75 Comparison Group Projected Salaries Based Upon**  
**Five-year Compound Rate of Increase in Average Salaries,**  
**Weighted by Total Faculty by Rank)**

<i>Academic rank</i>	<i>State University and Colleges average salary 1973-74<sup>a</sup></i>	<i>Average salary required to attain parity 1974-75</i>	<i>Percentage increase in 1973-74 salary required to attain 1974-75 parity</i>
Professor.....	\$21,217	\$22,195	4.61%
Associate professor.....	15,844	17,000	7.30
Assistant professor.....	12,972	13,897	7.13
Instructor.....	11,112	10,741	(3.34)
All ranks.....	<u>16,504<sup>b</sup></u>	<u>17,486<sup>b</sup></u>	<u>5.95</u>
Less adjustment for turnover and promotions.....			<u>(0.50)</u>
			<u>5.45%</u>

<sup>a</sup> Based on 7.5 percent increase effective July 1, 1973.

<sup>b</sup> Based on CSUC 1972-73 staffing: professor 3,271; associate professor 3,271; assistant professor 3,991; instructor 242.

**Review of Comparison Institutions List**

*We recommend that the Coordinating Council for Higher Education (CCHE)/Postsecondary Education Commission (PEC) review and if necessary adjust the lists of comparison institutions in the 1975-76 report to eliminate the effects of weighting the data and the need to use inconsistent comparison methods.*

Last year we noted several procedural inconsistencies in the treatment of the data to determine the salary increase needs. In this year's budget most of these have been corrected but there is still one notable area where different methods of computing salaries are used.

The CSUC method (called variation "A" in the CCHE study) compares

the salaries of the total faculty by rank in the CSUC system to the salaries of the total faculty by rank in the comparison institution group. The UC method (variation "B") also determines UC salary levels by rank for the total faculty systemwide, but in determining the comparison salary it treats each of its eight comparison institutions as separate entities with equal weight. This weighting of the data is the so-called "average of the averages" method. Using different method results in substantial variation of the requested percentage of salary increase. The CCHE report includes data for both variations "A" and "B" for each segment, and these percentages are shown in Table 7.

**Table 7**  
**Percentage of Faculty Salary Increase Required to Attain**  
**Parity With Comparison Institutions in 1974-75**

	<i>Percent increase</i>	
	<i>CCHE data</i>	<i>Governor's Budget</i>
State University and Colleges		
Variation "A".....	5.45	5.45
Variation "B".....	4.95	—
University of California		
Variation "A".....	2.78	—
Variation "B".....	4.73	4.73

Prior to 1969-70, both segments used variation "A" in computing these data. After experimenting with a new procedure for a few years, CCHE again began reporting salary data using the original method except the University changed from variation "A" to "B". This gave equal weight to each institution and was done because of concern that the lower salaried public institutions (Michigan, Illinois, Wisconsin, SUNY—Buffalo) were having greater impact on the data because they were larger than the private institutions (Harvard, Yale, Cornell, Stanford). Conversely, this method is not used by the University in computing its own salary levels where the higher salaried institutions are the largest (Berkeley and Los Angeles).

The significance of the University weighting is that it maintains a balanced *institutional* relationship with the group of comparison institutions. If it were to weight by numbers of faculty it would drop its salaries to the level of the largest public institutions. The policy question is a clear one: Should California maintain its University at a position which is midway between the large public institutions and the higher salaried private institutions? We believe that the current position of the state, which is that its University should occupy that midway position, is justified.

A second problem that we noted last year was the significant effect that weighting has on the CSUC academic salary increase calculations. After determining the average salaries of each rank in the comparison group, this data is then weighted to reflect the CSUC staffing pattern. Because the CSUC system has a greater percentage of its faculty (62.3 percent) in the upper two ranks of professor and associate professor than does the comparison group (55.8 percent) this adjustment increases the percentage of the projected salary lag. This same method of weighting is used by

the University but it does not have a significant effect because the percentage of faculty in the upper two ranks of the comparison group is similar.

Financial restrictions often require institutions to make choices to stay within total salary allocations. One could either choose to promote fewer faculty to the upper two ranks, and pay higher than average salaries, or to promote a greater number of faculty to the top with lesser salaries. This weighting method gives CSUC a combination of the best of both choices. We believe this could be corrected by changing the composition of the list of comparison institutions to reflect more equality of staffing patterns.

#### **Faculty Class I Elimination (CSUC)**

Currently, CSUC maintains two separate salary schedules for faculty, one schedule has been established for Ph.D. faculty; the other for non-Ph.D. faculty. The difference between these two ranges is one step or five percent. An amount of \$1.4 million is included in the CSUC support appropriation (Item 359) to eliminate this differential.

In our discussion under Item 359, we endorse the proposal to eliminate the Class I differential and recommend it be approved. On the other hand, we believe that funds required to implement this policy have been included twice in the budget. As a result, we recommend deletion of the excess \$1.4 million from either Item 359 or from this item. For further discussion see Item 359.

## **PROVISION FOR SALARY INCREASES**

### **Judicial Salaries**

Item 93 from the General Fund	Budget p. 44	Program p. I-237
Requested 1974-75 .....		\$862,000
Estimated 1973-74.....		564,922
Actual 1972-73 .....		598,841
Requested increase \$297,078 (52.6 percent)		
Total recommended reduction .....		None

### **ANALYSIS AND RECOMMENDATIONS**

#### *We recommend approval.*

Funds to provide a judicial salary increase in fiscal year 1974-75 are budgeted at \$862,000. This amount is based on the requirements of Chapter 144, Statutes of 1964, as amended by Chapter 1507, Statutes of 1969, which provide that judges are entitled to an annual salary adjustment, effective September 1, based on the prior calendar year's increase in the California Consumer Price Index (CPI) as compiled and reported by the California Department of Industrial Relations.

Pursuant to this provision, judicial salaries were increased by 3.7424 percent in 1972 and by 3.585 percent in 1973. Although the CPI for calendar year 1973 was not known at the time the Governor's Budget was prepared, it was estimated at 4.8692 percent and this is the basis used for

**Judicial Salaries—Continued**

calculating the appropriation contained in this item for the September 1, 1974, salary increase. Through error, the Governor's Budget reports the increase as 4.0575 percent.

**Reserve for Contingencies  
EMERGENCY FUND**

Item 98 from the General Fund                      Budget p. 47    Program p. I-242

Requested 1973-74 .....	\$1,500,000
Appropriated by the 1973-74 Budget Act .....	1,500,000
Total recommended reduction .....	None

**ANALYSIS AND RECOMMENDATIONS**

*We recommend approval.*

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 revenue.

This budget item also provides the details of the allocation of the general salary increase approved in the 1973-74 Budget Act and allowed by the Cost of Living Council, in the amount of \$108 million.

The Emergency Fund request of \$1,500,000 is a token amount which has been substantially less than the actual deficiencies realized in every year since 1959-60. To meet the actual requirements a deficiency appropriation has been necessary toward the end of each fiscal year.

In the Governor's 1973-74 budget the department estimated a deficiency appropriation for 1972-73 of \$4.2 million. The actual deficiency appropriation needed was \$7.5 million. The difference was due to several unforeseen emergencies, including fire hazard reduction work in the San Francisco Bay Area related to eucalyptus trees, the flood emergency works on Brannan Island, increased Department of Corrections costs, and larger payments to counties for homicide trials.

**Table 1  
Emergencies of More Than \$100,000  
1973-74**

General Fund loans, debt service.....	\$1,000,000
Implementation of Energy Planning Council.....	125,000
Department of Conservation, emergency fire suppression.....	3,259,102
Judges' Retirement Fund contributions.....	548,975
Payments to counties for homicide trials.....	350,000
	<hr/>
	\$5,283,077
All other allocations under \$100,000.....	361,477
	<hr/>
Total estimated allocations.....	\$5,644,554

For 1973-74, the department anticipates a deficiency of \$4,700,000. Table 1 lists the estimated 1973-74 budget allocations of more than \$100,000 which have been identified so far this year.

Emergency Fund expenditures in 1973-74 have not yet been subjected to legislative review. Where appropriate, we comment on such expenditures in the analysis of the individual agency budgets.

Table 2 details the amounts budgeted and allocated along with the deficiency appropriations since 1966-67.

**Table 2**  
**Emergency Fund, Appropriations and Allocations**  
**1966-67 to 1974-75**

<i>Fiscal year</i>	<i>Appropriated</i>	<i>Allocated to agencies</i>	<i>Deficiency appropriation</i>
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	4,954,513	5,086,631
1969-70 .....	1,000,000	4,259,585	4,000,000
1970-71 .....	1,000,000	4,919,594	4,375,000
1971-72 .....	1,000,000	4,993,871	4,918,009
1972-73 .....	1,000,000	8,076,724	7,500,000
1973-74 .....	1,500,000	5,644,554	4,700,000 (est.)
1974-75 (proposed) .....	1,500,000	—	—

**LEGISLATIVE CLAIMS**

Items 99-110 from several funds

Budget p. 48 Program p. I-248

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Requested 1974-75 .....	\$136,689
Estimated 1973-74 .....	188,860
Actual 1972-73 .....	139,960
Total recommended reduction .....	Pending

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**ANALYSIS AND RECOMMENDATIONS**

This item includes all the general claims against the state which are approved by the Board of Control and referred to the Legislature for review and payment in a consolidated fiscal package called the "omnibus claims bill." This 1974-75 budget request now includes only the claims granted by the board between March 1973 and November 1973 although all claims approved through March 1974 will be included in the 1974-75 budget. At the time this item is set for hearing in the Legislature, the Department of Finance will request that the 1974-75 budget figure be augmented to include claims approved by the board between November 1973 and March 1974. Because the amount originally requested in each budget reflects only eight months of claims it always appears lower than the amount which is actually expended in the previous year.

All of the general claims approved by the Board of Control are reviewed by the Legislative Analyst and those which are of special interest, those involving large sums of money, as well as those which were recommended

**LEGISLATIVE CLAIMS—Continued**

for denial by the state agency charged with their review, are brought to the attention of the respective subcommittee in each house which hears the Claims Bill. Through this review, the Legislature exercises final judgment on each general claim presented and may reduce, augment or eliminate any claim approved by the Board of Control.

This office will prepare a supplemental report on the 1974-75 claims and present it to the respective subcommittees at the time of the hearing on the Claims Bill.

Table 1 traces the history of preliminary and actual expenditures for the "omnibus claims bill."

**Table 1  
Proposed and Actual Expenditures for Legislative Claims**

	<i>Requested<sup>a</sup></i>	<i>Actual<sup>b</sup></i>
1974-75.....	136,689	—
1973-74.....	103,549	188,860
1972-73.....	114,855	139,960
1971-72.....	95,617	395,924
1970-71.....	166,921	232,785

<sup>a</sup> Includes claims approved by the Board of Control between March and November of the calendar year immediately preceding the respective fiscal year.

<sup>b</sup> Includes all claims approved by the Board of Control over a 12-month period (March to March) and granted by Legislature.

Budget Bill Items 99 through 110 separate the 1974-75 total request into the General Fund and the 11 special funds from which approved claims will be paid.

**Agriculture and Services**

**DEPARTMENT OF FOOD AND AGRICULTURE**

Items 111-113 from the General Fund, Agriculture Fund and Fair and Exposition Fund

Budget p. 53 Program p. I-261

Requested 1974-75 .....	\$26,993,296
Estimated 1973-74.....	25,748,264
Actual 1972-73 .....	21,406,746
Requested increase \$1,245,032 (4.8 percent)	
Total recommended reduction .....	\$66,780

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis page*

1. *Regional Coordinators.* Reduce Item 111 by \$66,780. Recommend three regional coordinator positions be eliminated. 238
2. *Pesticide Program.* Recommend pesticide program be revised to secure accurate labels, staggered registration, evaluation before registration and other improvements. 238