PROVISIONS FOR EMPLOYEE COMPENSATION
Civil Service, Exempt, Statutory and Academic Employees

Items 95, 101, 355 and 361 from the General Fund, Items 96, 97 and 102 from special funds and Items 98, 99 and 103 from other funds. Budget p. 182

Requested 1976–77	$190,916,000
Estimated 1975–76	291,519,000
Total recommended augmentation	$40,700,000 [a]

[a] General Fund only. Corresponding augmentation will be required for special funds and other funds.

1976–77 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount	*Analysis page*
95	Salary Increase. Civil service, exempt and statutory employees.	General	$50,882,000	184
96	Salary Increase. Civil service, exempt and statutory employees except highway patrolmen and Department of Transportation employees provided for by continuing appropriations.	Special funds	4,695,000	184
97	Salary Increase. Civil service highway patrolmen.	Special funds	10,477,000	184
98	Salary Increase. Civil service, exempt and statutory employees, except highway patrolmen and Department of Transportation employees provided for by continuing appropriations.	Other funds	37,423,000	184
99	Salary Increase. Civil service highway patrolmen.	Other funds	65,000	184
101	Employee benefits and special adjustments.	General	$22,000,000	187
102	Employee benefits and special adjustments.	Special funds	4,786,000	187
103	Employee benefits and special adjustments.	Other funds	7,943,000	187
355	Salary increase. University of California employees.	General	25,243,000	189
361	Salary increase. State University and Colleges employees.	General	27,402,000	189
Subtotal Budget Bill items			190,916,000	
	Salary Increase. Civil service, exempt and statutory employees in Department of Transportation.	Special funds (from continuing appropriation to Dept. of Transportation)	12,916,000	
	Total Salary, Benefits and Special Adjustments		$203,832,000	
100	Judicial Salaries		540,000	192
	Grand Total Including Judicial Salaries		$204,372,000	

PROVISIONS FOR EMPLOYEE COMPENSATION
Civil Service, Exempt, Statutory and Academic Employees—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

	Analysis page
1. *Salary Increase. Augment General Fund $27.5 million.* Recommend 9.7 percent average increase for civil service and related employees (i.e., $35.9 million less the $8.4 million excess shown in recommendation 2(b)) as recommended by Personnel Board.	185
2. Employee Benefits. Recommend (a) state's contribution ratio for employee health insurance be maintained for state civil service and related employees and comparable benefit improvements be approved for University of California and California State University and Colleges employees ($13.6 million General Fund) and (b) excess funds budgeted for employee benefits and special increase be applied for salary increases ($8.4 million General Fund).	187
3. Total Equivalent Compensation (TEC). Recommend State Personnel Board (SPB) benefit increase recommendations include estimates of (a) funds necessary to provide comparable benefit improvements for statutory and exempt employees and employees of the University of California and the California State University and Colleges and (b) the cost of corresponding benefits for retired employees.	189
4. Salary Increase. Recommend academic salary increases for University of California and California State University and Colleges be deferred until March when comparative salary data become available.	189
5. *Salary Increase. Augment General Fund $13.2 million.* Recommend an increase for non-academic employees at the University of California and the California State University and Colleges to correspond to SPB recommendations.	191
6. Salary Increase Estimates. Recommend Postsecondary Education Commission include a dollar estimate to correspond with the academic salary increase percentages reported annually for salary parity with comparison institutions.	192

ANALYSIS AND RECOMMENDATIONS

The Governor's Budget proposes a total of $204,372,000 for increases in state employee compensation. Of this amount, $169,643,000 is intended to provide a flat monthly salary increase of $65 for (1) civil service and related employees except highway patrolmen, (2) academic and nonacademic employees of the University of California and California State University and Colleges and (3) judicial employees. (Our analysis of judicial salaries is shown separately under Item 100 on page 192.) Highway patrolmen would receive a $125 monthly increase.

The balance of $34,729,000 is presented in the budget as a lump sum for (1) fringe benefits and (2) special salary adjustments to correct inequities

Table 1
Allocation of Salary and Benefit Increase Funds
1976–77 Budget

I. SALARY INCREASE PROGRAM	General Fund		Special Funds		Other Funds			Percent
Employee Group	*Amount*	*Item*	*Amount*	*Item*	*Amount*	*Item*	*Total*	*increase*
Civil Service and related	$50,882,000	95	$28,088,000	[a]	$37,488,000	[b]	$116,458,000	5.9%
University of California (UC)								
Faculty and related	10,854,000	355					10,854,000	3.7
Nonfaculty	14,389,000	355					14,389,000	5.5
(Total UC)	($25,243,000)						($25,243,000)	
California State University and Colleges (CSUC)								
Instructional and related	$14,537,000	361					$14,537,000	4.3
Noninstructional	12,865,000	361					12,865,000	7.6
(Total CSUC)	($27,402,000)						($27,402,000)	
Judicial	540,000	100					540,000	1.7
(Totals for salary program)	$104,067,00		$28,088,000		$37,488,000		$169,643,000	
II. EMPLOYEE BENEFITS AND SPECIAL ADJUSTMENTS								
All employee groups except judicial	$22,000,000	101	$4,786,000	102	$7,943,000	103	$34,729,000	
(Totals for Salary and Benefits and Special Adjustments Programs)	$126,067,000		$32,874,000		$45,431,000		$204,372,000	

[a] $4,695,000 (Item 96)
10,477,000 (Item 97)
12,916,000 (From continuing appropriation to Department of Transportation)
$28,088,000

[b] $37,423,000 (Item 98)
65,000 (Item 99)
$37,488,000

PROVISIONS FOR EMPLOYEE COMPENSATION
Civil Service, Exempt, Statutory and Academic Employees—Continued

for civil service and related employees and employees of the University of California and California State University and Colleges. There is no indiciation as to how the funds are intended to be distributed between these two categories.

Allocation of the salary and benefit increase funds are indicated in Table 1.

Retroactive Payment Including Interest of Salary Funds Withheld Pursuant to Federal Action

In the fall of 1975, the U.S. Supreme Court ruled that the state could pay its employees retroactively for that portion of their salaries earned from July 1, 1973 to April 30, 1974 but withheld pursuant to action of the federal Cost-of-living Council. Shortly thereafter, the state issued such payments plus interest on the funds withheld at the rate of 7 percent per annum, as required by Chapter 472, Statutes of 1975.

Bonuses Granted to Lower-Salaried Employees During 1975–76

In considering state salary increases for the 1975–76 budget, the Legislature did not adopt amendments proposed by the Governor to provide a flat $90 per month salary increase for each state employee. Instead, it provided for a one-time bonus of $400 to be paid to specified lower-salaried employees (those civil service and related employees and employees of the University of California and the California State University and Colleges in classes having a maximum monthly salary of $753 or less on July 15, 1975). The bonuses were granted in addition to the individual class-by-class salary increase adjustments as determined by the salary setting authorities. They are being paid in two equal installments of $200. The first installment was paid December 15, 1975 and the final installment is to be paid June 15, 1976.

CIVIL SERVICE AND RELATED EMPLOYEES' SALARIES (Items 95–99)

An amount totaling $116,458,000 is proposed in the budget for providing a flat monthly increase of $65 for all state civil service and related employees, except state traffic officers who are to receive a $125 monthly increase. The amount proposed translates to an overall average increase of 5.9 percent.

Table 2 shows the average salary increase received by state civil service and exempt employees since the 1965–66 fiscal year. It should be emphasized that not all employees received these percentage salary increases because the adjustments are made individually on a class-by-class basis.

Table 2
Salary Increase for Civil Service and Exempt Employees
1965–66 through 1976–77

Fiscal year	*Percent increase*	*Fiscal year*	*Percent increase*	*Fiscal year*	*Percent increase*
1965–66	4.4%	1969–70	5.6%	1973–74	12.5%
1966–67	4.5	1970–71	5.2	1974–75	5.3
1967–68	5.1	1971–72	—	1975–76	6.7 [a]
1968–69	5.7	1972–73	8.4	1976–77	5.9 (Proposed)

[a] Does not include one-time bonus of $400 paid to employees in classes having a maximum monthly salary of $753 or less on July 15, 1975.

SPB Recommends a 9.7 Percent Increase

We recommend that the budget be increased to provide a 9.7 percent average salary increase for state civil service and related employees, as recommended by the SPB. The additional funding required is $27.5 million (General Fund), i.e., $35.9 million less $8.4 million using excess funds budgeted for employee benefits as shown in the recommendation on page 187.

The SPB in its January 9, 1976, annual report recommended a 9.7 percent average salary increase for state civil service employees to close the gap projected as of July 1, 1976 between state civil service salaries and salaries in comparable nonstate employment. The Governor's Budget does not propose funds sufficient to close this gap for all employees. Instead it provides a flat monthly increase of $65 for all state civil service and related employees, except state traffic officers who are to receive a $125 monthly increase. The amount proposed translates to an overall average increase of only 5.9 percent leaving a total funding gap of 3.8 percent. The flat increase method of applying the salary fund would more than close the gap at the lower end, but it would leave a corresponding wider gap at above-average salaries.

Flat Increase Concept is Unsound

We address only generally the Governor's proposed flat salary increase program because it creates such significant problems that we believe it places the entire civil service salary setting structure in jeopardy.

In the first place, the concept runs directly counter to legislative intent as reflected in Government Code Section 18850 which provides that the State Personnel Board (SPB) is to establish and adjust state civil service salary rates and, in doing so, give consideration to prevailing salary rates for comparable nonstate employment.

Second, flat increases would make rational salary administration impossible. The present salary administration system which has proved over the years to be fundamentally sound and equitable would be destroyed. The present system is conservative in that each year it is designed on a "catch up" basis to close the gap by which state salaries trail prevailing rates. The established public policy of having public salaries lag behind and in no case exceed those in private business is a sound one, we believe.

Third, flat salary increases would lead to progressively serious inequities and distortions. Some employees would be paid in excess of prevailing rates which would constitute unfair competition to nonstate employers particularly those in small businesses and in rural areas. It would also constitute an unnecessary expenditure of public funds. Other employees would receive less than prevailing rates, thereby making it difficult for the state to recruit and retain the number of qualified career employees it needs, particularly in key leadership positions. As a practical matter, it seems unlikely that future budgets will fail to grant increases to lower

PROVISIONS FOR EMPLOYEE COMPENSATION
Civil Service, Exempt, Statutory and Academic Employees—Continued

income employees equivalent to those who are higher paid. Thus, the net longer term cost to taxpayers in ultimately closing the salary gap will be greater by using the flat salary method than if the current competitive salary policy is followed.

Employees in More Responsible Jobs Actually Would Receive Less

As a practical matter, because higher-salaried employees in more responsible state jobs typically are in higher tax brackets than lower-salaried employees, they would normally receive significantly less additional take home pay as a result of a flat salary increase.

Compaction

The SPB has pointed out that salary compaction is a serious problem. We have discussed this problem in considerable detail in prior analyses and the Legislature has acted previously to alleviate it. The Governor's flat salary increase approach, if implemented, would increase drastically the extent and effects of compaction. If, instead, the full salary increase were granted and apportioned on a class-by-class basis to reflect prevailing nonstate rates, the effect on compaction would be minimized.

Because of the high rate of inflation and the significant decline in purchasing power of state salaries over the last year and one-half, we believe the first priority of funds available for employee compensation should be for salary increases. As the Governor has pointed out, increasing employee pay is the most direct way to enable people to pay for their increasing basic costs such as groceries. However, other inescapable expenses, including taxes, also are imposed which are in direct relationship to one's income level. We believe a retirement benefit increase is of lesser priority because this would be a deferred compensation which would do little to assist employees in meeting the current inflationary cost. However, we do give high priority to maintaining the state's contribution rates for employee health insurance because of its fundamental insurance feature and because this will prevent employees' take-home pay from being reduced.

Two Logical Alternatives

We believe two fiscally different but logical alternatives for adjusting state civil service salaries are:

1. Provide a 9.7 percent average increase to close entirely the gap by which state salaries trail prevailing rates, as the SPB and we recommend above.
2. Provide a 7.4 percent average increase so as to at least keep the unclosed gap in state salaries from being wider on July 1, 1976 than on July 1, 1975 when it was 2.3 percent. This would require an augmentation of $12 million to the General Fund plus corresponding adjustments to special funds and other funds.

The 1975 salary action increased state civil service salaries an average of 6.7 percent, thereby reducing the salary gap from nine to 2.3 percent as of July 1, 1975. Because funding in the budget is insufficient to match the one year growth in the inflation rate since July 1, 1975, the gap would be increased to 3.8 percent.

In our judgment, the 7.4 percent necessary to maintain the gap at 2.3 percent is the minimum increase which should be considered, because any lesser increase would cause state salaries to fall farther behind prevailing rates.

EMPLOYEE BENEFITS (Items 101–103)

Chapter 374, Statutes of 1974, enacted the Total Equivalent Compensation (TEC) program for state civil service employees. The TEC approach for benefits requires the Board of Administration of the Public Employees' Retirement System (PERS) to determine the lead/lag between state civil service benefits (principally retirement and health insurance benefits) and those for other public and private employees. The State Personnel Board (SPB) is responsible for measuring all other areas of compensation and for making an integrated salaries and benefits recommendation to meet any TEC lag.

Lump Sum Budgeted

The budget contains $34,729,000 ($22 million General Fund) as shown in Table 1 as a lump sum for (1) fringe benefits and (2) special salary adjustments to correct inequities for civil service and related employees and employees of the University of California and the California State University and Colleges. There is no indication as to how the funds are to be allocated within or between the two categories.

State Health Contribution Ratio Should be Maintained

We recommend that:

1. *The state's contribution ratio for employee health insurance be maintained for state civil service and related employees and comparable benefit improvements be authorized for University of California and California State University and College employees ($13.6 million General Fund);* and
2. *Excess amounts budgeted be used for salary increases ($8.4 million General Fund).*

The state currently pays a portion of employee health insurance premiums. Because the cost of premiums is rising rapidly, the state percentage of contribution would continue to fall unless periodically adjusted. To guard against this, Section 22825.1 of the Government Code requires the SPB to recommend the dollar adjustment necessary to maintain the state contribution level at an average 85 percent of premiums for coverage of employees and 60 percent of premiums for coverage of dependents.

In compliance, the SPB reported that health insurance premiums are estimated to increase by about 30 percent and that $14 million from all funds are required to maintain the state's percentage for civil service and related employees.

We believe that funding of this provision should be given the highest priority of any available employee benefit funds because it (1) represents the legislative intent included in Section 22825.1 and (2) prevents a reduction in employee take home pay.

The amount of funds necessary to accomplish our recommendation cannot accurately be determined at this time because new premiums will not be adopted until April 1976. Our General Fund estimate of $13.6 million was developed from the original SPB estimate using the same proportional relationships found in the salary increase items and, therefore, should not be considered precise.

Total Equivalent Compensation (TEC) Recommendation of the State Personnel Board (SPB)

The amount by which state employee benefits are calculated to trail prevailing rates (the "TEC lag") is related directly (and in inverse proportion) to the salary increase state employees are to receive. According to the SPB, the amount required to close entirely the TEC gap for state civil service employees would be (1) $14.6 million if salaries are increased the 9.7 percent and restored to parity as it recommends, and (2) $39.7 million if salaries remain at present levels (i.e., if no salary increase is provided).

TEC Lag Varies, Depending on Assumptions

Technically, the TEC lag is the added state cost which would be required to provide benefits to state employees commensurate with benefits provided in comparable nonstate employment. According to the PERS, the TEC lag figures reported by the SPB should be about $32 million higher to reflect the state cost to (1) fund fully current social security benefits for those state civil service employees who elected in 1961 not to be covered by social security and (2) make a one-time retroactive payment for benefits which would have been earned had these employees been covered by social security all along.

The PERS, in its November 1975, report *TEC Analysis of Actuarial Benefits,* included $32 million as part of the lag in TEC actuarial benefits. The SPB, however, excluded the amount from its recommendation for the following stated reasons: (1) nonstate employers are not required to pay the unfunded portion of social security, (2) the retroactive payment, being a one-time cost, would not reduce any annual lag in social security benefits, and (3) benefits granted based on this lag would result in a state lead as those not covered by social security retire.

We understand from discussions with PERS that the SPB adjustment removing the $32 million is not technically correct and that the proper way to eliminate the effect of social security would be to delete those employees not covered by social security from the analysis of actuarial benefits. However, if this were done it is likely that the $32 million "lag" would not be eliminated and could even be greater because of a potential offsetting reduction in the current state "lead" for retirement benefits. This is because these employees have longer state service and are more likely to retire than the average employee and would thereby generate a greater actuarial lead in retirement benefits than the average employee.

We believe the PERS version, which is based on strict application of the TEC methodology, is valid conceptionally and, technically, the TEC lag should be reported about $32 million higher than reported by the SPB.

However, the SPB policy concern has some merit. It costs the state more to provide the social security benefits to its employees than if these same benefits were provided through the federal system. Because these employees chose not to join social security in 1961 and that option is no longer available, should the taxpayers now be required to pay that additional amount ? We believe this concern should be considered when evaluating the need to provide additional benefits.

To enable state employees to meet increases in their basic living costs, however, we believe emphasis should be given to increasing their take-home pay by (1) closing, entirely, the gap in state salaries and (2) maintaining the state's contribution ratio for employee health benefits. The remaining technical TEC gap, we believe, is of secondary importance, and consideration should be given to closing it only if additional funds for doing so are available.

SPB's TEC Recommendations Should be Broadened

We recommend that in future years, SPB benefit adjustment recommendations include estimates of (1) the funds necessary to provide comparable benefit improvements for statutory and exempt employees and employees of the University of California and California State University and Colleges and (2) the cost of providing corresponding benefit increases for retired employees whenever such benefits might logically be extended to them.

Presently, the SPB recommendations for adjusting employee benefits apply to state civil service employees only. In our opinion, when benefit improvements are provided to state civil service employees, comparable improvements should be provided to all other categories of state employees, including University of California and California State University and Colleges staff.

If certain benefit improvements (such as increasing the automatic annual cost-of-living benefit allowance) are granted to active state employees, it might be preferable or, as a practical matter, necessary to extend them to retired employees as well. For this reason, when appropriate, the SPB should provide the estimated additional state cost of extending its recommended benefit improvements to retired state employees. It should be emphasized, however, that benefits for retired employees should be funded from monies other than those earmarked for the TEC program, which is designed for active employees only.

POSTSECONDARY EDUCATION SALARIES (Items 355 and 361)

Academic Salaries

We recommend that a decision on 1976–77 salary increases for the University of California (UC) and the California State University and Colleges (CSUC) be deferred until the California Postsecondary Education Commission (CPEC) publishes its final projections in March showing the academic salary increases necessary for UC and CSUC to achieve parity with their comparison institutions.

Senate Concurrent Resolution No. 51 of the 1965 General Session directed the Coordinating Council for Higher Education (the California Post-

PROVISIONS FOR EMPLOYEE COMPENSATION
Civil Service, Exempt, Statutory and Academic Employees—Continued

secondary Education Commission since April 1, 1974) to submit annually to the Governor and the Legislature a faculty salary and fringe benefit report. The report compares California salaries to national salary data. A preliminary report is prepared in November for use in formulating the Governor's Budget and a second report, corrected for actual current year salaries at comparison institutions, is published in March. In addition, these computations by the CPEC include a Consumer Price Index adjustment for California institutions.

The preliminary report indicates that total compensation for faculty at UC must be increased by 4.1 percent in order for the University to maintain salary parity with its comparison institutions. The required increase for CSUC is reported at 2.5 percent.

The Governor's Budget for 1976–77 provides a 3.7 percent increase for UC faculty ($10,854,000) and 4.3 percent for CSUC faculty ($14,537,000). The dollars requested are based on the policy of providing $65 per employee.

Last year we pointed out that historically, decisions on higher education salary increases have not been based on any consistent policy.

As a consequence, we proposed a procedure which would provide annual salary and fringe benefit increases for all UC and CSUC employees comparable with those granted civil service employees except that periodically (e.g., every four years) a review should be made with a comparison group of academic institutions to determine the relative status of UC and CSUC salaries and to recommend adjustments as warranted.

Our procedure was designed to simplify and make more realistic the annual salary budgeting process while continuing the fundamental objective of providing academic salaries which are competitive with salaries at comparable higher education institutions in other states.

Tables 3 and 4 indicate actual UC and CSUC academic salaries were very close to those of the comparison institutions in 1974–75.

Table 3
UC and Comparison Institutions Average Salaries
(1974–75)

	Comparison Group	*University of California*	*Difference*	
			Amount	*Percent*
Professor	$25,836	$25,308	$−528	−2.0%
Associate Professor	17,876	17,365	−511	−2.9
Assistant Professor	14,032	14,214	+182	+1.3
Instructor	11,260	10,235	−1,025	−9.1
Average	$20,705	$20,375	$−330	−1.6%

Table 4
CSUC and Comparison Institutions Average Salaries
(1974–75)

	Comparison Group	*California State University and Colleges*	*Difference Amount*	*Difference Percent*
Professor	$22,063	$22,491	$+428	+1.9%
Associate Professor	16,955	16,844	−111	−0.7
Assistant Professor	13,877	13,873	−4	—
Instructor	10,762	11,856	+1,094	+10.2
Average	$17,055	$17,998	$+943	+5.5%

Table 3 shows the 1974–75 average salary lag for UC was less than 2 percent behind its comparison group and Table 4 shows that the average CSUC salary was 5.5 percent higher than its comparison group.

Table 5 shows that where the salary differentials are the greatest (i.e., instructor level), very few UC or CSUC faculty are involved.

Table 5
Number and Percentage of Faculty by Level by Segment [a]
(1974–75)

	UC Number	*Percent*	*CSUC Number*	*Percent*
Professor	2,295	49.0%	3,989	37.3%
Associate Professor	1,126	24.1	3,392	31.7
Assistant Professor	1,223	26.1	3,126	29.3
Instructor	39	0.8	182	1.7
Totals	4,683	100.0%	10,689	100.0%

[a] Full-time equivalent (FTE) positions.

Similar comparative salary tables for 1975–76 will be available during the budget hearings. We believe consideration of academic salary increases should be deferred until all the facts have been reported by CPEC. We will make a recommendation at that time.

Nonacademic Salaries

We recommend approval of a 9.7 percent nonacademic salary increase for the University of California (UC) and a comparable 8.5 percent nonacademic salary increase for the California State University and Colleges (CSUC). (Augment Item 355 by $11.0 million and Item 361 by $2.2 million for a total recommended augmentation of $13.2 million.)

The Governor's Budget would provide a 5.5 percent increase for *nonfaculty* UC employees ($14,389,000) and 7.6 percent for CSUC *noninstructional* employees ($12,865,000). We refer to these two classifications as nonacademic. The dollars provided are based on the $65 per employee policy.

Our recommendation is based on the policy applied last year that nonacademic UC and CSUC employees should be treated equitably with other state employees. To fund nonacademic salary increases comparable with civil service would require (1) $25.4 million for UC or $11.0 million more that the Governor's Budget and (2) $15.1 million for CSUC or $2.2 million more that the Governor's Budget. Because the numbers and weighting of CSUC nonacademic employees are different than those of overall civil service, the CSUC 8.5 percent is comparable to the civil service 9.7 percent.

PROVISIONS FOR EMPLOYEE COMPENSATION
Civil Service, Exempt, Statutory and Academic Employees—Continued

Eliminate Classification Inequities

We recommend the California Postsecondary Education Commission (CPEC) calculate a dollar amount to correspond with the academic salary increase percentages reported annually for salary parity with comparison institutions.

In response to a requirement by the Budget Conference Committee of the 1969 Legislative Session, the Coordinating Council for Higher Education (CCHE) developed uniform definitions of "academic" and "nonacademic" categories with particular attention to identifying within the academic category those employees having instructional duties.

Definitions were developed and approved by the CCHE on October 6, 1969. The objective of the definitions was not to place all personnel with similar titles into the same category, but rather to determine whether substantial inequities existed within, and between, the segments in their categorization of job classifications. It was the intent of our office in making the original recommendation to the Legislature that actual duties performed, rather than general duty descriptions, would determine the category (i.e., academic or nonacademic) to which each job classification is assigned. This intended follow-up has never occurred.

Our current recommendation would require the CPEC to prepare cost estimates related to its annual report on the percentage increase necessary to maintain salary parity with comparison institutions. To accomplish this task CPEC will have to include or exclude job classifications relative to the "academic" category. These decisions should be based on the definitions established in 1969 and actual duties performed where questions or inequities arise.

PROVISIONS FOR EMPLOYEE COMPENSATION

Judicial

Item 100 from the General Fund — Budget p. 182

Requested 1976–77	$540,000
Estimated 1975–76	2,473,000
Actual 1974–75	1,226,040
Requested decrease $1,933,000	
Total recommended increase	$1,448,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS — *Analysis page*

1. *Judicial Salaries. Augment $1,448,000.* Recommend augmentation and legislation to provide adjustment of judges' salaries on basis of average percentage increase provided other state employees. 193

ANALYSIS AND RECOMMENDATIONS

The $540,000 proposed in Item 100 would provide a $65 per month salary increase for judges of the Supreme Court, courts of appeal and superior courts in line with a like salary increase proposed for other state employees. It would be necessary to repeal existing law to implement this salary adjustment. Government Code Section 68203 provides that the salaries of these judges and municipal court judges shall be adjusted on September 1 of each year by the percentage of increase in the California consumer price index (CCPI) for the prior calendar year. The proposed salary increase would provide percentage adjustments of 1.3 percent for the justices of the Supreme Court, 1.4 percent for courts of appeal judges and 1.7 percent for superior court judges compared to an estimated 10.45 percent increase under the existing CCPI formula as projected by the Department of Finance. To provide the increase required under Government Code Section 68203, this item would have to be increased by approximately $1,600,000.

Need to Coordinate Judicial and Civil Service Salary Adjustments

We recommend an augmentation of $1,448,000 and legislation to provide for adjustment of judges' salaries on the basis of the average percentage increase provided for other state employees.

The state's general salary policy is based on the principle of providing equal pay for equal work as determined by State Personnel Board surveys of salary patterns in the private sector and in other public jurisdictions. Salary adjustments for state executives are normally based on the average increase provided for the civil service classes. Inflation is a factor in this process only in the indirect sense that it may be reflected in the board's salary surveys. Of all categories of state employees, only judges receive automatic salary adjustments on the basis of increases in the consumer price index. Pursuant to the Government Code provisions, all judges (except justice court judges) were granted a 12.342 percent increase on September 1, 1975. The projected 10.45 percent adjustment required under these provisions on September 1, 1976, will result in salaries for the affected judges as shown in Table 1.

Table 1
Judges' Current and Projected Salaries
(Based on Existing Law)

Position	*Current Salary (9/1/75)*	*Estimated Salary (9/1/76)*	*Salary Increase*
Chief Justice, Supreme Court	$61,609	$68,047	$6,438
Associate Justices, Supreme Court	57,985	64,044	6,059
Judges, Courts of Appeal	54,361	60,042	5,681
Superior Court Judges	45,299	50,033	4,734
Municipal Court Judges	41,677	46,032	4,355

In periods of rapid inflation as experienced during 1974 and 1975, the percentage increases in salaries for judges have been significantly higher than the average increases approved by the Governor for other state employees. During less inflationary periods, salary increases for general state employees have occasionally exceeded increases provided judges but, on balance, a significant disparity has developed between judicial salaries and those paid to other responsible positions in state government. In the current year, for example, the judges received an increase of 12.3 percent compared to the average of 6.7 percent (excluding one-time bonus funds) paid to civil service employees. Some categories of state executives received only 3 percent because of limitations imposed by the Governor. The projected 10.45 percent increase for judges will compound this disparity.

In order to provide salary increases for judges commensurate with increases provided for state civil service employees generally, we believe that judges' salary adjustments should be based on the average percentage increase provided other state employees. Based on the average state salary increase recommended by the State Personnel Board, this would result in a 9.7 percent increase for judges in the budget year as compared to the estimated 10.45 percent under present law. This recommendation would require legislation which would not become effective until January 1977, unless an urgency clause is adopted.

Alternatively, the State Personnel Board could be directed to survey judges' salaries paid in other state and federal jurisdictions (as in the case of University of California and the State University and Colleges' instructional staff) to determine appropriate salary levels to be applied to judges.

If such legislation (with an urgency clause) is not adopted and the $65 per month salary increase is rejected, this budget item would be insufficient to provide the estimated 10.45 percent salary increase effective September 1, 1976.

Reserves for Contingencies

EMERGENCY FUND

Item 104 from the General Fund — Budget p. 186

Requested 1976–77	$1,500,000
Appropriated by the 1975–76 Budget Act	1,500,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Deficiency appropriations. Recommend consolidated listing of proposed deficiencies be included in future budget presentations. 196

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 temporary loans to state agencies whose operations